

# WealthLander Diversified Alternative Fund Quarterly Report

31 March 2024

## Fund Performance

After all fees and costs, performance is 1.16% since inception on 1 February 2021. The March quarter was flat although a turnaround in fund performance has occurred since March. April is expected to show positive performance driving a positive year to date return. Performance updates report historical returns and our views and insights, which should not be relied upon to accurately predict future performance.

### WealthLander Diversified Alternative Fund Performance (%)\* (Net of fees and costs)

#### Class A Units (Foundation Clients or \$500k+ investment)

|      | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul | Aug  | Sep | Oct  | Nov  | Dec  | YTD          |
|------|------|------|------|------|------|------|-----|------|-----|------|------|------|--------------|
| 2021 | -    | 0.7  | 1.7  | 5.4  | -0.8 | -1.3 | 2.0 | 5.2  | 0.3 | 2.7  | 3.2  | -1.3 | <b>19.1</b>  |
| 2022 | 0.3  | 0.3  | 2.1  | -1.9 | -5.3 | -5.0 | 2.5 | 2.1  | 1.1 | 0.5  | -1.3 | 0.9  | <b>-4.1</b>  |
| 2023 | -2.9 | -1.5 | -1.9 | -0.8 | -2.2 | 0.0  | 2.3 | -0.8 | 0.3 | -3.4 | -3.8 | 2.8  | <b>-11.3</b> |
| 2024 | 0.3  | -4.6 | 4.4  |      |      |      |     |      |     |      |      |      | <b>-0.1</b>  |

