

# K2 Australian Fund

## 31 October 2023

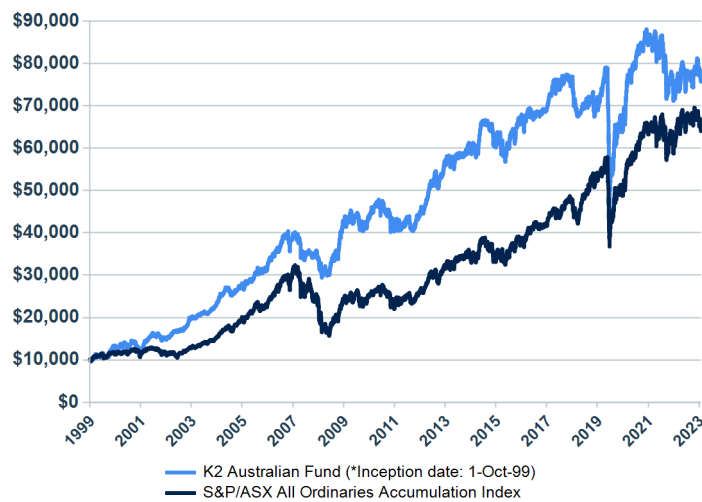


The K2 Australian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-3.94%	132.54	8.78%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	10.5%	-0.7%
Macquarie Group Ltd	9.6%	-0.9%
BHP Group Ltd	7.9%	-0.5%
Kina Securities Ltd	7.8%	+0.2%
Woodside Energy Group Ltd	6.6%	-0.1%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	51.8%	-1.6%
Mid Caps >=AUD\$2b < AUD\$7.5b	26.2%	+2.0%
Small Caps < AUD\$2b	25.3%	+4.4%

Month End Exposures	Current	Monthly Move
Communication Services	4.4%	+0.3%
Consumer	8.6%	+1.8%
Energy	9.2%	-0.1%
Financials/Real Estate	39.5%	+3.6%
Health Care	6.5%	-0.3%
Industrials	16.0%	-0.6%
Materials	19.1%	+0.1%
SHORTS	-0.5%	-0.5%
Number of Positions	25	+1
Gross Equity Exposure	103.9%	+5.3%
Cash Weighting	-2.9%	-4.3%
Net Equity Exposure	102.9%	+4.3%

### Commentary

The K2 Australian Fund returned -3.94% for the month.

On the 7th of October, Hamas launched an attack against Israel. Israel promptly declared war on Palestinian Militants which could lead to a long and protracted conflict. Clearly geopolitical concerns are elevated, and economic consequences have become more complicated. A few weeks later, the new Governor of the Reserve Bank of Australia (RBA), Michele Bullock, gave her inaugural speech. She made it quite clear that the Board would not hesitate to raise the cash rate if there was a material upward revision to the inflation outlook. In addition, the Governor highlighted that the increased velocity of global shocks is causing several countries to reconsider the security of their supply chains. Australia's embracement of global trade may expose some new congestion points within the supply chain. Hence, when coupled with a slightly stronger labour market, there is a chance that inflationary pressures may persist for longer than first thought. However, geopolitical risks aside, the inflation pulse should continue to moderate and market participants will increasingly need to consider the implications of a steepening yield curve. Hence, businesses with structural growth tailwinds, like Corporate Travel (CTD), are looking more prospective.

CTD was founded in 1994 to provide travel management services to the corporate market. The business model was to offer a fee-for-service to corporate customers for advice, bookings, ticketing and travel diagnostics. CTD founder, Jamie Pherous, believed that corporate customers would be attracted to a personalised level of service, that was supported by modern technology which could deliver value. CTD listed on the ASX in 2010 with 300 staff who generated around \$30 million of revenue. By 2023, CTD was delivering \$660 million of revenue with 3,200 staff. CTD courageously acquired two businesses during the COVID pandemic and subsequently won two major contracts. As a result, over the coming year, CTD believes that it can grow its revenue base by at least 17%. CTD has also built up a cash balance of over \$150 million and is debt free. Accordingly, the company recently instigated a \$100 million buyback. It is also possible that CTD has extracted a meaningful technology dividend. CTD has always stated that its personalised service excellence, when coupled with market-leading technology, delivers a valuable client proposition. It will be fascinating to see how CTD utilises the last version of Generative Artificial Intelligence and whether it can enhance the productivity of its workforce.

### 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	+10% pa over the long term
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

George Boubouras  
 Head of Research  
 research@k2am.com.au  
 03 9691 6111

Marcela Tirado  
 Client Services  
 invest@k2am.com.au  
 03 9691 6111

## 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	-1.35	-3.94									0.45	-4.49	-2.59%	-0.06%
Incept.													659.63	540.80		
Incept.													8.78%pa	8.02%pa	23.39%	-4.40%

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

DISCLAIMER: The K2 Australia Absolute Return Fund is issued by K2 Asset Management Limited (K2) ABN 95 085 445 094, AFS Licence No 244393, a wholly owned subsidiary of K2 Asset Management Holdings Limited. The information contained in this document is produced in good faith and does not constitute any representation or offer by K 2. It is subject to change without notice and is intended as general information only and is not complete or definitive. The information provided in this document is current at the time of the preparation and K 2 is not obliged to update the information. K2 does not accept any responsibility and disclaims any liability whatsoever for loss caused to any party by reliance on the information in this document. Please note that past performance is not a reliable indicator of future performance. Any advice and information contained in this document is general only and has been prepared without taking into account any particular circumstances and needs of any party. Before acting on any advice or information in this document you should assess and seek advice on whether it is appropriate for your needs, financial situation, and investment objectives. Investment decisions should not be made upon the basis of its past performance or distribution rate, or any rating given by a ratings agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the ratings agency themselves. A product disclosure statement or information memorandum for the funds referred to in this document can be obtained at [www.k2am.com](http://www.k2am.com) or by contacting K2. You should consider the product disclosure statement before making a decision to acquire an interest in the fund.

©2023 Morningstar, Inc. All Rights Reserved. The information contained herein: ( 1 ) is proprietary to Morningstar and/or its content providers; ( 2 ) may not be copied or distributed; and ( 3 ) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.