

# K2 Global High Alpha Fund

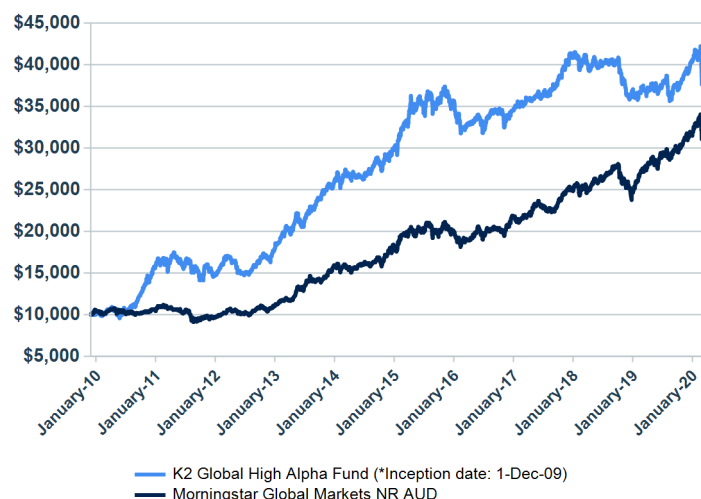
## 29 February 2020



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	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	-7.8%	-4.7%	1.3%	2.4%	2.8%	13.8%	13.8%	1-Dec-2009
Average Net Exposure	85.8%	85.4%	78.1%	74.2%	78.1%	82.3%	81.1%	

### Growth of \$10,000



### Commentary

The K2 Global High Alpha Fund returned -7.8% for February.

Global equity markets began the month in euphoric fashion as another successful US reporting season concluded with generally strong results across the board and positive outlook commentary. The rate of growth of the Coronavirus within China was slowing and the virus appeared contained. The US consumer and economy more broadly was firing on all cylinders. What could go wrong?

By month end it was evident that the virus had gone global. Equity markets across the globe fell sharply, led by the US with the quickest 10% drop from a record high in its history.

As we go to print the response from central banks has been somewhat emphatic led by the US Federal Reserve's 50 basis point emergency cut to official interest rates. The first intra-meeting cut since the depths of the GFC. The Australian RBA, Japan's BOJ and Canada's BOC have also cut rates in the last few days. The European ECB is certain to follow suit next week.

Meanwhile, the race for the Democratic nomination to see who will challenge Trump in November is in full swing. As it currently stands former Vice President Joe Biden appears to hold an insurmountable lead but that can certainly change between now and the Democratic convention in July. I also haven't ruled out the possibility of a left field candidate throwing his or her hat into the ring. Watch this space.

One of the few positive contributors to fund performance for the month was Money3 Corp (MNY) which rose 14% for the month following a strong 1H'20 profit. MNY grew its profits by more than 60% in the first half of the year and further growth is expected in the future.

The AUD ended the month down -2.6% versus the USD at 0.6515. The fund is currently 95% hedged to the AUD providing capital protection against a rising AUD. Net exposure has increased slightly to 90%.

Top 5 Stock Holdings	Current	Monthly Move
Money3 Corp Ltd	4.4%	+0.9%
Seven Group Holdings Ltd	3.3%	-0.2%
Kina Securities Ltd	3.1%	-0.1%
Visa Inc	3.1%	+0.1%
Macquarie Group Ltd	2.9%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	2.0%	+0.1%
Consumer	16.8%	+3.3%
Energy	2.9%	-0.3%
Financials	28.3%	+0.0%
Health Care	9.2%	-2.5%
Industrials	10.9%	+0.1%
Information Technology	10.2%	+0.4%
Materials	5.9%	+2.6%
Other	2.5%	+0.3%
Real Estate	4.5%	+0.5%
SHORTS	-3.6%	+2.5%
Number of Positions	65	0
Gross Equity Exposure	96.9%	+2.1%
Cash Weighting	10.3%	-7.2%
Net Equity Exposure	89.7%	+7.2%
Currency Exposure Hedged of AUD	94.9%	+3.1%

### Fund Characteristics

FUM	AUD \$42m
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	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					0.5	7.4	16.9%	-3.0%	
													Incept	276.3	211.3		
													Incept	13.8%pa	11.7%pa	19.4%	-1.6%

(1) Morningstar Global Markets NR AUD

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