ALCapital

ALC Market Neutral Australian Equities Fund

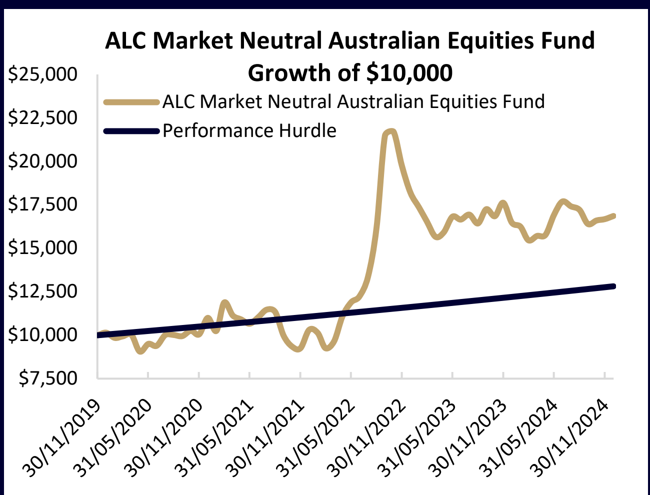
Monthly report – December 2024

Returns	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 years p.a.	Since inception p.a.*
Fund	1.08%	2.81%	-4.70%	2.33%	17.81%	10.69%	10.83%
Hurdle rate (5% p.a.)	0.41%	1.23%	2.48%	5.00%	5.00%	5.00%	5.00%
Outperformance	0.67%	1.57%	-7.18%	-2.67%	12.81%	5.69%	5.82%

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 and investment management team as the ALC Market Neutral 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 Market Neutral Australian Equities Fund is 31/01/2024, and inception date of the Strategy is 30/11/2019. Since inception performance is shown at the Strategy inception date, annualized.

The Fund is an algorithm-based portfolio that has been developed to generate a return from participating in the stock market, without being correlated with broader market movements. The algorithm is optimized for a high return-to-downside volatility-ratio.

The Fund uses a combination of factors to rank stocks according to their attractiveness. Currently, these factors relate to stock momentum, earnings momentum, value, quality, and cyclicality, but they could be updated in future algorithm upgrades. The resulting ranking is used to construct a portfolio by choosing long positions from the top of the list and short positions from the bottom. In this portfolio construction process, certain constraints are applied: there are limits on the number of stocks per sector, size of single-stock long position, size of single-stock short position, among others. The algorithm strives to attain as close to a sector-neutral position across all sectors as the ranking list permits. The algorithm is run and the portfolio is rebalanced once a month.



Past performance is no indication of future performance. Investments may rise and fall in value and returns cannot be guaranteed.

Performance

The portfolio returned 1.08% in December. As one would expect in a falling market (the overall market was down 3.2%), shorts contributed and longs detracted.

The largest contributors were gold miner Gold Road Resources (GOR, long, +92 bps), wealth manager Insignia (IFL, long, +92 bps), and steel maker Bluescope (BSL, short, +58 bps). The largest detractors were financial company ZIP Co (ZIP, long, -136 bps), location-sharing company Life360 (360, long, -108 bps), and gold miner Northern Star Resources (NST, long, -60 bps).

Dec 2024	Total	Longs	Shorts	ASX200*
Total	1.08%	-2.39%	3.47%	-3.15%

*ASX200 return shown for informational purposes only – the portfolio is not managed or measured against this index.

Overall, the fund continues to perform in line with the statistical parameters as predicted by the model. As an example, 67% of months have delivered a return within 1 standard deviation of the expected average return, and the correlation between the Fund and the ASX is 0.0199.

Portfolio Positioning

For January, our largest longs are Qantas (cheap, with decent momentum and high quality), QBE (attractive across all parameters), Zip Co (cheap, but also attractive across other parameters), Gold Road Resources (attractive across all parameters), Regis Resources (cheap, with good momentum and very strong earnings revisions).

The portfolio has a slight tilt to Technology (12% net exposure) but is otherwise balanced from a sector exposure point of view.

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 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.

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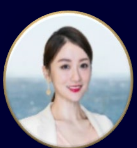

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AL Capital Holding Pty Ltd ("AL Capital") ABN 29 613 750 682, AFSL 523648, is the Trustee and Investment Manager for the ALC Market Neutral Australian Equities Fund ("the Fund").

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