

EQUITY ALPHA PLUS FUND

PARADICE
INVESTMENT MANAGEMENT

| PERFORMANCE NET (%) | 1 MONTH | 3 MONTHS | 1 YEAR | 3 YEARS | 5 YEARS | SI* P.A. |
|--------------------------------|---------|----------|--------|---------|---------|----------|
| Equity Alpha Plus Fund | -1.85 | 4.60 | 30.13 | 12.44 | 14.98 | 14.51 |
| S&P/ASX 200 Total Return Index | -1.31 | 2.10 | 24.89 | 8.01 | 8.17 | 7.78 |
| Excess Return | -0.54 | 2.50 | 5.24 | 4.43 | 6.81 | 6.73 |

*since Inception date (SI) - 12 July 2019

Past performance of the Fund is not a reliable indicator of future performance. The value of an investment in the Fund may rise or fall. Returns are not guaranteed by any person. Fund returns are calculated before tax, after ongoing management costs and any accrued performance fees, and assumes the reinvestment of distributions. Returns greater than 1 year are annualised.

INVESTMENT OBJECTIVE

The Fund aims to outperform the S&P/ASX 200 Total Return Index (after fees and before taxes) over the long term.

LEAD PORTFOLIO MANAGER

Tom Richardson

FUND OVERVIEW

This Fund uses a detailed fundamental research process to invest in stocks that are well placed for the future (longs) and takes advantage of stocks we believe have cyclical and structural headwinds (shorts). The Long/Short investment style is designed to enhance returns and manage downside risks.

MARKET EXPOSURES

| | |
|-------|--------|
| Long | 117.21 |
| Short | -22.77 |
| Net | 94.45 |

SECTOR ALLOCATION

| | | |
|------------------------|---------|--|
| Communication Services | 3.66 % | |
| Consumer Discretionary | 6.11 % | |
| Consumer Staples | 6.62 % | |
| Energy | 3.18 % | |
| Financials | 29.15 % | |
| Health Care | 10.56 % | |
| Industrials | 4.76 % | |
| Information Technology | -0.85 % | |
| Materials | 28.40 % | |
| Real Estate | -0.32 % | |
| Utilities | 3.17 % | |
| Cash ³ | 5.55 % | |

KEY DETAILS

| | |
|--------------------------|----------|
| Number of Holdings | 85 |
| Portfolio Dividend Yield | 3.03% |
| Fund Size (AUD) | \$ 160M |
| Redemption Price | \$1.4536 |

TOP 10 POSITIONS

WEIGHT %

| | |
|--------------------------------|------|
| BHP Group Ltd. | 8.75 |
| QBE Insurance Group Ltd. | 6.08 |
| Resmed Inc | 5.66 |
| Macquarie Group, Ltd. | 5.23 |
| Alcoa Corporation shs | 4.75 |
| Brambles Ltd. | 4.49 |
| CSL Ltd. | 4.16 |
| Block, Inc. | 4.15 |
| Newmont Corporation Registered | 3.94 |
| ANZ Group Holdings Ltd. | 3.78 |

FUND DETAILS

| | |
|------------------------------|------------------------|
| APIR Code | ETL8096AU |
| Distribution Frequency | Semi-Annually |
| Management Fee ¹ | 0.99% p.a. |
| Performance Fee ² | 15% p.a. |
| Buy Sell Spread | +/- 0.30% |
| Minimum Investment | \$20,000 |
| Stock Range | Long 20–60, Short 0–50 |
| Cash Range | 0–20% |

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PERFORMANCE

The Fund fell 1.85% in October underperforming the Index which fell 1.31%. Our Long book narrowly underperformed the Index as good results from key positions in Alcoa and ResMed were offset by disappointing updates by WEB Travel Group and Newmont. Alcoa and ResMed remain two of the largest active positions in the Fund. Tight alumina markets globally have seen the price spike. Consistent challenges in bauxite production have impacted supply while Aluminium demand remains strong. Following their acquisition of Alumina, Alcoa is well placed to benefit from these trends. We have maintained our positions in Newmont and WEB Travel despite weak updates and are building conviction to see if we can add to these names.

The Short book outperformed the Index in the month, detracting to the return of the Fund. A handful of short positions in the small cap sector rallied through the month despite no stock specific news.

MARKET WRAP

The S&P/ASX 300 Total Return Index weakened 1.3%. Trading updates and quarterlies underwhelmed with the biggest disappointments largely around Consumer exposed names. Woolworths and Metcash saw margin weakness, travel stocks WEB Travel and Flight Centre were impacted by deflation and heightened competition, while Super Retail, Nick Scali, and Reece also disappointed. JB HiFi was a notable exception with another strong update. Materials fell 4.9%¹ on concerns China's stimulus may not be offset the impact of Trump tariffs, with Iron Ore and Copper dropping 7.3% and 3.5% (in USD) respectively. Mineral Resources and Wisetech both had ESG related issues with their CEOs and underperformed. A reminder that Governance plays a key role in long term value creation and is a key consideration for the Fund, both on the long and short side.

LOOKING FORWARD

From a macro perspective we are closely monitoring two key events. The impact a Trump presidency will have, and will the Chinese government follow through with increasing stimulus. Our current thinking is the US will experience more fiscal expansion which will likely require less expansionary monetary policy. We are reticent to predict China policy, however we believe the economy will require considerable policy support to revitalise domestic consumption. With this in mind, we are slightly increasing our cyclical, financials and industrials exposures at the expense of low-rate beneficiaries such as REITs.

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For the purposes of comparison, commentary is quoted in Australian dollar terms and Australian sector returns refers to the S&P/ASX 200 Total Return Index unless stated otherwise.

1. ASX 300 Sector weight.