

# K2 Global High Alpha Fund

## 30 June 2022

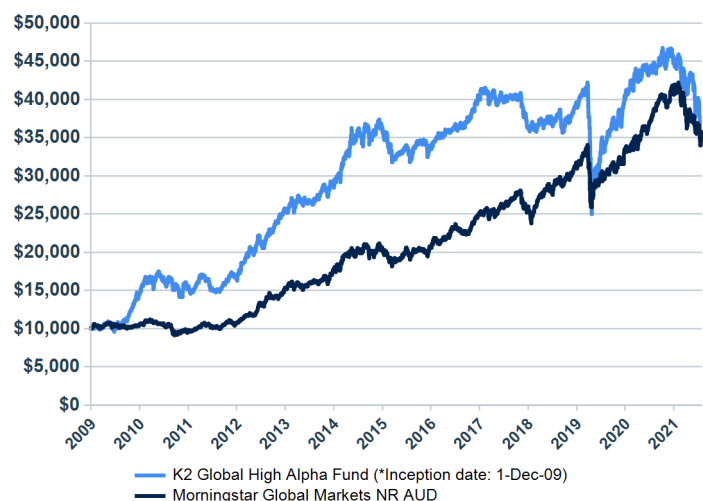


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-13.70%	116.46	10.39%

Refer below detailed performance data matrix

### Growth of \$10,000



### Commentary

In a volatile global equity market in June, the K2 Global High Alpha Fund returned -13.70% for the month. The first half 2022 performance in global equities was one of the worse in many decades as markets continued to adjust to the uncertainty with regard to the pace of tighter monetary policy combined with slowing economic momentum.

The US Fed has increasingly signalled to the market the need to increase rates rapidly from the historical lows seen in 2021. The aim for the Fed is to create the required capacity within the economy to address inflation concerns without going into recession. Price stability is their primary focus as the alternative is sub-optimal. The heightened uncertainty for markets year-to-date remains primarily with the slowing economic pulse, rising inflation expectations and the aggressive forecasts of higher US cash rates. The subsequent increase in market volatility and the prospect of a US recession has weighed on sentiment whereby valuations have now become very compelling compared to long-run historical benchmarks. The discount to the price of future earnings has been very aggressive this year and we believe this is overdone. Going forward, we look for the upcoming US quarterly reporting season in July to confirm the pace of the earnings slowdown.

The adjustment to higher nominal cash rates from the near zero levels has been a very painful transition and the subsequent weakness in equity markets has been severe. However, we continue to view a soft landing or shallow technical US recession as the core view. Credit conditions, corporate balance sheets and household savings in the key developed economies remain in good aggregate condition to be able to absorb some of the tighter monetary conditions ahead. Plenty of risks remain including persistently high energy prices, inflation expectations, the ongoing supply chain disruptions, earnings slowdown and increasing corporate costs, geopolitical risks and the very low levels of both consumer and corporate sentiment.

The K2 Global High Alpha Fund continues to have a USD exposure currency hedge in place which will benefit from a rising AUD. The portfolio cash position is 12% reflecting the cautious outlook in June. The largest weightings include Macquarie, BHP, Rio, Kina Securities and Alphabet. Some of the best performing holdings for the Fund over the past year (Financial Year 2022) were MA Financial, IGO, Lottery Corp, Stanmore Resources, Macquarie, Woodside Energy and Santos.

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	7.3%	+0.2%
BHP Group Ltd	6.1%	+0.4%
RIO Tinto Ltd	6.0%	+0.2%
Kina Securities Ltd	5.6%	+0.2%
Alphabet Inc	5.3%	+1.9%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	47.5%	-1.0%
Mid Caps >=AUD\$2b < AUD\$7.5b	10.2%	-3.1%
Small Caps < AUD\$2b	30.2%	-1.3%

Month End Exposures	Current	Monthly Move
Communication Services	6.4%	+0.3%
Consumer	2.6%	-2.5%
Energy	4.2%	+0.3%
Financials	39.7%	+11.2%
Health Care	4.6%	+0.8%
Industrials/Real Estate	16.2%	-0.6%
Materials	13.3%	-7.7%
Number of Positions	34	-1
Gross Equity Exposure	87.9%	-5.4%
Cash Weighting	12.1%	+5.4%
Net Equity Exposure	87.9%	-5.4%
Currency Exposure Hedged of AUD	102.3%	+4.6%

### 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%
												Incept.	247.04	250.41		
												Incept.	10.39%pa	10.48%pa	16.55%	-1.37%

(1) Morningstar Global Markets NR AUD

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