

ALCapital

ALC Active Australian Equities Fund

Monthly report – October 2024

Returns	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 years p.a.	Since inception p.a.*
ALC Active Australian Equities Fund	-2.34%	-8.49%	-7.30%	-18.10%	1.25%	11.32%	15.58%
ASX 200	-1.31%	4.63%	11.13%	27.99%	8.89%	8.70%	11.16%
Outperformance	-1.04%	-13.12%	-18.43%	-46.09%	-7.64%	2.62%	4.42%

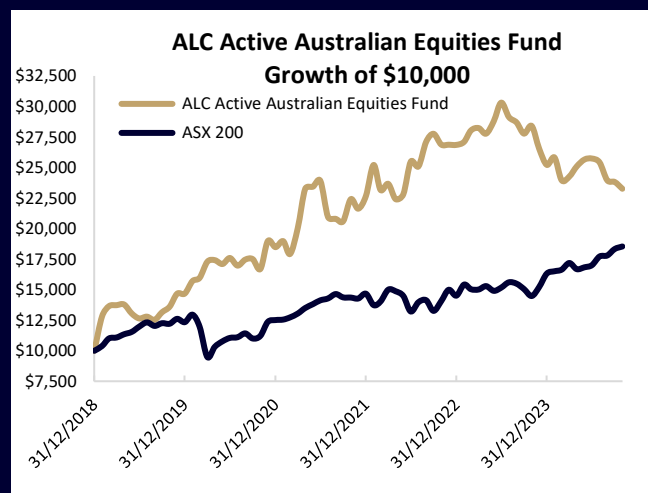
Performance is reported net of all fees. Returns greater than one year are annualized. Historical performance shows the ongoing performance both of a different fund previously managed by the AL Capital that operated with the same strategy as the ALC Active Australian Equities Fund, and the ALC Active Australian Equities Fund. This information has been provided for illustrative purposes only. Past performance is not a reliable indicator of future returns.

*The inception date of the ALC Active Australian Equities Fund is 28/07/2023, and inception date of the Strategy is 2/1/2019. Since inception performance is shown at the Strategy inception date, annualized.

The Fund seeks to generate positive absolute returns above the performance benchmark by investing in Australian-listed equities. The Fund employs a mixed strategy comprising of a high-conviction portfolio that is designed to deliver strong total returns, augmented by a short-term portfolio with a number of holdings that are expected to deliver short-term returns and provide risk-mitigation.

AL Capital employs a combination of in-depth top-down and bottom-up research to construct the high-conviction portfolio, led by our portfolio managers with strong track records. To achieve the desired net market exposure, as well as for risk control, the actively traded short-term portfolio is also utilised. Through this, AL Capital aims to achieve positive returns regardless of the overall market direction.

Risk management sits at the heart of the investment process, playing both a defensive role in helping AL Capital avoid losses in a leveraged structure as well as an offensive role in identifying shorts where risks are often mispriced.



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

Performance

The portfolio lost -2.34% in October. The High Conviction portfolio (HCP) detracted -2.8%, while the Short-Term portfolio (STP) contributed 0.5%.

The fund continues to show very strong absolute and relative performance over longer time frames, outperforming the ASX 200 by 4.42% p.a. since inception.

Largest contributors/detractors

The largest contributors in the HCP were our short position in AGL Energy (AGL, +0.49%, stock was down 11.4%), our long position in QBE Insurance (QBE, +0.39%, stock was up 4%) and our short position in James Hardie Industries (JHX +0.22%, stock was down 15%).

The largest detractors in the HCP were our positions in Polynovo (PNV, -0.96%, stock was down 21%), and Worley (WOR, -0.56%, stock was down 5.6%).

