

Vinva Australian Alpha Extension Fund



Exposure to a diversified portfolio of equities using an active systematic investment approach.

APIR: MGE6468AU | ARSN: 681 299 230

31 JANUARY 2025

INVESTMENT STRATEGY	OBJECTIVE	INVESTMENT APPROACH	INVESTMENT RISKS
The Fund invests substantially all of its assets in the Vinva Australian Equity Alpha Extension Fund, (the “ Underlying Fund ”), Vinva Investment Management Limited is the responsible entity and investment manager. The Underlying Fund’s, portfolio will typically comprise more than 25 short investments with a gross exposure of up to 160% of NAV.	The primary objective of the Fund is to outperform the return of the S&P / ASX 300 Accumulation Index, after fees, over periods of three years or longer.	Vinva uses an active systematic investment approach which harvests returns from Australian listed companies using a disciplined and repeatable process. The Underlying Fund’s universe of investible securities is the 300 largest listed companies on the ASX, resulting in exposure to over 120 securities.	All investments carry risk, returns are not guaranteed and there is a risk that investors may lose money on any investment they make. The Fund’s Product Disclosure Statement (PDS) sets out the significant risks relevant to the Fund. You can view the PDS at www.magellangroup.com.au .

FUND FACTS

FUND SIZE	EXIT PRICE	BUY/SELL SPREAD	DISTRIBUTION FREQUENCY	MANAGEMENT AND PERFORMANCE FEES ¹	INCEPTION DATE
AUD \$0.5 million	1.0208	0.35% / 0.35%	Annually	0.77%	2 December 2024

PERFORMANCE²

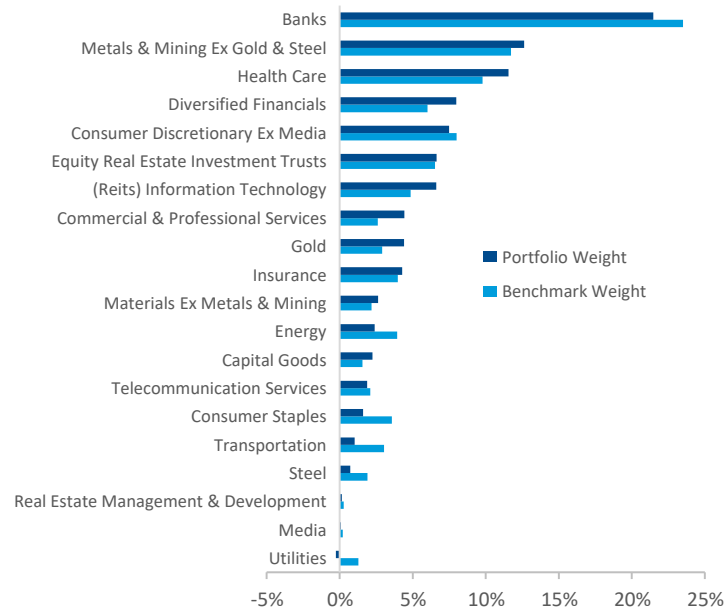
	1 MONTH (%)	SINCE INCEPTION (%)
Vinva Australian Alpha Extension Fund	4.8	2.8
S&P/ASX300 Accumulation Index	4.5	1.1
Excess	0.3	1.7

Past performance is not a reliable indicator of future performance.

UNDERLYING FUND - TOP 10 HOLDINGS³

STOCK	%
BHP Group Limited	9.4
Commonwealth Bank of Australia	8.9
CSL Limited	5.1
ANZ Group Holdings Limited	4.0
National Australia Bank Limited	4.0
Rio Tinto Limited	3.3
Woodside Energy Group Ltd	3.1
Westpac Banking Corporation	3.1
Aristocrat Leisure Limited	3.0
Goodman Group	2.9
Ex-top 10	53.3
Total	100.0

UNDERLYING FUND - SECTOR WEIGHTS COMPARED TO BENCHMARK⁴



¹ Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST. Performance fees are not charged by the Responsible Entity to the Fund. However, performance fees may be payable to Vinva from the Underlying Fund. These performance fees are estimated to be 0.19% per annum of the Fund’s net asset value.

² Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

³ Source: Vinva Investment Management. Portfolio holdings are based on the Underlying Fund.

⁴ Source: Vinva Investment Management. Based on Vinva defined sectors. Portfolio exposures are based on the Underlying Fund.

MARKET REVIEW

The S&P/ASX 300 Accumulation Index returned 4.5% in January. Global equities rose in January (MSCI World Index +3.5%), driven in part by a combination of lower-than-expected inflation in the US and resilient economic activity. The decline in inflation towards the Fed's 2% target has slowed over the last six months, but US Core CPI for December reported its lowest monthly gain since July at +0.23% MoM. Core PCE, the Federal Reserve's preferred inflation metric, rose by +0.16% MoM, although the year-over-year rate remained steady at +2.8%. The labour market continues to be a challenge for lower inflation. Employment growth remains strong, as evidenced by the latest report that showed the strongest gain (+256k) in nonfarm payrolls since March and the unemployment rate falling to 4.1%. Growth also continues to be robust.