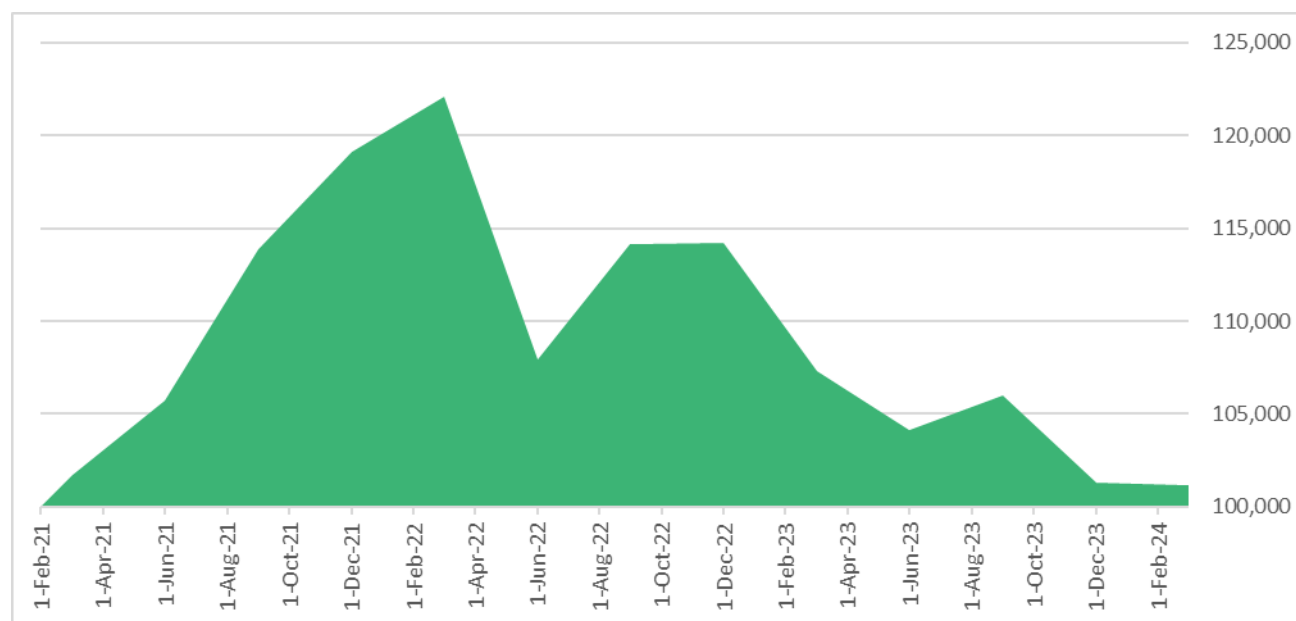
#### Class O Units

|      | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul | Aug  | Sep | Oct  | Nov  | Dec | YTD          |
|------|------|------|------|------|------|------|-----|------|-----|------|------|-----|--------------|
| 2022 | -    | -    | -    | -2.0 | -5.4 | -5.0 | 2.4 | 1.9  | 0.9 | 0.4  | -1.3 | 0.9 | <b>-7.2</b>  |
| 2023 | -2.9 | -1.5 | -1.9 | -0.8 | -2.2 | 0.0  | 2.2 | -0.8 | 0.3 | -3.4 | -3.8 | 2.8 | <b>-11.6</b> |
| 2024 | 0.2  | -4.6 | 4.3  |      |      |      |     |      |     |      |      |     | <b>-0.2</b>  |

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## Growth In a \$100,000 Investment Since Inception - Class A Units\*

(Net of fees and costs and assumes reinvestment of distributions)



### Fund Performance Commentary

The Fund had a flat quarter overall despite some intra-quarter volatility, albeit it seems that fund performance has now bottomed.

Market conditions have finally changed in part, as sectors outside mega cap technology stocks begin to gain some of the market's attention despite ongoing support for high valuations of these large companies. Greater breadth of performance should provide a much better backdrop for the Fund for the rest of 2024 and beyond. Indeed, outside mega cap technology stocks and despite overall markets being expensive, there are enough pockets of value and opportunity to build a good and attractively valued portfolio with strong prospects.

The strong relative value we previously remarked upon in commodities is finally beginning to gain broader market interest as investors recognise the supply/demand imbalances in certain commodities are likely here to stay. Precious metals have broken upwards (as we anticipated) as has copper, and uranium has remained well-supported despite its recent pullback (and highly prospective). Gas has remained lacklustre, but very attractively valued.

As we remarked upon in our last quarterly report, we remain convicted in precious metals' prospects for 2024 as central banks want to ease at the earliest opportunity, and uncertainty around fiscal sustainability and geopolitical risks gain greater appreciation. There is still significant scope for private and institutional investors to increase their small allocation to precious metals in a stagflationary or recessionary environment, or

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should financial repression prove necessary to support the huge deficits and fiscal spending. 2024 remains on track to be a banner year for precious metals.

We continue to expect different commodities to be a key driver of positive Fund outcomes in 2024.

## Portfolio Composition

Our portfolio includes a balance of underlying strategies that align with our medium-term outlook and the main economic, political and valuation risks. We remain committed to investing in a risk-aware manner that capitalises on promising opportunities and risk-adjusted returns over the medium.

The biggest portfolio change in the last few months is an increased positioning in commodities and resources positions. We have allocated to certain commodities based on their fundamental value (e.g. precious metals, uranium, copper, oil service stocks and gas) and their medium-term outlook, based in no small way on underinvestment and supply-side shortages in the context of demand growth required from positive nominal economic growth. We continue to think these assets are only just coming off a bottom in a longer-term context and should provide very attractive returns for years to come as the cycle continues. Investors are only now beginning to recognise not only the increased demand from the energy transition and decarbonisation, but also massive expected increases in energy usage and demand from the increasing use of energy and metals for artificial intelligence and data centres in coming years.

## Current Themes Contributing to Our Diversified Portfolio

The portfolio comprises around 11 strategies built on numerous themes:

- Event-driven strategies
- Convertible bonds
- Australian gas stocks
- Services stocks
- Contrarian trading
- Resources
- Precious metals (gold, silver)
- Idiosyncratic growth opportunities
- Insurance and hedging
- Uranium
- Copper

## Market Commentary

Inflation has remained a persistent issue for markets as we have expected. Markets have remained relatively resilient despite this as central banks have signalled an increased importance on avoiding growth slowdowns or crises than higher inflation, hence underpinning market confidence, while there is no end in sight for excessive fiscal spending propping up nominal growth. Indeed, central banks may well end up having to accommodate excessive government spending, and such an outlook has likely supported the all-time highs being achieved in gold and many countries buying more gold as part of their reserves.

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The outlook for markets broadly rests in no small way on how accommodative central banks remain in the face of persistently higher inflation, whether inflation remains tolerable, and how bad the growth slowdowns become. The reality is decision makers broadly (as well as voters) are far more interested in sugar hits and keeping the status quo going than any longer-term sustainability issues; fiscal prudence is about as popular as eating a rock. Central banks desperately want to cut rather than raise interest rates, if only they can, but they appear likely forced to hold interest rates around current levels for now. Interest rate risk remains real, with investors belatedly recognising current interest rates may broadly be with us for a while yet, and there is not zero risk of higher interest rates. That said, a prominent growth slowdown may be the biggest issue and risk in coming months.

