

K2 Select International Fund

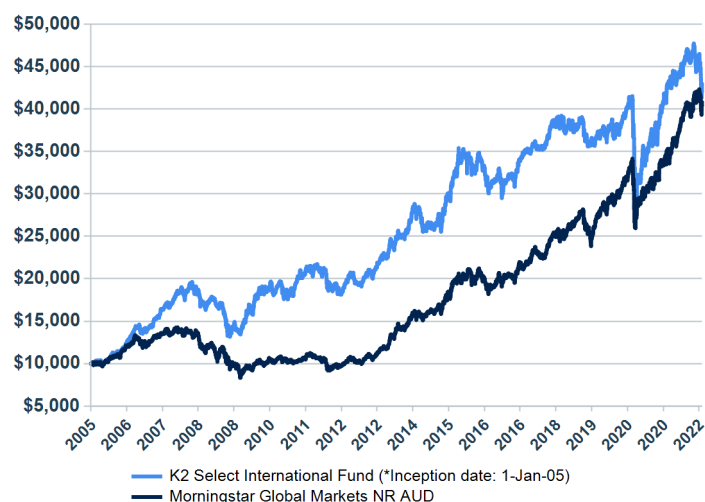
31 January 2022



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)	-6.81%	-7.96%	-5.57%	5.60%	4.46%	8.55%	8.91%

Growth of \$10,000



Commentary

The K2 Select International Fund returned -6.81% for the month of January. The fund has delivered +8.91% p.a. return (after all fees) since inception.

Following a strong end to 2021, global equity markets started the new year full of renewed optimism. This was quickly short lived as investors fretted about inflation and how central bankers would react. Discount rates were rapidly recalibrated and markets de-rated accordingly. All major regions suffered varying degrees of losses with Materials and Energy the only sector spared.

Commodity prices surged during the month. In particular, Iron ore rose 15% on the back of Chinese restocking demand ahead of Chinese New Year and Crude Oil continued to advance on tight supply concerns rising 17%.

Any good economic textbook will tell you that higher interest rates are needed to subdue inflation. However, life in the real world is not so straightforward and central bankers are acutely aware of the economic armageddon that will occur from even a slight increase in rates. While this is no doubt a problem of their own creation through years of loose monetary policy it is becoming increasingly difficult to tame the inflation beast without causing the associated collateral damage. In the US, bond futures are currently pricing four to five hikes in calendar year 2022 which we think is too aggressive.

Meanwhile, US Q1 reporting season is underway. From Netflix to Facebook, PayPal and Amazon amongst others the reaction to results has been truly remarkable. We took the opportunity to rotate into quality companies with superior long-term prospects that were sold off disproportionately on short-term news flow.

Positive contributors to fund performance included global payment processing giants Visa and Mastercard. Reported results for both companies exceeded expectations with hopes for an ongoing speedy recovery in international travel buoying sentiment.

In-line with most risk assets the AUD sold off -2.8% to close the month at 0.7062. The fund is currently 87% hedged, providing capital protection against a rising AUD.

The fund remains fully invested with a focus on high quality companies. As markets begin to settle down, we are well positioned to benefit.

Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.5%	+0.1%
Ryman Healthcare Ltd	5.0%	-0.8%
Mastercard Inc	4.9%	+0.8%
Visa Inc	4.7%	+0.6%
Costco Wholesale Corp	4.6%	-0.1%

Month End Exposures	Current	Monthly Move
Communication Services	12.8%	+3.3%
Consumer	16.2%	-3.4%
Energy	1.0%	+0.0%
Financials	21.8%	-1.9%
Health Care	9.7%	-0.8%
Industrials/Real Estate	7.0%	-0.2%
Information Technology	21.8%	-0.3%
Materials	3.7%	+0.5%
Utilities	3.1%	-0.2%
Number of Positions	35	-3
Gross Equity Exposure	97.1%	-2.9%
Cash Weighting	2.9%	+2.9%
Net Equity Exposure	97.1%	-2.9%
Currency Exposure Hedged of AUD	87.1%	+5.4%

Fund Characteristics

FUM	AUD \$14m
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

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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	-6.81						-4.01	6.00	1.19%	0.00%
Incept.													329.93	308.30		
Incept.													8.91%pa	8.58%pa	20.89%	-2.31%

(1) Morningstar Global Markets NR AUD

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