

K2 Global High Alpha Fund

30 November 2023

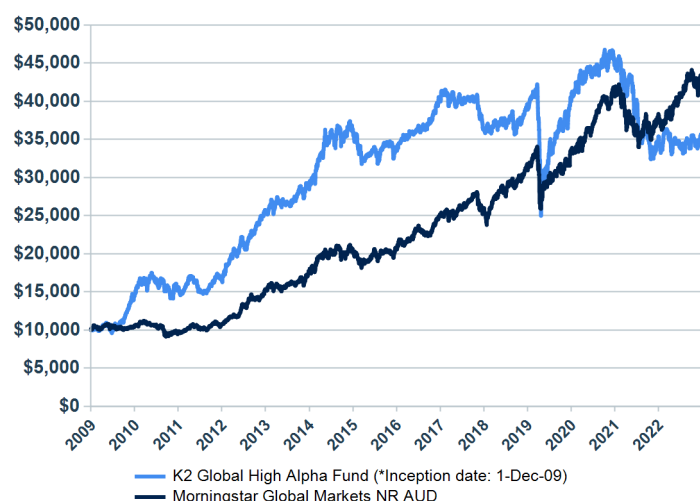


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	3.07%	118.35	9.42%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
RIO Tinto Plc-Spon Adr	10.1%	+0.1%
BHP Group Ltd-Spon Adr	9.3%	+0.1%
Stanmore Resources Ltd	6.9%	+0.0%
Corporate Travel Management	5.4%	+0.4%
Woodside Energy Group Ltd	5.3%	-0.6%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	42.2%	+2.2%
Mid Caps >=AUD\$2b < AUD\$7.5b	29.5%	+3.8%
Small Caps < AUD\$2b	24.6%	-3.4%

Month End Exposures	Current	Monthly Move
Communication Services	5.2%	+0.2%
Consumer	8.8%	+1.5%
Energy	7.2%	+1.3%
Financials/Real Estate	20.6%	-5.9%
Health Care	3.5%	+1.4%
Industrials	11.2%	+1.8%
Information Technology	1.9%	+0.0%
Materials	33.2%	+0.3%
SHORTS	-0.6%	-0.1%
Number of Positions	28	+4
Gross Equity Exposure	97.0%	+2.6%
Cash Weighting	4.2%	-2.4%
Net Equity Exposure	95.8%	+2.4%
Currency Exposure Hedged of AUD	92.3%	-0.8%

Commentary

The K2 Global High Alpha Fund returned 3.07% for the month.

During the month the Reserve Bank of New Zealand (RBNZ) maintained the Official Cash Rate at 5.50%. This rate is clearly restrictive particularly when the global inflation pulse is contracting. Hence, the RBNZ will need to be vigilant in its assessment of the underlying state of the economy. The recent change of Government will undoubtedly lead to an improved level of confidence. However, we can not get away from the fact that small businesses have needed to endure an average overdraft rate of 12% for the past year whereas the floating rate for mortgages has averaged over 8%. The New Zealand economy is expected to expand by just 1% over the year ahead and the case for meaningful rate cuts in 2024 is building. This should help unpin private consumption and residential investment.

Australia is in a comparable situation to New Zealand however it is more advanced in its level of household disposable income constraint. A considerable number of Australian mortgages have already transitioned from low fixed rates to high variable interest rates. Household running costs have also been impacted by stubbornly high energy, insurance, and food product prices. Fortunately, the most recent inflation reading was below expectations, and it seems likely that this trend will continue into the end of the year. The Reserve Bank of Australia (RBA) may also be in rate cutting mode in 2024. If the RBNZ and RBA are in a synchronised rate reducing cycle in 2024, then the Funds' holding in Ryman Healthcare (RYM) will be a beneficiary.

Despite a difficult backdrop, RYM delivered a slightly higher underlying profit for the first half when compared to last year. RYM's management team has worked hard to reposition the business for sustainable growth in the post-COVID era. It is worth noting that during the COVID phase, RYM built 880 hospital, dementia, and rest-home care beds in Melbourne and New Zealand or the equivalent of eight private hospitals. In addition, RYM also constructed 2,285 apartments and townhouses. Considering the number of lockdowns, the scarcity of construction resources and the difficulty in accessing growth capital, this was a remarkable feat. RYM has been severely penalised by the market for pursuing such an ambitious growth program. However, we believe that the benefits will be long lasting. RYM is trading at a 25% discount to book value despite having a pathway to a double-digit ROE over the medium term.

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	6.03	-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	-0.16	-2.19	3.07								5.09	2.57	6.08%	-0.11%	
													Incept.	252.65	331.19		
													Incept.	9.42%pa	11.00%pa	15.15%	-1.24%

(1) Morningstar Global Markets NR AUD

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