Strategy Performance Summary

150/50 Long-Short Australian Equity Strategy

Executive Summary

Alpha Insights is a systematic valuation-based equity strategy applied to Australian equities. The strategy identifies mispriced securities using proprietary DCF analysis and constructs a 150/50 long-short portfolio.

Test Period: October 7, 2025 – January 2, 2026 (61 trading days)

Portfolio Return	Market Return	Excess Return	Sharpe Ratio	Max Drawdown	p-value
+6.17%	-0.17%	+6.34%	1.79	-3.99%	0.008

Return Attribution

The portfolio generated positive returns from both the long and short books independently, indicating genuine stock selection ability rather than directional market exposure.

	Exposure	Book Return	Contribution	Avg Positions
Long Book	150%	+3.06%	+4.59%	∼121
Short Book	50%	+2.62%	+1.31%	∼139
Total	**100% net**		**+5.90%**	

Note: Residual return attributable to cash/rebalancing effects. Both books profitable independently.

Risk Profile

Metric	Value	Commentary
Sharpe Ratio	1.79	Strong risk-adjusted return; expected to moderate with longer sample
Annualised Volatility	11.65%	Moderate volatility consistent with equity long-short strategies
Maximum Drawdown	-3.99%	Contained; test period lacked significant market stress
Beta	0.83	Slight defensive tilt relative to market
Daily Win Rate	55.7%	Positive skew in daily returns
Information Ratio	3.95	High; likely to normalise over extended period

Metrics calculated using daily returns. Risk-free rate assumed at 4.35% (RBA cash rate).

Statistical Validation

With 61 trading days, traditional time-series inference has limited statistical power. We employed a randomisation test to assess signal efficacy directly.

Methodology

The placebo test preserves portfolio structure while randomising signal assignment:

1. Maintain sector composition and daily position counts
2. Randomly shuffle long/short labels within each sector
3. Calculate portfolio return under randomised assignment
4. Repeat 1,000 times to generate null distribution
5. Compare actual result to null distribution

Results

Actual Return	Null Distribution Mean	Percentile Rank	p-value
+6.17%	-0.90%	99.6th	0.008

Of 1,000 randomised simulations, only 4 produced returns exceeding the actual portfolio result.

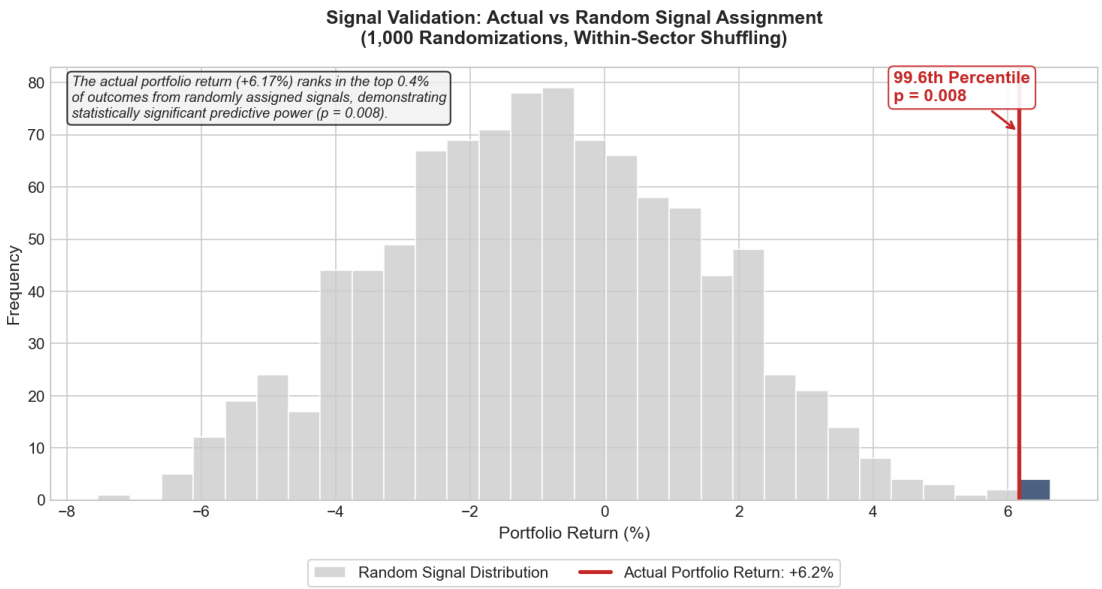

Figure 1: Distribution of randomised signal portfolios (grey) with actual result indicated (red line, far right).

