

K2 Global High Alpha Fund

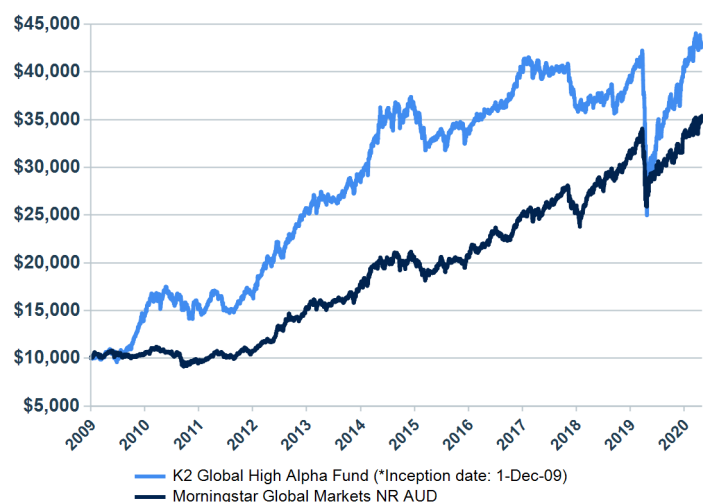
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The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net 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)	0.90%	4.05%	16.58%	48.64%	5.46%	10.07%	13.72%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	5.3%	+1.1%
Summerset Group Holdings Ltd	5.1%	+0.6%
Purpose Bitcoin Etf Fund	4.5%	+4.5%
BHP Group Ltd	4.4%	+0.4%
RIO Tinto Ltd	3.9%	+0.3%

Month End Exposures	Current	Monthly Move
Communication Services	3.0%	-0.5%
Consumer	17.5%	+3.0%
Energy	0.9%	+0.2%
Financials	23.4%	+2.6%
Health Care	12.8%	+2.2%
Industrials	7.1%	+1.4%
Information Technology	6.9%	+1.4%
Materials	14.9%	+1.7%
Other	6.2%	+1.7%
Real Estate	0.7%	+0.1%
Number of Positions	54	-1
Gross Equity Exposure	93.5%	+13.7%
Cash Weighting	6.5%	-13.7%
Net Equity Exposure	93.5%	+13.7%
Currency Exposure Hedged of AUD	84.3%	-3.6%

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Commentary

The K2 Global High Alpha Fund returned +0.9% for the month and has now returned +27.5% this financial year. The fund has also performed strongly over the past year to be +48.6% outperforming the BM by +22.9%. The combination of good stock selection, investing cash early in the recovery and accumulation of the AUD at lower levels have all contributed to the strong performance vs benchmark since the severe March correction. Importantly, the fund has delivered a 13.7% p.a. return over the past 12 years without excess market volatility.

The strong performance from global equity markets continued in March. Rising bond yields saw more Value oriented markets in Europe outperform their US counterparts across the pond. Once again, the Tech heavy Nasdaq lagged its more broader domestic peers as valuation support unwinds.

Despite central banks globally being at pains to reinforce their message of looser for longer monetary policy inflation concerns persist. However, by allowing 10+ year bond yields to run they are effectively tightening without tightening. While official US inflation numbers might still be palatable if it were calculated today using 1990 methodology the number would be closer to 5% (source: shadowstats.com)

The global economic recovery continues to gather steam aided by easing financial conditions, excess liquidity and increased demand from the easing of lockdowns. In particular, the US economy is firing on all cylinders with the latest ISM Manufacturing survey the strongest in over 30 years. President Biden's latest proposal is for a multi-trillion dollar infrastructure plan which will further reinforce the cyclical recovery.

A positive contributor to performance included the fund's holdings in financial companies: Macquarie Bank, Handelsbanken, Goldman Sachs, Moelis Australia, and JPMorgan. Rising bond yields, increased deal flow and the expectation of lower Covid related bad debts than originally provisioned for are providing significant tailwinds for the sector. Despite their strong recent performance they are still broadly trading on low-teen multiples and remain core positions for the fund.

The AUD consolidated recent strong gains, declining -1.15% for the month to 0.7617. The fund is currently 77% hedged to the AUD providing capital protection against a rising AUD.

The fund remains fully invested and positioned to benefit from a higher inflationary environment fuelled by central bank largesse and enormous government spending programs. Against this backdrop, equities are the asset class of choice.

Fund Characteristics

FUM	AUD \$33m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen 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 120
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	2.05%
Buy/Sell	Monthly Application/Redemption
Performance Fee	20.5% of the amount by which the NAV per unit exceeds the High Water Mark

K2 Global High Alpha 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
2009/10						0.81	-1.26	3.46	4.61	-0.28	-5.44	1.83	3.45	1.48	33.67%	-0.28%
2010/11	5.28	1.36	13.20	8.95	5.90	10.18	0.83	2.04	0.66	3.40	-1.73	-3.09	56.62	3.50	9.62%	-0.76%
2011/12	0.97	-3.09	-8.55	8.86	-3.30	-3.53	6.22	7.90	0.04	-2.47	-7.31	-2.32	-8.00	-2.59	28.98%	-0.74%
2012/13	1.48	4.49	4.01	3.53	-0.97	6.91	4.92	4.42	2.18	4.42	1.80	-0.81	42.70	31.02	13.92%	-0.37%
2013/14	4.92	2.22	4.73	4.27	3.23	1.63	0.34	2.41	-0.56	0.05	0.19	-1.73	23.68	19.62	8.04%	-0.01%
2014/15	4.61	1.56	1.56	1.07	1.18	3.26	4.83	4.50	2.41	3.16	3.69	-3.51	31.92	23.89	9.19%	-0.07%
2015/16	4.50	-2.39	0.65	3.12	-1.87	-1.03	-4.72	-4.73	1.62	0.78	2.15	-4.13	-6.41	-0.60	18.10%	-0.49%
2016/17	3.76	2.20	-0.06	-1.85	0.62	1.52	2.24	-0.78	2.64	0.04	1.91	-0.90	11.77	15.36	19.74%	-2.44%
2017/18	0.12	3.67	1.39	3.63	1.83	1.24	-0.35	-0.17	-1.33	0.18	-0.69	0.59	10.45	15.13	16.40%	-2.98%
2018/19	0.60	0.51	-0.28	-4.95	-5.27	1.63	-3.30	3.85	-1.25	2.65	-1.85	1.26	-6.64	10.51	38.34%	-6.22%
2019/20	1.96	-3.55	2.80	0.91	3.40	2.16	1.13	-7.77	-23.23	8.13	6.33	1.38	-10.05	3.22	14.75%	-2.80%
2020/21	4.68	5.52	-0.96	-1.07	9.78	3.15	-0.28	3.41	0.90				27.52	18.26	4.32%	-0.32%
Incept.													329.43	253.80		
Incept.													13.72%pa	11.79%pa	17.92%	-1.45%

(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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