

K2 Global High Alpha Fund

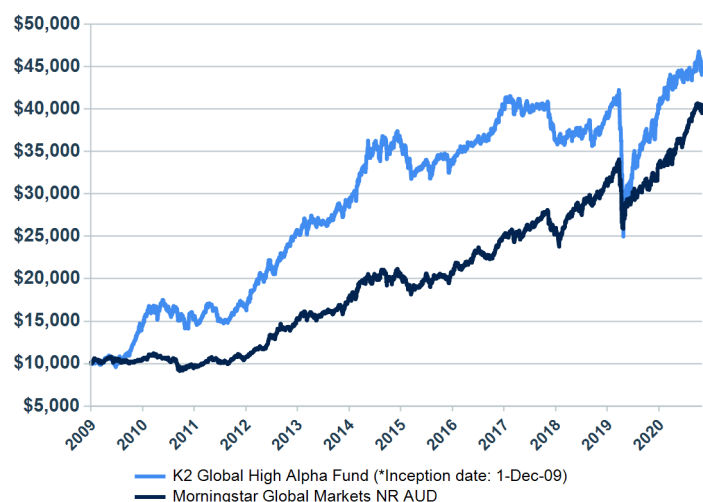
30 September 2021



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)	-2.98%	0.08%	4.12%	21.38%	5.37%	11.92%	13.49%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
MA Financial Group Ltd	7.1%	-0.5%
Ryman Healthcare Ltd	6.7%	+0.1%
Macquarie Group Ltd	6.4%	-0.3%
Maas Group Holdings Ltd	5.1%	+0.3%
Kina Securities Ltd	4.9%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	3.4%	+0.9%
Consumer	12.3%	-2.9%
Energy	2.4%	+1.4%
Financials	27.6%	-0.7%
Health Care	14.2%	+1.1%
Industrials/Real Estate	15.8%	+2.8%
Information Technology	8.7%	-1.1%
Materials	14.6%	-1.8%
Number of Positions	47	+1
Gross Equity Exposure	103.8%	+0.7%
Cash Weighting	-3.8%	-0.7%
Net Equity Exposure	103.8%	+0.7%
Currency Exposure Hedged of AUD	77.5%	+1.1%

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Commentary

The K2 Global High Alpha Fund returned -2.98% for the month and has now returned +21.38% over the past year. The combination of good stock selection, investing cash early in the recovery and accumulation of the AUD at lower levels in 2020 have all contributed to the strong performance since the severe March correction. Importantly, the fund has delivered a consistent and strong +13.49% p.a. return (after all fees) over the past 12 years without excess market volatility.

Global equity markets declined in September as investors battled fires on a number of fronts. Ranging from the threat of more permanent inflation to the potential default of one of China's larger property developers. Following the FOMC meeting towards the end of the month, Chairman Powell once again re-iterated his timetable for tapering and unwillingness to raise interest rates in the short term. Despite no real new news being delivered the delayed reaction from bond markets caught investors by surprise. Yields on US 10-year bonds added a quick 20 basis points to end the month at 1.49%. This put immediate pressure on equities with the biggest impact being felt by long duration technology stocks that rely on low discount rates to justify their lofty valuations.

A less transitory inflationary environment is certainly starting to be priced by markets despite unrelenting table thumping to the contrary by the Fed. On one hand lumber and iron ore prices have fallen by -60% and -45% respectively from their peaks. While on the other side Oil continues to grind higher. However, for inflation to be sustained it will need to persist for years. Key indicators that we are closely monitoring include food prices and wage growth.

Positive contributors to fund performance came from Maas Group (+24.3%), Macquarie Group (+9.2%) and Royal Caribbean (+7.5%). Maas Group rebounded after making another acquisition buying a central QLD quarry during the month and has largely recovered post recent share price weakness after its July capital raising. Macquarie Bank provided a bullish update during September with guidance implying 25% upgrades by the street for 1H22 profits and Royal Caribbean is benefitting from the reopening of global economies and now has over 50% of its capacity operating. Major detractors were MA Financial (-9.8%) after its stellar run, BHP Group (-17.5%) and Rio Tinto (-10.6%) driven by the sharp fall in iron ore prices.

The AUD fell -1.34% to 0.7213. The fund is currently 77% hedged to the AUD providing capital protection against a rising AUD.

The fund remains fully invested and positioned for the ongoing cyclical recovery.

Fund Characteristics

FUM	AUD \$24m
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	1.70	32.67	28.43	3.62%	-0.45%	
2021/22	-0.31	3.48	-2.98										0.09	2.82	-2.22%	-0.36%	
													Incept.	347.13	295.08		
													Incept.	13.49%pa	12.31%pa	16.32%	-1.38%

(1) Morningstar Global Markets NR AUD

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