

K2 Global High Alpha Fund

31 October 2023

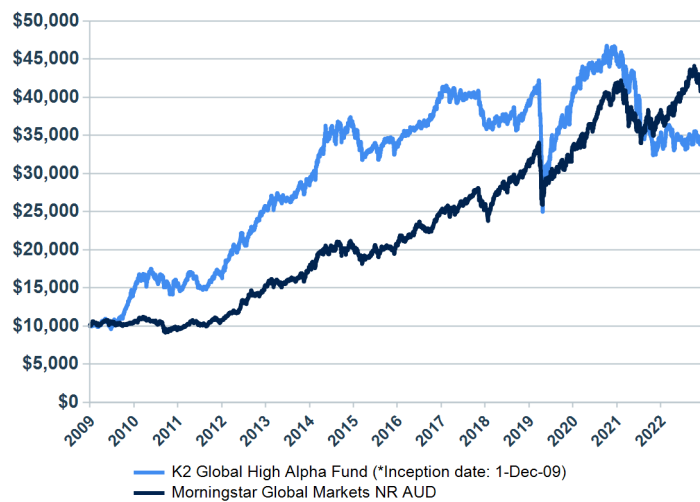


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-2.19%	114.82	9.24%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
RIO Tinto Plc-Spon Adr	9.9%	+9.9%
BHP Group Ltd-Spon Adr	9.2%	+9.2%
Kina Securities Ltd	7.2%	+0.3%
Stanmore Resources Ltd	6.8%	+0.6%
Woodside Energy Group Ltd	5.9%	+0.0%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	40.1%	-0.3%
Mid Caps >=AUD\$2b < AUD\$7.5b	25.8%	+3.1%
Small Caps < AUD\$2b	28.0%	+3.5%

Month End Exposures	Current	Monthly Move
Communication Services	5.0%	+0.5%
Consumer	7.3%	+1.6%
Energy	5.9%	-2.9%
Financials/Real Estate	26.5%	+4.8%
Health Care	2.2%	-0.1%
Industrials	9.4%	+0.1%
Information Technology	1.9%	+0.0%
Materials	32.9%	+2.0%
SHORTS	-0.5%	-0.5%
Number of Positions	24	0
Gross Equity Exposure	94.4%	+6.8%
Cash Weighting	6.6%	-5.7%
Net Equity Exposure	93.4%	+5.7%
Currency Exposure Hedged of AUD	93.1%	-0.6%

Commentary

The K2 Global High Alpha Fund returned -2.19% for the month.

On the 7th of October, Hamas launched an attack against Israel. Israel promptly declared war on Palestinian Militants which could lead to a long and protracted conflict. Clearly geopolitical concerns are elevated, and economic consequences have become more complicated. A few weeks later, the new Governor of the Reserve Bank of Australia (RBA), Michele Bullock, gave her inaugural speech. She made it quite clear that the Board would not hesitate to raise the cash rate if there was a material upward revision to the inflation outlook. In addition, the Governor highlighted that the increased velocity of global shocks is causing several countries to reconsider the security of their supply chains. Australia's embracement of global trade may expose some new congestion points within the supply chain. Hence, when coupled with a slightly stronger labour market, there is a chance that inflationary pressures may persist for longer than first thought. However, geopolitical risks aside, the inflation pulse should continue to moderate and market participants will increasingly need to consider the implications of a steepening yield curve. Hence, businesses with structural growth tailwinds, like Corporate Travel (CTD), are looking more prospective.

CTD was founded in 1994 to provide travel management services to the corporate market. The business model was to offer a fee-for-service to corporate customers for advice, bookings, ticketing and travel diagnostics. CTD founder, Jamie Pherous, believed that corporate customers would be attracted to a personalised level of service, that was supported by modern technology which could deliver value. CTD listed on the ASX in 2010 with 300 staff who generated around \$30 million of revenue. By 2023, CTD was delivering \$660 million of revenue with 3,200 staff. CTD courageously acquired two businesses during the COVID pandemic and subsequently won two major contracts. As a result, over the coming year, CTD believes that it can grow its revenue base by at least 17%. CTD has also built up a cash balance of over \$150 million and is debt free. Accordingly, the company recently instigated a \$100 million buyback. It is also possible that CTD has extracted a meaningful technology dividend. CTD has always stated that its personalised service excellence, when coupled with market-leading technology, delivers a valuable client proposition. It will be fascinating to see how CTD utilises the last version of Generative Artificial Intelligence and whether it can enhance the productivity of its workforce.

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	-2.19									1.96	-1.65	5.49%	-0.06%	
													Incept.	242.14	313.45		
													Incept.	9.24%pa	10.74%pa	15.11%	-1.24%

(1) Morningstar Global Markets NR AUD

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