

# K2 Australian Fund

## 30 April 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)	18.74%	177.47	9.50%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	11.0%	-2.4%
SGH Ltd	8.0%	-1.3%
BHP Group Ltd	6.7%	-1.4%
Summerset Group Holdings Ltd	6.0%	-0.8%
Bendigo And Adelaide Bank	5.3%	0.0%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	49.1%	-2.7%
Mid Caps>=AUD\$2b<AUD\$7.5b	31.6%	+3.9%
Small Caps<AUD\$2b	16.5%	-2.0%

Month End Exposures	Current	Monthly Move
Consumer	7.0%	-0.9%
Energy	1.9%	-0.1%
Financials/Real Estate	49.1%	+1.0%
Health Care	19.6%	+2.6%
Industrials	10.2%	-1.6%
Materials	9.4%	-1.8%
SHORTS	-1.9%	-1.9%
Number of Positions	26	+5
Gross Equity Exposure	99.1%	+1.2%
Cash Weighting	4.7%	+2.7%
Net Equity Exposure	95.3%	-2.7%

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 18.74% for the month.

April 2025 was one of those months that doesn't come along too often. The fallout from the US's 10% tariff on all countries and additional reciprocal tariffs was profound. Within days of the announcement, leading indicators of investor confidence moved sharply into risk-off territory. The Australian dollar plummeted to GFC and COVID levels. The VIX index pushed through 50 like back in October 2008 and March 2020. In addition, share prices of 85% of US listed companies traded below their 200-day moving average. This prompted a swift response from the US. President Trump stated that there would be a ninety-day temporary suspension on the higher rates of duty. This gave market participants hope that the tariff measures would not be as draconian as first thought. Most leading equity markets responded favourably to the announcement with an average gain of over +9%, with the ASX 200 Index registering an +8% improvement.

The Funds' three best performing sectors for the month were Industrials, Consumer Discretionary, and Financials. The Funds' performance was also aided by a successful class action settlement. At the stock level, Bendigo and Adelaide Bank (BEN) and Netwealth Group (NWL) were strong performance contributors for the Fund. BEN is the Funds' preferred pure play on retail banking. BEN has a strong relationship with its customers and has made a significant investment to improve its level of service. BEN's lending growth is improving and it is becoming a legitimate threat to the major banks. It is worth noting that the Fund does not have a position in Commonwealth Bank (CBA). During the month, CBA's share price rose +10% and contributed to more than 25% of the benchmarks' performance. CBA's future earnings are expected deliver miniscule growth. Despite this, CBA currently trades on 27x next years' earnings. There is no other bank in the world that trades on such an elevated multiple. In fact, CBA PE ratio is a few points higher than US's Magnificent Seven. CBA's valuation looks completely out of kilter with its prospects and this worries us.

NWL was one of the positions that we added to during the weakness early in the month. By the fifth day of April, NWL's share price had fallen 15% and was trading on as low a price, relative to expected earnings, as it did during the selloff in 2023. We added to the position on the expectation that NWL's upcoming business update would demonstrate that the mark-to-market weakness in asset prices during the March quarter would be neutralised by inflows. In fact, NWL's quarterly business update revealed that the market impact on FUA was significantly better than what we expected; despite equity markets declining by -4%, FUA for the quarter was +3% stronger than the prior quarter. NWL's share price subsequently rallied +27% from the lows of the month.

HMC Capital (HMC) is a new position for the Fund. Despite this, it was a detractor to performance for the month. HMC is an emerging manager of alternative assets. It concentrates on five asset classes: Real Estate, Private Equity, Energy Transition, Digital Infrastructure, and Private Credit. Market participants have been concerned that the mark-to-market impact from weak equity prices would reduce HMC's assets under management and revenue would be negatively impacted. So, when HMC downgraded earnings guidance for FY2025 by -12% in the lead-up to an Investor Day during the month, the share price sank. At its worst, HMC's share price was down -26%. We are encouraged that the price of HMC's listed AUM vehicles have, on average, recovered +6% from the lows of April and this may mitigate some of the mark-to-market concerns. At current prices, HMC is now trading at a significant discount to peer alternative asset managers.

**George Boubouras**  
Managing Director (MD)  
Research, Investments & Advisory  
research@k2am.com.au

**Marcela Tirado**  
Head of Relationship Management  
& Corporate Services  
invest@k2am.com.au

## 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			19.95	7.13	2.08%	-0.78%
Incept.													918.67	708.61		
Incept.													9.50%pa	8.51%pa	22.63%	-4.28%

(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 K2. 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 K2 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.

©2025 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.