

# K2 Global High Alpha Fund

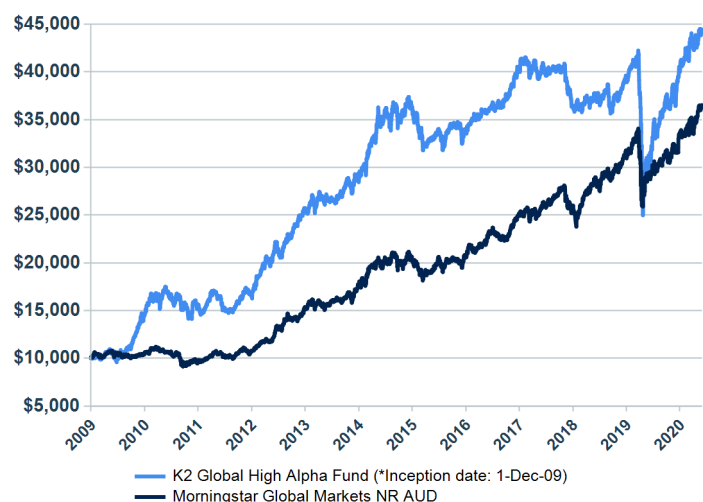
## 30 April 2021



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)	3.48%	7.97%	21.93%	42.24%	6.02%	10.08%	13.96%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	5.8%	+0.5%
BHP Group Ltd	4.8%	+0.4%
Purpose Bitcoin Etf	4.5%	0.0%
RIO Tinto Ltd	4.5%	+0.5%
Moelis Australia Ltd	3.9%	+0.4%

Month End Exposures	Current	Monthly Move
Communication Services	3.1%	+0.2%
Consumer	20.6%	+3.1%
Energy	0.9%	+0.0%
Financials	25.5%	+2.1%
Health Care	11.2%	-1.6%
Industrials	7.9%	+0.8%
Information Technology	7.5%	+0.6%
Materials	16.2%	+1.2%
Other	6.2%	+0.1%
Real Estate	1.8%	+1.1%
Number of Positions	55	+1
Gross Equity Exposure	101.0%	+7.5%
Cash Weighting	-1.0%	-7.5%
Net Equity Exposure	101.0%	+7.5%
Currency Exposure Hedged of AUD	82.7%	-1.6%

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### Commentary

The K2 Global High Alpha Fund returned +3.5% for the month and has now returned +32% this financial year. The fund has also performed strongly over the past year to be +42.2% outperforming the benchmark (BM) by +17.4%. 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 consistent and strong +13.96% p.a. return over the past 12 years without excess market volatility.

The resurgence in global equity markets continued unabated in April with all major developed markets posting strong returns. Central bank governors are at pains to highlight that they will remain accommodative and that any inflationary spikes will only be temporary, providing an ideal backdrop for investors. Concerns over increased Covid cases in India and other parts of the world and their potential impact on global growth from any lockdowns are largely being looked through as vaccines distribution gains momentum. Meanwhile, the amount of fiscal stimulus being suggested by the Biden administration grows by the day.

Commodity prices are surging with iron ore prices at record levels and oil, copper, nickel, cobalt, lithium, corn and soy bean prices all booming. The strength is driven by a combination of supply shortages, lack of investment and increasing demand evidenced by recent strong global PMI data.

The best performing holdings for the Fund this month were Maas Group (MGH), Universal Biosensors (UBI), and Rio Tinto (RIO), which rose 22%, 41% and 9% respectively. MGH acquired two quarry and plant hire operations during the month. The acquisitions were attractively priced and should be >10% accretive in FY2022. UBI is a biosensor company with world leading technology and a strong history of innovation. With a new CEO the company has pivoted to new product development in wine testing, pet diabetes and cancer detection. The company has formed numerous global wine distribution agreements and last month signed an exclusive agreement for a cancer biosensor. RIO's March Quarterly reiterated FY iron guidance of 325-340Mt. Trading on a current PE of 8x and with a 9% DY, RIO remains a core fund holding.

The AUD recovered its prior month fall, gaining +1.30% to 0.7716. The fund is currently 83% hedged to the AUD providing capital protection against a rising AUD. The fund remains fully invested and positioned to benefit from a cyclical recovery fuelled by a combination of government spending and central bank support.

### Fund Characteristics

FUM	AUD \$31m
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	3.48			31.96	21.65	3.77%	-0.29%
Incept.													344.36	263.96		
Incept.													13.96%pa	11.98%pa	17.88%	-1.45%

(1) Morningstar Global Markets NR AUD

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