

ALCapital

ALC Active Australian Equities Fund

Monthly report – December 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	2.01%	-2.54%	-9.80%	-7.95%	0.79%	9.59%	15.08%
ASX 200	-3.15%	-0.80%	6.93%	11.44%	7.41%	8.06%	10.47%
Outperformance	5.16%	-1.74%	-16.73%	-19.39%	-6.62%	1.54%	4.60%

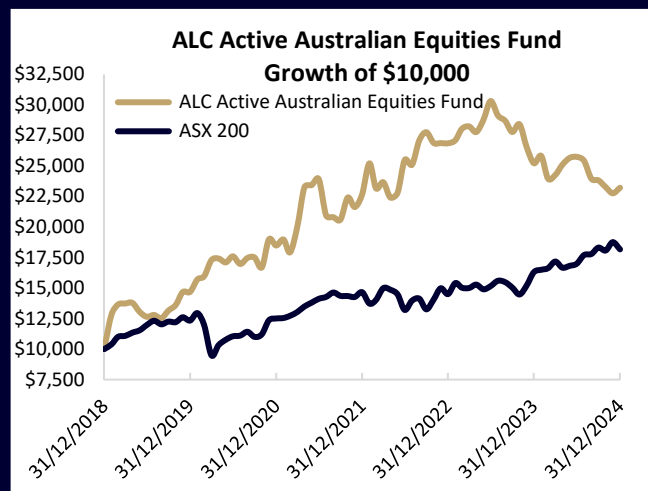
Performance is reported net of all fees. Returns greater than one year are annualized. Historical performance shows the ongoing performance both of a different fund previously managed by the AL Capital that operated with the same strategy as the ALC Active Australian Equities Fund, and the ALC Active 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 gained 2.01% in December. The High Conviction Portfolio (HCP) detracted 0.50%, while the Short-Term portfolio (STP) contributed 2.51%.

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 short positions in NetWealth (NWL, +29 bps), Imdex (IMD, +24 bps) and South32 (S32, +21 bps). We expect further downside for these stocks and they remain in the portfolio.

The largest detractors in the HCP were our long positions in QBE (QBE, -43 bps), Worley (WOR, -30 bps) and Lynas (LYC, -25 bps). We continue to like all three of these stocks. We expect QBE and WOR to report good numbers in February and deliver a positive outlook. Lynas will likely continue to be volatile but is fundamentally cheap and we believe remains attractive.

Portfolio positioning

As the inauguration of President-elect Trump gets closer, uncertainty about the impact of his plans remains high; if anything, recent comments about Greenland, Panama, Mexico and Canada have increased potential volatility. In this context, our positioning remains conservative, with a net exposure of 55% at the end of December.

At the end of the month, our largest positions in the HCP were QBE, Helia and Medibank Private, albeit that during the month we reduced the exposure to all three stocks to bring the position size in line with expected upside. We initiated a new short position in South 32. We closed our long in Coronado and our short in Charter Hall.

Market commentary

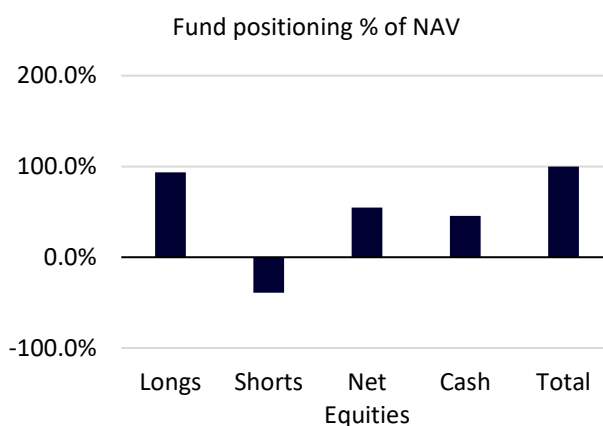
December was marked by heightened volatility as global markets reacted to the Federal Reserve's warning of prolonged higher interest rates. Domestically, the Reserve Bank of Australia held its cash rate steady at 4.35%, balancing inflationary pressures and slowing economic growth. GDP growth for the September quarter stood at 0.3%, reflecting resilience in public spending but waning momentum in private investment. Inflation remained at 3.5% YoY, with energy and housing costs driving the increase.

Australian 10y government bond yields closed 2 basis points higher to 4.36% after an early-December rally followed by a sell off, as investors digested the RBA's steady stance on rates into unemployment data. Corporate bond issuance slowed amid uncertainty, with some volatility seen in spreads after a heavy initial issuance flooding the market with supply before it was absorbed. Market participants remain cautious about the direction of monetary policy, particularly in light of persistent global inflationary pressures.

The ASX 200 shed 3.15% in December, as global economic concerns weighed on investor sentiment. Only consumer staples (+0.5%) and energy (+0.3%) delivered positive returns in the month, with real estate performing the worse

after detracting -7.0%. December's performance capped an otherwise positive year, with an 11.4% annual gain.

As 2025 begins, Global markets face numerous headwinds with threats to monetary policy and growth remaining at the forefront of investor attention. While inflation is expected to moderate, risks from external shocks and geopolitical tensions remain prominent. Investors should brace for continued volatility, with opportunities likely concentrated in defensive sectors and export-driven industries.



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

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.