

# K2 Australian Fund

## 31 August 2023

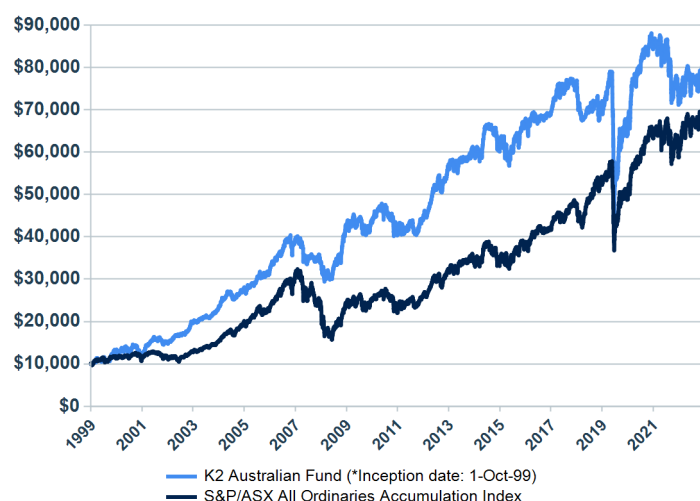


The K2 Australian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	2.11%	139.87	9.09%

Refer below detailed performance data matrix

### Growth of \$10,000



### Commentary

The K2 Australian Fund returned 2.11% for the month.

In Australia, we are noticing that there is a growing divergence in management behaviour. One is actively investing for the future; management are taking an owner-like approach to operating the business and the customer is elevated above all else. The other is extracting from the future. Here, management act like short-term professional officers and the customer is an afterthought. Simply put, owner-like behaviour embraces a philosophy that compounds customer trust whereas the professional officer approach is to maximise short-term profits at the expense of the customer. Market share will cede from extractors-from-the-future to the investors-for-the-future. However, these market dynamics do take time to gain momentum. Meanwhile, short-termism is causing Australia's inflation pulse to beat too fast. The price of bread, dairy and other food related products have, on average, risen more than 10% over the past year. Gas and electricity prices are, on average, 15% higher than a year ago, and insurance and travel prices have also been rising rapidly. The companies that have set these unchallenged prices have enjoyed inflated margins, but, the threat of competition is looming. Our investment process favours management teams that act like founders and are investing for the future. SVW Group Holdings (SVW) is a company that continually walks our talk.

SVW is your classic founder-led company. Back in 2010, the Stokes family enabled SVW to form. The WesTrac Group was merged with Seven Network to create SVW. At the conclusion of the merger, the Stokes family ended up owning 207 million shares of SVW or 68% of the company. On the first day of trading SVW was capitalised at \$2.2 billion. Today SVW is a \$10 billion company and, since the merger, has delivered shareholders a total return of 17%pa. The Stokes family continues to own 207 million shares but capital raising activities by SVW has seen their level of ownership dilute to 57%. Are SVW's best days behind it? We think not. We believe that SVW's model for capital allocation will be enduring and significant long-term shareholder value continues to be unrealised. SVW has empowered its decision makers to allocate capital as if it was their own and hence there is a healthy respect for what equity capital can facilitate. As this ownership mentally permeates through the company, the resultant flywheel of growth should gain sustainable momentum.

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	10.9%	+0.1%
Seven Group Holdings Ltd	9.8%	-0.9%
BHP Group Ltd	8.4%	-0.2%
Kina Securities Ltd	7.9%	+0.3%
Woodside Energy Group Ltd	6.6%	-0.2%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	53.0%	-10.0%
Mid Caps >=AUD\$2b < AUD\$7.5b	22.3%	+3.3%
Small Caps < AUD\$2b	23.2%	+0.6%

Month End Exposures	Current	Monthly Move
Communication Services	4.1%	+0.5%
Consumer	7.0%	+2.1%
Energy	9.0%	0.0%
Financials/Real Estate	31.1%	+2.6%
Health Care	3.7%	-2.0%
Industrials	17.9%	-0.4%
Materials	25.6%	-9.0%
Number of Positions	25	-2
Gross Equity Exposure	98.5%	-6.1%
Cash Weighting	1.5%	+6.1%
Net Equity Exposure	98.5%	-6.1%

### Fund Characteristics

Portfolio Managers	Campbell Neal, David Poppenbeek and Bill Laister
Strategy	Australian and New Zealand Equities
Objectives	To deliver consistent returns over the investment cycle with a focus on capital protection during periods of market declines
Return Target	S&P/ASX 300 Accumulation Index + 3%pa
Number of Stocks	25 to 50
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.31%
Buy/Sell	Daily Application/Redemption
Performance Fee	15.38% pa of the amount by which the NAV per unit exceeds the High Water Mark once the fund achieves its hurdle
Investment Horizon	5 Years
Style Bias	Growth At a Reasonable Price
Market Capitalisation Bias	>\$7.5 billion

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## K2 Australian Fund Net Monthly Returns in AUD

