

ALCapital

ALC Market Neutral Australian Equities Fund

Monthly report – February 2025

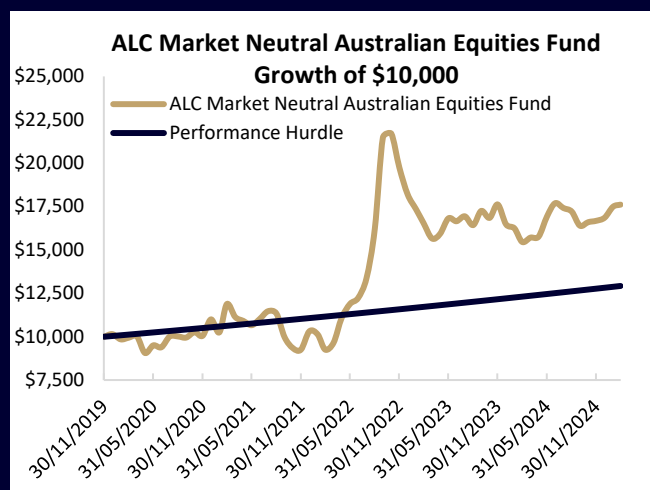
Returns	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 years p.a.	Since inception p.a.*
Fund	0.71%	5.58%	2.35%	13.91%	23.91%	12.12%	11.40%
Hurdle rate (5% p.a.)	0.37%	1.21%	2.44%	4.99%	5.00%	5.00%	5.00%
Outperformance	0.34%	4.38%	-0.10%	8.93%	18.91%	7.12%	6.40%

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-drawdown 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 cyclicity, 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.



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Performance

The portfolio returned 0.71% in February. As one would expect in a falling market (the overall market was down 3.8%), shorts contributed and longs detracted.

The largest contributors were Computershare (CPU, long, +120 bps), energy company Viva (VEA, short, +97 bps), and software company WiseTech (WTC, short, +83 bps). The largest detractors were fintech Block (XYZ, long, -212 bps), software company Xero (XRO, long, -62 bps), and steel company BlueScope (BSL, short, -45 bps).

Feb 2025	Total	Longs	Shorts	ASX200*
Total	0.71%	-3.1%	4.32%	-3.79%

*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, 68% 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 0.0172.

Portfolio Positioning

For March, our largest longs are Beach Energy (cheap, decent score on all other parameters), Computershare (strong momentum and high quality), Regis Resources (cheap, strong EPS revisions, and strong momentum), Ramelius Resources (attractive across all parameters), and Telix Pharmaceuticals (attractive across all parameters).

The portfolio continues to have a slight tilt to Technology (11% net exposure) but is otherwise balanced from a sector exposure point of view.

Market commentary

February saw markets driven by trade policy shifts, central bank actions, and key economic data releases. Notably, President Trump reaffirmed tariffs on Mexico and Canada and the EU which contributed to a greater sense of uncertainty in the global financial markets.

A lower-than-expected Consumer Price Index (CPI) reading in Australia saw the Reserve Bank of Australia (RBA) pushed to reduce the cash rate by 25 basis points to 4.10%, marking the first cut since 2020. However, the RBA's minutes reflected caution regarding further easing, noting uncertainties.

Australian 10-year government bond yields exhibited volatility, trading within a 23 bp range, before closing lower

at 4.29%. Similarly, U.S. 10-year Treasury yields fluctuated between 4.25% and 4.62%, closing lower at 4.20%. Throughout the month, credit spreads widened by 2-3 basis points as investors absorbed a flurry of new issuances.

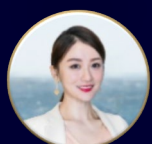
The ASX200 declined by 3.79% after the most volatile reporting season on record, with 20% of companies moving +/- 10% on their result, with many of the stocks that dropped more than 10% despite providing either no change or a very little downward change to future earnings guidance.

Likewise in the US, the S&P 500 fell 1.30% while the tech-heavy NASDAQ fell 3.91%, its biggest monthly decline since April 2024, largely driven by concerns about slowing economic growth and looming tariff plans

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