

# K2 Global High Alpha Fund

## 28 February 2025



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)	-2.81%	131.53	9.37%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Summerset Group Holdings Ltd	7.3%	-0.7%
Macquarie Group Ltd	6.7%	-0.7%
MA Financial Group Ltd	5.8%	+0.9%
SGH Ltd	5.4%	+0.2%
Purpose Bitcoin Etf	5.4%	-1.3%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	48.0%	-7.1%
Mid Caps>=AUD\$2b<AUD\$7.5b	18.8%	+1.1%
Small Caps<AUD\$2b	31.0%	+1.1%

Month End Exposures	Current	Monthly Move
Consumer	11.3%	0.0%
Financials/Real Estate	38.7%	-3.2%
Health Care	11.8%	+1.6%
Industrials	10.3%	+0.0%
Information Technology	11.5%	-1.4%
Materials	8.9%	-0.6%
Number of Positions	27	-1
Gross Equity Exposure	97.9%	-4.9%
Cash Weighting	2.1%	+4.9%
Net Equity Exposure	97.9%	-4.9%
Currency Exposure Hedged of AUD	88.0%	+3.2%

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

### Commentary

K2 Global High Alpha Fund returned -2.81% for the month.

During the month, the Fund had a number of its companies report profit results for the six months to December. Pleasingly, the results were better than we expected. Let us start with the positives. There were two stand out outperformers; a2 Milk (ATM NZ) and MA Financial Group (MAF). ATM delivered a strong first half result. Revenue grew 10% for the half with solid demand coming from Asia and the US. The Daigou channel continues to be problematic for the distribution of infant milk formula, however, new product launches with another manufacturing partner are partly offsetting the impact. Earnings for the half were 7.6% ahead of last years outcome and an inaugural dividend of 8.5c was declared. ATM lifted guidance for FY2025 and now expects revenue growth to exceed 10%. The company has over NZ\$1 billion of cash that will support some acquisitions and further capital returns. ATM's total return for the month was +35%. MAF's earnings for the six months to December were +40% above the prior corresponding period. Importantly, MAF's recent investments to build out a credit business are starting to pay off. Back in 2022, MAF acquired the mortgage broker Finsure. At the time, Finsure had 13% of the Australian mortgage broking market; today that share has risen to 17% and the managed loan book has grown to \$139 billion. MAF has also developed a non-bank lending business called MA Money. MA Money is now profitable and is scaling well; the loan book doubled in size in 2024 and currently stands \$2.1 billion. By 2026, MA Money should be generating a net profit north of \$15 million. In addition, MAF has established a good foothold in the US Private Credit market. MAF has recently received SEC approval for a specialty income fund which is now available on a large retail platform. MAF is well positioned to deliver strong earnings growth over the coming years. For the month, MAF delivered a total return of +24%.

A detractor to performance during the month was Lifestyle Communities (LIC). LIC develops affordable land lease communities for the over-55 cohort in Victoria. Despite tough property market conditions, LIC managed to deliver creditable results for the six months to December 2024; when compared with the corresponding period, the number of new home settlements rose by +10%, management fees earned were +4% higher, and the operating profit grew by +9%. However, forward indicators for near-term settlements were weak; the number of leads, appointments and gross sales were considerably lower than the prior half. We have seen this before; back in December 2018 and December 2020 sales plunged. However, on both occasions, settlements rebounded quickly, partly in response to interest rate cuts by the RBA. It is likely that a similar set-up is building this time around. What is different is that last year, a small group of residents at LIC's Wollert community managed to convince eighty other homeowners to join them in a claim lodgement at the Victorian Civil and Administrative Tribunal (VCAT). The claim accused LIC of immoral and unethical conduct, including misleading marketing and questionable fees when residents come to sell their home. LIC believe they can charge a deferred management fee given their particular form of contract. LIC have had this reviewed and feel extremely comfortable that VCAT will dismiss the claim. The VCAT hearing is scheduled for May. In the meantime, LIC has signalled that it will shrink the development pipeline and reduce the inventory of built homes. Despite this, LIC's stream of CPI-linked annuity income will continue to expand, operating cash flow from settlements should improve and earnings growth will follow.

**George Boubouras**  
 Managing Director (MD)  
 Research, Investments & Advisory  
[research@k2am.com.au](mailto:research@k2am.com.au)

**Marcela Tirado**  
 Head of Relationship Management  
 & Corporate Services  
[invest@k2am.com.au](mailto:invest@k2am.com.au)

## 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	14.87%	-2.83%	
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	0.81%	-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	6.13%	-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%	
2024/25	3.43	-1.93	4.04	0.55	4.93	-1.50	3.72	-2.81					10.55	14.47	2.37%	-1.36%	
													Incept.	292.14	468.85		
													Incept.	9.37%pa	12.07%pa	14.15%	-1.27%

(1) Morningstar Global Markets NR AUD

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