

# K2 Select International Fund

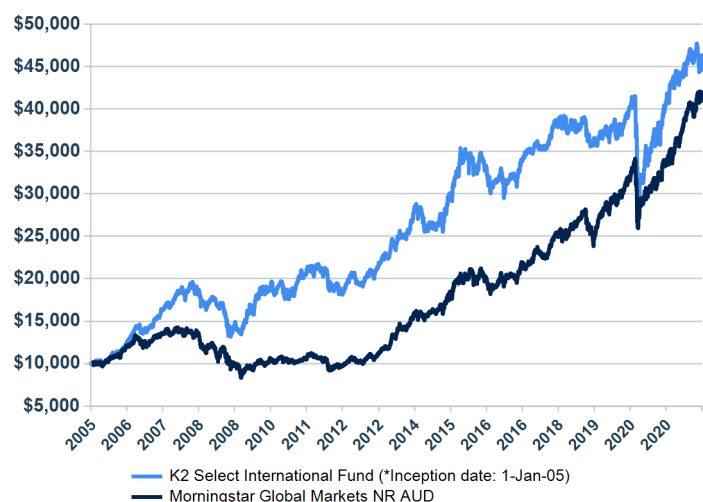
## 31 December 2021



The K2 Select International 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)	2.78%	1.50%	3.01%	12.81%	6.38%	9.70%	9.41%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Ryman Healthcare Ltd	5.8%	-0.2%
Microsoft Corp	5.4%	-0.6%
Costco Wholesale Corp	4.7%	+0.1%
Nike Inc	4.3%	-0.2%
Abbott Laboratories	4.1%	-0.3%

Month End Exposures	Current	Monthly Move
Communication Services	9.5%	-0.1%
Consumer	19.6%	+1.5%
Energy	1.0%	-0.1%
Financials	23.7%	-0.8%
Health Care	10.6%	-0.4%
Industrials/Real Estate	7.1%	+0.3%
Information Technology	22.0%	-1.1%
Materials	3.2%	+0.1%
Utilities	3.4%	+0.1%
Number of Positions	38	+1
Gross Equity Exposure	100.0%	-0.6%
Cash Weighting	0.0%	+0.6%
Net Equity Exposure	100.0%	-0.6%
Currency Exposure Hedged of AUD	81.7%	-2.9%

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### Commentary

The K2 Select International Fund returned +2.78% for the month of December. The fund has delivered +9.41% p.a. return (after all fees) since inception outperforming the benchmark.

After a volatile start to the month the traditional holiday season rally eventually took hold with all major global equity markets ultimately participating in the gains. It wasn't all smooth sailing however as investors were forced to grapple with the potential impact of Omicron and a hawkish pivot from the US Federal Reserve. The market is now pricing three interest rate rises in the US over the course of 2022. With regards to Omicron, initially it was a fear of the unknown causing most angst, but as additional data gradually becomes available that fear is slowly subsiding.

We applaud the Fed for no longer using the word "transitory". Even Zimbabwe's hyperinflation of the 2000's could have been argued as transitory - it just peaked at a very high level. Today, however, if the participation rate remains stubbornly low, significant wage growth is certain to follow. While a large part of this might be catch up for the last 10 years it will be very difficult to put the inflation genie back in the bottle, even for the Fed. Meanwhile, Christmas festivities weren't immune from labour shortages and supply chain disruptions. Anecdotally, there was a genuine lack of Santa's and the price of a tree doubled.

A positive contributor to fund performance included semiconductor developer Marvell Technology. Reported Q3 FY22 results significantly beat expectations while guidance for Q4 and FY23 were raised materially. Superior earnings growth is underpinned by strong demand from key data centre customers and pleasingly, with a high degree of visibility. Marvell is uniquely positioned as a high performance semiconductor infrastructure provider and remains a core holding for the fund.

The AUD recovered some lost ground, increasing +2.3% to close the month at 0.7263. The fund is currently 82% hedged, providing capital protection against a rising AUD.

