ALCapital

ALC Active International Equities Fund

Monthly report – October 2024

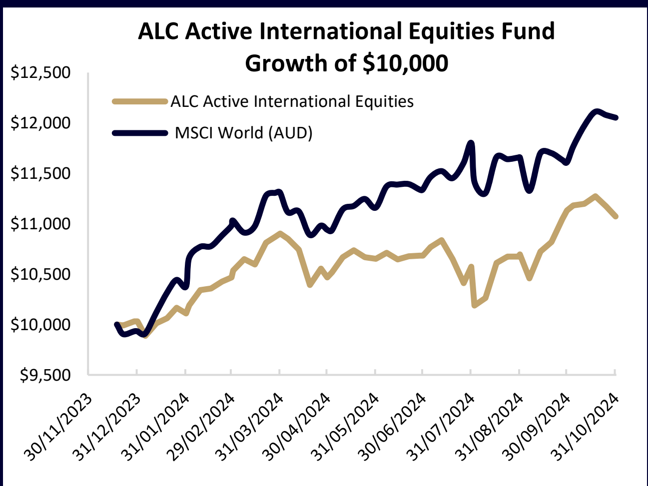
Returns	1 month	3 months	6 months	9 months	Since inception*
ALC Active International Equities Fund	-0.52%	4.73%	5.77%	9.52%	10.73%
MSCI World (AUD)	3.82%	2.14%	10.17%	16.18%	20.55%
Outperformance	-4.34%	2.59%	-4.40%	-6.66%	-9.82%

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 Active International Equities Fund is 18/12/2023.

The Fund seeks to generate returns above the performance benchmark by investing in Global Equities. The Fund expects to generate outperformance from three sources: stock picking, regional allocation, and currency hedging. The benchmark is the MSCI World index measured in Australian Dollars.

AL Capital employs a combination of quantitative tools and fundamental stock analysis to select stocks in four regions: USA, Europe, Asia-ex Japan, and Japan. Similarly, the weight of the four regions in the portfolio is determined by a combination of quant signals and the manager's view on the relative short-term attractiveness of each region. Finally, hedging decisions are based on the manager's view of the relative value of the main currencies in the portfolio.

Risk management sits at the heart of the investment process, playing a defensive role in helping AL Capital avoid losses. AL Capital considers risk from both a bottom-up and top-down perspective. The bottom-up analysis employs a proprietary risk scoring methodology and considers risk at the security level while the top-down assessment considers risk at a portfolio level.



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

Performance

The Fund returned -0.52% in October.

The stocks in the portfolio outperformed the benchmark in constant currency in all regions except Japan, with especially strong performance in Europe, where the stock picks outperformed by 527 bps.

Our relative allocation to the different regions resulted in a minor headwind, given the underweight position in Europe and Japan (which had a strong return for the month).

On currency, the portfolio was broadly hedged. However, since the currency movements constituted a positive for the index, the hedge was a negative relative delta.

Our continued cash allocation was neutral for the month.

Largest contributors/detractors

The largest contributors for the month were Kerry Group (Ireland, +29 bps), Nvidia (US, +16 bps), Meituan (Asia, +13bps), and T-Mobile (US, +10 bps). The largest detractors were Tesla (US, -30 bps), Alibaba (Asia, -18 bps), and Straumann Holding (Europe, -15 bps).

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.

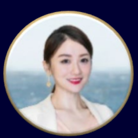
China saw aggressive profit-taking as speculative investors withdrew following a seemingly innocuous press conference from the National Development and Reform Commission (NDRC) earlier in the month. Nonetheless, substantial fiscal, monetary, and housing measures enacted in September are too significant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

At the end of the month our largest positions were Amazon (USA), NVDIA (USA), and Visa (USA).

The portfolio is well diversified with 76 stocks, and the top-5 positions less than 10% of exposure. The portfolio is currently close to index weight in all four regions, but still holds 30% of its capital in cash.

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