

K2 Global High Alpha Fund

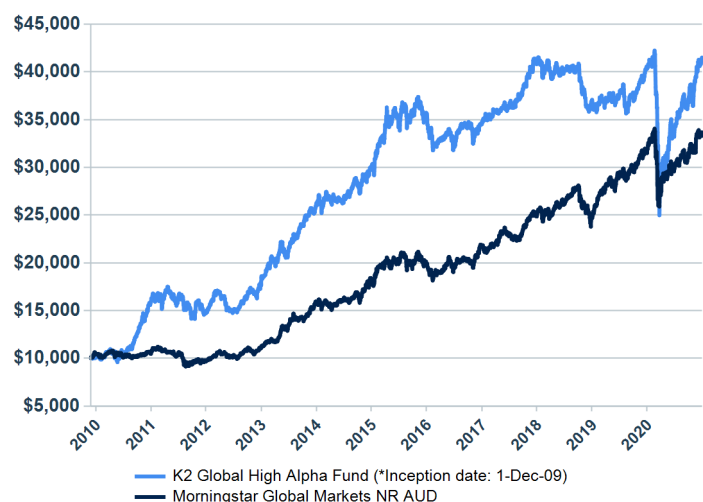
31 December 2020



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	Inception (%pa)	Inception Date
Performance (Net of Fees)	3.2%	13.6%	1-Dec-2009
Average Net Exposure	94.8%	82.1%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Money3 Corp Ltd	5.3%	+0.2%
Summerset Group Holdings Ltd	4.4%	+0.5%
Kina Securities Ltd	3.7%	+0.1%
BHP Group Ltd	3.7%	+0.3%
Macquarie Group Ltd	3.3%	-0.1%

Month End Exposures	Current	Monthly Move
Communication Services	4.1%	+0.3%
Consumer	16.2%	-2.8%
Energy	0.5%	+0.2%
Financials	29.6%	+0.4%
Health Care	11.9%	-0.3%
Industrials	6.6%	-0.5%
Information Technology	6.1%	-1.7%
Materials	14.3%	+2.4%
Other	2.4%	-1.0%
Real Estate	0.5%	+0.5%
Number of Positions	62	+1
Gross Equity Exposure	92.2%	-2.5%
Cash Weighting	7.8%	+2.5%
Net Equity Exposure	92.2%	-2.5%
Currency Exposure Hedged of AUD	85.2%	-2.8%

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Commentary

The strong returns continued in December. The K2 Global High Alpha Fund returned +3.2% for the month to be +3.0% ahead of the benchmark (BM). The fund has now returned +22.6% this financial year to be +11.3% ahead of the BM. Since the cycle lows in the March correction the fund is up +65.2% outperforming the BM by +36.6%. 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 13.6% p.a. return over the past 11 years without excess market volatility.

Global equities continued their strong performance through December with solid gains across all major regions. US equities finished the year at record highs as investor embraced further fiscal stimulus from Washington. 2020 was a year main street would like to forget but for global investors it was extremely rewarding as even lower interest rates, additional quantitative easing and enormous amounts of fiscal stimulus provided overwhelming support for equities.

As we go to print the Democrats appear to have gained control of the US Senate giving them a clean sweep. On one hand this will likely lead to increased taxes and regulation while on the other hand significant fiscal spending is expected. In the medium term this is not necessarily bullish for markets but in the short term further stimulus will provide ongoing support. The exponential increase in money supply has provided rocket fuel for asset prices. Since mid-March 2020 the Federal Reserve US Money Supply (M2) has risen by +20% which correlates to approximately 41 S&P 500 points for every US\$100bn.

Recently increased weightings to the Financials sector has continued to benefit the portfolio. Major positive contributors within the sector include Moelis & Co (US) (+19%), Summerset Group Holdings (NZ) (+18%), and Goldman Sachs Group (US) (+14%). The fund also benefited from its long term core Resource holdings with large gains recorded for the month from Fortescue Metals Group (+29%), Rio Tinto Group (+12%) and BHP Group (+11%) driven by the strong rise in iron ore which rallied 30% in December.

The Fund's net exposure for the month and past 3 quarters averaged 94.8% and 93.4% respectively. The fund remains optimistically positioned as we continue to position the portfolio to benefit from a more reflationary environment as central banks continue unabated to print money to fund government spending.

Fund Characteristics

FUM	AUD \$40m
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						0.8	-1.3	3.5	4.6	-0.3	-5.4	1.8	3.4	1.5	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	3.5	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	-2.6	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	31.0	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	19.6	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	23.9	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	15.4	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	15.1	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	10.5	38.3%	-6.2%
2019/20	2.0	-3.5	2.8	0.9	3.4	2.2	1.1	-7.8	-23.2	8.1	6.3	1.4	-10.0	3.2	14.8%	-2.8%
2020/21	4.7	5.5	-1.0	-1.1	9.8	3.2							22.6	11.3	4.5%	-0.5%
												Incept	312.7	233.0		
												Incept	13.6%pa	11.5%pa	17.9%	-1.5%

(1) Morningstar Global Markets NR 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 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.

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