

# K2 Australian Fund

## 31 December 2025



The K2 Australian 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)	-0.28%	159.14	9.32%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	5.7%	-5.6%
Betashares Nasdaq 100 Etf Cn*Ms	4.8%	+4.8%
BHP Group Ltd	3.9%	-3.3%
Northern Star Resources Ltd	3.0%	-3.2%
Resmed Inc-Cdi	2.8%	-3.5%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	25.3%	-20.4%
Mid Caps>=AUD\$2b<AUD\$7.5b	7.2%	-23.5%
Small Caps<AUD\$2b	8.0%	-9.1%

Month End Exposures	Current	Monthly Move
Consumer	2.4%	-2.2%
Energy	2.5%	+0.3%
Financials/Real Estate	16.4%	-23.0%
Health Care	4.8%	-9.6%
Industrials	3.7%	-3.7%
Materials	10.8%	-14.8%
Number of Positions	24	-1
Gross Equity Exposure	45.3%	-48.2%
Cash Weighting	54.7%	+48.2%
Net Equity Exposure	45.3%	-48.2%

Fund Characteristics	
Portfolio Managers	Campbell Neal, David Poppenbeek and Bill Laister
Strategy	Australian and New Zealand 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	Daily Application/Redemption
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	>\$7.5 billion

### Commentary

The K2 Australian Fund returned -0.28% for the month of December 2025.

The Reserve Bank of Australia (RBA) continues to maintain a restrictive stance on monetary policy. The RBA is concerned that aggregate demand is exceeding the economy's supply potential. In addition, the RBA is worried that the labour market is tight and financial conditions may be looser than first thought. As a result, the RBA is now squarely of the view that near term interest rate cuts are unlikely. In fact, market pricing is now positioned for rate hikes in the first half of 2026. Over the past two months, Australia's 10-year bond yield has risen by 0.5% and is now more than 1% higher than the cash rate. Our concern is that the Australian economy is at risk of losing momentum. If consumer sentiment shifts in response to higher for longer interest rates, then consumption trends could quickly tilt towards preservation tendencies. Ultimately, discretionary expenditure is likely to fade and demand tension for residential property could taper. This outcome would have negative implications for GDP growth prospects in 2026. The Fund is subsequently underweight consumer facing sectors.

During the month, New Zealand's GDP for the September quarter was released and the outcome was better than expected; economic activity rose +1.1% qoq with all but two industries delivering positive outcomes. It appears that the New Zealand economy has finally past the trough in activity, and an accommodative setting of interest rates should ensure that growth continues over the coming quarters. By way of example, new home consents for the year to October were +6% stronger than the prior year. High density homes did most of the heavy lifting, but we would expect to see a solid lift in stand-alone housing construction in 2026. Consumer sentiment has been improving but is still well below pre-COVID readings. Hence, if inflation expectations remain anchored around current levels, then we would anticipate that mortgage rates can continue to trend lower and consumer sentiment would keep heading higher. The Fund's holding in Summerset Group (SUM) should experience strong profit uplifts in 2026 if a confident New Zealand consumer translates into an aspirational owner of residential property.

During the month new positions were established in NIB Holdings (NHF) and Arena REIT (ARF). NHF is provider of private health insurance and is attractively priced at 15x earnings. Earnings growth over the coming years should be solid given higher premium rates, recently established businesses moving into profitability, and improved returns from the \$1.4 billion investment portfolio. ARF is an owner of childcare facilities and offers a compelling dividend yield of 5%+ which is underpinned by attractive development prospects. The Fund also increased its position in Woodside Energy (WDS). Oil prices have now fallen to levels where a number of producers are no longer profitable. The supply side of the energy market has less capacity to expand rapidly from these levels. If global demand starts to improve then energy prices could begin to demonstrate some upside.

The Fund's gold exposure was a significant contributor to performance during the month. The gold price has continued to rise and the US dollar has tended to weaken. As a result, the share prices of the Fund's holdings in Ramelius Resources (RMS) and West African Resources (WAF) were on average up +10% for the month. BHP Group (BHP), Maas Group (MGH), Macquarie Group (MQG) and Judo Capital (JDO) were also solid performance contributors.

