

# K2 Global High Alpha Fund

## 31 July 2022

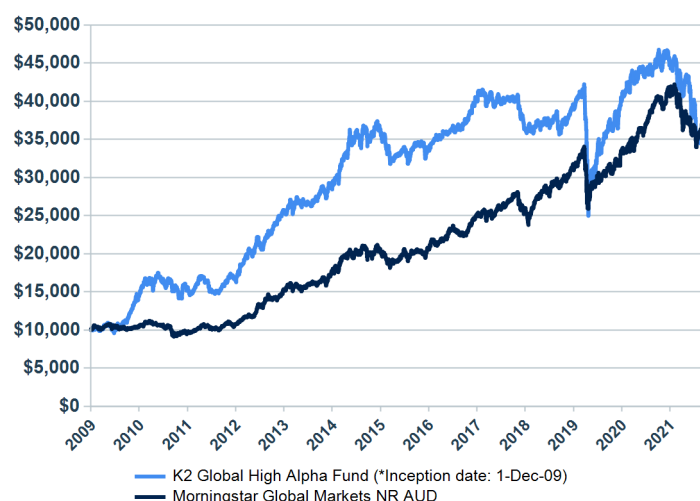


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	3.90%	121.00	10.66%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	8.0%	+0.7%
Kina Securities Ltd	6.1%	+0.5%
RIO Tinto Ltd	5.7%	-0.3%
BHP Group Ltd	5.7%	-0.4%
Maas Group Holdings Ltd	4.7%	+0.6%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	41.2%	-6.3%
Mid Caps >=AUD\$2b < AUD\$7.5b	12.2%	+2.0%
Small Caps < AUD\$2b	33.3%	+3.1%

Month End Exposures	Current	Monthly Move
Communication Services	5.2%	-1.2%
Consumer	2.7%	+0.1%
Energy	4.8%	+0.6%
Financials	38.7%	-1.0%
Health Care	5.4%	+0.8%
Industrials/Real Estate	17.0%	+0.9%
Materials	11.4%	-2.0%
Number of Positions	29	-5
Gross Equity Exposure	86.7%	-1.2%
Cash Weighting	13.3%	+1.2%
Net Equity Exposure	86.7%	-1.2%
Currency Exposure Hedged of AUD	101.7%	-0.5%

### Commentary

The K2 Global High Alpha Fund returned +3.9% for the month as global markets recovered. The market recovery was a function of a number of different factors. The additional confirmation of good US earnings, reasonable underlying economic conditions combined with cheap valuations, all helped improve investor sentiment. Looking forward, there will continue to be some ongoing uncertainty with regard to the pace of tighter monetary policy. The monthly flow of economic data will help markets build a better picture of the economic and therefore earnings momentum.

Despite the tighter monetary policy by developed market central banks globally, the pace of earnings growth and the tight labour market remain robust. They do not exhibit recessionary levels as some other indicators suggest. The ongoing uncertainty for markets regarding the pace of US rate hikes will remain as markets look for some confirmation on lower inflation expectations. It would be reasonable to conclude that we are close to peak inflation. This is a positive for market sentiment going forward.

The pace of rate hikes from the US Fed has been robust year to date as they have signalled to the market the need to address inflation expectations and slow down the robust momentum of the US economy. The Fed Funds rate is anticipated to approach 3.5% by year-end and each Fed Fund move will be data dependent. The Fed is no longer behind the curve and price stability is their primary focus.

There are a number of underlying positives. Credit conditions, corporate balance sheets, tight labour market, lower energy prices and household savings in the key developed economies remain in good aggregate condition. This was confirmed with some recent economic data and quarterly earnings. Some key risks are the elevated geo-political concerns between China and the west, uncertainty of peak inflation, ongoing supply chain disruptions and corporate costs.

The portfolio cash position is 13% at Month-end reflecting a cautiously optimistic outlook. Some of our largest weightings include Macquarie, Kina Securities, BHP, Rio, Toronto Dominion Bank and MAAS Group. Some of the best performing holdings for the Fund this month include MA Financial, Macquarie, MAAS Group, Kina Securities, Reliance Worldwide and Intercontinental Exchange.

### Fund Characteristics

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	-2.54	-4.35	-13.70	-22.32	-8.80	0.76%	-0.25%
2022/23	3.90												3.90	5.47	15.54%	0.00%
												Incept.	260.57	269.60		
												Incept.	10.66%pa	10.87%pa	16.48%	-1.27%

(1) Morningstar Global Markets NR AUD

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