ALC Active International Equities Fund

Monthly report – December 2024

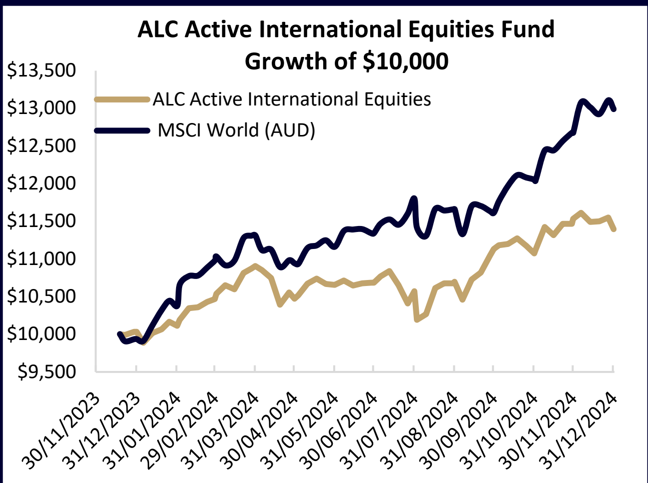
Returns	1 month	3 months	6 months	9 months	12 months	Since inception p.a.*
ALC Active International Equities Fund	-1.19%	2.35%	6.64%	4.49%	13.58%	13.38%
MSCI World (AUD)	2.47%	11.87%	14.55%	14.84%	30.78%	28.65%
Outperformance	-3.67%	-9.52%	-7.91%	-10.35%	-17.20%	-15.27%

*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.

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 detracted -1.19% in December, behind the 2.47% returned by the index. Note that the index positive return was entirely driven by currency: MSCI returns were negative in local currency in the US and Europe – but because of the falling AUD, returns in AUD were positive.

The stocks in the portfolio outperformed the benchmark in constant currency in the US and Europe, but underperformed in Asia and Japan. Overall, stock picks contributed positively to relative performance.

Our allocation to the different regions contributed marginally to relative performance, as did our continued cash allocation. Note that we have now dropped the large cash allocation, and the portfolio is now fully invested.

On currency, the portfolio was broadly hedged. As noted above, the index benefited from the falling AUD. Our portfolio didn't have this tailwind, and this was the dominant reason for this month's underperformance.

Largest contributors/detractors

The largest contributors for the month were Sanrio (Japan, +16 bps), International Consolidate Airlines (UK, +13 bps), Wise (UK, +13 bps). The largest detractors were Tesla (US, -38 bps), Progressive (US, -142 bps), and T-Mobile (US, -10 bps).

Portfolio positioning

At the end of the month our largest positions were Nvidia (US), Amazon (US), Tesla (US), and Alphabet (US).

The portfolio is well diversified with 77 stocks, and the top-5 positions less than 15% of exposure. The portfolio is currently close to index weight in all four regions.

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 10 year 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 a 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