

# K2 Global High Alpha Fund

## 30 September 2022

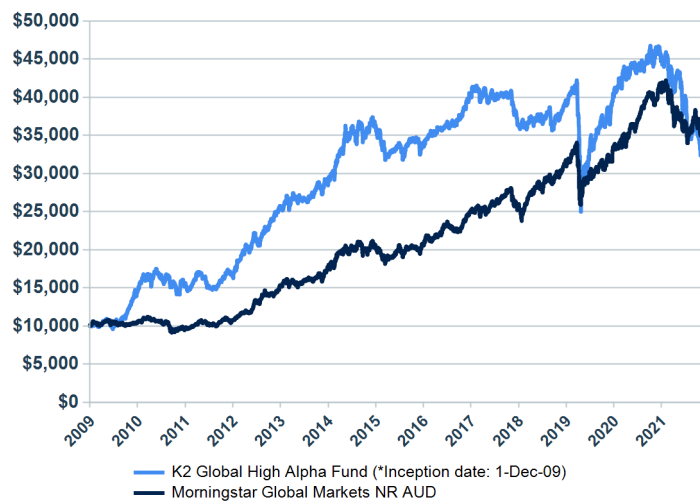


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-8.84%	108.88	9.60%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	8.2%	+0.1%
Kina Securities Ltd	7.2%	+0.6%
RIO Tinto Plc-Spon ADR	6.9%	+6.9%
BHP Group Ltd-Spon ADR	6.9%	+6.9%
Alphabet Inc	6.1%	+1.1%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	41.7%	-3.8%
Mid Caps >=AUD\$2b < AUD\$7.5b	15.4%	-0.8%
Small Caps < AUD\$2b	39.5%	+5.0%

Month End Exposures	Current	Monthly Move
Communication Services	9.0%	+1.3%
Consumer	6.4%	-0.7%
Energy	8.3%	+0.6%
Financials	29.4%	-8.4%
Health Care	8.1%	+2.6%
Industrials/Real Estate	18.2%	+1.0%
Materials	15.9%	+4.0%
Number of Positions	31	0
Gross Equity Exposure	96.8%	+0.6%
Cash Weighting	3.2%	-0.6%
Net Equity Exposure	96.8%	+0.6%
Currency Exposure Hedged of AUD	84.7%	-17.5%

### Commentary

The K2 Global High Alpha Fund returned -8.84% for the month.

Australia appears to be in the cross hairs of global macro traders. At present the consensus trade seems to be sell long bonds, buy VIX, buy US dollars and sell Australian assets. As a result, the Australian dollar is trading like an emerging market currency. However, Australia is performing better than the currency suggests. Australian households have built up over \$3 trillion of superannuation assets and this now accounts for almost 20% of their total assets. In addition, the Australian household debt to assets ratio is just 17% whilst interest payments on housing debt remains manageable at 4.7% of household disposable income. Interest payments will rise in-line with higher rates over the coming year but the impact is softened by the embracement of fixed rate loans during the COVID pandemic. Additionally, the global economy is losing momentum. Hence, the Reserve Bank of Australia (RBA) should be able to be more pragmatic with monetary policy over the coming months. We believe that the RBA is getting closer to a period of inaction. The ASX 300 has historically responded well when the RBA is sedentary. Since 1992, during the quarters when the cash rate was unchanged, the ASX 300 delivered an average total return of +2.8%.

The Federal Reserve (FED) on the other hand has made it quite clear that it is committed to getting to a meaningfully restrictive stance of monetary policy and staying there until they are confident that inflation in the US is coming down. However, we need to be mindful that the FED's tact can pivot. During 2017 and 2018, the FED lifted rates by 2%. By late 2018 the FED noted that downside risks were becoming evident in financial markets; volatility was elevated, financial conditions had tightened and the economic outlook was becoming more uncertain. Today, when compared to late 2018, volatility is more elevated, financial stress indicators are higher, credit spreads are wider and financial conditions are tighter. If the economic outlook sours quickly, the FED may pivot again.

The best performance contributors for the Fund this month were Rio Tinto ADR (RIO US), Winton Land (WIN NZ) and BHP Group (BHP AU). Macquarie Group (MQG AU) and MA Financial (MAF AU) were detractors. During the month the Fund bought First Republic Bank (FRC US) and Moelis and Co (MC US). Toronto-Dominion Bank (TD CN) was sold.

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										-6.51	-0.20	9.74%	-0.03%
												Incept.	224.45	249.73		
												Incept.	9.60%pa	10.25%pa	16.06%	-1.28%

(1) Morningstar Global Markets NR AUD

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