

K2 Select International Fund

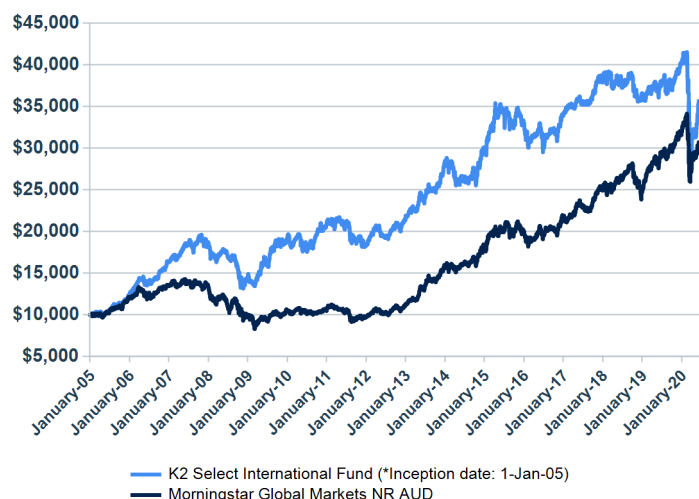
30 June 2020



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) | -0.3% | 11.2% | -9.9% | -1.2% | -0.1% | 6.7% | 8.1% | 8.2% | 1-Jan-2005 |
| Average Net Exposure | 95.2% | 84.8% | 90.5% | 78.8% | 78.5% | 82.9% | 78.5% | 77.6% | |

Growth of \$10,000



Commentary

The K2 Select International Fund returned -0.27% for the month of June.

Global equity markets extended their gains from April and May in local currency terms to post their best quarterly performance since 1998. A combination of central bank liquidity, enormous government stimulus packages and lack of alternative growth options are outweighing the gloomy economic reality of main street and spiking case numbers in large parts of the world. Following the GFC, for QE 1,2 and 3 every \$100bn increase in the Federal Reserve balance sheet equated to approximately +40 S&P 500 Index points. Markets appear to be on a similar path this time round and it is not over yet.

Despite the underlying positive trajectory, volatility increased in June as investors reacted to news flow surrounding virus updates and the US-China trade war. As economies continue to gradually re-open a bumpy ride is to be expected. Meanwhile the trade war took an interesting twist with White House advisor Peter Navarro sending markets into a tailspin when he said that the deal with China is "over" in a Fox News interview only for the comment to be retracted hours later. For us, this serves to highlight how jumpy markets are to the threat of any negative news.

A significant positive contributor for the month included recreational vehicle manufacturer Thor Industries. The company is experiencing a surge in demand for their products as driving and camping holidays offer consumers the perfect antidote to Covid. We expect this trend to persist as alternative forms of travel experiences (ie. Cruising, etc) remain unavailable.

The fund ended the month with a net exposure to equities of 98% reflecting our overall optimistic stance.

The AUD ended the month up +3.34% versus the USD at 0.6890. The fund is currently 81% hedged to the AUD providing capital protection against a rising AUD.

| Top 5 Stock Holdings | Current | Monthly Move |
|------------------------|---------|--------------|
| Microsoft Corp | 6.9% | +0.6% |
| Abbott Laboratories | 5.7% | -0.3% |
| Visa Inc | 5.5% | -0.1% |
| Nike Inc | 5.1% | -0.1% |
| BHP Group Ltd-Spon Adr | 4.8% | +0.2% |

| Month End Exposures | Current | Monthly Move |
|---------------------------------|---------|--------------|
| Communication Services | 9.4% | -0.3% |
| Consumer | 15.4% | +2.1% |
| Energy | 0.5% | +0.5% |
| Financials | 17.1% | +2.3% |
| Health Care | 12.5% | +4.1% |
| Industrials | 2.3% | 0.0% |
| Information Technology | 28.0% | +1.1% |
| Materials | 10.4% | +0.1% |
| Real Estate | 2.7% | -1.6% |
| Number of Positions | 37 | +5 |
| Gross Equity Exposure | 98.2% | +6.9% |
| Cash Weighting | 1.8% | -9.8% |
| Net Equity Exposure | 98.2% | +9.8% |
| Currency Exposure Hedged of AUD | 80.3% | -1.0% |

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 |

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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 | -16.7 | 4.9 | 6.3 | -0.3 | -9.9 | 3.2 | 9.5% | -2.4% |
| | | | | | | | | | | | | Incept | 239.8 | 199.9 | | |
| | | | | | | | | | | | | Incept | 8.2%pa | 7.3%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 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.

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