

K2 Australian Fund

31 March 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)	-6.68%	149.46	8.79%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	13.4%	-0.9%
SGH Ltd	9.3%	+0.4%
BHP Group Ltd	8.0%	+0.4%
Summerset Group Holdings Ltd	6.9%	0.0%
Kina Securities Ltd	6.2%	+0.2%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	51.9%	-3.1%
Mid Caps>=AUD\$2b<AUD\$7.5b	27.7%	+8.9%
Small Caps<AUD\$2b	18.5%	-3.5%

Month End Exposures	Current	Monthly Move
Consumer	7.9%	-1.1%
Energy	2.0%	+2.0%
Financials/Real Estate	48.1%	+2.2%
Health Care	17.0%	+2.1%
Industrials	11.8%	-1.2%
Materials	11.1%	-1.7%
Number of Positions	21	+3
Gross Equity Exposure	98.0%	+2.3%
Cash Weighting	2.0%	-2.3%
Net Equity Exposure	98.0%	+2.3%

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

K2 Australian Fund returned -6.68% for the month.

The month of March was dominated by a belief that the world was heading into a prolonged trade war. The first catalyst was back in January when the US announced that an "America First Trade Policy" needed to be investigated. Then in February President Trump announced that the US would also examine non-reciprocal trade relationships. At the time of writing, President Trump had declared a National Emergency arising from large and persistent annual goods trade deficits. The release of the America First Trade Policy revealed that a duty of 10% would be applied to all imports from all trade partners. In addition, scaled reciprocal tariffs would be applied to certain trading partners. Immediately following the release of the policies, volatility measures spiked, recession fears escalated, and asset prices tumbled. However, seven days later, President Trump announced that the reciprocal tariffs would be paused for ninety days. Our initial view is that if the US can negotiate more favourable tariff terms with countries like Japan or South Korea, then recession fears should soften, and investor confidence would improve. Unfortunately, trade tensions with China are unlikely to be resolved anytime soon. Hence, a deal with other leading Asian trade partners could be an important offset.

The Fund underperformed for the month. The main detractors to performance were from holdings in the Financial and Healthcare sectors. Within Financials, Macquarie Group (MQG) and MA Financial Group (MAF) were down 13% and 16% respectively. MQG's weakness mirrored that of global alternative asset managers like Blackstone, KKR and Ares Management. Broadly, the perception is that a trade war will create investor uncertainty and therefore merger and acquisition activity will slow. If alternative asset managers are unable to recycle capital then future earnings will be impeded. MQG will deliver its full year profit result next month and there shouldn't be too many surprises. MQG has already indicated that its results for the last nine months were in-line with the prior year.

MAF's weakness during the month was a result of market participants fearing that the mark-to-market impact from weak equity prices would reduce assets under management. However, over the longer term, we believe that MAF can sustain strong levels of growth. Near term, MAF's AGM next month should contain guidance for the level of profitability for the year ahead; we feel there is upside to current expectations of +30% growth.

The Funds' Healthcare holdings in retirement village operators Summerset Group (SUM NZ) and Ryman Healthcare (RYM NZ) were also drags on performance. RYM's share price has now fallen below the entitlement price of the recent capital raising. As a result, the retail take-up was less than expected. SUM was probably used as a partial funding tool for the RYM raising and hence some weakness was to be expected. However, we would note that SUM has significantly outperformed RYM operationally. For the March quarter, RYM's sales are expected to be 30% lower than the prior corresponding period. SUM's sales on the other hand were +14% stronger. SUM is currently trading at less than 10x next years' expected profits and is our preferred play in the retirement space.

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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				1.02	3.40	1.31%	-0.77%	
													Incept.	757.89	680.52		
													Incept.	8.79%pa	8.39%pa	22.60%	-4.28%

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

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