

K2 Global High Alpha Fund

31 August 2022

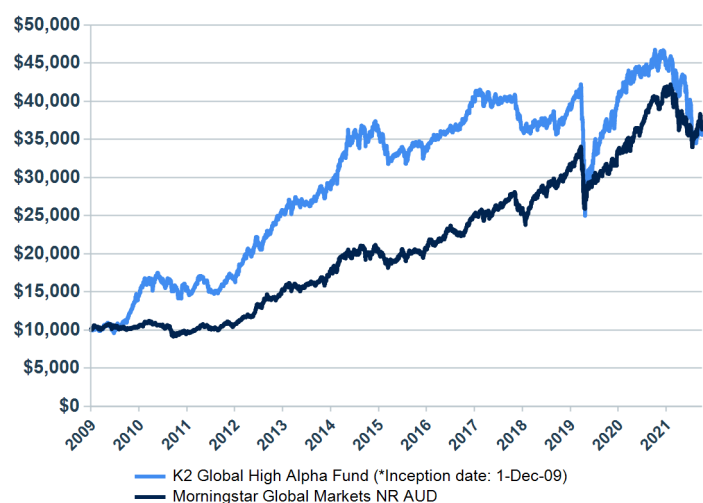


The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-1.29%	119.44	10.47%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	8.1%	+0.1%
Kina Securities Ltd	6.6%	+0.5%
BHP Group Ltd	6.2%	+0.5%
RIO Tinto Ltd	5.7%	0.0%
Alphabet Inc	5.0%	+2.3%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	45.5%	+4.3%
Mid Caps >=AUD\$2b < AUD\$7.5b	16.2%	+4.0%
Small Caps < AUD\$2b	34.5%	+1.2%

Month End Exposures	Current	Monthly Move
Communication Services	7.7%	+2.5%
Consumer	7.2%	+4.4%
Energy	7.7%	+2.9%
Financials	37.8%	-0.9%
Health Care	5.5%	+0.0%
Industrials/Real Estate	17.2%	+0.1%
Materials	11.8%	+0.5%
Number of Positions	31	+2
Gross Equity Exposure	96.2%	+9.5%
Cash Weighting	3.8%	-9.5%
Net Equity Exposure	96.2%	+9.5%
Currency Exposure Hedged of AUD	102.3%	+0.5%

Commentary

The K2 Global High Alpha Fund returned -1.3% for the month, +0.5% ahead of the index. Financial markets continue to exhibit ongoing volatility due in part to some uncertainty with monetary policy settings going forward.

The direction of interest rate settings and the ongoing quantitative tightening (QT) in the US has some obvious implications for valuations and investor sentiment. Markets are always searching for additional clarity. The commentary and guidance from the Federal Reserve needs to be reconciled with the underlying economic data to better understand future policy settings and risks. As inflation pressures persist, market expectations are for the Fed to raise rates by a further 75 basis points at the upcoming FOMC Meeting in late September. This will take the Fed Funds Rate to restrictive range at 3.25% (upper bound target) from the current 2.5%.

While it is reasonable to suggest that peak inflation is behind us, getting core inflation back towards the 2%-3% targets in many western economies looks some way off. Inflation may be falling in the year ahead however it looks likely it will remain elevated compared to long run averages. This suggests that cash rates will be restrictive for a short period ahead and investors will need to be comfortable that markets will not see sub 2% cash rates anytime soon. The ultra-low near zero rate settings of the recent past will be viewed going forward as sub-optimal policy with the benefit of hindsight.

Despite the higher rate outlook, aggregate corporate earnings and credit conditions remain positive (but slowing), household savings remain high (however falling from cycle highs) and the labour market remains strong. The uncertainty remains going forward however we anticipate cash rates to peak by year-end. This should be supportive for the economy and earnings outlook. Further, valuations remain compelling and are set to remain so until there is further clarity on the interest rate front.

The portfolio cash position is lower at 3.8% at month-end compared to 13.3% a month earlier as we take advantage of compelling valuations in August to reinvest additional cash. Some of the best performing holdings for the Fund this month were PeopleIn, Macquarie Group, News Corp and Ryman Health.

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	-1.29											2.56	3.57	13.37%	0.00%
Incept.													255.92	262.94		
Incept.													10.47%pa	10.64%pa	16.32%	-1.27%

(1) Morningstar Global Markets NR AUD

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