

K2 Global High Alpha Fund

31 March 2024

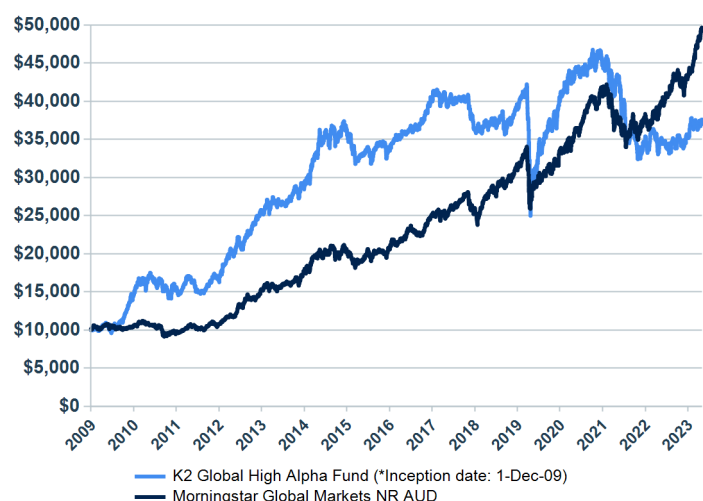


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	1.93%	126.21	9.68%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
News Corp - Class B- Cdi	6.2%	-0.1%
Macquarie Group Ltd	6.2%	+0.1%
BHP Group Ltd	5.9%	+0.0%
Seven Group Holdings Ltd	5.3%	+0.3%
Winton Land Ltd	4.2%	-0.6%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	48.5%	+1.4%
Mid Caps >=AUD\$2b<AUD\$7.5b	32.2%	+7.8%
Small Caps <AUD\$2b	22.5%	-1.7%

Month End Exposures	Current	Monthly Move
Communication Services	6.2%	-0.1%
Consumer	12.4%	+1.6%
Energy	2.1%	+0.0%
Financials/Real Estate	29.0%	+9.4%
Health Care	9.4%	+2.6%
Industrials	10.4%	-5.0%
Information Technology	10.1%	+0.2%
Materials	17.4%	-1.8%
SHORTS	-1.4%	-1.4%
Number of Positions	36	+5
Gross Equity Exposure	104.6%	+8.9%
Cash Weighting	-1.9%	-6.1%
Net Equity Exposure	101.9%	+6.1%
Currency Exposure Hedged of AUD	89.8%	-0.6%

Commentary

The K2 Global High Alpha Fund returned 1.93% for the month.

Over the past few months there has been an increased volume of articles highlighting the limited supply of new housing in Australia. Simply put, there are concerns that the number of net migrants has been rising however the completion rate of new housing stock has been declining. In response, we have spoken to number of property developers. The consensus feedback was that the availability of construction materials is improving, the supply of labour is increasing, and the expected delivery time for projects is shortening. Typically, these conditions would lead to an increase in housing activity. However, there is still one critical ingredient that is missing: housing affordability. Affordability is a function of the absolute price of housing stock relative to household income or loan servicing capacity. Unfortunately, household income has been constrained by the increased costs of living, whereas loan servicing capacity has been restricted by rising interest rates and banks hesitation to lend. Hence, if housing affordability is to improve, the price of everyday goods and services needs to taper, interest rates must be cut, and banks need to be less risk adverse. We are noticing that a turning point in all these inputs is approaching and therefore we feel that a rebound in housing activity is inevitable. An improved outlook for housing would be beneficial for retirement village developers.

The Fund has positions in New Zealand based retirement village developers Summerset Group (SUM) and Ryman Healthcare (RYM). SUM has been delivering outstanding results despite the difficult operating backdrop. During the six months to December 2023, SUM's underlying profits were 16% stronger than the prior year and its share price subsequently rose by 11%. RYM on the hand has been contending with a more complex set of operating issues. RYM has been expanding rapidly into Auckland and Melbourne with high-density villages. These villages have been impacted by construction constraints which in turn has delayed the sell-down program. RYM has announced that in the six months to March 2024 it would sell fifty five fewer new occupation rights than expected and as a result, half year earnings would be at least 10% lower than last year. RYM's share price has fallen 27% over the past six months. We believe that RYM's share price is extremely attractive relative to the prospective cashflow that its fourteen thousand retirement units and care beds will deliver over the coming years. Project development debt will progressively run off and improved investment returns will follow.

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				12.07	18.14	2.38%	-0.35%
												Incept.	276.09	396.62		
												Incept.	9.68%pa	11.83%pa	14.90%	-1.26%

(1) Morningstar Global Markets NR AUD

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