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## K2 Australian 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
1999/00				1.90	2.00	9.51	-3.92	-2.58	5.57	-3.95	-1.93	2.44	8.53	15.98	51.97%	-12.83%
2000/01	13.14	6.79	-3.07	0.14	4.50	0.91	4.53	-2.88	-11.90	13.03	5.25	0.47	32.19	8.85	27.72%	-16.68%
2001/02	-7.85	-4.82	-5.35	8.66	11.51	1.84	3.93	3.54	-0.16	-0.36	2.66	-2.71	9.54	-4.50	32.13%	-14.57%
2002/03	-6.33	3.62	-0.93	1.69	1.62	4.28	1.80	1.23	-0.17	2.20	0.66	1.45	11.23	-1.08	51.58%	-14.43%
2003/04	3.72	6.97	1.59	2.45	-1.19	2.93	0.44	1.39	0.54	-0.07	0.32	2.16	23.16	22.37	36.03%	-3.74%
2004/05	3.07	1.39	4.18	4.46	3.68	1.38	3.83	0.32	-2.04	-3.41	0.79	3.22	22.57	24.75	26.86%	-5.18%
2005/06	1.34	0.74	3.91	-3.22	3.74	1.40	1.72	0.52	3.51	1.91	-0.43	2.03	18.33	24.20	27.57%	-3.95%
2006/07	-0.88	2.28	1.53	5.78	0.42	2.98	1.03	0.51	3.03	2.67	3.46	0.16	25.35	30.28	32.21%	-4.92%
2007/08	-0.61	-1.48	2.56	0.91	-1.90	-0.29	-9.27	-0.39	-1.46	1.58	0.91	-2.27	-11.56	-12.12	51.05%	-8.23%
2008/09	0.26	2.84	-5.78	-5.61	-3.76	3.37	-1.65	-1.16	5.75	4.72	0.91	2.86	1.94	-22.15	46.55%	-3.37%
2009/10	7.17	7.41	5.13	-0.98	1.75	3.51	-4.00	-0.23	3.46	-0.58	-5.67	-0.85	16.30	13.78	10.30%	-2.62%
2010/11	2.10	-1.10	4.72	3.27	0.07	3.41	-0.49	1.92	0.00	-1.59	-1.73	-0.77	9.99	12.17	14.13%	-3.98%
2011/12	-3.41	-0.59	-4.76	3.69	-2.82	-2.13	3.08	1.91	1.94	-0.20	-5.47	-0.37	-9.22	-7.04	23.28%	-3.47%
2012/13	3.27	2.95	1.21	3.61	0.07	3.07	4.47	4.47	0.32	4.54	-2.84	-1.39	26.09	20.67	7.24%	-0.19%
2013/14	3.27	1.31	4.56	2.53	-0.31	0.08	-2.33	2.23	1.70	-0.13	-0.01	-0.87	12.49	17.64	11.71%	-0.02%
2014/15	2.83	1.60	-2.02	1.99	-0.83	-0.72	3.46	6.25	0.40	-0.35	1.17	-2.97	10.98	5.67	18.55%	-0.34%
2015/16	1.61	-4.14	-2.72	3.42	-0.62	-1.70	-3.79	-1.43	4.39	3.08	2.25	-3.08	-3.16	2.01	19.81%	-0.29%
2016/17	5.14	1.29	1.25	-1.40	-0.03	2.94	0.23	-1.56	1.00	-0.07	0.07	-0.02	8.99	13.12	16.66%	-1.52%
2017/18	1.00	0.26	0.50	2.87	1.80	3.25	0.79	0.73	-2.72	1.74	0.68	1.58	13.08	13.73	21.63%	-3.71%
2018/19	0.39	-1.40	0.11	-7.18	-2.45	-1.17	0.06	2.43	0.17	1.41	0.34	-0.29	-7.63	11.04	39.30%	-3.30%
2019/20	2.23	-4.63	3.59	-0.99	3.96	2.13	2.74	-9.38	-26.24	10.83	5.72	2.17	-12.70	-7.21	13.80%	-1.68%
2020/21	3.13	5.12	-3.93	1.68	13.34	2.36	-1.03	3.98	1.03	4.35	1.05	1.01	36.05	30.24	2.37%	-0.18%
2021/22	0.49	2.58	-1.35	-0.48	-1.43	2.58	-5.82	2.00	3.79	-1.70	-3.68	-10.94	-13.98	-7.44	1.19%	-0.20%
2022/23	4.88	0.89	-6.77	2.47	5.05	-3.51	6.95	-2.66	-1.46	1.38	-1.94	-0.37	4.10	14.75	4.22%	-0.69%
2023/24	3.82	2.11	-1.35	-3.94	4.63	7.84	0.66	-0.41	2.15	-3.47	0.05	0.19	12.31	12.51	-1.60%	-0.31%
2024/25	4.08	0.08	4.27	0.21	2.20	-2.73	4.20	-3.99	-6.68	18.74	1.96	3.36	26.41	13.23	2.87%	-0.77%
2025/26	-3.71	3.95	-0.51	-2.23	-0.52	-0.28							-3.43	4.41	5.21%	0.00%
												Incept.	936.81	792.35		
												Incept.	9.32%pa	8.70%pa	22.01%	-4.12%

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

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