Market commentary

October saw some increased volatility, notably with the US election pending in November, as well as China 'Stimulus' impacting Asian market and a surprising increase in longer bond yields. Australian equities saw a decline of -1.31%, primarily driven by a notable -5.21% drop in the Resources sector. The month was marked by a significant sell-off in global bond markets, with the yield on Australian 10-year bonds rising by 53 basis points to 4.50%. Concurrently, the AUD/USD exchange rate fell by -4.79% to 0.6582. Economic data from Australia indicated resistance against market expectations for a rate cut by the Reserve Bank of Australia (RBA), as both the labour market showed resilience and inflation remained persistent. Australia's Q3 CPI data registered a modest increase with the RBA's preferred measure the 'trimmed mean' CPI, rose by +0.8% quarter-on-

quarter (+3.5% year-on-year), down from an upwardly revised +0.9% quarter-on-quarter (+4.0% year-on-year).

In international markets, the U.S. experienced significant fluctuations in employment reports due to Hurricane Milton, which left millions without power in Florida, compounded by an extended strike by Boeing workers. Earnings reports from U.S. companies were mixed; however, overall performance remained healthy, with approximately 76% of the roughly 160 companies in the S&P 500 that reported earnings surpassing EPS expectations by an average of 6%, according to Bloomberg data. The S&P 500 declined by -0.99% in October, while the U.S. 10-year bond yield increased by 50 basis points to 4.28% amid growing fiscal concerns as investors focused on upcoming tax and spending decisions in Washington for 2025. This longer bond yield increase is particularly surprising given the Fed began to cut rates at the end of September by 50 basis points.

In the Eurozone, inflation continued to decrease, and ECB President Christine Lagarde expressed growing confidence in returning inflation to target levels in a timely manner. The Bank of Japan maintained its policy rate at 0.25%, reflecting ongoing caution due to recent market volatility following a rate hike in July, coupled with domestic political uncertainty and the impending U.S. election.

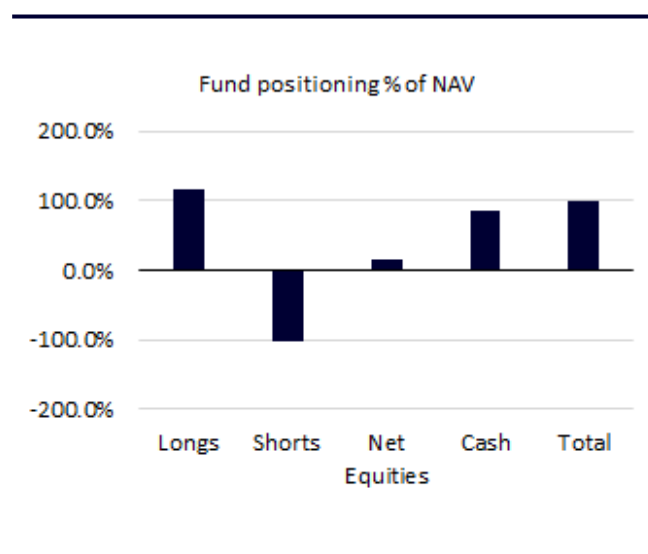
China saw aggressive profit-taking as speculative investors withdrew following a seemingly innocuous press conference from the National Development and Reform Commission (NDRC) earlier in the month. Nonetheless, substantial fiscal, monetary, and housing measures enacted in September are too significant to overlook. This setback in China led to a

sharp decline in Brent crude prices, despite rising tensions in the Middle East. Conversely, gold prices surged by 10.3%, supported by central bank purchases and geopolitical uncertainties that continue to bolster demand for gold.

Portfolio positioning

Given the expected uncertainty around the US election and its aftermath, the portfolio is relatively conservatively positioned (14% net long at the end of October).

At the end of the month, our largest positions in the HCP were QBE, Worley, and Helia. During the month we initiated new long positions in Stockland, and new short positions in Mirvac and AGL. We closed our short in James Hardie.



For all general enquiries, please contact our distribution team:



REGINA JIANG

CLIENT RELATIONSHIP MANAGER

E: regina.jiang@alcapital.com.au

P: +61 426 291 017

CLIENT SERVICES TEAM

E: contact@alcapital.com

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the ALC Active Australian Equities Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

The Investment Manager for the Fund is AL Capital Holding Pty Ltd ("AL Capital") ABN 29 613 750 682, AFSL 523648. This publication has been prepared by AL Capital to provide you with general information only. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither AL Capital, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.

ALC Active Australian Equities 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.