

# K2 Global High Alpha Fund

## 30 April 2024

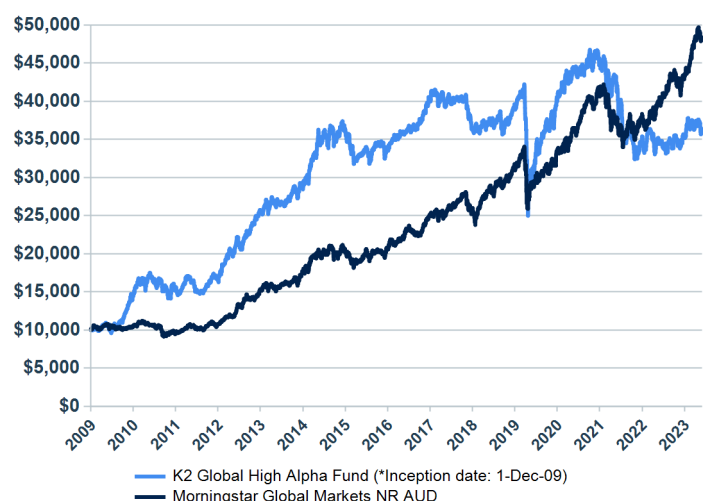


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-3.87%	121.33	9.32%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	6.0%	-0.1%
BHP Group Ltd	6.0%	+0.1%
Seven Group Holdings Ltd	5.1%	-0.1%
Summerset Group Holdings Ltd	4.8%	+0.7%
Winton Land Ltd	4.2%	0.0%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	40.6%	-7.9%
Mid Caps >=AUD\$2b < AUD\$7.5b	32.9%	+0.7%
Small Caps < AUD\$2b	25.4%	+2.9%

Month End Exposures	Current	Monthly Move
Consumer	10.6%	-1.8%
Energy	2.0%	-0.1%
Financials/Real Estate	34.2%	+5.2%
Health Care	10.2%	+0.8%
Industrials	10.3%	-0.2%
Information Technology	6.6%	-3.5%
Materials	21.8%	+4.3%
Number of Positions	36	0
Gross Equity Exposure	98.9%	-5.7%
Cash Weighting	1.1%	+2.9%
Net Equity Exposure	98.9%	-2.9%
Currency Exposure Hedged of AUD	91.2%	+1.4%

### Commentary

The K2 Global High Alpha Fund returned -3.87% for the month.

Since the start of this calendar year the price of a barrel of Brent crude oil is up 14% and the CRB Food Index has risen 15%. These price movements partly reflect the hostilities taking place in Ukraine and Gaza Strip. Coincidentally, the global inflation pulse has quickened, and this has contributed to an upward shift in long bond yields. As a result, market participants have now pushed out the prospect for monetary policy easing. To our mind, the inflation war will be won and attention should pivot towards the impact from the rebalancing of the labour market. We have found that a large cross section of our industry contacts are saying that the supply chain has decongested. In addition, we are finding that there are less reports of labour shortages. Conversely, there is little doubt that higher real interest rates are contributing to subdued levels of consumer activity. Hence, we feel that demand for labour is tapering. It is also clear that the supply side of the jobs market is expanding. Migration in most developed regions is reaccelerating and labour participation rates are inflating. These conditions typically lead to higher unemployment rates. If the unemployed ranks start moving sharply higher, we feel that this should lead to pre-emptive interest rate cuts and a soft economic landing.

During the past few months the Fund has established positions in fund managers GQG Partners (GQG), Pinnacle Investment Management (PNI) and Perpetual (PPT). The thought process is that calmer interest rate conditions are typically associated with improved levels of investor confidence, which in turn leads to inflows into managed funds. GQG and PNI are already experiencing better levels of inflows and assets under management are expanding rapidly. GQG and PNI continue to build out their distribution capabilities which, when coupled with consistent relative fund outperformance, expands the global target market. PPT on the other hand, has outlaid \$2.5 billion over the last five years to establish a \$200+ billion boutique asset management business. If PPT offloads its Corporate Trust and Wealth Management businesses for \$1.8+ billion then, as a pure play asset manager, there is considerable upside. PPT's seven asset managers have delivered reasonable relative performance over the past three years so the expanded distribution network should be more productive. Improved operating margins from PPT's asset management business would highlight the significant valuation upside.

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			7.74	14.75	2.11%	-0.33%
												Incept.	261.55	382.39		
												Incept.	9.32%pa	11.53%pa	14.89%	-1.26%

(1) Morningstar Global Markets NR AUD

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