

K2 Global High Alpha Fund

29 February 2024

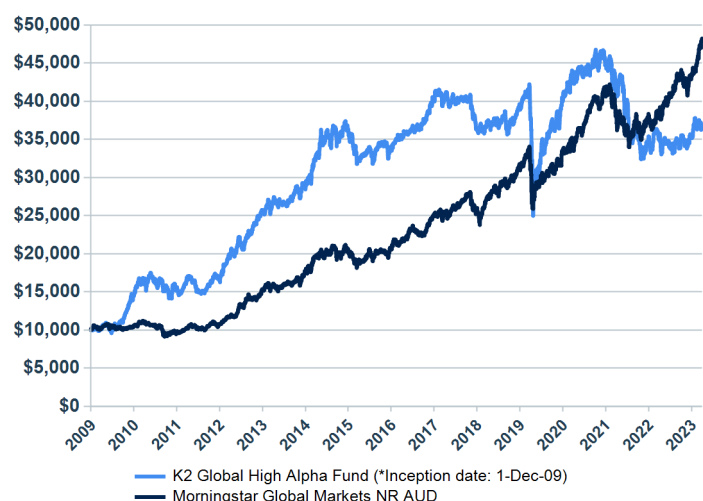


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-1.52%	123.82	9.59%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
News Corp - Class B- Cdi	6.3%	+0.6%
Macquarie Group Ltd	6.0%	+0.2%
BHP Group Ltd	5.9%	-4.4%
Stanmore Resources Ltd	5.1%	-0.9%
Maas Group Holdings Ltd	5.0%	+0.9%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	47.1%	+5.2%
Mid Caps >=AUD\$2b<AUD\$7.5b	24.4%	-16.9%
Small Caps <AUD\$2b	24.2%	+1.1%

Month End Exposures	Current	Monthly Move
Communication Services	6.3%	+0.6%
Consumer	10.8%	+1.5%
Energy	2.1%	-3.1%
Financials/Real Estate	19.6%	+2.8%
Health Care	6.8%	-3.6%
Industrials	15.4%	+2.3%
Information Technology	9.9%	+4.8%
Materials	19.3%	-14.3%
Number of Positions	31	-2
Gross Equity Exposure	95.7%	-10.6%
Cash Weighting	4.3%	+10.6%
Net Equity Exposure	95.7%	-10.6%
Currency Exposure Hedged of AUD	90.4%	-0.3%

Commentary

The K2 Global High Alpha Fund returned -1.52% for the month.

Over the past three years, the yield on Australia's ten year bond has risen from 1.9% to 4.1%. Over the same time period, the expected growth rate of the Australian economy for the year ahead has sunk from 3.7% to 1.5%. Outside of the GFC and COVID phases, the outlook for the Australian economy has rarely been as consistently dour as it is at present. Clearly, the impact of earlier interest rate increases continues to permeate through the economy. In addition, the Reserve Bank of Australia (RBA) continues to highlight that it is still not possible for it to rule out further increases in interest rates. The RBA is mindful that service price inflation is high relative to pre-COVID levels. Our view, however, is that service inflation should gradually run off. The labour market is rebalancing, and prospective minimum wage outcomes will most likely be less onerous than the experience over the last two years. Hence we believe that the RBA's narrative will tilt towards a loosening bias in the near term. Given that residential housing prices in Australia have been moving higher on improved clearance rates, it could be said that fears over higher interest rates have diminished. Typically, these conditions lead to a recovery in housing approvals. If housing construction picks up then we feel that economic activity would subsequently broaden and corporate earnings would eventually experience a cyclical tailwind.

During the recent US quarterly reporting season, we heard many experienced investment bankers suggest that dialogue with customers had become more constructive and that the capital market pipeline had improved dramatically. There were suggestions that IPO activity would increase in 2024 and merger and acquisition deals would intensify. In Australia there have already been a number of large deals announced in 2024; Saint-Gobain has bid for CSR, CRH and Barro Group have bid for Adbri, Renesas has approached Altium, Seven Group is mopping up Boral, Alcoa is after the balance of Alumina and ANZ was given the green light to acquire Suncorp's banking business. It is worth noting that a number of the takeovers have involved asset heavy companies that would benefit from looser monetary conditions. The prospect of coupling a lower cost of capital with conservatively geared balance sheets should be too enticing for corporate raiders to ignore. It should be just a matter of time before investor sentiment improves and IPO candidates start to re-emerge.

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					9.95	14.76	2.61%	-0.28%
												Incept.	268.97	382.43		
												Incept.	9.59%pa	11.68%pa	14.92%	-1.26%

(1) Morningstar Global Markets NR AUD

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