US GDP data showed household spending rising +4.2% annualised in Q4, and the ISM Manufacturing and Services Indices continued to show improvement. However, economic uncertainty abounds, with President Trump imposing tariffs on Canada, Mexico, and China, and retaliatory measures already announced. The impact of an escalating trade war on global growth and inflation is unclear, and Chairman Powell acknowledged this in the press conference following the FOMC's decision to leave interest rates on hold. In contrast, the ECB decided on another 25bp rate cut as the Eurozone recovery faces ongoing headwinds. Q4 Eurozone GDP growth fell back to 0% QoQ, with GDP in both France and Germany contracting during the quarter. In China, money supply growth has been escalating, and Beijing, Shanghai, and Guangdong announced 2025 GDP growth targets of "around 5%." Commodity prices rose over the month, with gold, copper, iron ore, and crude oil prices all moving higher.

Australian equities recorded their strongest monthly gain since December 2023, driven predominantly by increasing market expectations for a February rate cut by the RBA following data released in the December 2024 inflation report. Trimmed mean inflation (+0.5% QoQ) for Q4 2024 came in below both consensus (+0.6%) and the RBA's forecast (+0.7%), and the 6-month annualised rate is now in the centre of the RBA target band. A rate cut in February is almost fully priced into markets; however, the labour market and economic activity demonstrate that upside risks to inflation have not disappeared. The unemployment rate of 4% is below the RBA's forecast of 4.3%, and many labour market indicators are now showing signs of tightening. Producer prices, which, unlike the CPI, are not affected by government subsidies, rose +3.7% YoY. Consumer credit growth and retail sales remain robust, although house prices fell in January for the fourth consecutive month, down -0.2% MoM. Australian nominal monthly household spending rose +0.4% MoM, up from +0.3% MoM in December, and +1.7% QoQ. Residential building approvals rose +4.5% QoQ in December. The latest NAB Business Survey showed improving business conditions and confidence, with new orders at their highest since October 2023.

Consumer Discretionary (+6.8%) was the best-performing sector over the month, led by Aristocrat Leisure (+10.5%) and JB Hi-Fi (+9.5%) while Utilities (-2.3%), dragged down by Origin Energy (-4.1%) and APA Group (-2.1%), underperformed the broader market. At a stock level, the best performers included Telix Pharmaceutical (+19.2%), Evolution Mining (+18.5%) and Paladin Energy (+17.9%) while Iluka Resources (-12.4%), Treasury Wine Estate (-4.6%) and Origin Energy (-4.1%) were amongst the biggest laggards.

FUND HIGHLIGHTS

The Vinva Australian Alpha Extension Fund had a positive alpha month, outperforming the benchmark by 0.3% after fees. As the Fund invests substantially all of its assets in the Vinva Australian Equity Alpha Extension Fund (Underlying Fund), the commentary below is provided in relation to the investments held by the Underlying Fund.

Fund performance was driven by positive contributions from quality, behavioural and segmentation signals, partially offset by weakness from valuation and tactical signals. Stock specific performance was positive during the month.

The biggest stock contributors to performance included an overweight position in Ramelius Resources (+14bps) and an underweight position in Origin Energy (+11bps). Ramelius Resources (RMS) outperformed as it benefited from the rise in the gold price, driven by geopolitical and macroeconomic uncertainty. RMS also released strong Q2 FY25 results, with production beating consensus expectations and a record quarterly underlying free cash flow. The overweight position in RMS is driven by a combination of quality and value signals. Origin Energy (ORG) underperformed after reporting a 3% decline in APLNG production from the prior quarter. Management also reduced FY24 APLNG production guidance by 2-3% due to weaker-than-expected well optimisation activities and lower output. ORG provided full-year cash tax guidance of AU\$1bn and chose not to provide cash distribution guidance for H2 FY24, as it is currently renegotiating the Sinopec contract. The underweight position in ORG is driven by a combination of behavioural and quality signals.

An underweight position in Paladin Energy (-13bps) detracted from performance during the month. Paladin Energy (PDN) outperformed following a strong Q2 FY25 report and a global rally in uranium stocks, largely driven by anticipation of higher baseload energy needs for AI infrastructure. After a planned two-week shutdown, production at its Langer Heinrich mine increased from 186 klbs in October to a record 308 klbs in December. PDN also announced that it had solved water availability issues that had previously hindered production.

Index movements and stock contributors/detractors are based in local currency terms unless stated otherwise.

CONTINUOUS DISCLOSURE

There have been no significant changes to the Fund regarding:

- changes to key service providers and their related party status;
- material changes in risk profile;
- material changes in strategy;
- or any changes to the individuals playing a key role in investment decisions.



To find out more about our Vinva systematic equity funds, please contact Magellan on:

E: vinvaenquiries@magellangroup.com.au

P: +61 2 9235 4888

W: www.magellangroup.com.au

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