Interpretation

The p-value of 0.008 falls well below the conventional 0.05 significance threshold, providing evidence that the signal possesses genuine predictive power beyond what would be expected from random label assignment.

This result should be interpreted alongside the acknowledged limitations of a 61-day test period.

Performance

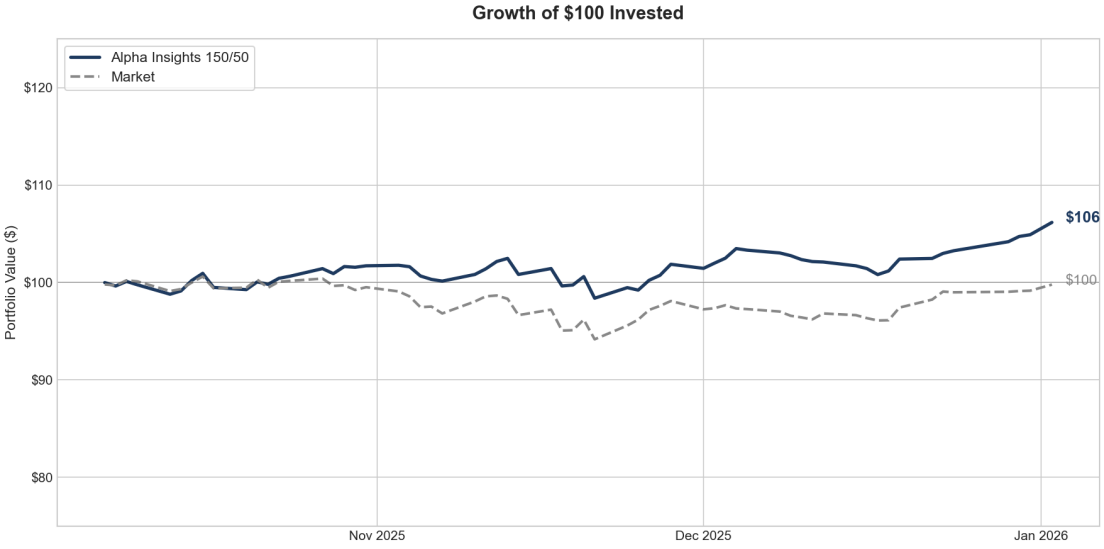

Figure 2: Growth of $100 invested. Portfolio (blue) versus ASX 300 market proxy (grey).

