

K2 Global High Alpha Fund

31 July 2023

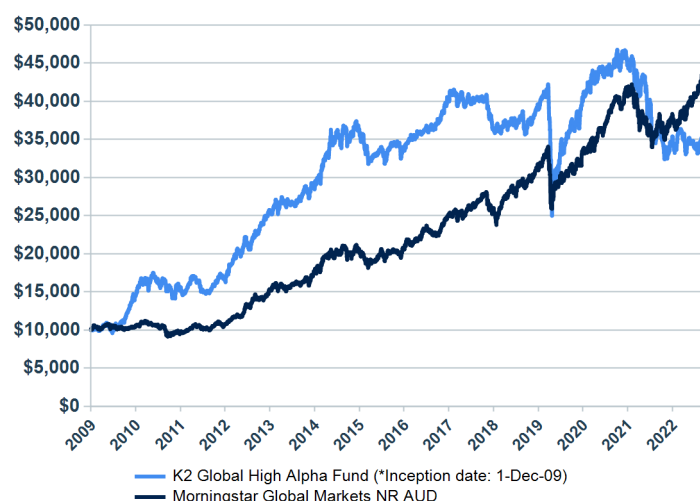


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	3.63%	116.71	9.55%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
RIO Tinto Ltd	8.9%	+0.3%
BHP Group Ltd	8.5%	+0.3%
Macquarie Group Ltd	7.4%	-1.4%
Kina Securities Ltd	6.8%	+0.6%
Woodside Energy Group Ltd	5.9%	+0.6%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	53.0%	-0.1%
Mid Caps >=AUD\$2b < AUD\$7.5b	20.5%	+1.1%
Small Caps < AUD\$2b	23.0%	+1.9%

Month End Exposures	Current	Monthly Move
Communication Services	4.0%	+0.0%
Consumer	3.6%	+0.1%
Energy	8.3%	+1.0%
Financials/Real Estate	18.4%	+0.2%
Health Care	8.0%	-1.5%
Industrials	8.7%	-2.7%
Materials	43.5%	+4.0%
Number of Positions	26	+1
Gross Equity Exposure	96.5%	+3.0%
Cash Weighting	3.5%	-3.0%
Net Equity Exposure	96.5%	+3.0%
Currency Exposure Hedged of AUD	93.1%	+13.9%

Commentary

The K2 Global High Alpha Fund returned 3.63% for the month.

During the month the Treasurer appointed Michele Bullock as the 9th Governor of the Reserve Bank of Australia (RBA). She will commence in mid-September and will oversee the implementation of the recently announced Review of the RBA. The Treasurer has insisted that Australia should have the world's best and most effective central bank and monetary policy must be sufficiently equipped to make the right calls in the interests of the Australian people. So what could change? It seems unlikely that the RBA will suddenly embrace a more hawkish stance. In fact, in a recent speech, Bullock stated that the RBA had been more willing to accept a more gradual return to the inflation target than peer developed central banks. Furthermore, Australian mortgage holders are significantly more exposed to variable interest rates than developed peer nations. Fixed rate mortgages accounted for more than 30% of Australia's outstanding mortgages in 2022 and the RBA estimates that by 2024 more than 20% of these will have rolled into variable rates. As a result, we believe that rates are unlikely to move much higher and this should allow business leaders to rekindle their "animal spirits".

The Funds' New Zealand holdings in Winton Land (WIN) and Summerset Holdings (SUM) were amongst the best contributors for the month. The New Zealand equity market has been a poor performer for some time, but the outlook is improving. Sell side analysts believe that the New Zealand economy will expand by less than 1% over the year ahead. Hence, the Reserve Bank of New Zealand (RBNZ) should be satisfied that its twelve rate hikes this cycle have sufficiently tightened financial conditions. Consumer confidence is still below the level that was struck during the GFC, and this is impacting the residential property market. The median price of a New Zealand home has now declined for sixteen consecutive months and unsurprisingly the number of consents for new houses over the last six months is at the lowest level in a decade. However, in June, the number of home sales were 15% more than a year ago and this is the first year-on-year gain in 24 months. The RBNZ did not hike rates in July and should hold out again in August. Hence, we believe that property sentiment should improve, and that construction activity will ultimately follow. This, coupled with improved levels of immigration, should ensure that the pessimism towards the New Zealand economy is troughing.

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	-2.84	-1.84	0.79	-2.38	-1.17	-3.30	19.97	6.07%	-0.73%	
2023/24	3.63												3.63	2.50	2.67%	0.00%	
													Incept.	247.77	330.91		
													Incept.	9.55%pa	11.28%pa	14.92%	-1.24%

(1) Morningstar Global Markets NR AUD

DISCLAIMER: The K2 Global High Alpha Fund is issued by K2 Asset Management Limited (K2) ABN 95 085 445 094, AFS Licence No 244393, a wholly owned subsidiary of K2 Asset Management Holdings Limited. The information contained in this document is produced in good faith and does not constitute any representation or offer by K2. It is subject to change without notice and is intended as general information only and is not complete or definitive. The information provided in this document is current at the time of the preparation and K2 is not obliged to update the information. K2 does not accept any responsibility and disclaims any liability whatsoever for loss caused to any party by reliance on the information in this document. Please note that past performance is not a reliable indicator of future performance. Any advice and information contained in this document is general only and has been prepared without taking into account any particular circumstances and needs of any party. Before acting on any advice or information in this document you should assess and seek advice on whether it is appropriate for your needs, financial situation, and investment objectives. Investment decisions should not be made upon the basis of its past performance or distribution rate, or any rating given by a ratings agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the ratings agency themselves. A product disclosure statement or information memorandum for the funds referred to in this document can be obtained at www.k2am.com or by contacting K2. You should consider the product disclosure statement before making a decision to acquire an interest in the fund.

©2023 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.