

K2 Australian Small Cap Fund (Hedge Fund)

31 January 2026



The K2 Australian Small Cap 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)	2.80%	2.66	5.46%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Summerset Group Holdings Ltd	6.9%	-0.6%
Ramelius Resources Ltd	6.0%	+2.4%
Develop Global Ltd	4.9%	+0.5%
ROX Resources Limited	4.6%	+4.6%
NRW Holdings Ltd	4.4%	0.0%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	16.9%	+3.9%
Mid Caps>=AUD\$2b<AUD\$7.5b	37.5%	-0.7%
Small Caps<AUD\$2b	42.1%	-4.4%

Month End Exposures	Current	Monthly Move
Communication Services	1.9%	-1.4%
Consumer	7.5%	-1.4%
Energy	3.9%	+1.2%
Financials/Real Estate	21.5%	-3.3%
Health Care	6.9%	-0.6%
Industrials	15.5%	0.0%
Information Technology	2.0%	-1.2%
Materials	37.6%	+5.5%
Number of Positions	31	0
Gross Equity Exposure	96.9%	-1.2%
Cash Weighting	3.1%	+1.2%
Net Equity Exposure	96.9%	-1.2%

Fund Characteristics	
Portfolio Managers	Campbell Neal, David Poppenbeek and Bill Laister
Strategy	Australian and New Zealand Small Cap Equities
Objectives	To deliver consistent 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	25 to 50
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.31%
Buy/Sell	Bought and Sold on the ASX market (ASX: KSM)
Performance Fee	15.38% pa of the amount by which the NAV per unit exceeds the High Water Mark once the fund achieves its hurdle
Investment Horizon	5 Years
Style Bias	Growth At a Reasonable Price
Market Capitalisation Bias	>\$1billion

Commentary

The K2 Small Cap Fund returned 2.8% for the month of January 2026.

The Reserve Bank of Australia (RBA) continues to maintain a restrictive stance on monetary policy. The RBA is concerned that capacity pressures are building within the Australian economy and as a result, inflation is expected to continue to remain above target. However, much of the inflation pulse is being driven by the Services segment. Put simply, too much activity is being driven by unproductive enterprises. Demand for labour is being generated by segments of the economy that do not compound capital. Consequently, Australia's productivity outcomes continue to be world's-worst-practice. It should not be surprising that the RBA continues to expect subdued activity from the Australian economy: GDP growth in 2026 is expected to be just +1.8% for the year. Given this backdrop, you must ask yourself what difference will tighter monetary policy make? Consumer and business confidence will most likely fall. Housing activity in Melbourne and Sydney will most likely contract, and discretionary consumption will subside. Hence, the outlook for Australia's economy is uninspiring. Elevated global commodity prices may be the only way Australia's economic fortunes keep up with peer developed nations.

After years of underinvestment, many commodity markets have been unprepared for the lift in demand associated with technological advancements. In addition, long lead times for production expansions means that numerous commodities will remain tight for some time. Uranium is an obvious example. The rollout of digital infrastructure, coupled with strategies to decarbonise power grids, has meant that demand for nuclear energy has increased. However, the uranium market is structurally under-supplied. Hence, the uranium price has risen more than +30% over the past year. Interestingly, last month alone the uranium price jumped +17%. This helped the Fund's best performer, Paladin Energy (PDN), deliver a +44% gain for the month. The Fund's gold positions were also strong performance contributors with an average monthly share price gain of +10%. The gold price continues to be supported by central bank purchases, fears about a debasing in the US dollar, and geopolitical concerns. Australian gold producers are therefore on the cusp a cashflow wave that could carry them forward for some time yet. The Fund's gold positions should deliver strong income outcomes whilst providing a hedge against any pickup in global uncertainty. Volatility seems to be re-emerging.

The RBA's tighter monetary policy regime should mean that the valuation multiple of the Australian equity market fades over the coming months. As a result, prospective returns will be dependent on earnings outperformance. The Fund's holdings are expected to deliver strong earnings growth over the coming years. By way of example, the Fund's largest holding, Summerset Group (SUM) released strong sales for the second half of 2025 during the month. Excluding care bed conversions, the number of sales for the six months to December 2025 were +20% above the prior year. Given the subdued state of the property market in New Zealand and Victoria, this was an outstanding outcome. Despite this, the share price of SUM declined by -6% for the month. There seems to be continued concerns that building, owning, and operating retirement villages erodes shareholder value. As a rebuttal, SUM should deliver a strong 2025 earnings result later this month and even better results are possible in 2026. At 10x 2026 earnings, SUM is an incredibly attractive owner of real assets.

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K2 Australian Small Cap 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
2013/14						2.86	3.19	3.06	4.44	0.36	1.15	-1.26	14.52	1.12	41.95%	0.00%
2014/15	3.64	2.57	-0.68	0.50	-1.04	-0.37	2.60	4.48	1.37	-0.22	2.23	-2.11	13.51	0.44	22.50%	0.00%
2015/16	5.71	-2.77	3.61	1.57	1.31	1.20	-3.95	-5.76	4.80	3.33	1.21	-0.40	9.58	14.40	12.48%	-0.20%
2016/17	4.80	3.05	0.00	-1.48	-3.76	-0.39	1.57	-1.54	3.14	-2.28	0.78	2.80	6.50	7.01	15.90%	-0.54%
2017/18	2.08	3.58	0.05	2.86	-0.23	5.91	-0.28	-3.36	0.04	-2.06	1.65	-1.87	8.29	24.25	21.35%	-2.04%
2018/19	1.82	-0.96	2.06	-6.33	-4.24	-3.25	-0.36	1.48	-1.08	1.04	0.31	-0.08	-9.53	1.92	44.79%	-3.92%
2019/20	5.21	-3.19	3.27	-0.11	2.71	1.01	2.56	-8.00	-28.03	11.37	6.81	-0.18	-12.11	-5.67	26.94%	-1.30%
2020/21	4.81	11.25	1.40	3.21	12.13	1.58	0.80	-1.11	2.75	6.18	1.08	3.57	58.25	33.23	6.13%	-0.24%
2021/22	-1.03	4.78	0.19	0.75	-2.02	2.31	-8.61	-1.08	2.50	-0.86	-9.08	-13.71	-24.36	-19.52	8.30%	-0.01%
2022/23	9.20	1.14	-9.78	2.28	3.94	-4.45	8.43	-2.17	-4.84	2.21	-3.10	-3.33	-2.16	8.45	7.70%	-0.21%
2023/24	5.12	-2.13	-1.49	-4.25	3.80	5.92	1.15	0.18	3.34	-3.49	-0.63	-1.88	5.13	9.35	7.51%	-0.11%
2024/25	4.56	-2.59	3.53	0.39	0.43	-3.14	2.89	-1.34	-2.86	2.09	2.30	1.14	7.27	12.26	6.53%	-1.15%
2025/26	-2.72	7.25	2.24	-0.12	-0.69	1.72	2.80						10.64	20.61	2.70%	0.00%
													Incept.	90.88	155.69	
													Incept.	5.46%pa	8.02%pa	17.29%
																-0.75%

(1) S&P/ASX Small Ordinaries Accumulation Index

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