

# K2 Australian Fund

## 31 May 2025



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)	1.96%	180.95	9.55%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	12.1%	+1.2%
BHP Group Ltd	9.1%	+2.4%
SGH Ltd	7.9%	-0.1%
Summerset Group Holdings Ltd	6.2%	+0.1%
Bendigo And Adelaide Bank	5.6%	+0.4%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	50.0%	+0.9%
Mid Caps>=AUD\$2b<AUD\$7.5b	26.1%	-5.5%
Small Caps<AUD\$2b	18.9%	+2.4%

Month End Exposures	Current	Monthly Move
Consumer	6.7%	-0.3%
Energy	3.5%	+1.6%
Financials/Real Estate	42.3%	-6.8%
Health Care	20.0%	+0.5%
Industrials	7.9%	-2.3%
Materials	14.6%	+5.2%
Number of Positions	20	-6
Gross Equity Exposure	95.1%	-4.1%
Cash Weighting	4.9%	+0.2%
Net Equity Exposure	95.1%	-0.2%

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

### Commentary

K2 Australian Fund returned 1.96% for the month.

Equity markets around the world responded favourably to the de-escalation in trade tensions. Tariffs between the US and China were temporarily reduced mid-month and this led to an improvement in most risk indicators. By month end, the VIX index had dropped below the reading prior to Liberation Day. Market participants seem to have come to terms with higher tariffs, and recession fears have subsequently dissipated. The flip side of US tariffs will be pro-investment tax legislation coupled with a more lenient regulatory backdrop. It's still early days but the earnings momentum for US companies doesn't appear to be fading yet. Accordingly, equities should continue to be a sought-after asset class.

During the month the best performing sector for the Fund was Financials. The Fund's holdings in Macquarie Group (MQG), MA Financial Group (MAF), Bendigo Bank (BEN) and Kina Securities (KSL) were all solid contributors to performance. Unfortunately, these gains were partially offset by the Fund's holding in Judo Capital (JDO). During the month, JDO gave a trading update. Gross loans and advances at the end of the March quarter were \$11.7 billion, margins were improving, and the lending pipeline, after a few subdued months, was starting to improve. JDO stated that, although lending volumes were a little lower than originally thought, it continued to expect that pre-tax earnings for FY2025 would be +15%. JDO also stated that pre-tax earnings would grow by +50% in FY2026. For comparison, the leading bank in the sector, Commonwealth Bank (CBA), is expected to deliver pre-tax earnings growth of just +4% in both FY2025 and FY2026. Normally market participants would be buoyed by such a relatively optimistic outlook. However, JDO's share price declined nearly 20% on the day of the update. The Fund subsequently added to its position during this weakness. Our view is simply that JDO's earnings growth is six times faster than CBAs, yet it trades on a price-to-book that is 75% lower. JDO has a strong platform for growth, management are well aligned with shareholders, and operational leverage is attainable.

In May, US Technology companies rallied strongly with the Nasdaq Composite Index up +9.5% for the month. This price action spread to the ASX 200 Information Technology (IT) which surged +19.8% for the month. There are only twelve companies in Australia's IT sector. The lack of supply of technology investing options in Australia has led to stretched valuations; the PE ratio of Australia's IT sector is in excess of 100x next years' earnings. Life360 (360) is widely owned in Australia and is the perfect case study. During the month 360 released its 3Q results. Revenue projections for CY2025 were unchanged but the underlying EBITDA guidance was lifted 17%. In response, the share price of 360 rose +52% for the month. Today, 360's EV-to-Revenue for CY2026 is 46% higher than that of the world leading Freemium players Pinterest and Spotify. Spotify and Pinterest are seen as platforms that cater for users that are looking to be entertained and inspired and this is attractive to advertisers. Hence, Spotify and Pinterest deliver premium levels of revenue outcomes. Platforms like 360 are more aligned to users who have a specific need in mind. As a result, the advertising pull-through is more bespoke and ultimately the revenue per user metrics are lower. If 360 traded in line with platforms like Match and Nextdoor, its multiple would halve. We are also mindful that some of 360's hardware is produced in China so tariffs may be an emerging problem.

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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	13.80%	-1.68%
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	2.37%	-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	1.19%	-0.20%
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	4.22%	-0.69%
2023/24	3.82	2.11	-1.35	-3.94	4.63	7.84	0.66	-0.41	2.15	-3.47	0.05	0.19	12.31	12.51	-1.60%	-0.31%
2024/25	4.08	0.08	4.27	0.21	2.20	-2.73	4.20	-3.99	-6.68	18.74	1.96		22.30	11.62	2.35%	-0.83%
Incept.													938.64	742.56		
Incept.													9.55%pa	8.66%pa	22.64%	-4.28%

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

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