

# K2 Global High Alpha Fund

## 31 August 2023

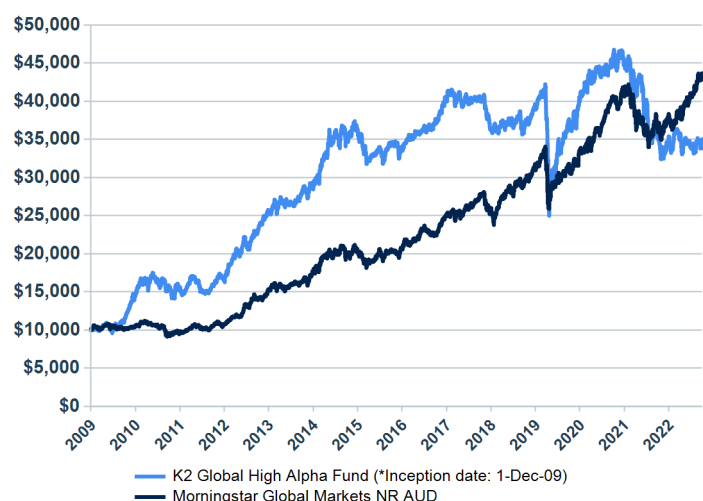


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

|                           | 1 Month | Unit Price | Inception (%pa) |
|---------------------------|---------|------------|-----------------|
| Performance (Net of Fees) | 0.75%   | 117.58     | 9.55%           |

Refer below detailed performance data matrix

### Growth of \$10,000



| Top 5 Stock Holdings      | Current | Monthly Move |
|---------------------------|---------|--------------|
| RIO Tinto Ltd             | 8.6%    | -0.3%        |
| BHP Group Ltd             | 8.3%    | -0.2%        |
| Macquarie Group Ltd       | 7.5%    | +0.1%        |
| Kina Securities Ltd       | 7.1%    | +0.3%        |
| Woodside Energy Group Ltd | 5.8%    | -0.1%        |

| Market Capitalisation Coverage | Current | Monthly Move |
|--------------------------------|---------|--------------|
| Large Caps >=AUD\$7.5b         | 42.7%   | -10.3%       |
| Mid Caps >=AUD\$2b < AUD\$7.5b | 23.1%   | +2.6%        |
| Small Caps < AUD\$2b           | 23.7%   | +0.7%        |

| Month End Exposures             | Current | Monthly Move |
|---------------------------------|---------|--------------|
| Communication Services          | 4.6%    | +0.6%        |
| Consumer                        | 5.7%    | +2.1%        |
| Energy                          | 8.3%    | +0.0%        |
| Financials/Real Estate          | 20.2%   | +1.8%        |
| Health Care                     | 5.8%    | -2.2%        |
| Industrials                     | 8.9%    | +0.2%        |
| Information Technology          | 1.9%    | +1.9%        |
| Materials                       | 29.9%   | -13.6%       |
| Number of Positions             | 25      | -1           |
| Gross Equity Exposure           | 89.5%   | -7.0%        |
| Cash Weighting                  | 10.5%   | +7.0%        |
| Net Equity Exposure             | 89.5%   | -7.0%        |
| Currency Exposure Hedged of AUD | 93.7%   | +0.6%        |

### Commentary

The K2 Global High Alpha Fund returned 0.75% for the month.

In Australia, we are noticing that there is a growing divergence in management behaviour. One is actively investing for the future; management are taking an owner-like approach to operating the business and the customer is elevated above all else. The other is extracting from the future. Here, management act like short-term professional officers and the customer is an afterthought. Simply put, owner-like behaviour embraces a philosophy that compounds customer trust whereas the professional officer approach is to maximise short-term profits at the expense of the customer. Market share will cede from extractors-from-the-future to the investors-for-the-future. However, these market dynamics do take time to gain momentum. Meanwhile, short-termism is causing Australia's inflation pulse to beat too fast. The price of bread, dairy and other food related products have, on average, risen more than 10% over the past year. Gas and electricity prices are, on average, 15% higher than a year ago, and insurance and travel prices have also been rising rapidly. The companies that have set these unchallenged prices have enjoyed inflated margins, but, the threat of competition is looming. Our investment process favours management teams that act like founders and are investing for the future. SVW Group Holdings (SVW) is a company that continually walks our talk.

SVW is your classic founder-led company. Back in 2010, the Stokes family enabled SVW to form. The WesTrac Group was merged with Seven Network to create SVW. At the conclusion of the merger, the Stokes family ended up owning 207 million shares of SVW or 68% of the company. On the first day of trading SVW was capitalised at \$2.2 billion. Today SVW is a \$10 billion company and, since the merger, has delivered shareholders a total return of 17%pa. The Stokes family continues to own 207 million shares but capital raising activities by SVW has seen their level of ownership dilute to 57%. Are SVW's best days behind it? We think not. We believe that SVW's model for capital allocation will be enduring and significant long-term shareholder value continues to be unrealised. SVW has empowered its decision makers to allocate capital as if it was their own and hence there is a healthy respect for what equity capital can facilitate. As this ownership mentality permeates through the company, the resultant flywheel of growth should gain sustainable momentum.

| 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  | 0.75  |       |       |       |       |       |       |        |       |       |         | 4.41    | 3.65              | 3.04%        | 0.00%         |
|         |       |       |       |       |       |       |       |       |        |       |       | Incept. | 250.38  | 335.73            |              |               |
|         |       |       |       |       |       |       |       |       |        |       |       | Incept. | 9.55%pa | 11.30%pa          | 14.95%       | -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](http://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.