

ALCapital

ALC Active Australian Equities Fund

Monthly report – November 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	-2.17%	-4.99%	-11.30%	-14.30%	1.71%	9.18%	14.92%
ASX 200	3.79%	5.47%	11.53%	23.42%	9.55%	8.28%	11.23%
Outperformance	-5.96%	-10.46%	-22.83%	-37.72%	-7.84%	0.90%	3.69%

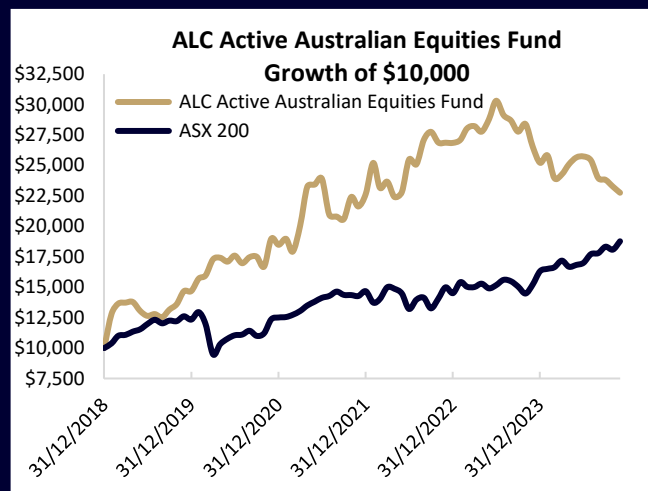
Performance is reported net of all fees. Returns greater than one year are annualized. Historical performance shows the ongoing performance both of a different fund previously managed by the AL Capital that operated with the same strategy as the ALC Active Australian Equities Fund, and the ALC Active 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 -2.17% in November. The High Conviction Portfolio (HCP) contributed 1.8%, while the Short-Term portfolio (STP) detracted 3.9%.

While the past 18 months have been challenging, the team are committed to ensuring the superior long term performance is maintained.

Largest contributors/detractors

The largest contributors in the HCP were our long positions in QBE (QBE, +183 bps), Heliia (HLI, +68 bps) and Medibank Private (MPL +44 bps). While we took some profits on QBE during the month, we continue to see upside for these stocks and they remain in the portfolio.

The largest detractors in the HCP were our short position in NetWealth (NWL, -42 bps), and our long position in Lynas (LYC, -40 bps). NetWealth trades at very high valuations and we believe will benefit in a "risk-off" scenario. Lynas moves up and down with sentiment and news around tariffs and China, but is fundamentally cheap and remains in the portfolio.

Market commentary

Global markets posted strong gains in November in one of the best months of the year as stocks received a boost from Donald Trump's win in the US presidential election. In particular, the 'Trump trade' gained momentum during the month as investors priced in Trump's pro-business impact on certain sectors of the market. Australian equities gained +3.79% despite a heavy decline in the Resources sector (-3.30%), which reflects the potential impact of tariffs on China. As a result, the AUD/USD remained under pressure at 0.6527 despite the pickup in the inflation data seen during the month. The yield on Australian 10-year bonds closed

16bps lower to 4.34% after hitting a 12-month high of 4.70% following the RBA meeting and Governor Bullock reiterating that core inflation remains elevated to consider rate cuts in the near term given core inflation picked up to 3.5% from 3.2% (above 2-3% target band). Markets are not expecting a full quarter point cut until May next year.

The US market finished November with the best monthly performance of the year as the S&P500 gained 5.87%. This reflects investor euphoria that Trump's win is particularly supportive of the economy and for US exceptionalism to continue. In addition, the rally continued into the Thanksgiving weekend as investors grew optimistic ahead of the holiday shopping season starting with Black Friday (into Cyber Monday). Earlier in the month, the Fed cut interest rates by 25 basis points to a target range of 4.50-4.75%, which looks to be supportive of equity prices in the near term. The US 10-year bond yield declined slightly to 4.17%.

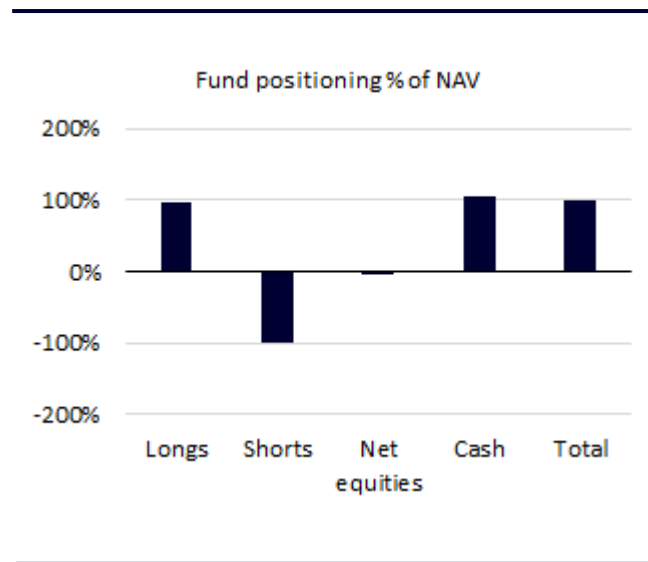
In Europe, the flash PMI data showed the eurozone falling back into contraction as weakness in the struggling manufacturing sector and political uncertainty are weighing on demand and spreading to the broader services sector. Japan saw increased volatility as data showed Tokyo's inflation accelerated above 2%, which is fuelling speculation that the Bank of Japan may raise interest rates in December. USD/JPY declined significantly and fell towards the 150 handle, which pressured the Nikkei and Topix indexes.

Chinese markets continued to struggle as investor concern deepened on the potential impacts of US trade tariffs on the economy. Investors also remained frustrated over the lack of pace and scale of the fiscal stimulus so far. This kept overall commodity prices very subdued during the month.

Portfolio positioning

While the US election is now behind us, uncertainty remains about the impact of the Trump presidency and potential responses from China and other nations around the world. The portfolio remains conservatively positioned, with a net exposure close to zero.

At the end of the month, our largest positions in the HCP were QBE, Worley, and Helia. During the month we initiated a new long position in Goodman, and a new short position in Charter Hall. We closed our longs in Origin and Beach Petroleum and our shorts in Mirvac and AGL.



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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.