

# K2 Global High Alpha Fund

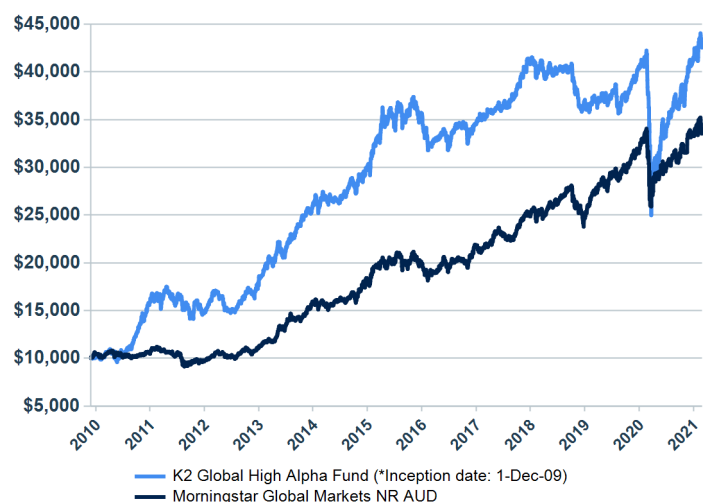
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The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net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

	1 Month	Inception (%pa)	Inception Date
Performance (Net of Fees)	3.4%	13.7%	1-Dec-2009
Average Net Exposure	94.9%	82.2%	

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Summerset Group Holdings Ltd	4.5%	+0.1%
Macquarie Group Ltd	4.2%	-0.8%
BHP Group Ltd	4.0%	-0.8%
RIO Tinto Ltd	3.7%	-0.4%
Kina Securities Ltd	3.4%	-0.9%

Month End Exposures	Current	Monthly Move
Communication Services	3.5%	-1.0%
Consumer	14.5%	-1.7%
Energy	0.7%	+0.1%
Financials	20.8%	-10.5%
Health Care	10.7%	-2.0%
Industrials	5.7%	-1.2%
Information Technology	5.5%	-0.5%
Materials	13.3%	-3.2%
Other	4.5%	+2.0%
Real Estate	0.6%	-0.1%
Number of Positions	55	-4
Gross Equity Exposure	79.7%	-18.1%
Cash Weighting	20.3%	+18.1%
Net Equity Exposure	79.7%	-18.1%
Currency Exposure Hedged of AUD	87.9%	-1.3%

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### Commentary

The K2 Global High Alpha Fund returned +3.4% for the month outperforming the benchmark (BM) by 1.8%. The fund has now returned +26.4% this financial year to be +12.9% ahead of the BM. Since the cycle lows in the March correction the fund is up +70.4% outperforming the BM by +39.3%. The combination of good stock selection, investing cash early in the recovery and accumulation of the AUD at lower levels have all contributed to the strong performance vs benchmark since the severe March correction. Importantly, the fund has delivered a 13.7% p.a. return over the past 12 years without excess market volatility.

Global equity markets jumped out of the blocks in February before falling away over the second half of the month in what was almost a mirror image of January albeit for different reasons. On this occasion, rising bond yields, which are especially bad for growth stocks, catapulted higher, putting pressure on equity valuations. In the US, 10 year bond yields peaked at over 1.5%, a level not seen for over 12-months. While still low by historical standards the equity market rotation away from Growth at Any Price has started. Not surprisingly, under this scenario, the tech heavy NASDAQ lagged its more broader domestic large and small cap peers. More Value orientated European and Asian markets also performed well.

A positive contributor to performance included the fund's holdings in cruise ship operators Royal Caribbean (+43%) and Norwegian Cruise Line (+31%). The industry is benefitting from the roll-out of the COVID vaccine which has coincided with a significant increase in cruise bookings since January. In addition, pricing is up by approximately mid-single digits on pre-COVID levels as pent up demand is unleashed. This is all being achieved with minimal spending on sales and marketing. Despite lingering uncertainty around resumption of sailing we believe a return to 2019 profitability will occur sooner than market expectations as leisure travel enjoys a sharp recovery.

The AUD consolidated its gains, advancing +0.81% for the month as commodity prices continued to rally. Copper, nickel, aluminium, oil and iron ore all surged as investors embraced a more reflationary environment aided by the global vaccine rollout. It is expected that large global fiscal stimulus programs will drive further commodity intensive infrastructure. The fund is currently 87.9% hedged to the AUD providing capital protection against a rising AUD.

The fund's net exposure currently sits at 99.8%. The fund remains fully invested as we position the portfolio to benefit from a more inflationary and higher bond yield environment. Central banks globally continue to emphasise their willingness to keep the money flowing. Against this backdrop, equities are the asset class of choice.

### Fund Characteristics

FUM	AUD \$41m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen and Tony Sutton
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

## 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						0.8	-1.3	3.5	4.6	-0.3	-5.4	1.8	3.4	1.5	33.7%	-0.3%	
2010/11	5.3	1.4	13.2	9.0	5.9	10.2	0.8	2.0	0.7	3.4	-1.7	-3.1	56.6	3.5	9.6%	-0.8%	
2011/12	1.0	-3.1	-8.6	8.9	-3.3	-3.5	6.2	7.9	0.0	-2.5	-7.3	-2.3	-8.0	-2.6	29.0%	-0.7%	
2012/13	1.5	4.5	4.0	3.5	-1.0	6.9	4.9	4.4	2.2	4.4	1.8	-0.8	42.7	31.0	13.9%	-0.4%	
2013/14	4.9	2.2	4.7	4.3	3.2	1.6	0.3	2.4	-0.6	0.1	0.2	-1.7	23.7	19.6	8.0%	0.0%	
2014/15	4.6	1.6	1.6	1.1	1.2	3.3	4.8	4.5	2.4	3.2	3.7	-3.5	31.9	23.9	9.2%	-0.1%	
2015/16	4.5	-2.4	0.7	3.1	-1.9	-1.0	-4.7	-4.7	1.6	0.8	2.1	-4.1	-6.4	-0.6	18.1%	-0.5%	
2016/17	3.8	2.2	-0.1	-1.9	0.6	1.5	2.2	-0.8	2.6	0.0	1.9	-0.9	11.8	15.4	19.7%	-2.4%	
2017/18	0.1	3.7	1.4	3.6	1.8	1.2	-0.4	-0.2	-1.3	0.2	-0.7	0.6	10.4	15.1	16.4%	-3.0%	
2018/19	0.6	0.5	-0.3	-4.9	-5.3	1.6	-3.3	3.8	-1.2	2.7	-1.8	1.3	-6.6	10.5	38.3%	-6.2%	
2019/20	2.0	-3.5	2.8	0.9	3.4	2.2	1.1	-7.8	-23.2	8.1	6.3	1.4	-10.0	3.2	14.8%	-2.8%	
2020/21	4.7	5.5	-1.0	-1.1	9.8	3.2	-0.3	3.4					26.4	13.5	4.6%	-0.4%	
													Incept	325.6	239.4		
													Incept	13.7%pa	11.5%pa	17.9%	-1.5%

(1) Morningstar Global Markets NR AUD

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