

K2 Select International Fund

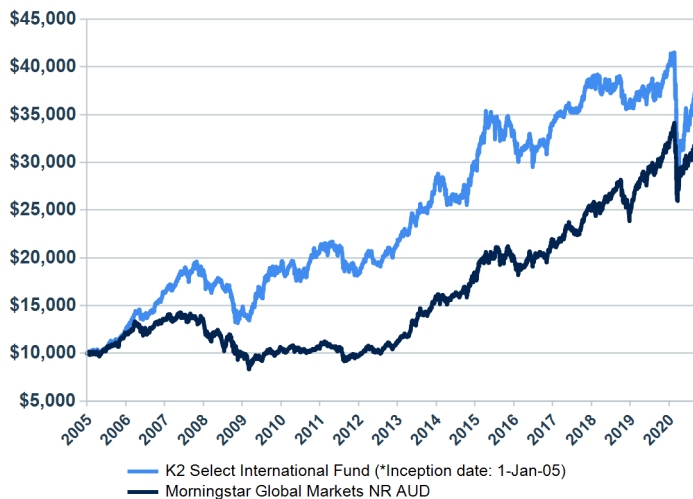
30 September 2020



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	Inception (%pa)	Inception Date
Performance (Net of Fees)	0.0%	8.6%	1-Jan-2005
Average Net Exposure	99.1%	77.9%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	6.4%	-0.1%
Abbott Laboratories	5.9%	+0.3%
Visa Inc	5.5%	-0.4%
Nike Inc	5.5%	+0.1%
Mastercard Inc	5.2%	-0.4%

Month End Exposures	Current	Monthly Move
Communication Services	11.3%	-0.1%
Consumer	15.3%	-0.4%
Energy	0.7%	-0.1%
Financials	16.9%	-0.8%
Health Care	14.5%	+0.8%
Industrials	4.7%	+0.5%
Information Technology	25.0%	+0.0%
Materials	8.4%	+0.2%
Real Estate	1.8%	+0.0%
Number of Positions	33	-3
Gross Equity Exposure	98.6%	+0.2%
Cash Weighting	1.4%	-0.2%
Net Equity Exposure	98.6%	+0.2%
Currency Exposure Hedged of AUD	69.7%	-2.0%

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Commentary

The K2 Select International Fund returned +0.02% for the month of September. The fund has performed strongly over the past 6 months and has returned +21% since 31 March, significantly outperforming the benchmark return of +10%. The combination of good stock selection, accumulating the AUD at lower levels and investing available excess cash early in the new cycle that began in March following the unprecedented coordinated policy stimulus, have all contributed to the very strong excess return of +11% vs benchmark for investors in the past 6 months.

Global equities markets retreated in September to post their first monthly loss since the rout in March. Investor sentiment deteriorated as the political stalemate in the US over the amount of additional stimulus continued. Ultimately we expect an agreement to be reached as the gap between the two parties gradually narrows. While in Europe the threat of further lockdowns as case numbers increase, particularly in the UK, weighed on markets. Further, it is now widely expected that a definitive result for the US election might not be known until weeks or possibly months after November 3rd due to the disproportionately large number of postal votes and recounts that might have to take place. Markets will not like this uncertainty.

Towards the end of the month the first (and possibly only) US Presidential debate took place. While the chaotic outcome has been well documented we take the view that given the polarising nature of both candidates the vast majority of voters have already made up their minds. Therefore, this election will be won or lost based on voter turnout and we feel that Trump's tactics did more to galvanise his support base.

A significant positive contributor for the month included global sporting giant Nike. Reported Q1 FY2021 earnings significantly beat expectations as the negative impact from store closures was offset by accelerating digital demand. Nike's direct to consumer digital focus will continue to drive revenue growth, expanding margins and returns.

The fund ended the month with a net exposure to equities of 99% reflecting our unchanged overall optimistic stance. Once the election dust settles and regardless of the result, fiscal stimulus will be high on the agenda to propel economic momentum.

The AUD ended the month down -2.96% versus the USD at 0.7171. The fund is currently 70% hedged to the AUD providing capital protection against a rising AUD.

Fund Characteristics

FUM	AUD \$15m
Portfolio Managers	Campbell Neal, David Popenbeek 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							0.9	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%	
2020/21	2.9	5.4	0.0										8.5	3.8	1.5%	0.0%	
													Incept	268.7	211.2		
													Incept	8.6%pa	7.5%pa	22.0%	-2.4%

(1) Morningstar Global Markets NR AUD

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