

# K2 Global High Alpha Fund

## 30 November 2022

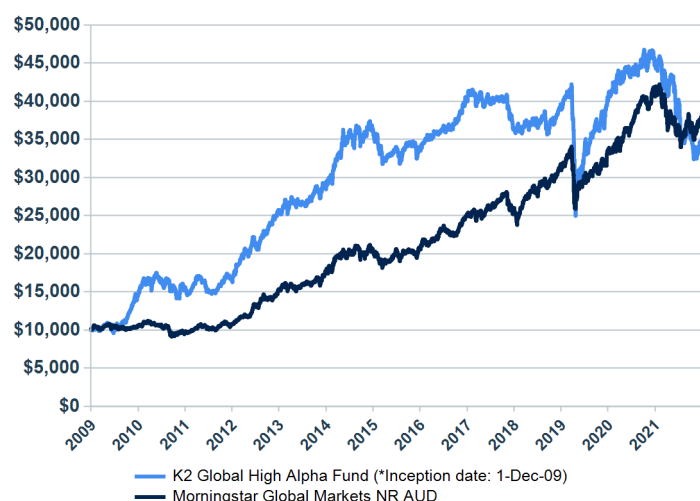


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	6.02%	118.64	10.20%

Refer below detailed performance data matrix

### Growth of \$10,000



### Commentary

The K2 Global High Alpha Fund returned 6.02% for the month.

During the month the ASX 200 Resource and Industrial indices delivered total returns of 14.6% and 4.0% respectively. The Fund has more than 20% exposure to resource companies and has been steady all year. We anticipate that resource companies will continue to deliver strong returns well into 2023. The Fund's resource exposure should benefit from a global trend where commodity producers have generally spent years preserving capital. As a result, the supply of a number of commodities has been constrained. China's eventual roll-back in its zero-COVID policy may be the catalyst that drives commodity demand beyond supply thus leading to upward pressure on prices. Australian industrial companies should also continue to perform well. The Australian economy could be one the strongest performers in the developed world over the coming year. The Reserve Bank of Australia (RBA) is less willing to subject the country to unnecessary pain; a self-sustaining economy seems to take precedence ahead of near term inflation readings. Our industrial exposure is directed towards companies that have operational tail winds and are coupled with attractive valuation metrics.

In November, the Reserve Bank of New Zealand (RBNZ) delivered an early Christmas gift to the country's borrowers; the highest cash rate in the developed world. Despite the fact that other central banks are embracing a more moderate pace of rate rises, the RBNZ actually considered accelerating its speed of rate hikes. The RBNZ appears to have a myopic view that inflation expectations are destined to spiral higher and that a recession is the only solution. To our mind, the RBNZ has historically demonstrated limited capacity in anticipating inflationary trends. Hence, we have had the Fund positioned for a more lenient approach to monetary policy. This year the Fund has averaged around 7% exposure to New Zealand based companies. It is likely that the RBNZ will be the first central bank to cut rates in 2023 and this should result in strong performance from the Fund's New Zealand holdings.

The best performing holdings for the Fund this month were BHP Group ADR's (BHP), Rio Tinto ADR's (RIO) and Judo Capital (JDO) which rose 31%, 28% and 18% respectively. Ryman Healthcare (RYM NZ) and Winton Land (WIN NZ) and were the largest detractors. During the month the Fund added Iluka Resources (ILU) and Extra Space Storage (EXR US). Reliance Worldwide (RWC) was sold.

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	8.9%	0.0%
RIO Tinto Plc-Spon ADR	7.7%	+1.1%
BHP Group Ltd-Spon ADR	7.7%	+1.2%
Kina Securities Ltd	6.0%	-1.2%
Judo Capital Holdings Ltd	5.1%	+0.6%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	43.3%	+2.9%
Mid Caps >=AUD\$2b<AUD\$7.5b	20.9%	-2.0%
Small Caps <AUD\$2b	32.1%	-2.0%

Month End Exposures	Current	Monthly Move
Communication Services	3.1%	-0.1%
Consumer	9.0%	+0.2%
Energy	9.5%	-0.4%
Financials	25.9%	-1.1%
Health Care	7.1%	-2.5%
Industrials/Real Estate	16.8%	-1.3%
Materials	24.8%	+5.7%
SHORTS	-1.0%	-0.2%
Number of Positions	34	+2
Gross Equity Exposure	98.9%	+0.7%
Cash Weighting	3.1%	-0.2%
Net Equity Exposure	96.9%	+0.2%
Currency Exposure Hedged of AUD	81.8%	-3.4%

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	6.02								1.87	9.43	7.20%	-0.31%
												Incept.	253.53	283.46		
												Incept.	10.20%pa	10.89%pa	15.88%	-1.30%

(1) Morningstar Global Markets NR AUD

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