

# K2 Select International Fund

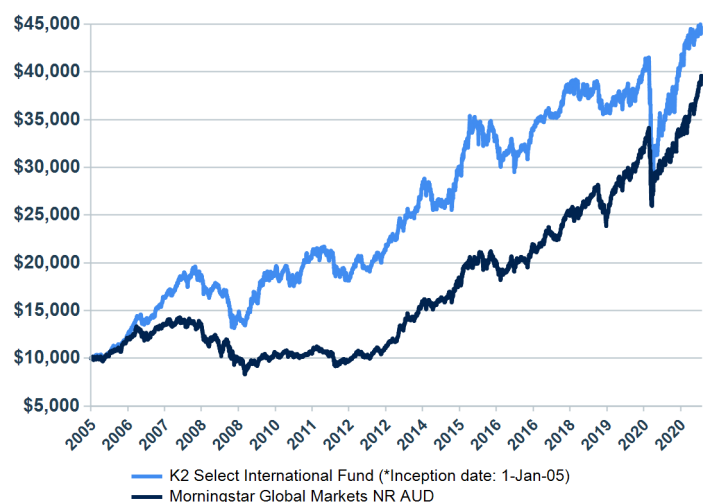
## 31 July 2021



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)	1.65%	2.93%	11.83%	30.16%	7.73%	8.31%	9.57%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Ryman Healthcare Ltd	5.8%	+0.8%
Microsoft Corp	5.7%	-0.3%
Visa Inc	5.1%	+0.3%
Mastercard Inc	4.9%	+0.3%
Abbott Laboratories	4.3%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	8.3%	+0.5%
Consumer	17.6%	+0.2%
Energy	1.1%	+0.1%
Financials	26.1%	-0.6%
Health Care	10.6%	+0.9%
Industrials/Real Estate	5.2%	-1.1%
Information Technology	23.4%	-0.1%
Materials	3.8%	+0.4%
Utilities	3.0%	+0.3%
Number of Positions	34	-1
Gross Equity Exposure	99.2%	+0.5%
Cash Weighting	0.8%	-0.5%
Net Equity Exposure	99.2%	+0.5%
Currency Exposure Hedged of AUD	68.9%	-3.3%

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### Commentary

The K2 Select International Fund returned +1.65% for the month to be up +30.16% over the past year.

Global equity markets continued to grind higher throughout July as investors digested another strong reporting season in the US which showed 88% of companies beating on earnings. Forward guidance commentary however was more muted, if provided at all, dampening performance to a small degree. Reassuringly, the US Federal Reserve confirmed their position of no imminent tapering, further signalling their long-term support for markets and the economy. The ongoing debate around inflation appears to be shifting towards the FED's transitory corner as they attempt to define the meaning of the word. US 10yr bond yields closed the month down -24 basis points at 1.22%, potentially telling us that growth might be scarcer in the medium term. We believe it is more of a technical bounce dominated by offshore buyers who are attracted to yields greater than zero.

Hong Kong and mainland Chinese equities significantly lagged their global peers as regulators expand their reach beyond mega-cap technology companies. DIDI, China's version of UBER, along with private education providers felt the full force of authorities concerns leaving investors to speculate who their next target might be. When combined with China's more orthodox approach to monetary policy, markets in the region remain on high alert. We continue to monitor the situation carefully with a view to acquiring high quality companies at attractive prices that have suffered collateral damage.

Positive contributors to fund performance included credit card giants Visa and Mastercard. Both companies reported quarterly results that were above expectations helped by the continued recovery in domestic and cross-border spending.

The AUD fell -2.04% to 0.7344. The fund is currently 69% hedged to the AUD providing capital protection against a rising AUD.

The fund remains fully invested and positioned more towards the ongoing cyclical recovery with a focus on identifying companies exposed to improving economic activity. Equities will continue to benefit from the willingness of major central banks to maintain their accommodative stance and governments desire to increase 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	1.80	31.80	28.43	2.59%	-0.26%
2021/22	1.65												1.65	2.64	1.38%	0.00%
Incept.													355.29	295.37		
Incept.													9.57%pa	8.64%pa	20.90%	-2.31%

(1) Morningstar Global Markets NR AUD

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