

# K2 Global High Alpha Fund

## 31 March 2023

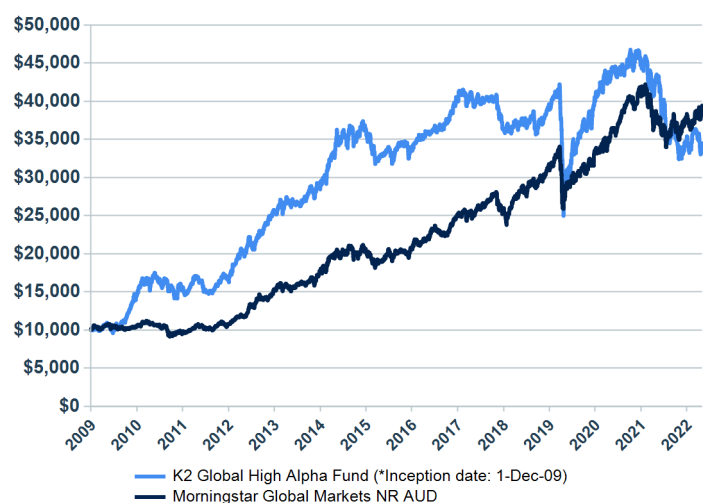


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-1.84%	115.81	9.74%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
RIO Tinto Ltd	7.3%	+0.6%
Macquarie Group Ltd	7.1%	-1.4%
BHP Group Ltd	7.0%	+0.7%
Kina Securities Ltd	5.6%	-0.1%
Stanmore Resources Ltd	4.9%	+0.1%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	39.7%	-0.7%
Mid Caps >=AUD\$2b < AUD\$7.5b	20.4%	+1.5%
Small Caps < AUD\$2b	36.0%	+1.1%

Month End Exposures	Current	Monthly Move
Communication Services	3.0%	+0.1%
Consumer	9.0%	+0.2%
Energy	5.6%	-0.1%
Financials/Real Estate	26.6%	+0.3%
Health Care	8.0%	-2.2%
Industrials	11.5%	+0.4%
Materials	32.4%	+5.4%
Number of Positions	29	-4
Gross Equity Exposure	96.1%	-1.1%
Cash Weighting	3.9%	-4.8%
Net Equity Exposure	96.1%	+4.8%
Currency Exposure Hedged of AUD	82.2%	-0.9%

### Commentary

The K2 Global High Alpha Fund returned -1.84% for the month.

The Reserve Bank of Australia (RBA) is displaying a pragmatic approach to monetary policy. The RBA has consistently stated that it recognises that monetary policy operates with a lag. Hence, the RBA is comfortable holding Australia's cash rate at a level that is well below peer nations. In doing so, the RBA is in a position to monitor the global economic ramifications of tighter financial conditions. There is also little doubt that the recent ructions within the US regional banking system are, in part, a result of higher interest rates. The surge in the yield of US bonds during the first few weeks of March caused SVB Financial Group to hastily sell a portion of its held-for-sale treasury assets. SVB attempted to offset the realised loss on the treasury assets with an equity raising. This unnerved depositors and a classic "bank run" followed. Ultimately, all the banking regulations in the world can do little to offset management misjudgements and shareholder complacency. The global banking system is sound and a dramatic regulatory overhaul is unlikely. Hence, we were surprised to see such weakness within the Australian financial sector during the month. Australian banks are not exposed to the same vulnerabilities as US regional banks and it is unlikely that A-REITs will experience the withdrawal of lines of credit due to solvency concerns. If anything, we feel that certain financials, such as Macquarie Group (MQG), are attractively priced relative to growth prospects. Looking forward, it seems probable that financial conditions will stay tighter for longer, labour markets will rebalance sooner than later, and an interest rate turning point is approaching.

The best performing holdings for the Fund this month were BHP Group (BHP), Lundin Gold (LUG CN) and RIO Tinto (RIO). Detractors to performance were Macquarie Group (MQG), Judo Capital (JDO) and MA Financial Group (MAF). During the month the Fund acquired new positions in MAF and Northern Star Resources (NST). The Funds' holdings in Intercontinental Exchange (ICE US), Treasury Wine Estates (TWE) and Arvida Group (ARV NZ) were sold. Short positions in Stockland (SGP) and Vicinity (VCX) were closed.

The median holding of the Fund has a market capitalisation of \$3.2 billion and, using expectations for the year ahead, has a PE of 10.9x, an ROE of 16.2% 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	-1.84				-0.56	12.57	6.65%	-0.68%
Incept.													245.10	294.46		
Incept.													9.74%pa	10.84%pa	15.84%	-1.32%

(1) Morningstar Global Markets NR AUD

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