

# K2 Global High Alpha Fund

## 31 May 2023

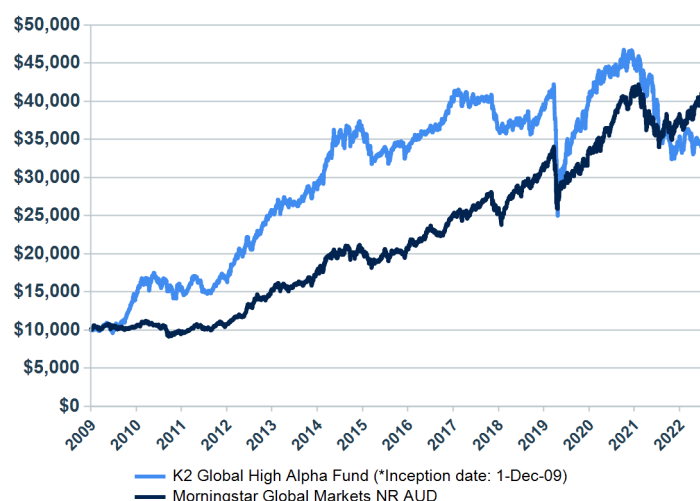


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-2.38%	113.95	9.48%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Northern Star Resources Ltd	7.9%	+4.4%
Macquarie Group Ltd	7.3%	-0.3%
RIO Tinto Ltd	6.9%	-0.2%
BHP Group Ltd	6.6%	-0.2%
Kina Securities Ltd	6.0%	+0.3%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	44.9%	+5.2%
Mid Caps >=AUD\$2b < AUD\$7.5b	16.1%	-4.3%
Small Caps < AUD\$2b	33.5%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	3.7%	+0.5%
Consumer	5.8%	-4.0%
Energy	7.0%	+0.1%
Financials/Real Estate	17.5%	-0.3%
Health Care	8.8%	+0.9%
Industrials	15.3%	+0.4%
Materials	36.4%	+3.3%
Number of Positions	26	+1
Gross Equity Exposure	94.5%	+0.9%
Cash Weighting	5.5%	-0.9%
Net Equity Exposure	94.5%	+0.9%
Currency Exposure Hedged of AUD	80.5%	-0.7%

### Commentary

The K2 Global High Fund returned -2.38% for the month.

During the month a number of US listed companies indicated that strong demand for generative artificial intelligence and language models was underpinning future revenue prospects. As a result, share prices of the 100 largest Nasdaq listed companies rose 8% for the month. Australia's Technology sector was also strong rising 4% for the month. It is important to note that the largest 100 Nasdaq listed companies trade on 25x next years' expected earnings which is more than five PE points above the long run average. The Australian Technology sector on the other hand trades on more than 40x earnings which is nearly twenty PE points above average. To our mind, there are more attractively priced investment opportunities elsewhere.

Mid-month, the Reserve Bank of New Zealand hiked rates for the 12th time this cycle taking the Official Cash Rate to 5.50%. Importantly, the rate hike was not accompanied with commentary that monetary policy would need to tighten further. From our perspective this is welcomed relief. We believe that we can now look forward to some more meaningful contributions from our selection of New Zealand holdings. The Fundsâ€™™ positions in retirement village operators Ryman Healthcare (RYM) and Summerset Group (SUM) have been caught up in a fear campaign over the past year. Fortunately, during the month, RYM delivered a strong result for the year to March. Despite all of the noise surrounding demand for retirement living, RYM's 2nd half profit was 17% stronger than the 1st half. The standout contributor to the performance was the Australian operations where profits for the 2nd half surpassed the 1st half by more than 50%. RYM's refreshed management team and board have rebased the business and, to our mind, the potential to deliver sustainable growth over the coming years has rarely been more probable. The balance sheet structure is more conservative, the development pipeline is more manageable and the key performance indicators are more attainable. RYM and SUM are trading on PE's of 12x next years' earnings with a thirty year demographic tailwind.

The best performing holdings for the Fund this month were MAAS Group (MGH), Summerset Group (SUM) and News Corp (NWS). Detractors to performance were Stanmore Resources (SMR), BHP Group (BHP) and Nick Scali (NCK). During the month the Fund added to its position in Northern Star Resources (NST).

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		-2.16	16.65	6.17%	-0.79%
												Incept.	239.56	308.77		
												Incept.	9.48%pa	10.99%pa	15.81%	-1.33%

(1) Morningstar Global Markets NR AUD

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