

# K2 Global High Alpha Fund

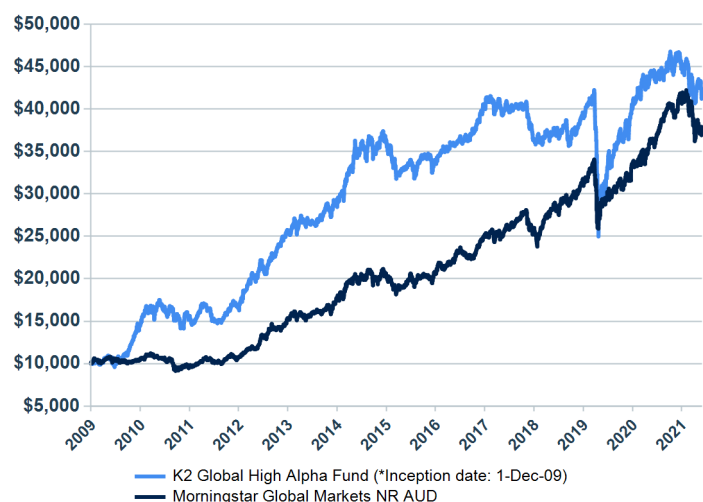
## 30 April 2022



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)	-2.54%	-1.89%	-8.00%	-5.39%	3.18%	9.83%	12.26%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	7.6%	+0.4%
BHP Group Ltd	5.9%	-0.2%
RIO Tinto Ltd	5.5%	-0.1%
Kina Securities Ltd	5.1%	+0.3%
Winton Land Ltd	4.8%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	2.0%	-0.4%
Consumer	9.0%	+0.8%
Energy	3.7%	+0.7%
Financials	24.1%	+3.7%
Health Care	4.6%	-3.5%
Industrials/Real Estate	16.8%	+0.5%
Information Technology	9.0%	+1.5%
Materials	21.6%	+0.5%
Number of Positions	39	-1
Gross Equity Exposure	94.2%	+1.0%
Cash Weighting	5.8%	-6.4%
Net Equity Exposure	94.2%	+6.4%
Currency Exposure Hedged of AUD	96.8%	+1.6%

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### Commentary

The K2 Global High Alpha Fund returned -2.54% for the month. April was a volatile month for global equity markets.

The increased currency volatility and fall in the AUD late April reinforced market uncertainty with US policy settings. We continue to take the view that support for commodities will remain into year end and subsequent strength in commodity currencies will result. The Fund maintains a hedging strategy that provides some capital protection against a rising AUD.

Uncertainty for markets continued due to ongoing concerns with rising inflation expectations and the implications for US rates. Central bank communication is important for markets and the US Fed has continued to reinforce tighter monetary policy settings ahead from the recent historical lows in rates. This follows their policy pivot in late 2021 as inflation risks continued to build.

The Fed increased rates by 50 basis points to 1.0% (upper band) at their May meeting and flagged to the market that additional 50 basis point rates hikes at their upcoming June and July meetings should be anticipated. A 2.5% Fed Funds rate is the neutral long-term target and would be conducive for stable markets going forward. Getting there within a year will create some pain for markets. In addition to higher US rates, the Quantitative Tightening (QT) will also have an impact for global markets. While addressing inflation risks the US Fed ultimately aims to engineer a soft economic landing.

The positives include good momentum in US earnings, compelling equity valuations, sound corporate credit conditions, high household savings rates and the strong labour market in developed economies. Further, strong wealth effects create some comfort for policy makers that the tighter monetary policy can be absorbed. The risks include ongoing supply chain bottlenecks from the China lockdowns, increasing corporate costs, persistent inflation risks, quantitative tightening (QT) and geopolitical risks. The uncertainty for energy prices is anticipated to persist.

The K2 Global High Alpha Fund continues to maintain higher weighting to North America and commodity economies. Our largest weightings include Macquarie Group, Rio, BHP and Kina Securities. Some of the best performing holdings for the Fund this month were MA Financial Group, Macquarie Group and Stanmore Resources. Some key underperformers in April include Purpose Bitcoin, Ryman Healthcare, Winton Land and Tencent.

### Fund Characteristics

FUM	AUD \$22m
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

## 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	-2.54			-5.89	-3.45	-0.55%	-0.30%
												Incept.	320.42	270.98		
												Incept.	12.26%pa	11.14%pa	16.45%	-1.38%

(1) Morningstar Global Markets NR AUD

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