

K2 Global High Alpha Fund

28 February 2023

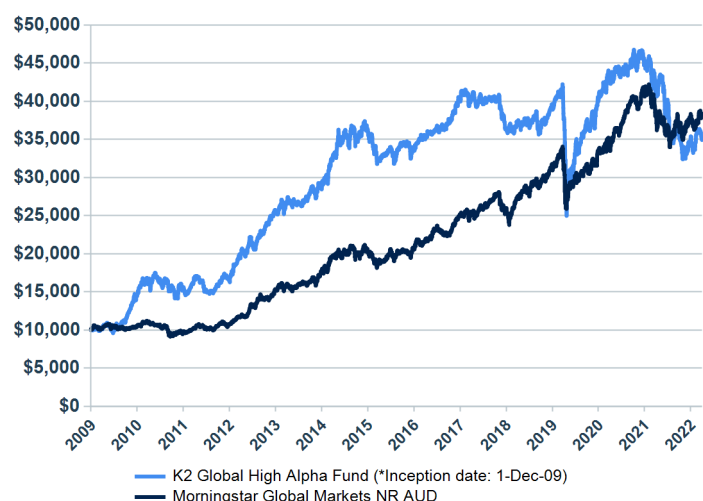


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-2.84%	117.98	9.95%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	8.5%	-0.6%
RIO Tinto Ltd	6.8%	-1.4%
BHP Group Ltd	6.4%	-1.4%
Kina Securities Ltd	5.7%	+0.4%
Stanmore Resources Ltd	4.8%	+0.3%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	40.5%	-3.0%
Mid Caps >=AUD\$2b<AUD\$7.5b	18.9%	-3.5%
Small Caps <AUD\$2b	34.9%	+5.8%

Month End Exposures	Current	Monthly Move
Communication Services	2.9%	-0.3%
Consumer	11.0%	-0.8%
Energy	10.5%	+0.4%
Financials	21.0%	-0.7%
Health Care	10.2%	+3.0%
Industrials/Real Estate	16.4%	+0.7%
Materials	22.3%	-3.2%
SHORTS	-3.0%	-1.4%
Number of Positions	33	0
Gross Equity Exposure	97.2%	+0.7%
Cash Weighting	8.7%	+2.0%
Net Equity Exposure	91.3%	-2.0%
Currency Exposure Hedged of AUD	83.1%	+0.2%

Commentary

The K2 Global High Alpha Fund returned -2.84% for the month.

During the month, the Governor of the Reserve Bank of Australia (RBA), Philip Lowe, had to make two appearances before government committees. There was active debate around the merits of RBA's meaningfully tighter stance of monetary policy. Governor Lowe continually reiterated the dangers of inflation becoming ingrained in the public's psyche. Lowe also reinforced that the RBA was highly attuned to the fact that 880,000 fixed rate loan facilities, with an average balance of \$400,000, would mature this year. Offsetting this to some degree would be the additional \$300 billion that households had saved since the onset of the pandemic. However, the RBA is concerned that demand side factors continue to play a role in the elevated level of inflation and tighter monetary policy could assist in the rebalancing of the economy.

Australia's December half reporting season was a little disappointing. Nearly half of the companies in the ASX 200 saw downward revisions to next years' EPS projections. However, the magnitude of the downgrades were minor; the median revision was just -0.5%. Some of the key takeaways from the reporting season were the intense competition within the mortgage lending industry, the margin protection strategies of the grocers and petrol retailers, and the costs escalation for the major resource companies. Despite a few headwinds, the valuation metrics for the ASX 200 are still relatively attractive; on next years' projections the PE is 14.4x and the dividend yield is 4.5%. The major resource companies continue to trade on 10x forward earnings whereas the PE of the larger industrials is closer to 17x next years' earnings.

The best performance contributors for the Fund this month were Seven Group (SVW), Kina Securities (KSL) and Judo Capital (JDO). Nick Scali (NCK) and BHP Group (BHP) were performance detractors. During the month the Fund acquired a position in Arvida Group (ARV NZ). The Funds position in Lazard Group (LAZ US) was sold and the holdings in BHP Group (BHP) and Rio Tinto Ltd (RIO) were reduced.

The median holding of the Fund has a market capitalisation of \$3.3 billion and, using expectations for the year ahead, has a PE of 11.0x, an ROE of 15.6% and a dividend yield of 3.8%.

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					1.30	9.04	7.00%	-0.63%
												Incept.	251.55	282.08		
												Incept.	9.95%pa	10.65%pa	15.87%	-1.32%

(1) Morningstar Global Markets NR AUD

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