

# K2 Global High Alpha Fund

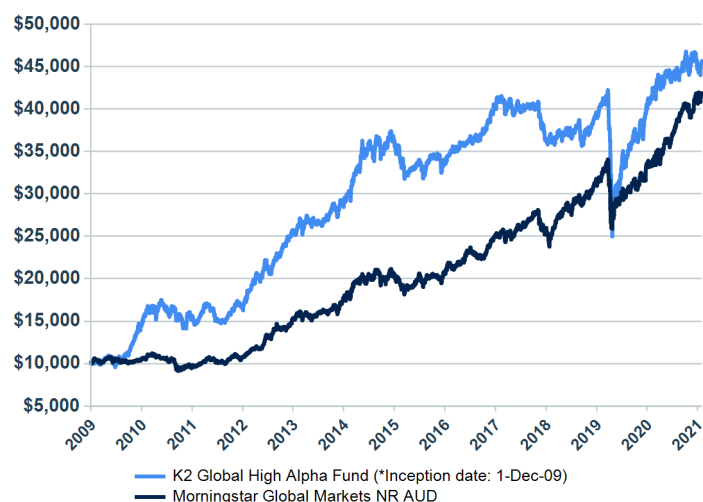
## 31 December 2021



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)	0.75%	1.82%	1.91%	10.31%	5.70%	11.95%	13.36%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	7.1%	+0.2%
Winton Land Ltd	5.5%	+5.5%
BHP Group Ltd	4.8%	+0.2%
Kina Securities Ltd	4.7%	+0.0%
RIO Tinto Ltd	4.6%	+0.3%

Month End Exposures	Current	Monthly Move
Communication Services	3.7%	-0.1%
Consumer	13.3%	0.0%
Energy	2.2%	-0.1%
Financials	22.3%	-2.4%
Health Care	11.3%	-2.0%
Industrials/Real Estate	22.2%	+3.2%
Information Technology	8.1%	-0.1%
Materials	14.1%	+0.7%
Number of Positions	46	-1
Gross Equity Exposure	102.4%	-1.8%
Cash Weighting	-2.4%	+1.8%
Net Equity Exposure	102.4%	-1.8%
Currency Exposure Hedged of AUD	84.3%	+1.3%

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### Commentary

The K2 Global High Alpha Fund returned +0.75% for the month of December. Pleasingly, the fund has delivered a consistent and above benchmark +13.36% p.a. return (after all fees) over the past 12 years without excess market volatility.

After a volatile start to the month the traditional holiday season rally eventually took hold with all major global equity markets participating in the gains. It wasn't all smooth sailing however as investors were forced grapple with the potential impact of Omicron and a hawkish pivot from the US Federal Reserve Bank. The market is now pricing three interest rate rises in the US over the course of 2022. With regards to Omicron, initially it was a fear of the unknown causing most angst, but as additional data gradually becomes available that fear is slowly subsiding.

Christmas festivities weren't immune from labour shortages and supply chain disruptions. Anecdotally, there was a genuine lack of Santa's and the price of a tree doubled. We applaud the Fed for no longer using the word "transitory". Even Zimbabwe's hyperinflation of the 2000's could have been argued as transitory it just peaked at a very high level. Today, however, if the participation rate remains stubbornly low, significant wages growth is certain to follow. While a large part of this might be catch up for the last 10 years it will be very difficult to put the inflation genie back in the bottle, even for the Fed.

Positive contributors to fund performance were driven by Universal Biosensors (+11.9%), Rio Tinto (+7.1%) and Mastercard (+14.1%). Universal Biosensors announced a licensing deal to commercialise a new rapid COVID-19 test that aims to provide results within 30 seconds. The company continues to leverage its biosensor technology platform with a number of near term new products to be launched in 2022. Rio Tinto shares rallied on the back of higher iron ore prices and the company's announcement that it had acquired a lithium project in Argentina. Finally, Mastercard shares rose on the back of strong US Retail Sales during the holiday season.

The AUD recovered some lost ground, increasing +2.3% to close the month at 0.7263. The fund is currently 84% hedged, providing capital protection against a rising AUD.

The fund remains fully invested with a focus on high quality companies and is well positioned for the ongoing cyclical recovery.

### Fund Characteristics

FUM	AUD \$23m
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	-2.98	2.20	-1.12	0.75							1.91	8.36	-3.90%	-0.18%
												Incept.	355.26	316.34		
												Incept.	13.36%pa	12.53%pa	16.19%	-1.37%

(1) Morningstar Global Markets NR AUD

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