

K2 Global High Alpha Fund

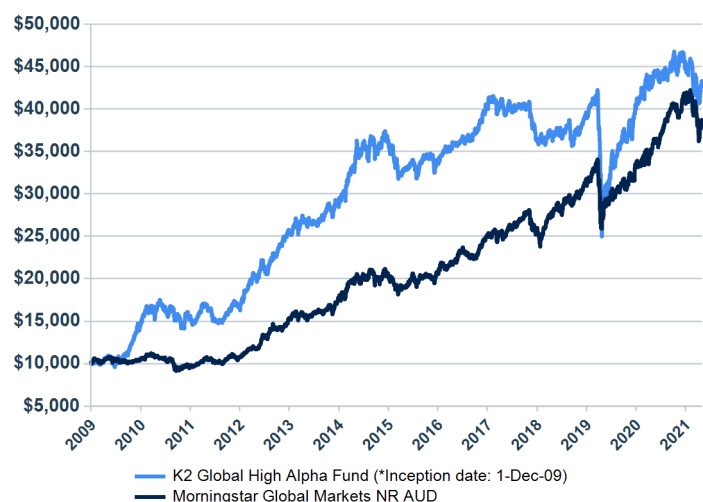
31 March 2022



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)	2.21%	-5.25%	-3.53%	0.45%	3.72%	9.84%	12.58%

Growth of \$10,000



Commentary

The K2 Global High Alpha Fund returned +2.21% for the month outperforming the index by +3.6%. The index was -1.4% for the month. In a volatile March quarter the Fund has outperformed the benchmark by +3.2%. Markets globally continue to adjust to the expectation of additional rate hikes from the US Fed to address the persistent inflation concerns. In addition to the higher US cash rate outlook, the long overdue start to Quantitative Tightening (QT) has begun. The US Fed ultimately aims to engineer a soft economic landing while balancing the various risks.

The positives include the current economic and earnings momentum remaining above long run historical benchmarks (although slowing), compelling equity valuations, sound corporate credit conditions, high household savings rates and the strong labour market in developed economies. The strong wealth effects create some comfort for policy makers that the tighter monetary policy can be absorbed. Further, in the early rate hike stage of the economic cycle, equity earnings (in aggregate) and commodities tend to benefit.

The risks include ongoing supply chain bottlenecks, China slowdown, increasing corporate costs, persistent inflation, quantitative tightening (QT) and the ongoing and devastating conflict in the Ukraine that appears to have no end in sight. 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.

The slowdown in China remains a concern and the market is anticipating significant "whatever it takes" policy stimulus by the PBoC for the second largest economy. As China continues to lower rates and deliver additional social infrastructure policy initiatives, it will help limit the downside to slowing global growth from other economies that are raising cash rates.

Valuations remain attractive for developed market (DM) equities with a preference for US and commodity based economies such as Canada and Australia. The earnings momentum tailwind is robust however it will be slowing into 2023. The US quarterly earnings that begins in mid-April will be a good barometer regarding the quality of corporate earnings.

Our largest weightings at the stock level include Macquarie Group, BHP Group, Rio Tinto, Purpose Bitcoin and Kina Securities. Some of the best performing holdings for the Fund this month were Macquarie Group, Stanmore Resources, Universal Music Group, BHP Group and Purpose Bitcoin.

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	7.2%	+0.7%
BHP Group Ltd	6.1%	+0.5%
RIO Tinto Ltd	5.6%	0.0%
Winton Land Ltd	4.8%	-0.3%
Kina Securities Ltd	4.8%	-0.3%

Month End Exposures	Current	Monthly Move
Communication Services	2.4%	-1.8%
Consumer	8.2%	-5.5%
Energy	3.0%	+0.3%
Financials	20.4%	+2.6%
Health Care	8.2%	-3.6%
Industrials/Real Estate	16.3%	-2.2%
Information Technology	7.5%	-0.2%
Materials	21.1%	+6.5%
SHORTS	-2.7%	-2.7%
Number of Positions	40	-4
Gross Equity Exposure	93.2%	-3.4%
Cash Weighting	12.3%	+8.8%
Net Equity Exposure	87.7%	-8.8%
Currency Exposure Hedged of AUD	95.3%	+6.4%

Fund Characteristics

FUM	AUD \$23m
Portfolio Managers	Campbell Neal, David Poppenbeek 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

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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	2.21				-3.45	-0.81	-1.63%	-0.27%
												Incept.	331.35	281.12		
												Incept.	12.58%pa	11.46%pa	16.36%	-1.37%

(1) Morningstar Global Markets NR AUD

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