

# K2 Global High Alpha Fund

## 30 April 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)	0.49%	123.46	8.82%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Summerset Group Holdings Ltd	7.0%	-0.2%
Purpose Bitcoin Etf	6.2%	+0.6%
Macquarie Group Ltd	6.1%	-0.1%
SGH Ltd	5.7%	+0.1%
National Storage REIT	5.6%	+0.2%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	44.0%	-4.8%
Mid Caps>=AUD\$2b<AUD\$7.5b	30.4%	+3.2%
Small Caps<AUD\$2b	23.0%	-3.9%

Month End Exposures	Current	Monthly Move
Consumer	7.3%	+0.0%
Energy	1.8%	+0.2%
Financials/Real Estate	46.2%	+2.7%
Health Care	12.9%	+0.7%
Industrials	10.3%	+0.2%
Information Technology	11.2%	+0.1%
Materials	7.7%	+0.1%
SHORTS	-2.1%	-2.1%
Number of Positions	28	0
Gross Equity Exposure	105.7%	+2.8%
Cash Weighting	-1.6%	+1.3%
Net Equity Exposure	101.6%	-1.3%
Currency Exposure Hedged of AUD	89.6%	-0.8%

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 0.49% 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%.

The Funds' best performing sectors for the month were Energy and Industrials. The Funds' holding in the Purpose Bitcoin ETF (BTCC/U US) was the strongest contributor to performance with a +10% price move. 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 Australian banks. In fact, we believe that BEN has significantly more valuation upside than Australia's leading financial company, Commonwealth Bank (CBA). 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. It is worth noting that BEN's PE is about half that of CBA's.

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.

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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	-2.81	-6.59	0.49			3.76	9.44	1.64%	-1.18%
Incept.													268.08	443.82		
Incept.													8.82%pa	11.61%pa	14.11%	-1.26%

(1) Morningstar Global Markets NR AUD

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