

K2 Global High Alpha Fund

31 January 2025



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)	3.72%	135.33	9.63%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Summerset Group Holdings Ltd	8.0%	+0.3%
Macquarie Group Ltd	7.4%	+0.3%
Purpose Bitcoin Etf	6.7%	+0.3%
BHP Group Ltd	5.6%	-0.1%
SGH Ltd	5.2%	+0.0%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	55.1%	+4.2%
Mid Caps>=AUD\$2b<AUD\$7.5b	17.7%	-4.8%
Small Caps<AUD\$2b	29.9%	+1.6%

Month End Exposures	Current	Monthly Move
Consumer	11.3%	+0.4%
Financials/Real Estate	41.9%	+3.6%
Health Care	10.1%	+0.6%
Industrials	10.3%	-1.7%
Information Technology	12.9%	-0.9%
Materials	9.6%	-1.4%
Number of Positions	28	-1
Gross Equity Exposure	102.8%	+0.9%
Cash Weighting	-2.8%	-0.9%
Net Equity Exposure	102.8%	+0.9%
Currency Exposure Hedged of AUD	84.8%	-0.3%

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

Commentary

K2 Global High Alpha Fund returned 3.72% for the month.

On the 20th of January, Donald Trump became the 47th president of the United States. There was an expectation that meaningful tariffs would be rapidly imposed on imports from China, Canada and Mexico and that the global inflation pulse would quicken. Despite this, markets were relatively calm. However, that all changed late in the month when details about a new AI platform, DeepSeek, were circulated. The DeepSeek platform is significantly cheaper than peer models and is said to be less demanding of compute resources. Hence, its emergence caused a 16% decline in the share price of AI heavyweight, Nvidia. It is worth noting that the impact of DeepSeek has had a more profound influence on market indicators than tariffs on hundreds of billions of dollars of global trade. What a fascinating world we live in.

In recent months there has been a significant pivot in the expectations for the first rate cut from the Reserve Bank of Australia (RBA). Many commentators predicted that monetary policy in Australia would loosen in the second half of CY2025. The first rate cut is now expected shortly. Clearly, economic activity in Australia has faded and inflation pressures have eased. The employment landscape is still relatively tight but this largely reflects government spending programs. Unfortunately, productivity in Australia continues to stagnate; non-farm labour productivity per hour has not moved in seven years. As a result, there is a perception that the RBA will need to play a leading role in reigniting economic prosperity. All said and done, mortgage holders have had to endure a standard variable home loan rate of over 8% for almost two years. To our mind, the RBA needs to be proactive in fostering a broadening the economic fortunes. Hence, we expect to see a number of interest rate cuts this year. This backdrop would be favourable to one of the Fund's larger holdings, National Storage REIT (NSR).

NSR listed on the ASX in 2013 as Australia's first independent, internally managed owner and operator of storage facilities. Back then, NSR operated or managed 62 storage centres throughout Australia with net lettable area (NLA) of 329,000 sqm. In 2013 NSR's storage centres were on average occupied 71% of the time and generated an EBITDA margin of 42%. Today, NSR's footprint is 254 centres covering over 1,300,000 sqm of NLA which are 76% occupied and generate an EBITDA margin of 56%. Hence, since listing a decade ago, NSR's NLA has grown by +14%pa, and this has translated into a total return for shareholders of +14%pa. Looking forward, we believe that NSR can continue to deliver strong returns. NSR has recently completed constructing 30 centres that are in various stages of maturity; as these centres mature over the next few years, occupancy rates will gravitate higher. NSR has also built the scale to efficiently allocate capital; existing centres can be expanded, competing centres can be acquired, and new centres will be built. Although NSR has the financial strength to support this growth opportunity, it has established a development JV with an offshore sovereign wealth fund. NSR has already sold 10 development sites into the JV for \$140 million. This will remove the fiscal drain of these developments from NSR's income statement and ensure higher margins, better return on capital, and less dilution of earnings. In summary, NSR has robust growth attributes and is attractively priced at a 10% discount to book value whilst offering a 5%+ dividend yield.

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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	14.87%	-2.83%	
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	0.81%	-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	6.13%	-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	-0.52	5.71	18.21	2.68%	-0.33%	
2024/25	3.43	-1.93	4.04	0.55	4.93	-1.50	3.72						13.74	16.41	2.22%	-1.54%	
													Incept.	303.47	478.45		
													Incept.	9.63%pa	12.27%pa	14.15%	-1.28%

(1) Morningstar Global Markets NR AUD

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