

# K2 Global High Alpha Fund

## 30 June 2024

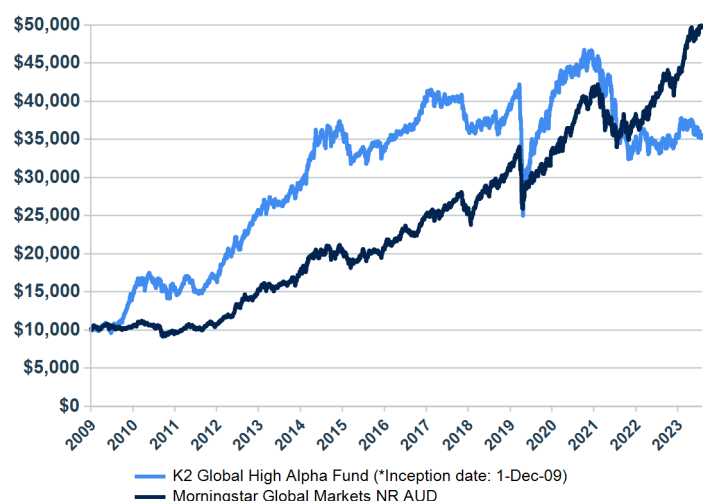


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-0.52%	119.04	9.07%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	7.3%	+1.1%
BHP Group Ltd	6.6%	+0.3%
Seven Group Holdings Ltd	5.6%	+0.3%
Summerset Group Holdings Ltd	5.2%	+0.4%
NIB Holdings Ltd	4.3%	+0.3%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	53.4%	+14.8%
Mid Caps >=AUD\$2b < AUD\$7.5b	15.1%	-8.2%
Small Caps < AUD\$2b	17.5%	-6.8%

Month End Exposures	Current	Monthly Move
Consumer	5.7%	+3.7%
Financials/Real Estate	27.9%	+4.6%
Health Care	8.9%	+0.9%
Industrials	11.1%	-1.4%
Information Technology	15.9%	+4.4%
Materials	13.0%	-11.1%
Number of Positions	26	-7
Gross Equity Exposure	86.0%	-0.2%
Cash Weighting	14.0%	+0.2%
Net Equity Exposure	86.0%	-0.2%
Currency Exposure Hedged of AUD	90.3%	-1.7%

### Commentary

The K2 Global High Alpha Fund returned -0.52% for the month.

This month the ASX 100 Industrials Index delivered a total return of +3.5% whereas the ASX 100 Resources Index was down 5.9%. The poor performance from resource companies was brought about by continued weakness globally in economic activity with all the G3 economies recording sub trend growth. China's property market remains weak despite the government providing a number of stimulus measures over the last quarter. Chinese property completions for June were 20% lower than a year ago and property sales were off by 22% for the year. The Chinese government continues to take small steps to try and stimulate property prices. In an attempt to promote stronger consumer demand, the government is utilising measures such as reducing loan-to-valuation ratios and enabling State Owned Enterprises to purchase excess property inventory on behalf of lower income households. All these measures, while in the right direction, have not impacted either property prices or demand. Small resource companies need the China demand pulse to quicken.

The US second quarter reporting season will commence shortly. Expectations are that earnings from US companies will comfortably be ahead of last year. From our perspective however, the commentary from the investment banks regarding the state of the merger and acquisition (M&A) cycle will be more insightful. Our sense is that the M&A pipeline is rapidly filling but deal completions are dependent upon some interest rate relief. Animal spirits in the corporate arena are certainly resurfacing but the confidence to commit to large scale capital allocations is still lacking. Once the US Federal Reserve Bank cuts rates, we believe that a sustained period of M&A activity will follow. Initial Public Offering (IPO) activity typically follows M&A deal flow. However, at present, IPO activity in Australia has rarely been weaker. During the past year, there were only 56 IPOs on the ASX whereas the average over the past thirty-five years has been 121 per year. If the IPO pipeline improved, it would indicate that the mindset of investors had pivoted towards optimistic wealth pursuits. These conditions would be favourable for the Funds' holdings in Macquarie Group (MQG) and MA Financial Group (MAF). Both MQG and MAF prosper when long duration asset prices are rising, and investors are embracing higher risk opportunities. We expect to see MQG and MAF generate stronger earnings in the future and enjoy higher valuation multiples.

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	-0.52	5.71	18.21	2.68%	-0.33%
												Incept.	254.73	396.92		
												Incept.	9.07%pa	11.62%pa	14.92%	-1.26%

(1) Morningstar Global Markets NR AUD

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