

# K2 Global High Alpha Fund

## 31 January 2024

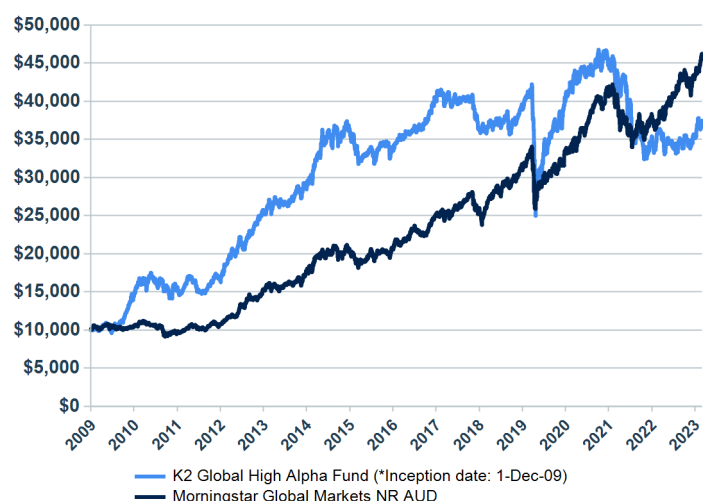


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-0.44%	125.73	9.77%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
BHP Group Ltd	10.3%	+0.8%
RIO Tinto Ltd	6.8%	-4.4%
Stanmore Resources Ltd	5.9%	-0.7%
Macquarie Group Ltd	5.8%	+0.5%
News Corp - Class B- Cdi	5.7%	+0.5%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	41.9%	-6.1%
Mid Caps >=AUD\$2b<AUD\$7.5b	41.3%	+2.2%
Small Caps <AUD\$2b	23.1%	+2.0%

Month End Exposures	Current	Monthly Move
Communication Services	5.7%	+0.5%
Consumer	9.3%	-1.8%
Energy	5.1%	+0.3%
Financials/Real Estate	16.7%	+0.7%
Health Care	10.4%	+2.3%
Industrials	13.1%	+1.5%
Information Technology	5.1%	+0.3%
Materials	33.6%	-6.5%
Number of Positions	33	+1
Gross Equity Exposure	106.3%	-1.9%
Cash Weighting	-6.3%	+1.9%
Net Equity Exposure	106.3%	-1.9%
Currency Exposure Hedged of AUD	90.8%	-0.2%

### Commentary

The K2 Global High Alpha Fund returned -0.44% for the month.

The December monthly headline inflation rate in Australia was 3.4% higher than a year ago and is now in line with the US and Canada. The price of a number of Australian items have softened over the past few months. However, there continues to be some consistent outliers. Food products and non-alcoholic beverages that are on the shelves of grocers like Woolworths and Coles are sustaining elevated prices. Likewise, insurance premiums for auto and home coverage from providers like IAG and AAMI continue to rise at a brisk rate. The grocers and insurers are supporting higher prices with a narrative that input costs need to be offset. However, supply chains are decongesting, the labour market is rebalancing, and capital is more readily available. To our mind, progressive companies continually strive to improve productivity. Higher costs of doing business are thoroughly investigated and remedies are actively sought. The companies that appreciate the needs of all stakeholders in a timely manner typically succeed over a long period of time. These are the durable businesses that our stock selection process favours. We believe that businesses that are taking their customers for granted will be exposed to competitive and regulatory risks in the future.

Back in mid-2022, the Fund established a position News Corp (NWS). The US Federal Reserve had just tightened rates by 2.25%, Russia had invaded the Ukraine and economic prospects were gloomy. Global food and oil prices were rising rapidly, inflation expectations were moving higher, and recession fears were building. Obviously, given that NWS was a global media and information services company, it was seen as a highly cyclical business. Advertising expenditure across its news platforms was expected to be pressured as would the subscription video services. In addition, NWS's 61% holding in REA Group was deflating in value. Unsurprisingly, NWS's share price had dropped by a third by the time we acquired our holding. So what did we like? NWS has just made two acquisitions worth US\$1.5 billion; the Oil Price Information Services (OPIS) business which provided a number of pricing benchmarks for energy participants, and Base Chemicals which provided pricing data and insights for key chemicals. NWS had also implemented a US\$1 billion repurchase program. Today, given that digital now accounts for more than 50% of NWS's revenue, as generative AI becomes entrenched into everyday behaviours, accretive revenue and cost opportunities look plentiful.

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						11.65	8.52	2.94%	-0.32%
												Incept.	274.66	356.20		
												Incept.	9.77%pa	11.31%pa	14.94%	-1.26%

(1) Morningstar Global Markets NR AUD

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