

K2 Australian Fund

30 June 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)	3.36%	187.04	9.66%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	12.5%	+0.3%
SGH Ltd	8.1%	+0.2%
Summerset Group Holdings Ltd	6.0%	-0.1%
Bendigo And Adelaide Bank	5.7%	+0.1%
Kina Securities Ltd	5.6%	+0.3%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	45.5%	-4.6%
Mid Caps>=AUD\$2b<AUD\$7.5b	30.5%	+4.3%
Small Caps<AUD\$2b	18.0%	-0.9%

Month End Exposures	Current	Monthly Move
Consumer	6.7%	0.0%
Energy	4.4%	+0.9%
Financials/Real Estate	51.4%	+9.0%
Health Care	13.7%	-6.3%
Industrials	8.1%	+0.2%
Materials	9.7%	-4.9%
Number of Positions	21	+1
Gross Equity Exposure	93.9%	-1.1%
Cash Weighting	6.1%	+1.1%
Net Equity Exposure	93.9%	-1.1%

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	+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 3.36% for the month.

Geopolitical tensions resurfaced again during the month. Mid-month, Israel launched an attack on key nuclear facilities in Iran. The US military subsequently struck three of Iran's nuclear enrichment facilities. In days gone by, conflicts like this would have created disorder in asset markets. However, markets were relatively calm. The VIX index declined, long bond yields fell, the US dollar weakened, and equity markets rose. How times have changed. Looking forward, there are few key events on the horizon. Firstly, the US tariff delays are scheduled to expire on the 9th of July. To date there have only been a hand full of negotiations that have concluded with definitive outcome. Secondly, the second quarter profit results for US companies will commence shortly. Earnings growth is expected to taper to mid-single digits following uncertainty surrounding trade. The best performing sectors for the Fund were Financials, Energy and Industrials. Paladin Energy (PDN) was the strongest contributor delivering a +29% return for the month. The Fund's Financial exposure through holdings in Macquarie Group (MQG), Bendigo Bank (BEN) and Kina Securities (KSL) were also solid contributors to performance. SGH Ltd (SGH) also performed well.

SGH is one of Australia's leading industrial companies. SGH's management has consistently impressed us with its astute ability to allocate of capital and is therefore an ideal case study for the merits of being a listed company. SGH is uniquely positioned to deliver operational efficiencies. It has been a long-term owner of WesTrac and Coates Hire and these businesses are traditionally capital heavy and highly cyclical. SGH's model for capital allocation encourages counter-cyclical investments. Hence, whilst interest rates have been elevated and residential dwelling construction subdued, SGH has been positioning itself to deliver stronger operational leverage when conditions improve. SGH has been embracing the latest technological offerings within artificial intelligence and robotics so a step change in margins could be within reach. SGH is also well positioned to unlock significant value from the almost 4,000 hectares of surplus land that Boral holds. These land holdings can be redeveloped for residential and industrial purposes. The industrial development opportunities are of particular interest as they could generate meaningful levels of recurring income well into the future.

Gemlife Communities Group (GLF) is a land lease developer that delivers premium resort-style living for the Over-55 cohort. GLF generated recurring earnings of just A\$11 million during the past year, yet it listed on the ASX with a market capitalisation of A\$1.6 billion. Inclusive of development earnings, GLF was priced at 15x next years' earnings. Our preferred aging demographic play is Summerset Group (SUM). SUM has a market capitalisation of A\$2.4 billion, generated A\$120 million of recurring earnings in the past twelve months and is priced on 10x next years' profits. To our mind SUM has a far more balanced approach towards funding development activities whilst creating annuity income streams. The aging population thematic is a multi-decade tail wind. SUM continues to invest prudently into a market that has high barriers to entry. A retirement village that has been purposely built for prosperous baby-boomers is capital intense and can take up to a decade before the full earnings potential is realised. SUM is the ultimate build-to-rent exponent; its business delivers twice the IRR that multi-level residential build-to-rent projects aim to generate. In addition, SUM's continuum of care retirement villages recycled capital in a significantly more efficient manner.

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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	3.36	26.41	13.23	2.87%	-0.77%
Incept.													973.59	754.69		
Incept.													9.66%pa	8.69%pa	22.66%	-4.28%

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

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