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD	Fin YTD Index (1)	Average Cash	Average Short	
1999/00				1.90	2.00	9.51	-3.92	-2.58	5.57	-3.95	-1.93	2.44	8.53	15.98	51.97%	-12.83%	
2000/01	13.14	6.79	-3.07	0.14	4.50	0.91	4.53	-2.88	-11.90	13.03	5.25	0.47	32.19	8.85	27.72%	-16.68%	
2001/02	-7.85	-4.82	-5.35	8.66	11.51	1.84	3.93	3.54	-0.16	-0.36	2.66	-2.71	9.54	-4.50	32.13%	-14.57%	
2002/03	-6.33	3.62	-0.93	1.69	1.62	4.28	1.80	1.23	-0.17	2.20	0.66	1.45	11.23	-1.08	51.58%	-14.43%	
2003/04	3.72	6.97	1.59	2.45	-1.19	2.93	0.44	1.39	0.54	-0.07	0.32	2.16	23.16	22.37	36.03%	-3.74%	
2004/05	3.07	1.39	4.18	4.46	3.68	1.38	3.83	0.32	-2.04	-3.41	0.79	3.22	22.57	24.75	26.86%	-5.18%	
2005/06	1.34	0.74	3.91	-3.22	3.74	1.40	1.72	0.52	3.51	1.91	-0.43	2.03	18.33	24.20	27.57%	-3.95%	
2006/07	-0.88	2.28	1.53	5.78	0.42	2.98	1.03	0.51	3.03	2.67	3.46	0.16	25.35	30.28	32.21%	-4.92%	
2007/08	-0.61	-1.48	2.56	0.91	-1.90	-0.29	-9.27	-0.39	-1.46	1.58	0.91	-2.27	-11.56	-12.12	51.05%	-8.23%	
2008/09	0.26	2.84	-5.78	-5.61	-3.76	3.37	-1.65	-1.16	5.75	4.72	0.91	2.86	1.94	-22.15	46.55%	-3.37%	
2009/10	7.17	7.41	5.13	-0.98	1.75	3.51	-4.00	-0.23	3.46	-0.58	-5.67	-0.85	16.30	13.78	10.30%	-2.62%	
2010/11	2.10	-1.10	4.72	3.27	0.07	3.41	-0.49	1.92	0.00	-1.59	-1.73	-0.77	9.99	12.17	14.13%	-3.98%	
2011/12	-3.41	-0.59	-4.76	3.69	-2.82	-2.13	3.08	1.91	1.94	-0.20	-5.47	-0.37	-9.22	-7.04	23.28%	-3.47%	
2012/13	3.27	2.95	1.21	3.61	0.07	3.07	4.47	4.47	0.32	4.54	-2.84	-1.39	26.09	20.67	7.24%	-0.19%	
2013/14	3.27	1.31	4.56	2.53	-0.31	0.08	-2.33	2.23	1.70	-0.13	-0.01	-0.87	12.49	17.64	11.71%	-0.02%	
2014/15	2.83	1.60	-2.02	1.99	-0.83	-0.72	3.46	6.25	0.40	-0.35	1.17	-2.97	10.98	5.67	18.55%	-0.34%	
2015/16	1.61	-4.14	-2.72	3.42	-0.62	-1.70	-3.79	-1.43	4.39	3.08	2.25	-3.08	-3.16	2.01	19.81%	-0.29%	
2016/17	5.14	1.29	1.25	-1.40	-0.03	2.94	0.23	-1.56	1.00	-0.07	0.07	-0.02	8.99	13.12	16.66%	-1.52%	
2017/18	1.00	0.26	0.50	2.87	1.80	3.25	0.79	0.73	-2.72	1.74	0.68	1.58	13.08	13.73	21.63%	-3.71%	
2018/19	0.39	-1.40	0.11	-7.18	-2.45	-1.17	0.06	2.43	0.17	1.41	0.34	-0.29	-7.63	11.04	39.30%	-3.30%	
2019/20	2.23	-4.63	3.59	-0.99	3.96	2.13	2.74	-9.38	-26.24	10.83	5.72	2.17	-12.70	-7.21	13.58%	-1.65%	
2020/21	3.13	5.12	-3.93	1.68	13.34	2.36	-1.03	3.98	1.03	4.35	1.05	1.01	36.05	30.24	2.29%	-0.18%	
2021/22	0.49	2.58	-1.35	-0.48	-1.43	2.58	-5.82	2.00	3.79	-1.70	-3.68	-10.94	-13.98	-7.44	1.14%	-0.19%	
2022/23	4.88	0.89	-6.77	2.47	5.05	-3.51	6.95	-2.66	-1.46	1.38	-1.94	-0.37	4.10	14.75	4.10%	-0.68%	
2023/24	3.82	2.11											6.01	2.23	-5.13%	0.00%	
													Incept.	701.64	585.84		
													Incept.	9.09%pa	8.38%pa	23.29%	-4.40%

(1) S&P/ASX All Ordinaries Accumulation Index

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