WealthLander Diversified Alternative Fund Quarterly Report

30 June 2024

Fund Performance

After all fees and costs, performance has been 3.1% since inception on 1 February 2021. The June quarter was positive and the new quarter also appears to have started well. 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	**19.1**
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	**-4.1**
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	**-11.3**
2024	0.3	-4.6	4.4	2.3	1.1	-1.5							**1.8**

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	**-7.2**
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	**-11.6**
2024	0.2	-4.6	4.3	2.3	1.1	-1.5							**1.7**

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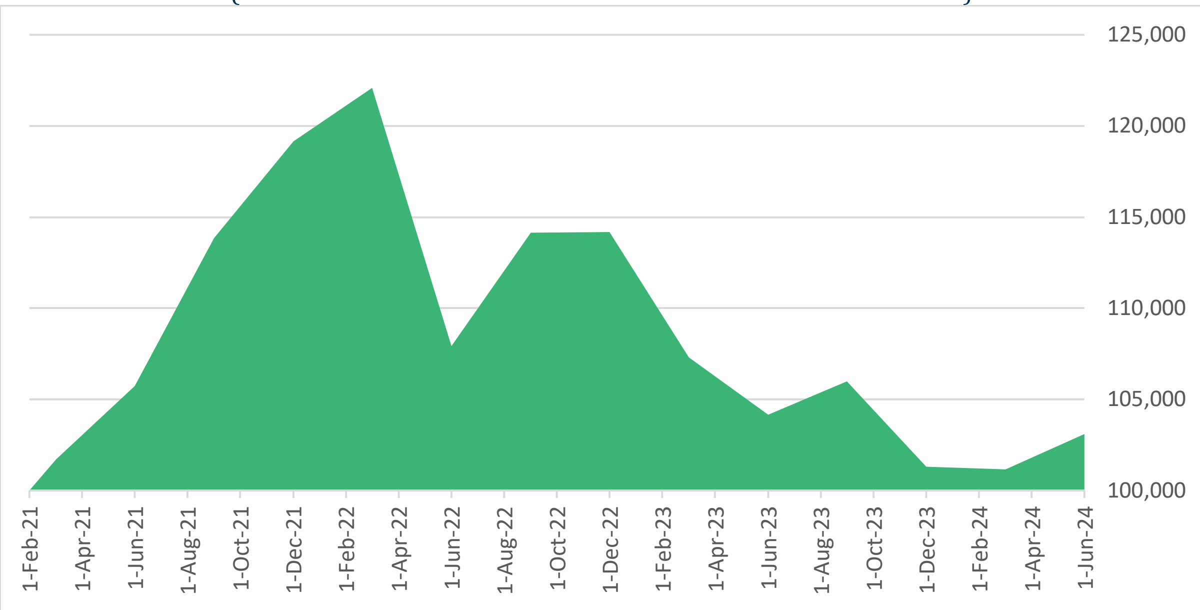
Growth In a $100,000 Investment Since Inception - Class A Units*

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



Fund Performance Commentary

The Fund was up for the quarter as expected last quarter, and we continue to believe the bottom in fund performance is behind us.

Market conditions have shown some promising signs, as the markets question whether the AI theme is fully priced into mega-cap technology stocks. Eventually, this should provide more breathing space for other sectors as greater breadth of performance should result in a much better backdrop for the Fund for the new financial year and beyond. Indeed, outside mega-cap technology stocks, there are enough pockets of value and opportunity to build an attractive portfolio with solid prospects.

The strong relative value we previously remarked upon in commodities is beginning to play out in the new quarter, especially with gold having led the way and beginning to gain broader market interest and a Federal Reserve interest rate cutting cycle likely beginning in September. We suspect that investors will soon begin to recognise the supply/demand imbalances in certain commodities is a new multi-year structural if not generational opportunity with the most realistic challenge being only short-term recession or market liquidity challenges. While gold has broken upward as we anticipated, silver has lagged (for now). Uranium, gas and copper were relatively lacklustre last quarter. Still, they are very prospective and very attractively priced and fundamentally attractive with uranium in particular expected to benefit from supply shortfalls from major producers. Kazatomprom, the major uranium producer, has recently affirmed our thesis that uranium is likely to remain undersupplied over the coming year or two at least, due to persistent production and construction difficulties. There are good opportunities in energy generally, such as in oil services stocks, which have also been laggards.

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As we remarked in our last quarterly report, we have been convicted in precious metals' prospects for 2024 as central banks are anticipated 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 (as well as central banks) to increase their inappropriately small allocation to precious metals in a stagflationary or recessionary environment. Countries like China and Russia have recognised the need to diversify from US treasuries. Demand will also change should financial repression prove necessary to support the vast deficits and fiscal spending (which appears likely to us in time, particularly given current and prospective governments appear anything but prudent fiscally). 2024 remains expected to be a banner year for precious metals, and silver may well catch up in a rush should gold continue to rally. While short-term volatility is also possible, we don't think this will change the likely outcome of higher prices over time.

