

# K2 Select International Fund

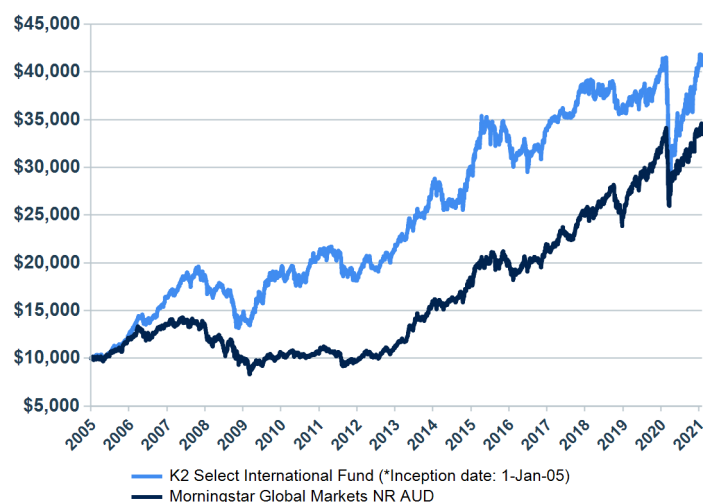
## 31 January 2021



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	Inception (%pa)	Inception Date
Performance (Net of Fees)	-0.4%	9.1%	1-Jan-2005
Average Net Exposure	95.2%	78.3%	

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.9%	+0.3%
Summerset Group Holdings Ltd	5.3%	-0.1%
Abbott Laboratories	5.1%	+0.6%
BHP Group Ltd-Spon Adr	5.0%	+0.2%
Nike Inc	4.7%	-0.2%

Month End Exposures	Current	Monthly Move
Communication Services	6.8%	0.0%
Consumer	16.3%	+2.2%
Energy	1.1%	+0.0%
Financials	28.4%	+5.0%
Health Care	15.7%	+0.7%
Industrials	3.2%	-0.1%
Information Technology	17.9%	-0.4%
Materials	8.2%	-1.6%
Real Estate	1.4%	+0.3%
Number of Positions	33	+1
Gross Equity Exposure	99.1%	+6.1%
Cash Weighting	0.9%	-6.1%
Net Equity Exposure	99.1%	+6.1%
Currency Exposure Hedged of AUD	83.1%	+13.5%

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### Commentary

The K2 Select International Fund returned -0.4% for the month and has returned +19.8% this financial year to be +8.2% ahead of the benchmark (BM). Since the cycle lows in the March correction the fund is up +55.1% outperforming the BM by +26.2%. 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.

Global equity markets experienced mixed returns throughout January. Asia and Small caps were the standout performers while large-cap US and Europe lagged. After a strong start to the month markets hit the skids as the great short squeeze unfolded. Otherwise dormant companies including GameStop, AMC Entertainment and Blackberry reached stratospheric heights forcing hedge funds who are short these names to de-leverage and thus drag down the overall market. However, as we go to print in early February, normality is slowly returning.

We are over half way into Q4 US reporting season with results so far in aggregate proving very encouraging. The major banks have benefited from increased trading and corporate activity while Netflix posted significantly better than expected subscriber growth, re-focusing investor attention on Big Tech in the process.

A positive contributor to fund performance included hydrogen fuel cell developer Ballard Power. The company is benefitting from improving order growth and increasing global awareness of renewable energy. With greater than 50 million kms of in-revenue service, guidance of a 70% reduction in the cost of its fuel-cell modules by 2024 and strong strategic partnerships, Ballard is well placed to successfully commercialise fuel-cell technology for heavy duty applications (ie. truck, train, bus, marine).

The AUD consolidated recent strong gains, declining -0.65% for the month. The fund is currently 83% hedged to the AUD providing capital protection against a rising AUD.

The fund's net exposure currently sits at 99%. The fund remains fully invested as we position the portfolio to benefit from a more reflationary environment. Central banks globally have dug in their heels, showing no signs of deviating from their accommodative stance. Combined with another flood of money by way of fiscal stimulus the question is, where will the money go? Against this backdrop, equities are the asset class of choice.

### Fund Characteristics

FUM	AUD \$16m
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							0.9	1.3	-0.4	-1.4	1.4	3.8	5.6	3.0	50.5%	-4.4%
2005/06	4.9	0.7	2.6	-1.0	4.2	4.4	5.1	4.4	5.7	-0.1	-3.7	2.0	33.2	22.3	21.3%	-4.1%
2006/07	0.4	2.1	2.8	3.6	2.0	4.8	2.4	0.1	1.1	3.1	5.1	-0.3	30.7	9.9	23.6%	-1.1%
2007/08	0.1	0.6	2.6	3.4	-3.7	-1.1	-8.0	-0.6	-1.2	3.0	1.8	-3.4	-7.0	-20.0	43.5%	-7.3%
2008/09	-2.5	2.9	-8.6	-9.7	-2.5	5.1	-3.1	-2.8	4.9	6.9	7.8	-0.6	-4.0	-15.3	51.1%	-4.0%
2009/10	7.6	2.1	3.3	-1.7	1.4	3.0	-4.1	0.2	4.7	0.2	-5.4	-2.7	8.1	8.4	11.7%	-1.0%
2010/11	4.3	-2.5	8.4	2.7	0.0	3.8	0.4	0.9	1.0	1.7	-1.9	-1.6	18.2	3.5	12.0%	-2.4%
2011/12	-2.2	-4.5	-4.5	2.5	-3.0	-1.7	3.6	4.7	3.6	0.0	-4.3	-1.5	-7.6	-2.6	22.9%	-2.9%
2012/13	0.6	3.4	2.0	0.6	1.4	2.8	2.7	1.8	0.7	2.5	4.1	-0.4	24.5	31.0	6.7%	-0.3%
2013/14	3.9	-0.4	0.5	2.4	4.4	5.5	-0.9	1.6	-5.7	-2.5	1.2	-1.8	7.7	19.6	8.0%	-0.1%
2014/15	0.7	1.0	3.9	0.8	4.1	3.7	4.0	4.2	2.1	3.1	3.1	-2.7	31.7	23.9	13.2%	-0.6%
2015/16	-0.1	-2.3	-1.9	5.4	-2.1	-1.9	-4.0	-3.3	2.1	0.4	4.0	-7.1	-10.9	-0.6	20.9%	-0.7%
2016/17	2.9	2.1	0.1	-1.3	3.8	3.0	2.1	0.9	0.4	1.2	1.4	-2.1	15.5	15.4	23.1%	-2.8%
2017/18	0.3	1.0	1.9	3.6	2.4	-1.7	2.1	-0.3	-2.6	0.7	-0.7	-0.2	6.4	15.1	21.6%	-3.2%
2018/19	0.8	2.7	-0.2	-5.6	-1.9	2.1	-2.6	3.6	-0.3	3.1	-4.1	3.5	0.7	10.5	32.6%	-3.8%
2019/20	1.3	-1.6	1.4	0.3	2.9	1.9	0.3	-8.6	-16.7	4.9	6.3	-0.3	-9.9	3.2	9.5%	-2.4%
2020/21	2.9	5.4	0.0	-2.9	9.1	4.8	-0.4						19.8	11.6	2.6%	-0.1%
												Incept	307.1	234.7		
												Incept	9.1%pa	7.8%pa	22.1%	-2.4%

(1) Morningstar Global Markets NR AUD

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