The fund remains fully invested with a focus on high quality companies and is well positioned for the ongoing cyclical recovery.

### Fund Characteristics

FUM	AUD \$15m
Portfolio Managers	Campbell Neal, David Poppenbeek 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 80
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.36%
Buy/Sell	Daily Application/Redemption
Performance Fee	15.38% pa of the amount by which the NAV per unit exceeds the High Water Mark once the fund achieves its hurdle

## K2 Select International 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
2004/05							0.89	1.30	-0.44	-1.38	1.36	3.79	5.56	3.03	50.51%	-4.41%
2005/06	4.91	0.73	2.64	-0.96	4.20	4.43	5.11	4.42	5.66	-0.07	-3.66	2.02	33.16	22.26	21.28%	-4.15%
2006/07	0.43	2.13	2.80	3.60	1.97	4.81	2.40	0.13	1.06	3.14	5.05	-0.29	30.70	9.93	23.64%	-1.06%
2007/08	0.09	0.64	2.57	3.36	-3.71	-1.08	-8.04	-0.63	-1.22	2.98	1.83	-3.45	-7.04	-19.95	43.46%	-7.29%
2008/09	-2.51	2.89	-8.60	-9.70	-2.45	5.09	-3.10	-2.84	4.93	6.88	7.84	-0.65	-4.00	-15.30	51.14%	-3.95%
2009/10	7.58	2.13	3.34	-1.70	1.41	3.03	-4.09	0.16	4.70	0.17	-5.42	-2.72	8.11	8.36	11.69%	-1.03%
2010/11	4.31	-2.46	8.39	2.70	0.04	3.75	0.43	0.92	0.98	1.73	-1.91	-1.55	18.20	3.50	12.01%	-2.42%
2011/12	-2.18	-4.47	-4.46	2.48	-3.02	-1.70	3.61	4.73	3.57	-0.02	-4.28	-1.48	-7.57	-2.59	22.89%	-2.93%
2012/13	0.63	3.44	1.97	0.58	1.43	2.81	2.74	1.78	0.72	2.50	4.06	-0.44	24.49	31.02	6.72%	-0.35%
2013/14	3.93	-0.38	0.47	2.43	4.36	5.47	-0.93	1.56	-5.72	-2.51	1.16	-1.82	7.72	19.62	8.01%	-0.15%
2014/15	0.65	1.03	3.92	0.77	4.13	3.74	4.04	4.23	2.06	3.09	3.14	-2.68	31.74	23.89	13.16%	-0.63%
2015/16	-0.13	-2.30	-1.88	5.41	-2.12	-1.91	-3.98	-3.27	2.08	0.40	3.97	-7.06	-10.88	-0.60	20.86%	-0.71%
2016/17	2.90	2.13	0.13	-1.29	3.85	2.98	2.07	0.88	0.42	1.23	1.42	-2.06	15.50	15.36	23.10%	-2.82%
2017/18	0.26	0.99	1.89	3.62	2.39	-1.72	2.11	-0.29	-2.65	0.70	-0.69	-0.25	6.38	15.13	21.63%	-3.25%
2018/19	0.83	2.67	-0.16	-5.59	-1.95	2.09	-2.55	3.58	-0.28	3.12	-4.07	3.51	0.69	10.51	32.63%	-3.84%
2019/20	1.29	-1.58	1.39	0.26	2.89	1.88	0.26	-8.61	-16.74	4.90	6.25	-0.27	-9.91	3.22	9.52%	-2.35%
2020/21	2.93	5.39	0.02	-2.91	9.05	4.76	-0.45	4.70	1.05	2.69	-0.53	1.80	31.80	28.43	2.59%	-0.26%
2021/22	1.65	3.32	-3.37	2.76	-3.89	2.78							3.01	8.36	1.27%	0.00%
Incept.													361.37	317.39		
Incept.													9.41%pa	8.77%pa	20.89%	-2.31%

(1) Morningstar Global Markets NR AUD

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