

ALC Global Credit Fund

Monthly report – September 2024

Returns	1 Month	2 Months	3 months	6 months	9 months	Since inception*
Fund	1.76%	2.75%	3.81%	7.58%	11.31%	14.44%
RBA + 2.50%	0.54%	1.11%	1.68%	3.37%	5.09%	5.81%
Outperformance	1.22%	1.64%	2.13%	4.21%	6.22%	8.62%

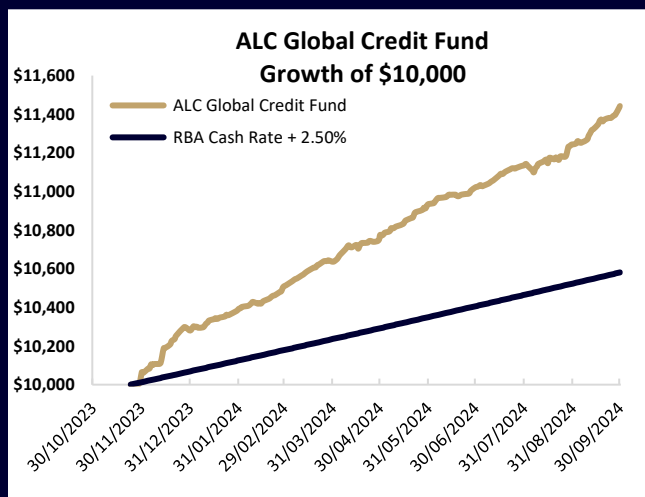
Performance is reported net of all fees. Returns greater than one year are annualized. Past performance is not a reliable indicator of future returns.

*The inception date of the ALC Global Credit Fund is 23/11/2023.

The Fund seeks to generate returns in excess of the RBA Cash Rate (“Benchmark”) by 2.5% per annum after fees and expenses over a period of 3 – 5 years. The Fund seeks to do this by investing in fixed income securities that are expected to deliver income. The fund offers daily liquidity.

AL Capital will seek to achieve the Fund’s investment objective by employing a range of active and dynamic investment strategies across the debt markets, both locally and internationally. The ability to source, understand and analyse the risk of the underlying securities and the issuers should enable a higher success of risk/return reward for investors. The portfolio takes advantage of the belief that the price of a security may differ from their intrinsic value at any point in time for a variety of reasons.

When selecting investments, AL Capital utilises a range of strategies including interest rate duration analysis, credit analysis, industry allocation and security selection. Investments are continuously evaluated in order to determine their inclusion in the Fund through the fully integrated risk management process.



Past performance is no indication of future performance. Investments may rise and fall in value and returns cannot be guaranteed.

Performance

The ALC Global Credit Fund returned 1.76% for the month of September, outperforming the target return of RBA Cash Rate + 2.50% by 1.22% for the month. The cumulative return for the Fund since inception in November 2023 is 14.44%, 8.62% above its target return, with consistent positive returns being delivered each month since inception.

The Fund continues to deliver stable, positive absolute returns in a market that has seen intense volatility for a sustained period.

Distribution

The ALC Global Credit Fund September Distribution is 1.8 cents per unit. This marks the first distribution of FY25. The Fund will distribute all realised income during the Financial Year, and intends to smooth distributions as much as possible for our investors. The distribution of 1.8 cents per unit is the Fund’s target return calculated on the average Net Asset Value over the last quarter.

Market commentary

In September, a month known for its volatility, markets ended on a positive note amid macroeconomic and geopolitical influences. The FOMC began its first rate-cutting cycle in four years, reducing the Fed Funds rate by 50 basis points to a range of 4.75% to 5% after US inflation showed significant cooling in August, with the Consumer Price Index (CPI) at +2.5% year-over-year (down from +2.9% in July) and the Producer Price Index (PPI) at +1.7% (compared to +2.1% in July). Toward the end of the month, China announced substantial stimulus measures aimed at combating deflation and addressing a weakening local economy. The S&P 500 gained 2.02%.

The ASX 200 increased by 2.97%, buoyed by unexpected stimulus announcements from China and the initiation of the Federal Reserve’s easing cycle. Commodity prices performed well in September, with the Mining sector emerging as the

top performer on the ASX, rising by +14.1%. This sector was particularly bolstered by China's stimulus news. Although tensions escalated in the middle east, market impacts were minimal.

In fixed income markets, the Australian 10-year bond yield was unchanged, while the AUD/USD appreciated by 2.2%. The Reserve Bank of Australia (RBA) held rates steady at 4.35%, signalling a shift from a mild tightening bias to a more neutral stance, as discussions of a rate hike were muted. Economic data continued to reflect weak growth and a gradual easing of inflationary pressures. The US 10-year bond yield also was lower again, dropping 12bps to 3.78%. The Federal Reserve expressed comfort with the trajectory of inflation while increasingly voicing concerns about employment, as highlighted in both the September FOMC statement and press conference. Federal Reserve Chair Jerome Powell emphasised that the monetary easing actions should be viewed as precautionary measures aimed at maintaining economic stability rather than reactive steps to address significant economic deterioration.

Japan experienced heightened volatility in both the Nikkei and the Yen following the election of former Defence Minister Shigeru Ishiba as leader of the LDP party. The new Prime Minister is perceived as supportive of the Bank of Japan's gradual tightening strategy (indicating more potential rate hikes). This appointment follows July's BOJ meeting minutes indicating that several members saw room for further rate increases; however, officials and the new Prime Minister later moderated this hawkish rhetoric,

asserting that the BOJ must maintain an accommodative monetary policy stance.

Portfolio Positioning

The Fund continues to maintain a short interest rate and credit duration of 0.44 years and 3.73 years respectively and is fully currency hedged. At the end of August, the average rating of the entire portfolio is between A- and BBB+.

The fund was heavily invested in floating rate securities, accounting for 57% of the assets of the fund and at the end of July, the fund had a Yield to Call/Maturity of 6.00%.

Notable issues such as Scentre Group's AUD Subordinated Note, and ANZ New Zealand OTC Hybrid were added to the portfolio, and both performed extremely well during the month.

Outlook

We continue to be cautious at this time of the cycle.

We believe that we are likely at the end of the hiking cycle, but rate cuts in Australia are still some way off.

We also remain cautious on credit spreads, as they have tightened significantly in recent months, and could see some weakness in coming months – although we are not forecasting any significant moves.

We thank investors for their support and appreciate the ongoing confidence placed in our approach.

Monthly Performance Since Inception

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Year
FY24					0.65%	2.15%	1.10%	1.13%	1.20%	1.30%	1.49%	0.80%	10.24%
FY25	1.03%	0.97%	1.76%										3.81%*

Performance is reported net of all fees. Financial Year returns are the compounded returns of each month, with current financial year the compound return of the current financial year to date. Past performance is not a reliable indicator of future returns

Quarterly Distributions Since Inception (Cents per Unit)

	September	December	March	June	Year
FY24		0	2.00	4.13	6.13
FY25	1.80				1.80*

*Financial Year to date

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ALC Global Credit Fund's Target Market Determination is available <https://www.eqt.com.au/insto>. A Target Market Determination describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.