We expect numerous different commodities and resources opportunities to be a key driver of positive Fund outcomes in the new financial year. We will continue to look for attractive opportunities on any setbacks. By the end of this new year, we expect prices to be significantly higher in many of our key commodity positions, and major contributors to fund performance.

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 term.

Over the last year, the most significant portfolio change has been an increased positioning in commodities and resources. 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 as the cycle continues. Some of our precious metals positions (such as gold and silver stocks) appear ridiculously cheap compared with our outlook for prices and compared with consensus. Consensus has expected a persistent reversion to mean in prices, which we don't view as being realistic or cognisant of history or the broader political and macroeconomic environment.

Investors are only now beginning to recognise the increased demand from the energy transition and decarbonisation, as well as the 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, albeit a recession may create short-term volatility.

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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, even though what we consider has been just the first wave of inflation is over. We expect inflation to be structurally persistent and would not be surprised by a second wave of inflation beginning in the coming months, particularly should economic weakness prompt more aggressive central bank responses. Markets have remained relatively resilient despite recessionary concerns and widespread (incorrect) predictions of the same, as previously massive fiscal spending has propped up nominal growth. There is no end in sight for excessive fiscal spending with neither major US party inclined to austerity and the hugely problematic situation facing tax receipts simply being insufficient to meet "mandatory" spending and interest payments.

The economy has continued to slow down, and various historically significant recession indicators have been triggered. However, market confidence in central banks easing aggressively in response to slowing growth has remained, in no small part due to it being the historical precedent of how policymakers who print their currency deal with an "unsustainable situation" and the demonstrated action in recent crises. Indeed, central banks are very likely to have to accommodate excessive government spending, like it or not, 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. In due course, it is also likely to support the prices of numerous other real assets.

The outlook for markets broadly rests in no small way on how early and accommodative central banks become and how persistently high inflation is, 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 (reckless) spending, sugar hits and keeping the status quo going as long as possible than any longer-term responsibility or generational equity 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, and some have already and others will shortly. The Australian RBA has been heavily criticised for not raising interest rates further. Still, in our view their position has been clear all along, deciding yet again to defer the timeline of the expected return to the inflation target despite irresponsible government spending, and to meekly critique and then withdraw such criticism of the government. Interest rate risk remains real, however, with nothing more predictable in recent years

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than the market's desire to – at least temporarily in a longer-term context perhaps – break with historical precedents of how markets "should perform". Economics has truly proven itself the dismal science in recent periods, much to the frustration of all that at least somewhat rely upon the unwritten rules and previous experience of how markets "should" behave (ourselves included).

It is clear that increased government is in train with a secularly persistent trend of support for asset markets and nominal growth for economies via higher government spending and debt levels. Inflation is a secular worry as a result, and the risk of depreciating fiat currencies is very real, forcing one to be invested in something other than cash (preferably real assets in our view). Short-term investors consider such a framework as very positive as they have been trained to expect to get rescued from any crisis and quickly, effectively acting as if the government is there to provide insurance to them at the expense of real productivity growth and the taxpayer. Voters and consumers generally are short-term orientated and prefer to continue spending money they have not earnt. At the same time, only a minority appear to understand the dramatic and poor economic choices that have been made for them. Will these factors change? Not until they have to, as your current chances of being elected for promising fiscal prudence is about zero. Genuine economic reform appears to be a pipedream, despite it being necessary for real productivity growth and avoiding government eating the most productive and hardworking small business sector. Change is necessary for the good of society long-term, but it is a pipe dream for now. It is in this context that longer-term investors must invest and why modest expectations, prudence and risk management, and meaningful allocations to tangible assets are a necessity.

Geopolitical risks and wars remain a live issue while social issues remain highly prevalent; broader social issues in Western countries have become more evident and discussed, including street and domestic violence (e.g. recent UK riots). Divisions within and across societies are problems that 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 cost, bureaucracy and inefficiency.

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 the exception rather than the rule, perhaps even increasingly isolated to the highly informed malfeasant parties close to government and company coffers. Economies will become more emerging-like, perhaps better stated as submerging in this regard, as we become poorer in real terms. I think of us as being UK like in this regard. Contrasting with this, the private sector's greater use of new technologies such as artificial intelligence (where it can be used effectively) may provide some positive productivity offset and growth over time.

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 with many unknowns and surprises.

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. Commodities tend to do relatively well in stagflation compared with bonds and equities and fortunately also remain secularly cheap, albeit we expect that to change in the coming year as central banks intervene once again in response to labouring economies, missing or ignoring that the source of the problem is themselves.

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 and has not been well rewarded in recent years due in part to the dominance of passive and momentum investing and unusual market behaviour. We expect this to change as our major positions and active management finally become better rewarded.

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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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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