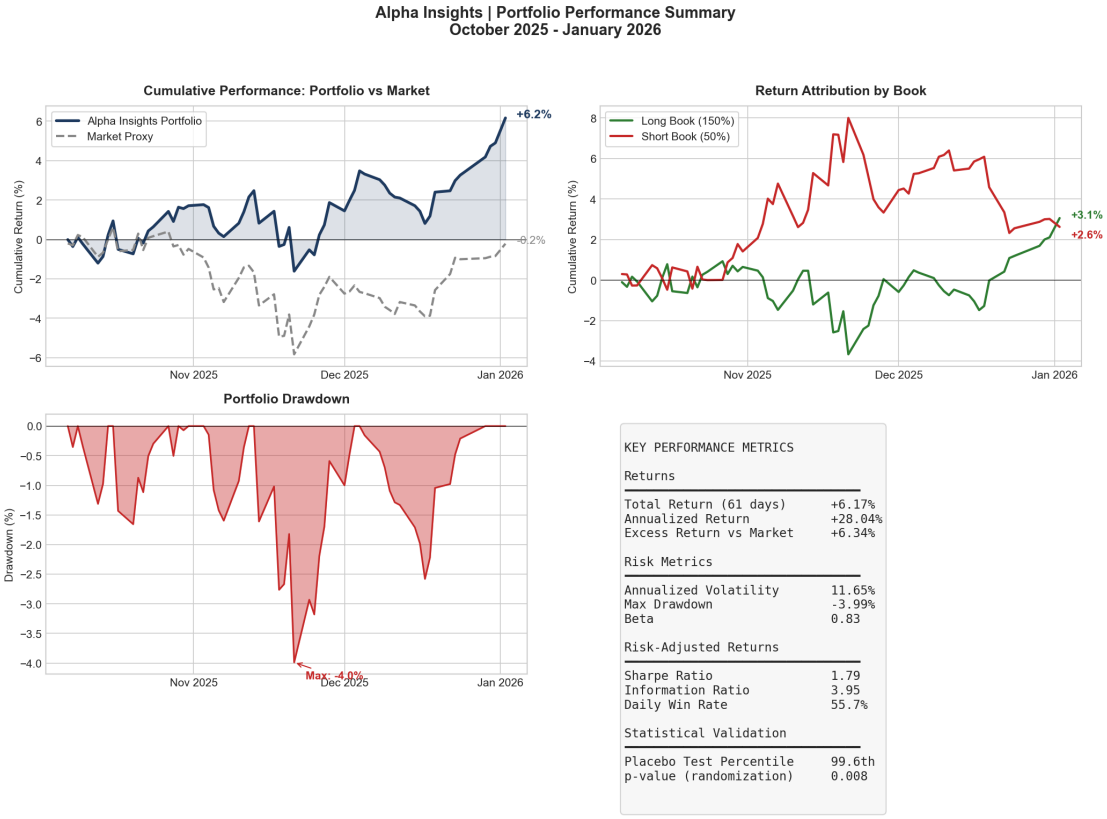

Figure 3: Performance summary including cumulative returns, book attribution, drawdown profile, and key statistics.

Market Environment		Strategy Performance	
ASX 300 Return	-0.17%	Portfolio Return	+6.17%
Regime	Sideways/Range-bound	Excess Return	+6.34%
Volatility	Moderate	Annualised Return	+28.04%

Strategy Construction

Signal Generation

Component	Description
Valuation Model	Proprietary discounted cash flow analysis with AI-assisted inputs
Long Signal	Market price exceeds 10% discount to fair value estimate
Short Signal	Market price exceeds 10% premium to fair value estimate
Universe	ASX-listed equities with active DCF coverage
Signal Refresh	Upon publication of updated analysis

Portfolio Construction

Parameter	Specification
Long Exposure	150% of NAV
Short Exposure	50% of NAV
Net Exposure	100%
Gross Exposure	200%
Position Weighting	Equal weight within each book
Rebalancing	Daily adjustment to maintain target weights

Limitations

- **Sample period:** 61 trading days provides statistical significance via placebo test; institutional evaluation typically requires 12+ months across varied market conditions.
- **Market regime:** Test period (Oct–Jan 2025/26) exhibited relatively benign conditions. Performance during market stress remains untested.
- **Implementation:** Paper portfolio excludes transaction costs, market impact, and short borrow fees.
- **Metric stability:** Current Sharpe ratio (1.79) expected to moderate toward 1.0–1.5 range over extended periods.

Next Steps

Live tracking continues with frozen rules. No retrospective optimisation will be applied. Monthly updates available upon request.

Disclosures: This document is for informational purposes only and does not constitute investment advice or an offer to invest. Past performance is not indicative of future results. Results are from a paper portfolio and do not reflect actual trading. All investments involve risk. Alpha Insights Pty Ltd is not a licensed investment adviser.

Contact: ryanl@alphainsights.com.au | www.alphainsights.com.au