

Fund Update

The Fund reported a record Net Asset Value (NAV) of **\$1.4709**/unit at the end of August, increasing 1.1% during the month. The Fund has delivered a 31.2% annualised return since inception, outperforming the S&P/ASX 300 Accumulation Index by 18.7% p.a.

A 7.6% increase in the Lendlease share price and a 24.2% increase in Baby Bunting contributed to the performance of the Underlying Fund, largely offset by c.3% declines in Sigma and GrainCorp.

The S&P/ASX300 Accumulation Index fell 0.4% during August, recovering from the 5% drop early in the month as the local market was caught up in the global Yen carry-trade sell-off and concerns of a weakening US economy. Results season saw net positive EPS surprises, with resilience evident in the face of ongoing challenges. Guidance was generally conservative, reflecting uncertainties around interest rates, the economic outlook and the US election.

Entry price	\$1.4753 / unit ¹
Exit price	\$1.4665 / unit ¹

Outlook

Cooling US monthly inflation data over June and July has increased market expectations of a September Fed rate cut to close to 100%, with benchmark 10-year Treasury yields falling to their lowest levels since June 2023.

While Australian CPI remains above the RBA target range, we believe that the recent softening in GDP growth and labour market weakness will translate into cooler inflation on the horizon. As previously noted, the Australian economic cycle, including inflation, is tracking approximately 6 months behind the US. Australian 10-year bond yields are on a similar trajectory to the US, contracting ~0.6% since late April.

With this economic backdrop in mind, we believe the Underlying Fund is well placed for the coming fall in interest rates. The broadening of the equity market rally away from technology, combined with the anticipated rally in interest rate sensitive, asset exposed companies gives us confidence in the outlook for the Underlying Fund. We aren't waiting for central banks to start cutting interest rates before we make a move – we have positioned the Underlying Fund in advance and accordingly are optimistic on the future performance of the Underlying Fund over the next 12 months.

Key Investment Updates

Lendlease, Ingenia Communities and Baby Bunting all reported during the month, with no material surprises in the FY24 results. Investors' focus remains on execution on future strategy for all three companies:

- Lendlease showing some early progress on strategic execution, with US Construction division sold, US Military Housing business sold, and the sale of the Communities business expected to complete later this year (subject to ACCC decision due in September);
- New Ingenia Communities CEO John Carfi making progress on cost reduction, business simplification and efficiency initiatives as the business pivots to focus on execution and realisation of embedded value;
- Baby Bunting showing signs of improved trade in first seven weeks of FY25, with new CEO Mark Teperson's business initiatives and revised go-to-market strategy starting to deliver.

During the month, the Fund commenced deployment into a sixth position, taking advantage of windows of opportunity to continue to build out the portfolio.

As the Underlying Fund celebrates its second anniversary, we are pleased with the returns delivered to date and anticipate continued strong performance of the Underlying Fund's investee companies as the outcomes of our active engagement strategy continue to play out³.

The Fund remains open for investment – existing investors can top-up via the Automic platform or please contact invest@hmccapital.com.au for further information.

Fund NAV per Unit²

\$	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2023	n/a	n/a	\$1.0000	\$1.0129	\$1.0069	\$1.1006	\$1.1243	\$1.0927	\$1.0065	\$0.8883	\$0.9689	\$1.1963
2024	\$1.2730	\$1.3296	\$1.4558	\$1.4060	\$1.3739	\$1.3623	\$1.4555	\$1.4709				

Monthly Fund Returns (Net)³

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2023	n/a	n/a	-	1.3%	(0.6%)	9.3%	2.2%	(2.8%)	(7.9%)	(11.7%)	9.1%	23.5%	19.6%
2024	6.4%	4.5%	9.5%	(3.4%)	(2.3%)	(0.8%)	6.8%	1.1%					23.0%

Fund Performance (Net)³

%	1mth	3mth	6mth	1yr	2yr	Inception (annualised)	Inception (aggregate)
Net Return (%)	1.1%	7.1%	10.6%	34.6%	n.a.	31.2%	47.1%

Fund Strategy

HMC Capital High Conviction Alternative (**Fund**) is an Australian-domiciled open-ended unlisted fund providing exposure to a high-conviction investment strategy seeking to generate superior risk-adjusted returns via an investment in HMC Capital Partners Fund 1 (the **Underlying Fund**)⁴.

The Underlying Fund primarily invests across a concentrated portfolio of high-conviction stakes in listed Australian and New Zealand companies with real asset backing where there is potential to unlock 'trapped' value through improved capital allocation and portfolio management. The Underlying Fund also has the flexibility to invest in private companies exposed to long term structural tailwinds.

The Fund has a limited quarterly withdrawal facility. Withdrawals are limited to the terms detailed in the PDS and the HMC Capital website. The ability of the Fund to offer quarterly withdrawals is not guaranteed.

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How to Apply: Refer to the Financial Services Guide (FSG), Product Disclosure Statement (PDS) and Target Market Determination at <https://www.hmccapital.com.au/our-funds/hmc-capital-high-conviction-alternatives-fund/>

² As at month end.

³ All performance figures are quoted net of fees and costs. Figures may not sum exactly due to rounding. Inception date 27 March 2023. Performance is shown for informational purposes only. Past performance should not be taken as an indicator of future performance.

⁴ Distributions are not guaranteed, and the Fund investment strategy is focused on generating capital gains rather than regular income.

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