

K2 Global High Alpha Fund

30 June 2023

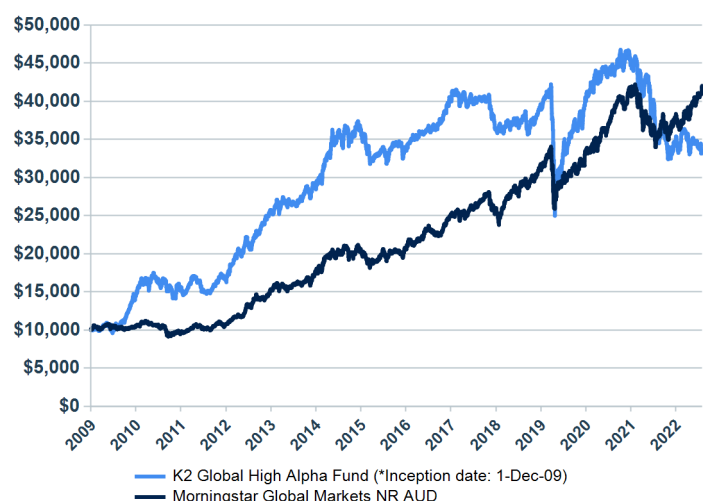


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-1.18%	112.61	9.32%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	8.8%	+1.4%
RIO Tinto Ltd	8.6%	+1.6%
BHP Group Ltd	8.2%	+1.6%
Northern Star Resources Ltd	7.8%	-0.1%
Kina Securities Ltd	6.2%	+0.2%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	53.0%	+8.1%
Mid Caps >=AUD\$2b < AUD\$7.5b	19.4%	+3.3%
Small Caps < AUD\$2b	21.1%	-12.4%

Month End Exposures	Current	Monthly Move
Communication Services	4.0%	+0.3%
Consumer	3.6%	-2.2%
Energy	7.3%	+0.4%
Financials/Real Estate	18.2%	+0.7%
Health Care	9.5%	+0.7%
Industrials	11.4%	-3.9%
Materials	39.5%	+3.1%
Number of Positions	25	-1
Gross Equity Exposure	93.5%	-0.9%
Cash Weighting	6.5%	+0.9%
Net Equity Exposure	93.5%	-0.9%
Currency Exposure Hedged of AUD	79.2%	-1.3%

Commentary

The K2 Global High Alpha Fund returned -1.18% for the month.

During the month there were a number of important data releases in Australia. Firstly, the CPI for May was 0.4% lower than April or 5.6% higher than a year ago; this was better than expected. Secondly, the number of Australian underemployed workers in May were 12% more than this time last year. Finally, the number of job vacancies in May were 10% lower than last year. Furthermore, we are mindful that a number of Australian companies are over-earning and are, therefore, enabling a new source of competitive threats. A number of younger companies have been able to utilise the latest iterations of technology and now have the potential to compete with scale. It therefore seems likely that tradable and non-tradable inflationary pressures are peaking. All up, these outcomes should provide the Reserve Bank of Australia (RBA) with some flexibility towards tightening monetary policy. Eventually, the RBA will be comfortable moving to the sidelines, and this should signal that Australia's economic activity is broadening. This would be very favourable for Seven Group Holdings (SVW).

SVW is one of Australia's leading industrial companies with operations spanning industrial services, energy and media. Over the past few years SVW has also demonstrated a disciplined approach to allocating capital. Between 2013 and 2016, SVW conducted an on-market buyback where it acquired 27 million shares at an average price of \$5.82. Then in 2017, SVW issued \$375 million of equity at \$11.20 to acquire 53% of Coates Hire. Again in 2021, SVW placed \$500 million of equity to institutions at \$22.50 following its initial acquisition of 23% of Boral. This activity has enabled SVW to build exposure to a number of Australia's strategic growth avenues such as the infrastructure rollout, mining production and transitional energy.

The Fund is well positioned for a cyclical improvement in Australia's economic activity. There are some green shoots sprouting within the residential property market; housing prices are stabilising, auction clearance rates are improving and population growth has resumed. Dwelling construction activity is still subdued but a less volatile phase of monetary policy would surely cause some uplift in approvals for dwelling activity. The best performing holdings for the Fund this month were BHP Group (BHP), SVW and Macquarie Group (MQG). Detractors to performance were MAAS Group (MGH) and PeopleIn (PPE).

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	-1.18	-3.31	19.97	6.07%	-0.73%	
													Incept.	235.56	320.38		
													Incept.	9.32%pa	11.15%pa	15.80%	-1.33%

(1) Morningstar Global Markets NR AUD

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