K2 Australian Small Cap Fund (Hedge Fund)
31 October 2025

The K2 Australian Small Cap 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)	-0.12%	2.57	5.24%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Summerset Group Holdings Ltd	6.8%	+0.5%
Bendigo And Adelaide Bank	5.2%	-0.2%
National Storage REIT	4.8%	-0.1%
West African Resources Ltd	4.6%	0.0%
HMC Capital Ltd	4.5%	+1.5%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD$7.5b	10.7%	+3.1%
Mid Caps>=AUD$2b<AUD$7.5b	37.9%	-4.6%
Small Caps<AUD$2b	46.0%	+0.3%

Month End Exposures	Current	Monthly Move
Communication Services	3.8%	-0.4%
Consumer	14.3%	+1.7%
Energy	2.6%	+2.6%
Financials/Real Estate	29.3%	-6.2%
Health Care	6.8%	+0.5%
Industrials	11.7%	+2.3%
Information Technology	2.5%	-1.9%
Materials	23.8%	-1.9%
Number of Positions	**35**	**+1**
Gross Equity Exposure	**96.0%**	**-2.1%**
Cash Weighting	**4.0%**	**+2.1%**
Net Equity Exposure	**96.0%**	**-2.1%**

Fund Characteristics	
Portfolio Managers	Campbell Neal, David Poppenbeek and Bill Laister
Strategy	Australian and New Zealand Small Cap Equities
Objectives	To deliver consistent 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	25 to 50
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.31%
Buy/Sell	Bought and Sold on the ASX market (ASX: KSM)
Performance Fee	15.38% pa of the amount by which the NAV per unit exceeds the High Water Mark once the fund achieves its hurdle
Investment Horizon	5 Years
Style Bias	Growth At a Reasonable Price
Market Capitalisation Bias	>$1billion

Commentary

The K2 Small Cap Fund returned -0.12% for the month.

The outlook for the Australia economy is complicated. On one hand, Australia's labour market is performing very well. The employment to population ratio is very high at 64% and has recovered from COVID hibernation far more impressively than peer nations. Accordingly, this is giving the impression that the economy is robust. On the other hand, Australia is delivering one of the weakest productivity outcomes in the Western World. We can only conclude that Australia's workforce is heavily skewed towards segments of the economy that add little compounding power to the nation's wealth. There is very little evidence that the supply side of the economy is being expanded by expansionary capital expenditure. Activity has been directed towards shorter term consumption drivers and this is having inflationary consequences. As a result, the Reserve Bank of Australia (RBA) is struggling to deal with the conflicted economic backdrop. It has been surprised by the recent up-tick in inflation and this has led to some upward revisions to near-term forecasts. The inflationary pulse seems to most elevated in sectors of the economy that are influenced by Government bodies. Health, education and housing continue to register inflation readings that are well above estimates for the neutral rate. The RBA also stated that its liaison with business leaders suggest that a "significant share of firms are experiencing difficulty sourcing labour." Hence, we believe that the RBA is vulnerable to falling behind the curve and restrictive monetary policy could persist longer than necessary. As a result, there is a growing risk that housing market activity and consumer consumption momentum could easily be lost. Consumer sentiment had rebounded following the latest interest rate cut however this could also reverse if the RBA becomes too hawkish. There are some who are suggesting that the RBA may be on hold for the next six months. Hence, the Fund is under-weight the Consumer Discretionary sector with only three holdings. One of these holdings was the Fund's best performers for the month; Eagers Automotive (APE).

APE is Australia's leading automotive retailer having been established over one hundred years ago. Over the past twenty-five years APE has grown its revenue base by twenty-fold. The Fund established a position in APE a year ago following some weakness in the car market. Consumers were taking a more value conscious approach to car purchases, industry sales plateaued, and APE's profitability suffered. However, as the RBA reduced rates, APE's fortunes improved. Following a strong 1H'26 result back in August, APE this month announced that it was expanding into the Canadian market. APE made a $1 billion investment into CanadaOne Auto which is currently one of the leading dealership groups in Canada. The acquisition was funded by a $500m equity raise that the Fund participated in. APE have stated that the acquisition will be EPS accretive immediately to the tune of +15%. APE's share price responded positively to the deal and the holding added 160 basis points of performance for the month.

Performance detractors for the month included some of the Fund's gold holdings. In the last ten days of the month, the gold price declined by about 10%. This resulted in lower share prices in Black Cat Syndicate (BC8) and Ramelius Resources (RMS). We still believe that gold exposure is warranted. Central banks continue to purchase gold and uncertainty regarding geopolitics and the US dollar should add to the demand equation.

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K2 Australian Small Cap 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
2013/14						2.86	3.19	3.06	4.44	0.36	1.15	-1.26	**14.52**	1.12	*41.95%*	*0.00%*
2014/15	3.64	2.57	-0.68	0.50	-1.04	-0.37	2.60	4.48	1.37	-0.22	2.23	-2.11	**13.51**	0.44	*22.50%*	*0.00%*
2015/16	5.71	-2.77	3.61	1.57	1.31	1.20	-3.95	-5.76	4.80	3.33	1.21	-0.40	**9.58**	14.40	*12.48%*	*-0.20%*
2016/17	4.80	3.05	0.00	-1.48	-3.76	-0.39	1.57	-1.54	3.14	-2.28	0.78	2.80	**6.50**	7.01	*15.90%*	*-0.54%*
2017/18	2.08	3.58	0.05	2.86	-0.23	5.91	-0.28	-3.36	0.04	-2.06	1.65	-1.87	**8.29**	24.25	*21.35%*	*-2.04%*
2018/19	1.82	-0.96	2.06	-6.33	-4.24	-3.25	-0.36	1.48	-1.08	1.04	0.31	-0.08	**-9.53**	1.92	*44.79%*	*-3.92%*
2019/20	5.21	-3.19	3.27	-0.11	2.71	1.01	2.56	-8.00	-28.03	11.37	6.81	-0.18	**-12.11**	-5.67	*26.94%*	*-1.30%*
2020/21	4.81	11.25	1.40	3.21	12.13	1.58	0.80	-1.11	2.75	6.18	1.08	3.57	**58.25**	33.23	*6.13%*	*-0.24%*
2021/22	-1.03	4.78	0.19	0.75	-2.02	2.31	-8.61	-1.08	2.50	-0.86	-9.08	-13.71	**-24.36**	-19.52	*8.30%*	*-0.01%*
2022/23	9.20	1.14	-9.78	2.28	3.94	-4.45	8.43	-2.17	-4.84	2.21	-3.10	-3.33	**-2.16**	8.45	*7.70%*	*-0.21%*
2023/24	5.12	-2.13	-1.49	-4.25	3.80	5.92	1.15	0.18	3.34	-3.49	-0.63	-1.88	**5.13**	9.35	*7.51%*	*-0.11%*
2024/25	4.56	-2.59	3.53	0.39	0.43	-3.14	2.89	-1.34	-2.86	2.09	2.30	1.14	**7.27**	12.26	*6.53%*	*-1.15%*
2025/26	-2.72	7.25	2.24	-0.12									**6.54**	17.49	*2.20%*	*0.00%*
												Incept.	**83.81**	149.08		
												Incept.	**5.24%pa**	7.96%pa	***17.25%***	***-0.75%***

(1) S&P/ASX Small Ordinaries Accumulation Index