

# K2 Global High Alpha Fund

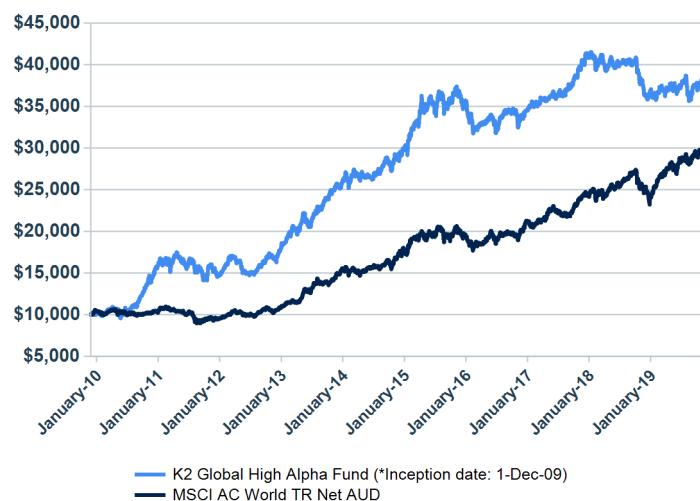
## 31 October 2019



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	1 Year	3 Years (%pa)	5 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	0.9%	0.1%	-0.6%	4.2%	5.9%	14.5%	1-Dec-2009
Average Net Exposure	83.4%	83.4%	62.8%	74.4%	78.7%	81.0%	

### Growth of \$10,000



### Commentary

The K2 Global High Alpha Fund returned 0.9% for October.

Global equity markets rallied in October, with the MSCI AC World TR Net AUD Index rising 0.6%. Gains were made in most developed markets as sentiment improved around resolutions to both the trade war between America and China and UK's BREXIT. Central bank easing continued in October with Australia's RBA cutting by 25bps to 0.75% and the US Federal Open Market Committee also reducing their funding rate by a further 25bps to 1.75% at the upper bound.

Recession fears in the US have receded somewhat following a period of yield curve inversion. By the end of October, the yield curve had steepened to approximately 17bps as depicted by the 2Yr/10Yr spread. Against this backdrop, we maintain our belief that equity markets are well positioned to continue to move higher in the coming months.

A positive contributor to Fund performance included the US listed healthcare titan United Health Group. The company reported stronger than expected 3rd quarter earnings and upgraded its profit guidance for the full year. Having been oversold this year due to the highly politicised and unlikely adoption of a potential Medicare for All healthcare system and combined with the positive results, the stock rallied over 16%. We continue to view the likelihood of a Medicare for All system, which would abolish private health insurance, at an exorbitant and prohibitive cost to the taxpayer, as extremely unlikely.

The AUD increased +2.1% versus the USD with the Fund currently 96% hedged to the AUD to provide protection against a rising AUD. Net exposure has remained steady at 84%.

Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	3.5%	+0.3%
Kina Securities Ltd	3.3%	-2.0%
Money3 Corp Ltd	3.2%	-2.2%
Austal Ltd	3.1%	0.0%
Visa Inc	2.9%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	1.8%	+0.5%
Consumer	14.4%	+3.0%
Energy	3.3%	+0.1%
Financials	24.5%	-5.2%
Health Care	12.9%	+0.3%
Industrials	11.5%	-1.2%
Information Technology	9.7%	+1.5%
Materials	2.5%	-1.0%
Other	2.2%	+0.6%
Real Estate	3.5%	+0.2%
SHORTS	-2.4%	-1.0%
Number of Positions	60	+6
Gross Equity Exposure	88.7%	-0.2%
Cash Weighting	16.0%	+2.1%
Net Equity Exposure	84.0%	-2.1%
Currency Exposure Hedged of AUD	95.6%	+1.3%

### 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

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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						0.8	-1.3	3.5	4.6	-0.3	-5.4	1.8	3.4	0.2	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	2.7	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	-2.3	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	30.5	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	19.2	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	23.7	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	15.3	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	15.0	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	11.3	38.3%	-6.2%	
2019/20	2.0	-3.5	2.8	0.9									2.0	4.6	18.8%	-2.1%	
													Incept	281.9	196.9		
													Incept	14.5%pa	11.6%pa	19.5%	-1.5%

(1) MSCI AC World TR Net AUD

DISCLAIMER: Returns are shown after fees (including performance fees) and expenses have been deducted and assume the reinvestment of income distributions. Please note that past performance is not a reliable indicator of future performance. The information contained in this document is produced by K2 Asset Management Ltd ("K2") in good faith, but 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. 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. A product disclosure statement for general information on any Fund referred to in this document can be obtained at [www.k2am.com.au](http://www.k2am.com.au) or by contacting K2. You should read the product disclosure statement and consider whether the product is appropriate for you before making a decision to acquire or continue to hold an interest in a Fund. Fees referred to in this document are inclusive of GST and RITC and do not include expense recoveries.