

ALCapital

ALC Active International Equities Fund

Monthly report – November 2024

Returns	1 month	3 months	6 months	9 months	Since inception*
ALC Active International Equities Fund	4.13%	7.80%	8.23%	10.17%	15.31%
MSCI World (AUD)	5.16%	8.73%	13.58%	15.45%	26.77%
Outperformance	-1.03%	-0.93%	-5.35%	-5.28%	-11.46%

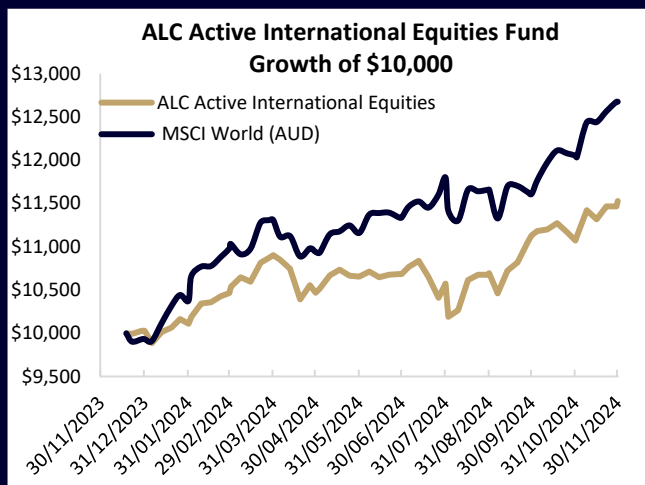
Performance is reported net of all fees. Returns greater than one year are annualized. Past performance is not a reliable indicator of future returns.

*The inception date of the ALC Active International Equities Fund is 19/12/2023.

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 4.13% in November, behind the 5.16% returned by the index.

The stocks in the portfolio outperformed the benchmark in constant currency in all regions except Asia-xJ, with especially strong performance in Japan, where the stock picks outperformed by 1000 bps.

Our relative allocation to the different regions resulted in a minor headwind, driven by regions not represented in our portfolio.

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

Our continued cash allocation was the main driver of the return lagging the index for the month.

Largest contributors/detractors

The largest contributors for the month were Netflix (US, +28 bps), Amazon (US, +21 bps), Salesforce Inc (US, +20 bps), Zensho Holding (Japan, +17 bps). The largest detractors were BYD (China, -11 bps), Sungrow Power (China, -10 bps), and Target (US, -9 bps).

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 being 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.

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 (US), Visa (US), Netflix (US), and NVIDIA (US).

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.

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ALC Active International 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.