The approach from policymakers effectively pushes risk from investors on to society at large, but it is quite clear that the long-term trend of support for asset markets and nominal growth for economies via higher government debt, inflation and depreciating fiat currencies is very real. Some short-term investors consider such a framework as very positive. Voters and consumers generally are short-term orientated and prefer to continue spending money they have not earned, while the minority that are not, rarely appear to understand the dramatic economic choices which have made for them. Will these factors change? Not until they have to, as your chances of being elected for promising fiscal prudence currently is about zero. Genuine economic reform, so necessary for real productive growth and which would be good for society long-term, appears to be a pipe-dream.

In our last quarterly report we discussed the possibility of conflict escalation in the Middle East, which has now occurred with direct attacks between Israel and Iran. This was quickly de-escalated as Israel was presumably held back by the US in an election year and Iran's leaders decided they preferred not to have their personal religious beliefs properly tested, but the conflict remains live. Further funding was provided to Ukraine to prevent them being over-run and hence that conflict also remains ongoing. All we need now is for Taiwan to become a live war and the triangle will be complete; fortunately, that hasn't happened but you would be foolish to rule out the risk under the circumstances with Western countries clearly signalling they now view China as an adversary, if not the enemy. Meanwhile, social issues remain prevalent; the US is suffering from campus wars on elite US University grounds and broader social issues in western countries have become more evident and discussed, including street and domestic violence. The divisions within and across societies are problems which circle back and contribute to the rise of populism and greater government control, cost and influence over economies. The response to every problem seems to be greater spending and more regulation, which all feeds back into inflation and impairing real growth.

We remain concerned by the high overall geopolitical and regulatory risks, and increasing government control in economies and policy and spending inefficiency impacting adversely the efficient and effective allocation of capital. This will likely result in continuing nominal growth but poor real growth and volatile but structural inflation through time i.e. real wealth creation will remain relatively isolated to the elite and highly informed. Economies will effectively become more emerging-like, perhaps better

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stated as submerging in this regard. Contrasting with this, private sector's greater use of new technologies such as artificial intelligence may provide some positive productivity offset and growth over time, albeit the use for nefarious purposes such as fraud is also growing rapidly.

We continue to see a world which is shifting towards a more fragmented and multipolar state following globalisation and relative peace and prosperity. The significant challenges and complexities involved mean it will likely be a drawn-out and only partial process for now.

Given the possibility of volatile inflation outcomes in the upcoming years and various tail risks, it becomes imperative to factor these considerations into portfolio construction. We continue to expect economic and geopolitical conditions to prove more volatile and adverse in the 2020s than in the 2010s. Many individual assets that we own have attractive valuation support and positive medium-term prospects despite this backdrop, or are catalyst driven. Certain commodities tend to do relatively well in stagflation compared with bonds and equities and fortunately also remain relatively cheap.

We use a broad toolkit and believe managing risk with a greater likelihood of protecting capital over the medium term is necessary. Rather than simply being all-in on a common risk factor, greater diversification is found across many positions in alternatives, equities, commodities, bond strategies and prospectively uncorrelated investment themes. We actively manage these positions within a risk-managed portfolio that can prudently and dynamically hedge risk. Our approach depends more on active management to get results. This approach targets greater compounding over the longer term and better returns over an entire investment cycle. It can still make significant gains when market conditions begin to turn more favourable or when active management is better rewarded. Active management is finally being better rewarded recently, and we expect this will continue for much of 2024 and hopefully beyond.

Thank you for your continuing support of the Fund – it means a lot to us. We are always happy to discuss our research, positioning, and market views in more detail with clients and encourage you to contact us to do so whenever desired.

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## Disclaimer

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There are risks involved in investing in the CAR's strategy. All investments carry some level of risk, and there is typically a direct relationship between risk and return. We describe what steps we take to mitigate risk (where possible) in the Fund's Information Memorandum. It is important to note that despite taking such steps, the CAR cannot mitigate risk completely.

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Application for units in the Fund can only be made via the Fund's Information Memorandum and Application Form.

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