

# K2 Global High Alpha Fund

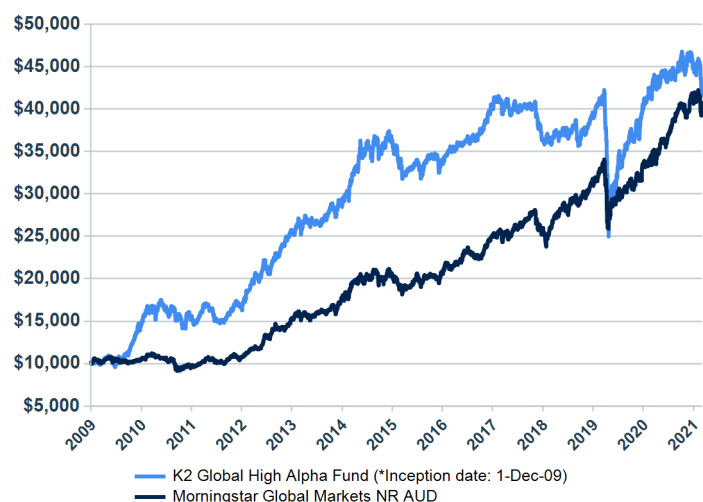
## 31 January 2022



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)	-5.87%	-6.23%	-3.78%	4.12%	3.96%	10.61%	12.70%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	6.9%	-0.3%
BHP Group Ltd	5.8%	+1.0%
Winton Land Ltd	5.5%	+0.1%
RIO Tinto Ltd	5.5%	+0.9%
Ryman Healthcare Ltd	5.0%	+1.9%

Month End Exposures	Current	Monthly Move
Communication Services	4.7%	+1.0%
Consumer	14.1%	+0.8%
Energy	2.5%	+0.3%
Financials	18.1%	-4.3%
Health Care	12.7%	+1.4%
Industrials/Real Estate	21.8%	-0.4%
Information Technology	8.7%	+0.6%
Materials	15.9%	+1.8%
Number of Positions	47	+1
Gross Equity Exposure	103.4%	+1.0%
Cash Weighting	-3.4%	-1.0%
Net Equity Exposure	103.4%	+1.0%
Currency Exposure Hedged of AUD	86.4%	+2.1%

**George Boubouras**  
Head of Research  
research@k2am.com.au  
03 9691 6111

**Marcela Tirado**  
Client Services  
invest@k2am.com.au  
03 9691 6111

### Commentary

The K2 Global High Alpha Fund returned -5.87% for the month of January. The fund has delivered an above benchmark +12.7% p.a. return (after all fees) over the past 12 years without excess market volatility.

Following a strong end to 2021, global equity markets started the new year full of renewed optimism. This was quickly short lived as investors fretted about inflation and how central bankers would react. Discount rates were rapidly recalibrated and markets de-rated accordingly. All major regions suffered varying degrees of losses.

Any good economic textbook will tell you that higher interest rates are needed to subdue inflation. However, life in the real world is not so straightforward and central bankers are acutely aware of the economic armageddon that will occur from even a slight increase in rates. While this is no doubt a problem of their own creation through years of loose monetary policy it is becoming increasingly difficult to tame the inflation beast without causing the associated collateral damage. In the US, bond futures are currently pricing four to five hikes in calendar year 2022 which we think is too aggressive.

Positive contributors to fund performance were driven by the funds exposure to Material and Energy stocks. Commodity prices surged during the month. In particular, Iron ore rose 15% on the back of Chinese restocking demand ahead of the Chinese New Year and the Crude Oil price continued to advance on tight supply concerns rising 17%. Key positive beneficiaries were BHP Group (+11.7%), Rio Tinto (+11.4%) and Santos Ltd (+13.2%).

Key detractors for the month included Ryman Healthcare (-19.1%), Maas Group (-16.1%) and Macquarie Bank (-10.6%). There was no specific news flow on these companies and their declines were largely driven by risk off sentiment and general market weakness over the month.

The AUD declined (-2.8%) as markets price 4-5 rate hikes in the US in 2022 to close the month at 0.7062. The fund is currently 86% hedged, providing capital protection against a rising AUD.

The fund remains fully invested with a focus on high quality companies. As markets begin to settle down we are well positioned to benefit.

### Fund Characteristics

FUM	AUD \$22m
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	-5.87						-4.08	6.00	-3.91%	-0.15%
												Incept.	328.52	307.27		
												Incept.	12.71%pa	12.23%pa	16.19%	-1.36%

(1) Morningstar Global Markets NR AUD

DISCLAIMER: The K2 Global High Alpha Fund is issued by K2 Asset Management Limited (K2) ABN 95 085 445 094, AFS Licence No 244393, a wholly owned subsidiary of K2 Asset Management Holdings Limited. The information contained in this document is produced in good faith and does not constitute any representation or offer by K2. It is subject to change without notice and is intended as general information only and is not complete or definitive. The information provided in this document is current at the time of the preparation and K2 is not obliged to update the information. K2 does not accept any responsibility and disclaims any liability whatsoever for loss caused to any party by reliance on the information in this document. Please note that past performance is not a reliable indicator of future performance. Any advice and information contained in this document is general only and has been prepared without taking into account any particular circumstances and needs of any party. Before acting on any advice or information in this document you should assess and seek advice on whether it is appropriate for your needs, financial situation, and investment objectives. Investment decisions should not be made upon the basis of its past performance or distribution rate, or any rating given by a ratings agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the ratings agency themselves. A product disclosure statement or information memorandum for the funds referred to in this document can be obtained at [www.k2am.com](http://www.k2am.com) or by contacting K2. You should consider the product disclosure statement before making a decision to acquire an interest in the fund.

©2022 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.