

# K2 Global High Alpha Fund

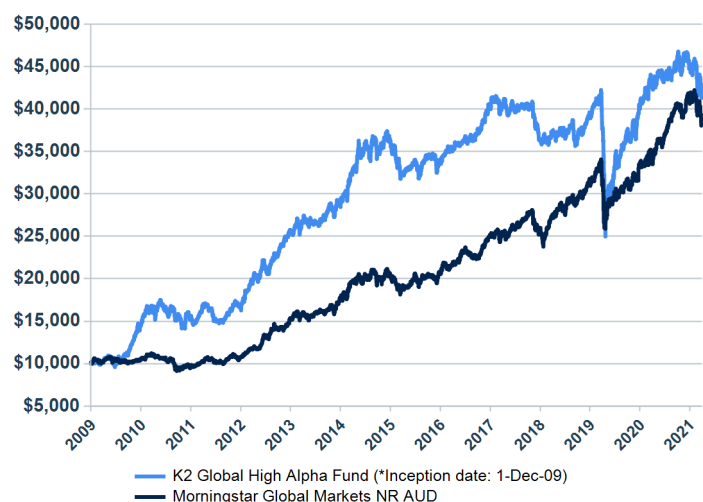
## 28 February 2022



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)	-1.51%	-6.61%	-8.42%	-0.84%	3.81%	9.60%	12.47%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	6.5%	-0.4%
RIO Tinto Ltd	5.6%	+0.1%
BHP Group Ltd	5.6%	-0.2%
Winton Land Ltd	5.1%	-0.4%
Kina Securities Ltd	5.1%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	4.2%	-0.5%
Consumer	14.5%	+0.4%
Energy	2.6%	+0.1%
Financials	17.8%	-0.3%
Health Care	11.7%	-0.9%
Industrials/Real Estate	18.5%	-3.3%
Information Technology	7.7%	-1.0%
Materials	14.6%	-1.2%
Number of Positions	44	-3
Gross Equity Exposure	96.6%	-6.8%
Cash Weighting	3.4%	+6.8%
Net Equity Exposure	96.6%	-6.8%
Currency Exposure Hedged of AUD	88.6%	+2.2%

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### Commentary

The K2 Global High Alpha Fund returned -1.5% for the month outperforming the index by +3.6%. The index was -5.1% for the month.

Global equity markets continued to remain volatile during the month. The market is adjusting to the upcoming interest rate rise in March by the US Federal Reserve (FED), the beginning of the long overdue quantitative tightening (QT) by The Fed, the ongoing inflation concerns and of course the disturbing and unfortunate events in eastern Europe following the invasion of the Ukraine by Russia. The uncertainty for markets and the implications for energy prices are anticipated to persist. For now, these geo-political concerns will dominate headlines and therefore investor and consumer sentiment.

Despite these concerns the economic backdrop ahead of the interest rate rises from The Fed and other key central banks is one of strong aggregate corporate earnings and strong credit conditions for developed market equities. Further, the household savings ratio remains strong in developed economies following two years of persistent fiscal and monetary stimulus. These wealth effects are a strong potential tailwind.

Also, the global growth momentum, while slowing, remains robust vs long run historical averages. In late January, the International Monetary Fund (IMF) forecast for 2022 global growth was downgraded to 4.4% from 4.9% in anticipation of slowing conditions ahead of tighter fiscal and monetary policy ahead. Further, the central bank in China, the PBoC, began to stimulate their economy earlier this year due to the sharp slowdown in 2021 following various policy pivots from Beijing across their economy adversely impacting the Chinese property market. While it is rare to have the second largest economy stimulating when The Fed is tightening, this will ultimately limit the downside to China GDP and therefore helps limit further large global downgrades in 2022.

Valuations remain attractive for developed market equities with a preference for US exposure. The earnings momentum tailwind is robust however it will be slowing into 2023. The Fund has the largest weighting to the US market and increasingly the Australian market given the exposure to the global commodity cycle.

Our largest weightings include Macquarie, BHP, Rio, Kina Securities, Ryman Healthcare, Purpose Bitcoin (ETF) and Microsoft.

Some of the best performing holdings for the Fund this month were Kina Securities, BHP, Rio, Nexgen Energy and Purpose Bitcoin (ETF).

### Fund Characteristics

FUM	AUD \$22m
Portfolio Managers	Campbell Neal, David Poppenbeek, Tony Sutton and Bill Laister
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	0.75	-5.87	-1.51					-5.53	0.61	-3.21%	-0.14%
												Incept.	322.04	286.58		
												Incept.	12.47%pa	11.67%pa	16.24%	-1.36%

(1) Morningstar Global Markets NR AUD

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