

# K2 Select International Fund

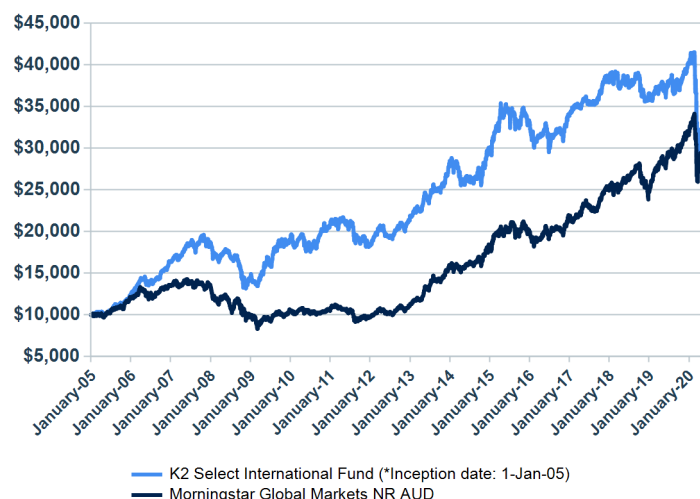
## 30 April 2020



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	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	15 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	4.9%	-20.2%	-15.6%	-3.3%	-1.2%	5.2%	8.1%	7.9%	1-Jan-2005
Average Net Exposure	72.8%	87.2%	89.0%	76.5%	77.8%	82.8%	78.1%	77.4%	

### Growth of \$10,000



### Commentary

The K2 Select International Fund returned +4.90% for the month of April.

Global equity markets bounced off their March lows as investors began to look through the economic carnage inflicted by Covid-19. With governments around the world slowly relaxing restrictions investor focus has shifted to the timing and shape of recovery. Concern over corporate solvency is slowly dissipating as company's moved swiftly to strengthen balance sheets and increase liquidity. Investor appetite for corporate debt of all grades and maturities has been insatiable. It helps to have the Fed in your corner. Commentary from US companies has been fairly consistent. It is no surprise that Q2 will be horrible with any recovery not expected to begin until later in the quarter. In addition, most management teams are unwilling to provide any form of guidance.

The blame game has erupted within the US government, with China firmly in the administration's sights. Any escalation of the trade war and threatened imposition of additional tariffs represent a significant risk to markets going forward.

Positive contributors for the month included Microsoft and Abbott Laboratories, where both companies continue to benefit from their recession resilient business models.

The fund ended the month with a net exposure to equities of 76%. On one hand we take the longer-term view that Covid-19 will end and global economic growth will recover, albeit at different stages for different countries, however the extent of the economic damage being inflicted is still very much unknown. The enormous amounts of government and central bank support will go a long way to plugging the economic hole being created but will it be sufficient? Given the short-term uncertainty we feel it is appropriate to maintain a slightly more cautious approach.

The AUD ended the month up +6.92% versus the USD at 0.6524. The fund is currently close to fully hedged to the AUD providing capital protection against a rising AUD.

Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	6.6%	+0.1%
Abbott Laboratories	6.1%	+0.3%
Visa Inc	5.5%	0.0%
Nike Inc	4.9%	-0.3%
Mastercard Inc	4.8%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	5.8%	+2.3%
Consumer	9.7%	-8.5%
Financials	17.7%	+0.9%
Health Care	8.4%	-4.7%
Industrials	3.5%	+0.2%
Information Technology	24.7%	+0.1%
Materials	8.0%	-3.8%
Real Estate	3.9%	+3.9%
SHORTS	-5.2%	-3.2%
Number of Positions	31	+2
Gross Equity Exposure	87.0%	-6.3%
Cash Weighting	23.5%	+12.7%
Net Equity Exposure	76.5%	-12.7%
Currency Exposure Hedged of AUD	85.4%	-3.6%

### 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

**George Boubouras**  
Head of Research  
03 9691 6191  
invest@k2am.com.au

## 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			-15.0	0.6	9.5%	-2.4%
												Incept	220.7	192.3		
												Incept	7.9%pa	7.2%pa	23.3%	-2.6%

(1) Morningstar Global Markets NR AUD

DISCLAIMER: Returns are shown after fees (including performance fees) and expenses have been deducted and assume the reinvestment of income distributions. Please note that past performance is not a reliable indicator of future performance. The information contained in this document is produced by K2 Asset Management Ltd ("K2") in good faith, but does not constitute any representation or offer by K2. It is subject to change without notice, and is intended as general information only and is not complete or definitive. K2 does not accept any responsibility, and disclaims any liability whatsoever for loss caused to any party by reliance on the information in this document. A product disclosure statement for general information on any Fund referred to in this document can be obtained at [www.k2am.com.au](http://www.k2am.com.au) or by contacting K2. You should read the product disclosure statement and consider whether the product is appropriate for you before making a decision to acquire or continue to hold an interest in a Fund. Fees referred to in this document are inclusive of GST and RITC and do not include expense recoveries.

©2020 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.