

K2 Global High Alpha Fund

30 September 2023

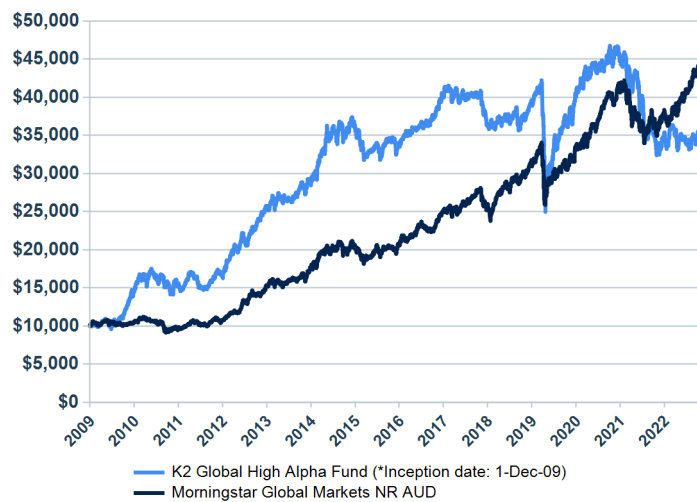


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-0.16%	117.39	9.47%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
RIO Tinto Ltd	8.9%	+0.3%
BHP Group Ltd	8.4%	+0.1%
Macquarie Group Ltd	7.3%	-0.2%
Kina Securities Ltd	6.9%	-0.2%
Stanmore Resources Ltd	6.2%	+1.5%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	40.4%	-2.3%
Mid Caps >=AUD\$2b < AUD\$7.5b	22.7%	-0.5%
Small Caps < AUD\$2b	24.6%	+0.9%

Month End Exposures	Current	Monthly Move
Communication Services	4.5%	-0.1%
Consumer	5.7%	-0.1%
Energy	8.7%	+0.4%
Financials/Real Estate	21.7%	+1.5%
Health Care	2.3%	-3.6%
Industrials	9.4%	+0.5%
Information Technology	1.8%	-0.1%
Materials	30.9%	+1.1%
Number of Positions	24	-1
Gross Equity Exposure	87.6%	-1.9%
Cash Weighting	12.4%	+1.9%
Net Equity Exposure	87.6%	-1.9%
Currency Exposure Hedged of AUD	93.7%	+0.0%

Commentary

The K2 Global High Alpha Fund returned -0.16% for the month.

Over the past two years, the average official cash rate for the main developed economic regions has moved from a zero bound to near 5%. As official rates have progressively moved higher, we have noticed that there has been a tendency for asset prices to move sharply around the end of each quarter. More often than not, the asset prices that move the most are the ones that are typically associated with the perception of risk. A \$10 jump in the oil price tends to ensure that long bond prices suddenly sink, the VIX Index immediately shoots higher, the US dollar strengthens and the currencies of most commodity exporting nation sink. This price action has subsequently led to an elevated sense of fear. However, maybe investors need to look through the windscreen instead of the rear vision mirror. Could it be that the steepening yield curve is indicating that the probability of a recession is receding? What we can say is that market driven phases of pessimism have historically enabled rational capital allocators, like Macquarie Group (MQG), to put long term money to work.

Although MQG has held a relatively cautious stance, it is capable of responding quickly if required. MQG's Asset Management business has over \$30 billion of equity to redeploy whereas at the group level, there is surplus capital of over \$12 billion. However, MQG recently indicated that it had experienced weaker trading conditions during the three months to June 2023. Investment related income was lower and profits were substantially down on the prior year. It is likely that these conditions continued into the quarter to September. As a result, MQG's first half profit will struggle to match the \$2.3 billion that it delivered last year. Nonetheless, MQG is a world class provider of financial services. Since listing twenty six years ago, MQG has produced DPS growth of 12%pa. It has consistently generated less earning volatility than its global peers and has delivered significantly higher total returns to shareholders. We are comfortable holding MQG, particularly as it has lost seven PE points since the global rate tightening cycle started.

For the month, Stanmore Resources (SMR) and Seven Group (SVW) were the strongest performance contributors. The largest performance detractors for the month were Macquarie Group (MQG) and Pilbara Minerals (PLS).

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										4.24	-0.26	4.51%	0.00%
Incept.													249.81	319.29		
Incept.													9.47%pa	10.92%pa	15.05%	-1.24%

(1) Morningstar Global Markets NR AUD

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