

# K2 Global High Alpha Fund

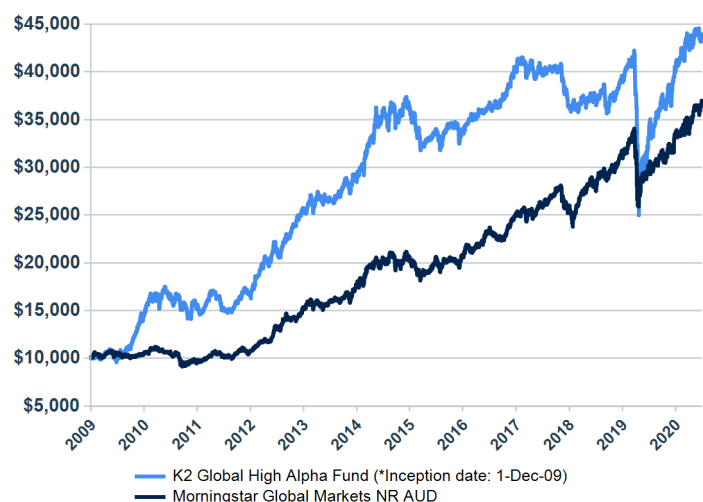
## 31 May 2021



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)	-1.14%	3.21%	9.79%	32.24%	5.33%	10.14%	13.73%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
BHP Group Ltd	6.3%	+1.5%
RIO Tinto Ltd	6.1%	+1.6%
Macquarie Group Ltd	5.6%	-0.2%
Ryman Healthcare Ltd	4.9%	+1.9%
MA Financial Group Ltd	4.1%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	3.4%	+0.3%
Consumer	17.7%	-2.9%
Energy	1.2%	+0.3%
Financials	27.1%	+1.6%
Health Care	10.0%	-1.2%
Industrials/Real Estate	9.0%	-0.7%
Information Technology	7.0%	-0.5%
Materials	19.3%	+3.1%
Utilities	1.2%	+1.2%
SHORTS	-1.5%	-1.5%
Number of Positions	55	0
Gross Equity Exposure	102.2%	+1.2%
Cash Weighting	0.8%	+1.7%
Net Equity Exposure	99.2%	-1.7%
Currency Exposure Hedged of AUD	84.6%	+1.9%

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### Commentary

The K2 Global High Alpha Fund returned -1.14% for the month and has now returned +32.24% over the past year to be +42.2% outperforming the benchmark (BM) by +9.4%. 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 +13.73% p.a. return over the past 12 years without excess market volatility.

It was a mixed bag for global equity markets in May as the rotation to cyclical gained further steam. In this environment the more Value orientated European markets outperformed while the Tech heavy Nasdaq lagged. Central banks are doubling and tripling down on their belief that any inflation will be transitory and therefore monetary policy must remain accommodative. Any hint of tapering will no doubt send equities into a tailspin, and we closely watch the bond market for any hints which are so far behaving very orderly.

When Vladimir Lenin wrote in 1917, "there are decades when nothing happens; and there are weeks when decades happen" he obviously could not foresee the impact Covid would have on global economies. The acceleration of on-line penetration has been well documented with big tech being major beneficiaries. Longer-term, the race to net zero emissions, which will take decades to ultimately play out, has made significant strides over the last 12 months. We like these underlying thematics to shifting tectonic plates with minor tremors to be expected along the journey.

Positive contributors to fund performance in May were Maas Group (MGH), NexGen Energy (NXE CN), and Healthia Limited (HLA) which rose 15%, 25% and 14% respectively. MGH increased following the announcement of inclusion in the MSCI Global Small Cap Index. Canadian based uranium explorer Nexgen rallied with President Biden announcing support for existing and advanced nuclear energy technologies. As the world decarbonises, nuclear energy must be a key part of the solution to provide a low cost source of reliable, carbon free base load power. HLA announced two further acquisitions in its recent optometry expansion. Trading on a FY2022 PE of 13x and with double digit earnings growth HLA remains a core holding for the fund.

The AUD gained +0.29% to 0.7738. The fund is currently 85% hedged to the AUD providing capital protection against a rising AUD. The fund remains fully invested as governments shift towards fuelling optimism as they increase infrastructure and other fiscal spending.

### 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	-1.14		30.45	23.62	3.51%	-0.37%
												Incept.	339.27	269.85		
												Incept.	13.73%pa	12.05%pa	17.85%	-1.46%

(1) Morningstar Global Markets NR AUD

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