

K2 Select International Fund

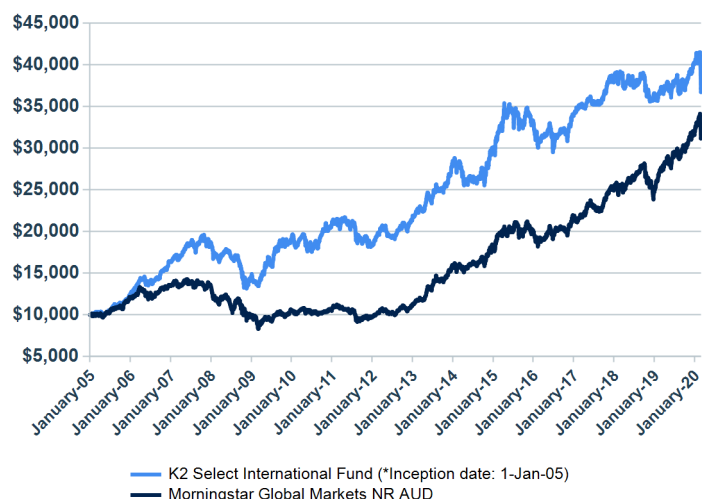
29 February 2020



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)	-8.6%	-6.6%	-0.6%	1.7%	2.5%	7.2%	8.9%	9.0%	1-Jan-2005
Average Net Exposure	94.6%	93.9%	87.0%	76.0%	77.8%	82.9%	78.0%	77.3%	

Growth of \$10,000



Commentary

The K2 Select International Fund returned -8.6% for February.

Global equity markets began the month in euphoric fashion as another successful US reporting season concluded with generally strong results across the board and positive outlook commentary. Markets reached fresh highs as the broader US economy was firing on all cylinders. What could go wrong?

After about three weeks of general complacency investors suddenly realised that the coronavirus could seriously impact global growth. As factories began to close and China effectively shut down, earnings downgrades from the likes of Apple, Microsoft and Mastercard amongst many others quickly followed. Equity markets went into a tailspin with no region spared. By month end, all positive gains had evaporated plus considerably more. As we go to print the response from central banks has been somewhat emphatic led by the US Federal Reserve's 50 basis point emergency cut to official interest rates.

Meanwhile, the race for the Democratic nomination to see who will challenge Trump in November is in full swing. As it currently stands former Vice President Joe Biden appears to hold an insurmountable lead but that can certainly change between now and the Democratic convention in July. I also haven't ruled out the possibility of a left field candidate throwing his or her hat into the ring. Watch this space.

One of the few positive contributors to fund performance included leading electronic test and measurement instrument provider Keysight Technologies. Better than expected earnings guidance despite coronavirus challenges, especially in relation to 5G, demonstrated the underlying strength and strong tailwinds currently being enjoyed by the company.

The AUD ended the month down -2.6% versus the USD at 0.6515. The fund is currently fully hedged to the AUD providing capital protection against a rising AUD. Net exposure has increased slightly to 97%.

Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	6.3%	-0.3%
Visa Inc	5.7%	+0.3%
Mastercard Inc	5.5%	+0.0%
Abbott Laboratories	5.3%	-0.3%
Mcdonald's Corp	5.1%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	2.4%	0.0%
Consumer	18.0%	+1.3%
Financials	18.2%	+1.5%
Health Care	12.1%	-2.3%
Industrials	7.6%	-0.2%
Information Technology	27.8%	-0.2%
Materials	10.4%	+3.5%
Real Estate	2.5%	+0.4%
SHORTS	-2.2%	-0.4%
Number of Positions	35	+2
Gross Equity Exposure	101.1%	+4.5%
Cash Weighting	3.3%	-3.7%
Net Equity Exposure	96.7%	+3.7%
Currency Exposure Hedged of AUD	99.6%	+7.4%

Fund Characteristics

FUM	AUD \$20m
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							0.9	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					-2.7	7.4	7.8%	-2.3%	
													Incept	267.2	212.1		
													Incept	9.0%pa	7.8%pa	23.2%	-2.6%

(1) Morningstar Global Markets NR AUD

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