

# K2 Global High Alpha Fund

## 31 December 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)	-1.50%	130.48	9.42%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Summerset Group Holdings Ltd	7.7%	+0.2%
Macquarie Group Ltd	7.1%	-0.2%
Purpose Bitcoin Etf	6.5%	+0.1%
BHP Group Ltd	5.7%	-0.1%
SGH Ltd	5.2%	-0.3%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	51.0%	-8.4%
Mid Caps>=AUD\$2b<AUD\$7.5b	22.6%	+9.4%
Small Caps<AUD\$2b	28.3%	+0.0%

Month End Exposures	Current	Monthly Move
Consumer	10.9%	+0.5%
Financials/Real Estate	38.2%	+5.4%
Health Care	9.6%	-1.3%
Industrials	12.0%	-0.3%
Information Technology	13.8%	-0.6%
Materials	10.9%	-2.8%
Number of Positions	29	-2
Gross Equity Exposure	101.9%	-1.8%
Cash Weighting	-1.9%	-4.0%
Net Equity Exposure	101.9%	+4.0%
Currency Exposure Hedged of AUD	85.2%	-0.4%

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 -1.50% for the month.

During the month, companies that were consumer facing or were sensitive to higher interest rates underperformed. Long bond yields rose, expected reductions in official cash rates tapered and the Australian dollar weakened. Why? Mainly because the US will have a new President in a few weeks. The expectation is that the impact of additional tariffs, and a renewed trend towards onshoring more business activities, will cause the US inflation pulse to quicken. As a result, the US Federal Reserve is expected to recalibrate its dovish tone. However, this does not immediately guarantee that the Reserve Bank of Australia (RBA) stays hawkish. The RBA has maintained a restrictive stance on monetary policy for all of 2024. The RBA believes that there is excess demand in the Australian economy and accordingly the underlying inflation rate is too high. However, it is clear from the erosion in productivity measures, that a great deal of the demand push has been driven by the public sector. Fortunately, the cost-of-living imperative for award wage escalations seem destined to fade and this should improve the scope for meaningful interest rate relief in 2025. This would provide a favourable tail wind for owners and managers of financial assets. MA Financial Group (MAF) is a case in point.

MAF is an alternative asset manager that was founded in 2009 and listed on the ASX in 2017. The MAF team has extensive expertise across private credit, real estate and hospitality sectors and sees itself as a builder of valuable businesses in large addressable markets. The group has invested heavily over the past few years and currently has almost \$10 billion in assets under management, \$128 billion in managed loans, and a \$1.7 billion loan book. Over the next two years these investments should deliver considerable growth; assets under management have the potential to grow by 50%, the loan book could more than double in size, and \$200 billion in managed loans is not out of the question. Importantly, the capital to support this growth has been committed so we would expect to see a meaningful improvement in MAF's return on equity over the coming years.

MAF also has a Corporate Advisory arm that is leveraged to the mergers and acquisition (M&A) cycle. In December, Northern Star Resources (NST) agreed to acquire De Grey Mining (DEG) and Insignia (IFL) received a bid from Bain Capital. We anticipate that interest rate volatility dissipates, business leader confidence improves, investor's appetite for risk broadens, and the cost of capital for M&A transactions stabilises. Hence, the M&A cycle should accelerate throughout 2025. There should also be an acknowledgement that the global universe of listed companies has been shrinking which may, in time, contribute to a scarcity factor in valuation metrics. All up, this backdrop should also be supportive for an improved pipeline of IPO candidates which in turn would provide another tailwind for MAF.

Looking out to 2026, MAF is trading on a PE ratio that is 40% lower than the average of Macquarie Group (MQG), HMC Capital (HMC) and Blackstone (BX US). MAF's key management personnel collectively own 40% of the company and are also co-invested in many of the groups managed funds. We believe that this alignment with clients and shareholders has the potential to translate into a strong dividend stream over the years ahead.

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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	14.87%	-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							9.66	13.60	2.99%	-1.80%
Incept.													289.01	464.52		
Incept.													9.42%pa	12.16%pa	14.19%	-1.29%

(1) Morningstar Global Markets NR AUD

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