

# K2 Global High Alpha Fund

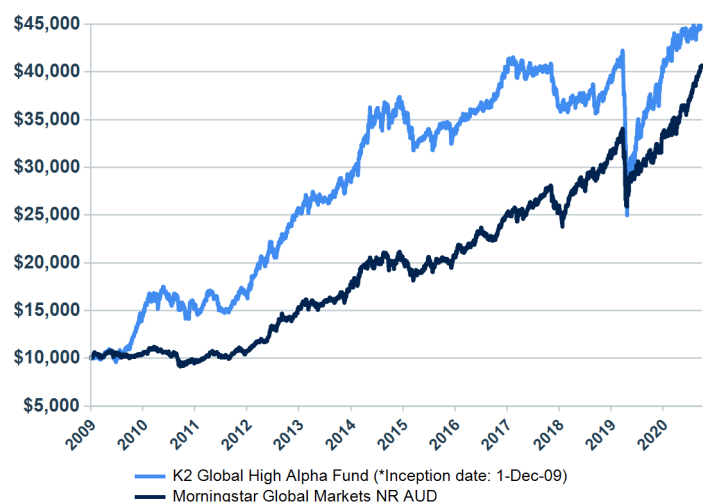
## 31 August 2021



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	3 Months	6 Months	1 Year	5 Years (%pa)	10 Years (%pa)	Inception (%pa)
Performance (Net of Fees)	3.48%	4.91%	8.28%	23.90%	6.00%	11.26%	13.89%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
MA Financial Group Ltd	7.6%	+2.1%
Macquarie Group Ltd	6.6%	-1.1%
Ryman Healthcare Ltd	6.6%	+0.8%
BHP Group Ltd	5.6%	-1.2%
Maas Group Holdings Ltd	4.8%	-0.5%

Month End Exposures	Current	Monthly Move
Communication Services	2.5%	+0.1%
Consumer	15.2%	+0.4%
Energy	1.1%	+0.1%
Financials	28.3%	-0.6%
Health Care	13.1%	+0.9%
Industrials/Real Estate	13.0%	+1.8%
Information Technology	9.8%	-0.1%
Materials	16.4%	-1.7%
Number of Positions	46	+3
Gross Equity Exposure	103.1%	+1.2%
Cash Weighting	-3.1%	-1.2%
Net Equity Exposure	103.1%	+1.2%
Currency Exposure Hedged of AUD	76.3%	-1.6%

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### Commentary

The K2 Global High Alpha Fund returned +3.48% for the month and has now returned +23.9% over the past year. 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 consistent and strong +13.9% p.a. return over the past 12 years without excess market volatility.

Global equity markets continued to move higher throughout August as investors gained comfort with the Fed's tapering timetable and unwillingness to raise interest rates in the foreseeable future. Chairman Powell's Jackson Hole speech further re-iterated this position. With the likelihood of "policy error" diminishing, long duration technology stocks who require low discount rates for valuation support were the biggest beneficiaries. In contrast, Asian markets were more mixed as China's policy reset and associated uncertainty around which sectors might be next in the firing line has left investors licking their wounds.

Positive contributors to fund performance included our core Financial stock holdings in MA Financial Group (+45.2%), Ryman Healthcare (+17.5%) and Macquarie Group (+6.3%). MA Financial, formerly known as Moelis Australia, was the clear standout producing a stellar 1H 21 result delivering a record 1H performance with EPS up 92% on 1H20. AUM were up 21% to \$6.1b and strong momentum across the group resulted in an increased to FY21 guidance with EPS expected to be up 20-30% on FY20. RYM announced an 82% improvement in its 1Q cash receipts and acquired another site in Melbourne. RYM has rapidly established a strong foothold in Melbourne with a landbank of 12 sites. We envisage that over the next 5 years the value of RYM's Melbourne assets will surpass \$4 billion. Macquarie Group has made a strong start to FY22 with 1Q22 combined operating profit "significantly up" on the pcp and remains the fund's 2nd largest position.

The AUD fell -0.45% to 0.7311. The fund is currently 77% hedged to the AUD providing capital protection against a rising AUD. The fund remains fully invested and positioned towards the more cyclical and consumer discretionary parts of the market. As major economies continue to re-open part of our focus is on identifying companies exposed to improving economic activity. Overall, equities will continue to benefit from accommodative monetary policy and governments enormous amounts of fiscal spending by historical standards.

### Fund Characteristics

FUM	AUD \$25m
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						0.81	-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											3.16	5.81	-1.35%	-0.53%
												Incept.	360.85	306.57		
												Incept.	13.89%pa	12.68%pa	16.39%	-1.39%

(1) Morningstar Global Markets NR AUD

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