

## ALC Market Neutral Australian Equities Fund

### Monthly report – May 2025

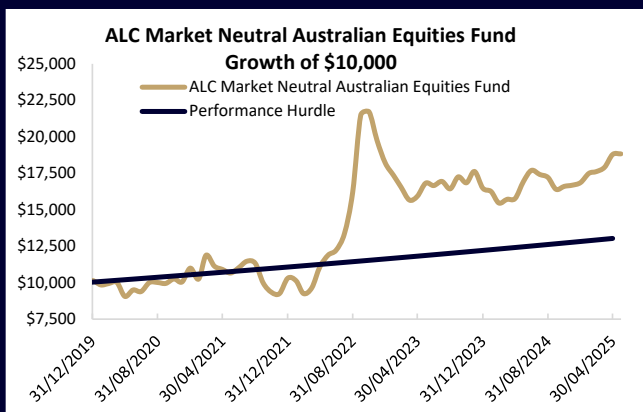
Returns	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 years p.a.	Since inception p.a.*
Fund	0.22%	6.89%	12.86%	11.20%	16.55%	14.64%	12.19%
Hurdle rate (5% p.a.)	0.42%	1.24%	2.46%	4.99%	5.00%	5.00%	5.00%
Outperformance	-0.20%	5.65%	10.39%	6.21%	11.55%	9.65%	7.19%

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 cyclical, 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 ALC Market Neutral Australian Equities Fund returned 0.22% in May against the benchmark hurdle rate of 0.42%. This builds on the historical performance of the Fund, returning 12.19% since inception.

The largest contributors for the month were Qantas Airways (ASX:QAN, long, +161 bps), lithium miner Pilbara Metals (ASX:PLS, short, +66 bps), and infrastructure services provider Ventia Services Group (ASX:VNT, long, +58 bps).

As expected in a rising market our longs outperformed our shorts, with our longs delivering 4.31%, while our shorts detracted -4.09%.

### Portfolio Positioning

At the end of May, the Fund was invested in a portfolio of 62 securities. There was a slight tilt towards Information Technology, Real Estate and Industrial, and away from Communications Services and Utilities.

The biggest positions of the Fund were Qantas Airways (ASX:QAN), Genesis Minerals (ASX:GMD) and Wisetech (ASX:WTC).

### Market Commentary

The Reserve Bank of Australia delivered its second rate cut for the year in May, lowering the cash rate by 25 basis points to 3.85%. {add a small quote from the statement of monetary policy}. The decision came alongside a widely anticipated cut by the European Central Bank and ahead of potential easing by the Bank of Canada, reinforcing a shift toward looser global monetary policy. In the U.S., concerns about long-term fiscal sustainability weighed on sentiment,

with President Trump's tax bill threatening to widen the budget deficit raising alarms among investors.

The ASX200 posted a solid month up 4.20%, supported by improving domestic confidence and a rebound in global risk appetite. Information Technology Companies delivered strong gains, buoyed by supportive macro conditions and continued investor enthusiasm for innovation and automation themes. Performance in the broader market was more mixed, with resources lagging due to ongoing concerns over China's muted growth trajectory and restrained fiscal response.

In fixed income markets, Australian 10-year bond yields ended May at 4.26%, broadly tracking global trends but with a slightly more anchored tone due to the RBA's dovish pivot. The domestic credit environment remained firm, with the

iTraxx Australia index—tracking CDS spreads on 25 leading investment-grade entities—tightening to a spread of 75 from over 90. This stability stands in contrast to offshore markets, where long-end U.S. Treasury yields climbed past 5% reflecting heightened investor concern over fiscal credibility.

Looking into June, Australian markets will be guided by upcoming employment and inflation data, which will shape expectations for further RBA easing. Globally, investors will continue to track central bank commentary, particularly from the Federal Reserve and ECB, as well as signals from the Chinese government on stimulus. We expect to continue to see dispersion in equity markets, and selectivity remains critical given stretched valuations in parts of the market. In credit, we remain cautious after a significant tightening in spreads ahead of what is usually a busy issuance period.

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