

K2 Global High Alpha Fund

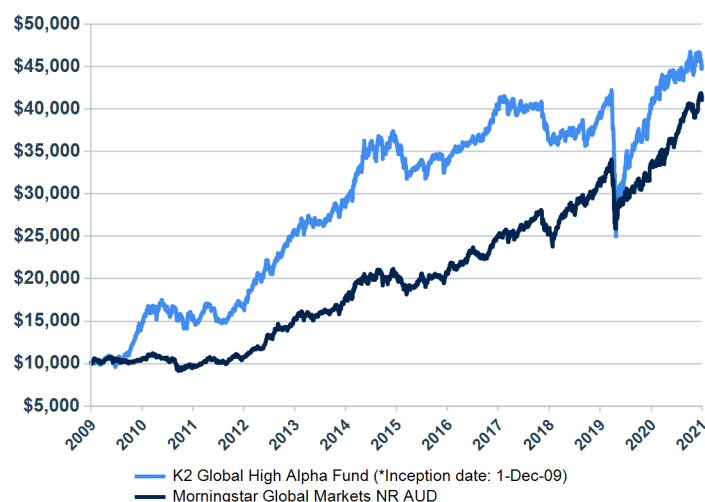
30 November 2021



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)	-1.12%	-1.94%	2.87%	12.94%	5.86%	11.47%	13.39%

Growth of \$10,000



Commentary

The K2 Global High Alpha Fund returned -1.12% for the month of November. Pleasingly, the fund has delivered a consistent and strong +13.39% p.a. return (after all fees) over the past 12 years without excess market volatility.

Global equity markets retreated in November with all major regions experiencing declines. After spending the majority of the month in positive territory sentiment rapidly deteriorated in the last few days with the emergence of a new Covid strain combined with an unexpected hawkish shift from the Federal Reserve. Removal of the word "transitory" and potential acceleration of the tapering program came as a shock to investors already grappling with the potential economic impacts of Omicron.

With regards to inflation, this month we saw The Dollar Store raise prices by 25% to \$1.25, the first price increase since it was founded in 1986. And anecdotally, according to the American Farm Bureau Federation, the average cost of feeding 10 people with turkey and trimming for Thanksgiving dinner has increased by 14% from last year. So, it came as no surprise to us that the concept of transitory inflation has been removed from the Fed lexicon. On the flipside however, right on cue, the threat of border closures and subsequent oil price falls might serve to dampen inflationary expectations in the short term.

Positive contributors to fund performance were driven by HelloFresh (+27.7%), Maas Group (+9.7%) and Keysight (+8.0%). Hellofresh delivered its Q3 result during November and beat consensus revenue by 8% and raised its guidance for the 3rd time this year. The company remains committed to a medium term target of EUR10b of revenue by 2025/26 providing over 20% top line CAGR. Maas Group provided an upbeat Investor Day highlighting a strong medium-term growth outlook and we believe the stock remains undervalued relative to its growth expectations. Finally, Keysight, listed in the US reported a Q4 result above consensus and provided stronger than expected guidance for FY22 and is well exposed to a favourable demand outlook.

Following recent gains the AUD fell significantly, declining -5.5% to close the month at 0.7102 as investors flocked to the perceived safe haven of the American Dollar. The fund took advantage of these declines to accumulate AUD, increasing its hedged position to 83%.

The fund remains fully invested with a focus on high quality companies and well positioned for the ongoing cyclical recovery.

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	6.9%	+0.0%
Maas Group Holdings Ltd	6.1%	+0.9%
Ryman Healthcare Ltd	5.6%	-0.8%
Purpose Bitcoin Etf	4.7%	0.0%
Kina Securities Ltd	4.6%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	3.8%	+0.0%
Consumer	13.4%	+0.2%
Energy	2.3%	-0.2%
Financials	24.8%	-2.3%
Health Care	13.3%	-0.4%
Industrials/Real Estate	19.1%	+2.3%
Information Technology	8.3%	-0.2%
Materials	13.4%	-0.2%
Number of Positions	47	-2
Gross Equity Exposure	104.6%	-0.7%
Cash Weighting	-4.6%	+0.7%
Net Equity Exposure	104.6%	-0.7%
Currency Exposure Hedged of AUD	82.9%	+8.1%

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Fund Characteristics

FUM	AUD \$23m
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	2.20	-1.12								1.15	6.82	-3.70%	-0.22%
Incept.													351.89	310.43		
Incept.													13.39%pa	12.49%pa	16.20%	-1.37%

(1) Morningstar Global Markets NR AUD

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