

ALCapital

ALC Global Credit Fund

Monthly report – November 2024

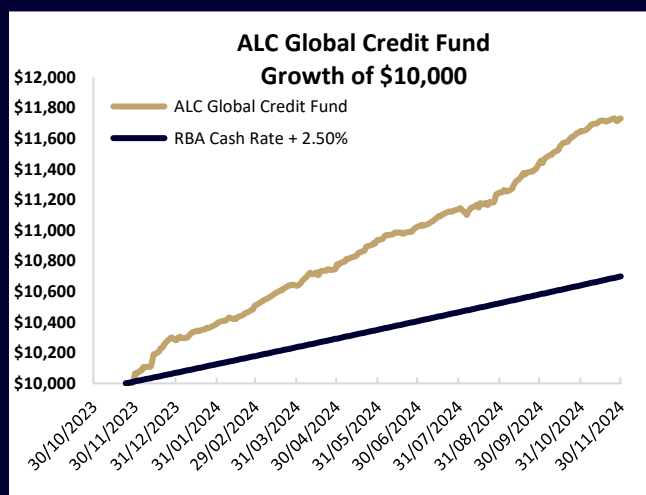
Returns	1 Month	3 Months	6 months	9 months	12 months p.a.	Since inception p.a.*
ALC Global Credit Fund	0.69%	4.30%	7.25%	11.59%	16.54%	16.89%
RBA + 2.50%	0.54%	1.66%	3.37%	5.10%	6.85%	6.83%
Outperformance	0.15%	2.64%	3.88%	6.48%	9.69%	10.06%

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 0.69% for the month of November, and 16.54% in its first full year of operations outperforming the target return of RBA Cash Rate + 2.50% by 0.15% and 9.69% respectively.

The cumulative return for the Fund for the year since its inception in November 2023 is 16.89% p.a., 10.06% p.a. above its target return, with consistent positive returns being delivered each month.

This is an extremely pleasing result in any market condition, especially with the volatility observed in the Fixed Income market.

Year in Review

November marks our first full year of operation, we would like to thank investors for their trust in the strategy, without our investors this would have never happened. There were many factors attributable to our result. The top three that we can identify are;

- The market conditions for Credit, especially in Australia, have been outstanding. Technically, an upweighting of Australia within the flows and demand for Australian Dollar Credit have increased dramatically in part due to the increased weighting in the JP Morgan JACI Index. Fundamentally, a combination of higher rates and compressing credit spreads throughout the year have helped drive returns.
- The structure of the fund is set up to utilise the market conditions efficiently and deploy our nimble and agile strategies.
- The investment management team have worked tirelessly to use the both the structure of the fund, and the market conditions to identify and construct a portfolio of the best ideas within the investment universe.

Portfolio Positioning

At the end of November, the Fund had an interest rate and credit duration of 0.51 years and 4.28 years respectively and was fully currency hedged. The average rating of the entire portfolio was between BBB+ and BBB.

The fund was heavily invested in floating rate securities, accounting for 52% of the fund's fixed income portfolio at the end of November, with a weighted average Yield to Call/Maturity of 6.06%.

During the month the fund participated in notable new issues from well-known Australian Issuers such as Aurizon, Woolworths, Scentre, CBA, NAB, ANZ, AMP, QBE and Port of Melbourne, and foreign issuers including International Banks, BNP Paribas, Barclays, SMBC, and Rabobank.

Market commentary

Global markets saw notable movements in November, with markets reacting to shifting economic and political conditions. The so-called "Trump trade" gained momentum as investors assessed the potential impact of Donald Trump's pro-business policies on the broader economy, driving changes in bond yields and rate expectations.

Australian bond markets reflected mixed dynamics. The yield on 10-year Australian government bonds declined 16 basis

points to 4.34%, retreating from a 12-month high of 4.70% reached earlier in the month. This followed signals from the RBA, with Governor Bullock emphasizing that core inflation remains elevated at 3.5%, up from 3.2%, exceeding the target range of 2-3%.

The Australian dollar (AUD/USD) remained under pressure, closing at 0.6527 despite an uptick in inflation data. Tariff concerns and their potential impact on trade, particularly with China, weighed on sentiment, reflecting broader challenges for the Australian economy.

Outlook

While we continue to be cautious at this stage of the cycle, we are confident the strategy can continue to perform as in general, interest rates will be downward trending which is generally positive for credit markets, especially investment grade credit. Further to this, Investment Grade corporations are in general showing strong company fundamentals. Any mild pullback in risk should also prove as supportive for credit markets as we see some reallocation of assets.

During the month, the investment management team added some insurance for the downside for the portfolio.

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%	1.79%	0.69%								6.40%*

*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

For all general enquiries, please contact our distribution team:



PHIL SMITH
HEAD OF DISTRIBUTION
E: phil.smith@alcapital.com.au
P: +61 410 478 848



REGINA JIANG
CLIENT RELATIONSHIP MANAGER
E: regina.jiang@alcapital.com.au
P: +61 426 291 017

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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.