

K2 Select International Fund

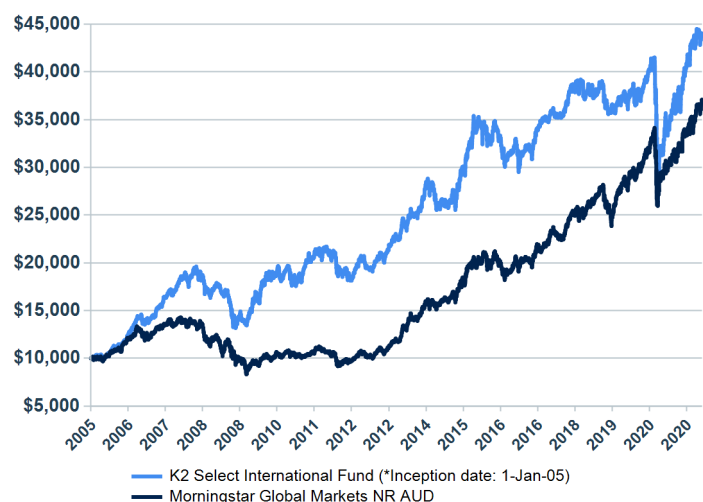
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The K2 Select International Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its 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)	-0.53%	3.22%	12.70%	29.13%	6.05%	7.53%	9.44%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.3%	+0.0%
Ryman Healthcare Ltd	5.1%	+2.1%
Visa Inc	4.5%	-0.6%
JPMorgan Chase & Co	4.5%	0.0%
Mastercard Inc	4.4%	-0.2%

Month End Exposures	Current	Monthly Move
Communication Services	8.6%	+0.1%
Consumer	19.9%	-1.0%
Energy	1.7%	+0.4%
Financials	26.5%	+1.0%
Health Care	8.4%	-0.5%
Industrials/Real Estate	2.9%	-0.4%
Information Technology	21.0%	-1.5%
Materials	5.7%	-0.2%
Utilities	1.9%	+1.9%
SHORTS	-1.5%	-1.5%
Number of Positions	36	+1
Gross Equity Exposure	98.1%	+1.4%
Cash Weighting	4.9%	+1.6%
Net Equity Exposure	95.1%	-1.6%
Currency Exposure Hedged of AUD	74.5%	+0.1%

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Commentary

The K2 Select International Fund returned -0.5% for the month to be up +12.7% over the past six months. The fund has performed strongly over the past year to be +29.13% outperforming the BM by +6.3%. 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 2020 correction.

It was a mixed bag for global equity markets in May as the rotation to cyclicals gained further steam. In this environment the more Value orientated European markets outperformed while the Tech heavy Nasdaq lagged. Central banks are doubling and tripling down on their belief that any inflation will be transitory and therefore monetary policy must remain accommodative. Any hint of tapering will no doubt send equities into a tailspin, and we closely watch the bond market for any hints which are so far behaving very orderly.

When Vladimir Lenin wrote in 1917, "there are decades when nothing happens; and there are weeks when decades happen" he obviously could not foresee the impact Covid would have on global economies. The acceleration of on-line penetration has been well documented with big tech being major beneficiaries. Longer-term, the race to net zero emissions, which will take decades to ultimately play out, has made significant strides over the last 12 months. We liken these underlying thematics to shifting tectonic plates with minor tremors to be expected along the journey. However, we maintain focus on long-term value creation and prudent stock selection, as a rising tide will not necessarily lift all boats.

The portfolio remains well positioned to benefit from the resumption of global travel. From the credit card giants Visa and Mastercard who will benefit from increased cross border transactions to the Cruise ships that will begin sailing again from July as the pent up demand for leisure travel is enormous. For example, the booked position for Norwegian Cruise Lines in H1 2022 is meaningfully ahead of 2019, a record year, and at higher prices. Consumers love to travel, and they love to cruise!

The AUD gained +0.29% to 0.7738. The fund is currently 74% hedged to the AUD providing capital protection against a rising AUD.

The fund remains fully invested as governments shift towards fuelling optimism as they increase infrastructure and other fiscal spending.

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							0.89	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		29.47	23.62	2.47%	-0.18%
												Incept.	339.99	270.78		
												Incept.	9.44%pa	8.31%pa	22.04%	-2.44%

(1) Morningstar Global Markets NR AUD

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