

K2 Global High Alpha Fund

31 January 2023

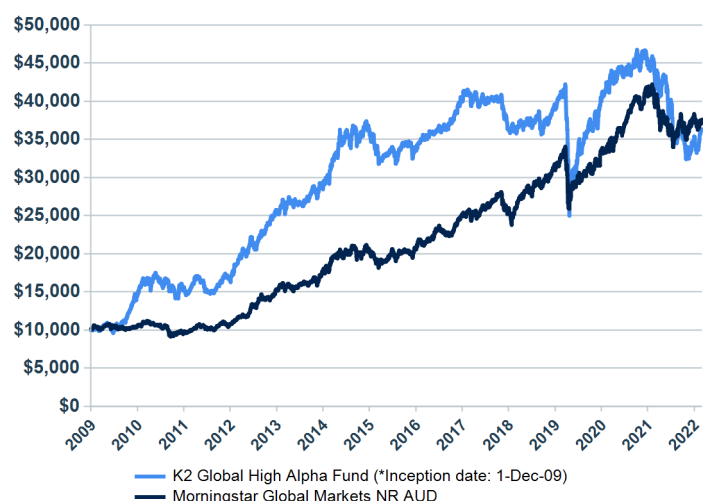


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	7.16%	121.43	10.26%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	9.1%	+0.4%
RIO Tinto Ltd	8.2%	+0.1%
BHP Group Ltd	7.8%	+0.1%
Kina Securities Ltd	5.3%	-0.5%
Stanmore Resources Ltd	4.5%	+0.3%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	43.5%	-0.1%
Mid Caps >=AUD\$2b < AUD\$7.5b	22.4%	+6.0%
Small Caps < AUD\$2b	29.1%	-4.0%

Month End Exposures	Current	Monthly Move
Communication Services	3.2%	0.0%
Consumer	11.8%	+2.9%
Energy	10.1%	+0.1%
Financials	21.7%	-2.2%
Health Care	7.2%	+1.2%
Industrials/Real Estate	15.6%	-0.1%
Materials	25.4%	+0.1%
SHORTS	-1.6%	-1.6%
Number of Positions	33	+4
Gross Equity Exposure	96.5%	+3.6%
Cash Weighting	6.6%	-0.4%
Net Equity Exposure	93.4%	+0.4%
Currency Exposure Hedged of AUD	82.8%	-0.3%

Commentary

The K2 Global High Alpha Fund returned 7.16% for the month.

During the month, a number of developed economies displayed a disinflationary tendency. The US, Canada and even the UK registered a slowing in the annual pace of headline consumer price indices (CPI). Unfortunately, Australia's CPI reading for December quickened and was 8.4% stronger than a year ago. The Reserve Bank of Australia (RBA) has been highlighting that Australian business leaders have indicated that costs of doing business have risen and that prices would need to follow. As a result, it would appear that some industries are now aggressively focussed on margin accretion to the detriment of their customers. Airlines, grocers and petrol retailers look to be the main culprits and their actions are having a meaningful impact on inflation gauges. We would prefer that business leaders counter short term input cost increases with long term productivity solutions. If the market system is destabilised in Australia, the RBA may be forced to hold rates higher for longer. This is not our base case but we need to be mindful that the solution to the elevation in the cost-of-living is not higher wages and more government intervention.

The Fund currently has 35% exposure in eight commodity companies where end markets are finely balanced. The Global Financial Crisis, when coupled with the COVID pandemic, ensured that the supply side of mining industry was severely constrained. Mining projects consistently delivered poor returns and this ultimately resulted in the majors directing capital expenditure towards replacement tonnes rather than expansionary tonnes. The expected recovery in China will see a resumption of investments in infrastructure and property projects in 2023, leading to stronger demand for iron ore and coking coal. Global decarbonisation will see strong demand for base metals as these markets move into deficit in 2023/24. The length of time to get any mine to the development phase has been elongated to at least five years which will see supply side responses reduced and delayed. Overall, the Materials sector, despite the recent strength, remains very attractive from a valuation perspective.

The best performance contributors for the Fund this month were Macquarie Group (MQG), Rio Tinto Ltd (RIO) and Stanmore Resources (SMR). Woodside Energy Group (WDS) was a detractor. During the month the Fund initiated a position in Super Retail Group (SUL) and added to the WDS position.

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

George Boubouras
 Head of Research
 research@k2am.com.au
 03 9691 6111

Marcela Tirado
 Client Services
 invest@k2am.com.au
 03 9691 6111

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						4.27	7.34	7.06%	-0.38%
												Incept.	261.85	276.12		
												Incept.	10.26%pa	10.58%pa	15.87%	-1.30%

(1) Morningstar Global Markets NR AUD

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