

K2 Global High Alpha Fund

31 May 2024

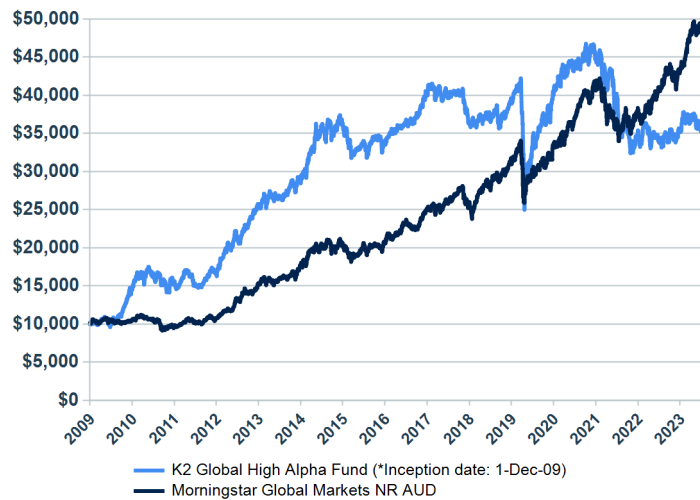


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-1.37%	119.67	9.16%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
BHP Group Ltd	6.3%	+0.3%
Macquarie Group Ltd	6.2%	+0.2%
Seven Group Holdings Ltd	5.4%	+0.2%
Summerset Group Holdings Ltd	4.8%	0.0%
NIB Holdings Ltd	4.0%	-0.1%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	38.6%	-2.0%
Mid Caps >=AUD\$2b < AUD\$7.5b	23.3%	-9.6%
Small Caps < AUD\$2b	24.3%	-1.1%

Month End Exposures	Current	Monthly Move
Consumer	2.1%	-8.6%
Energy	1.1%	-0.8%
Financials/Real Estate	23.3%	-10.9%
Health Care	8.0%	-2.2%
Industrials	12.5%	+2.2%
Information Technology	11.5%	+4.9%
Materials	24.1%	+2.3%
Number of Positions	33	-3
Gross Equity Exposure	86.3%	-12.7%
Cash Weighting	13.7%	+12.7%
Net Equity Exposure	86.3%	-12.7%
Currency Exposure Hedged of AUD	92.0%	+0.8%

Commentary

The K2 Global High Alpha Fund returned -1.37% for the month.

Within the developed economic regions, central bankers continue to hold their economies captive. Market participants are convinced that central bankers are only considering two forms of action; lifting interest rates or holding rates steady. The belief is that incoming data continues to increase the risk that inflation will stay above target for longer than expected. In fact, when considering the case for raising interest rates, central bankers have pondered the notion that consumer spending could pick up if the labour market remained benign and real household disposable income was to recover. However, we would argue that holding mortgage rates in restrictive territory for eighteen consecutive months stifles the capacity for households to embrace discretionary consumption. Furthermore, we are noticing that the number of unemployed citizens in developed economic regions are well above last years' level. Hence, we can't help but feel that some central bankers are becoming too myopic in the quest to tame the inflation bogie. Unfortunately, this inflation preoccupation has now allowed central bankers to become the sole proprietors of the economic grim tidings. In doing so, these bankers can now expect a heightened level of public scrutiny. We remain hopeful that the monetary policy setting will pivot towards improving the mindset of households.

During the month Bendigo Bank (BEN) announced that its net interest margin for the year-to-date was holding up better than market participants had expected. BEN had deliberately stepped away from the competitive mortgage market. As a result, most analysts missed the margin preservation strategy and subsequently needed to upgrade their 2024 profit forecast by at least 7%. Following the update, BEN's held its first investor day in more than a decade. We were impressed that BEN's technological focus has enabled a reduction in the time to conditional approval for a loan on its lending platform from five days to six minutes. We would therefore expect to see an improved level of loan originations from the broker channel and this would be particularly beneficial as the mortgage war subsides. We were also pleased with the development of Up which is BEN's digital bank. Up has rapidly grown to 800,000 customers and has aggregated over \$2 billion of deposits. This will enable Up to gradually evolve a loyal base of youthful home borrowers. BEN is well positioned for future growth and remains attractively priced relative to its larger peers.

Fund Characteristics	
Portfolio Managers	Campbell Neal, David Poppenbeek and Bill Laister
Strategy	International Equities
Objectives	To deliver consistent absolute 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	Up to 120
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	2.05%
Buy/Sell	Monthly Application/Redemption
Performance Fee	20.5% of the amount by which the NAV per unit exceeds the High Water Mark

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K2 Global High Alpha 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
2009/10						0.81	-1.26	3.46	4.61	-0.28	-5.44	1.83	3.45	1.48	33.67%	-0.28%
2010/11	5.28	1.36	13.20	8.95	5.90	10.18	0.83	2.04	0.66	3.40	-1.73	-3.09	56.62	3.50	9.62%	-0.76%
2011/12	0.97	-3.09	-8.55	8.86	-3.30	-3.53	6.22	7.90	0.04	-2.47	-7.31	-2.32	-8.00	-2.59	28.98%	-0.74%
2012/13	1.48	4.49	4.01	3.53	-0.97	6.91	4.92	4.42	2.18	4.42	1.80	-0.81	42.70	31.02	13.92%	-0.37%
2013/14	4.92	2.22	4.73	4.27	3.23	1.63	0.34	2.41	-0.56	0.05	0.19	-1.73	23.68	19.62	8.04%	-0.01%
2014/15	4.61	1.56	1.56	1.07	1.18	3.26	4.83	4.50	2.41	3.16	3.69	-3.51	31.92	23.89	9.19%	-0.07%
2015/16	4.50	-2.39	0.65	3.12	-1.87	-1.03	-4.72	-4.73	1.62	0.78	2.15	-4.13	-6.41	-0.60	18.10%	-0.49%
2016/17	3.76	2.20	-0.06	-1.85	0.62	1.52	2.24	-0.78	2.64	0.04	1.91	-0.90	11.77	15.36	19.74%	-2.44%
2017/18	0.12	3.67	1.39	3.63	1.83	1.24	-0.35	-0.17	-1.33	0.18	-0.69	0.59	10.45	15.13	16.40%	-2.98%
2018/19	0.60	0.51	-0.28	-4.95	-5.27	1.63	-3.30	3.85	-1.25	2.65	-1.85	1.26	-6.64	10.51	38.34%	-6.22%
2019/20	1.96	-3.55	2.80	0.91	3.40	2.16	1.13	-7.77	-23.23	8.13	6.33	1.38	-10.05	3.22	14.75%	-2.80%
2020/21	4.68	5.52	-0.96	-1.07	9.78	3.15	-0.28	3.41	0.90	3.48	-1.14	1.70	32.67	28.43	3.62%	-0.45%
2021/22	-0.31	3.48	-2.98	2.20	-1.12	0.75	-5.87	-1.51	2.21	-2.54	-4.35	-13.70	-22.32	-8.80	0.76%	-0.25%
2022/23	3.90	-1.29	-8.84	2.77	6.03	-4.49	7.16	-2.84	-1.84	0.79	-2.38	-1.17	-3.30	19.97	6.07%	-0.73%
2023/24	3.63	0.75	-0.16	-2.19	3.07	6.70	-0.44	-1.52	1.93	-3.87	-1.37		6.26	16.50	2.12%	-0.36%
Incept.													256.59	389.76		
Incept.													9.16%pa	11.58%pa	14.89%	-1.26%

(1) Morningstar Global Markets NR AUD

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