

K2 Select International Fund

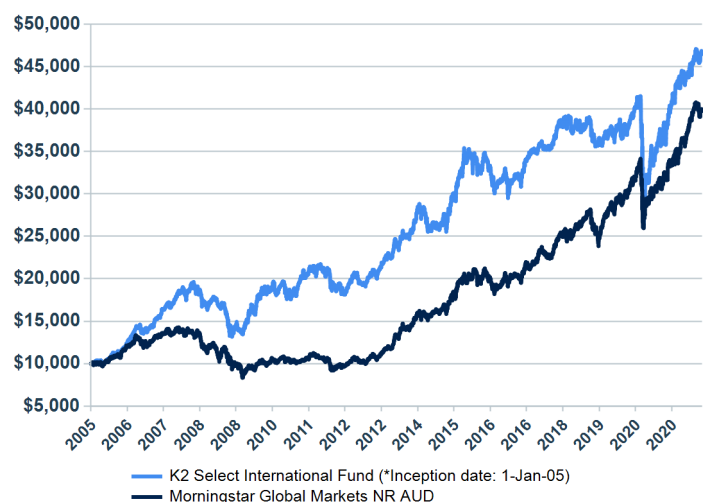
31 October 2021



The K2 Select International 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)	2.76%	2.59%	5.60%	30.48%	8.08%	9.31%	9.59%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Ryman Healthcare Ltd	6.6%	-0.4%
Microsoft Corp	5.9%	+0.3%
JPMorgan Chase & Co	4.0%	-0.3%
Visa Inc	4.0%	-0.4%
Abbott Laboratories	4.0%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	9.2%	+0.7%
Consumer	17.3%	-0.2%
Energy	1.2%	+0.1%
Financials	26.9%	-0.6%
Health Care	11.1%	-0.2%
Industrials/Real Estate	6.8%	+1.3%
Information Technology	21.8%	-0.1%
Materials	2.7%	-0.1%
Utilities	2.8%	-0.4%
Number of Positions	38	+1
Gross Equity Exposure	99.7%	+0.4%
Cash Weighting	0.3%	-0.4%
Net Equity Exposure	99.7%	+0.4%
Currency Exposure Hedged of AUD	64.8%	-3.7%

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Commentary

The K2 Select International Fund returned +2.76% for the month, and +14.2% this calendar year. Over the past year performance is +30.48% which is 4.3% ahead of the benchmark (BM). The fund has delivered +9.59% p.a. return (after all fees) since inception.

Global equity markets roared back in October with all major regions participating in the gains. After a volatile start to the month investor focus turned to US reporting season which in aggregate exceeded expectations once again. The market obsession with inflation shows no signs of abating as the world slowly becomes more comfortable with its persistence. This had led to an increase in yields on shorter-term bonds to reflect the potential for interest rate hikes starting in 2022. What impact this will have on future economic growth remains unknown however as the world continues to emerge from its Covid induced hibernation we expect consumer sentiment, buoyed by record levels of household savings, to remain elevated.

The wildcard is China. Despite local equity markets having stabilised, the threat of further regulation still exists. In addition, to the goal of achieving common prosperity and the associated casualties, it would appear that the Chinese authorities are orchestrating a slowdown with the intention of reducing pollution in preparation for the Beijing winter Olympics in February next year. Much like Russia and Sochi, with the eyes of the world looking on there is no room for error. Once completed and the torch officially handed over to Italy, the necessary clean air (pardon the pun) should exist for a swift re-acceleration of economic activity.

Positive contributors to fund performance included hydrogen fuel cell manufactures Plug Power and Ballard Power Systems. Both companies are expected to be significant beneficiaries of a net zero world. As global leaders in the application of hydrogen fuel cell technology for heavy duty (Ballard) and materials handling (Plug) they offer the most viable and proven environmentally friendly alternative to high carbon emitting industries.

The AUD posted a strong recovery following recent declines, gaining +4.2% to close the month at 0.7518. The fund is currently 65% hedged to the AUD providing capital protection against a rising AUD.

The fund remains fully invested and is well positioned for the ongoing cyclical recovery.

Fund Characteristics

FUM	AUD \$16m
Portfolio Managers	Campbell Neal, David Poppenbeek and Tony Sutton
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 80
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.36%
Buy/Sell	Daily Application/Redemption
Performance Fee	15.38% pa of the amount by which the NAV per unit exceeds the High Water Mark once the fund achieves its hurdle

K2 Select International 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
2004/05							0.89	1.30	-0.44	-1.38	1.36	3.79	5.56	3.03	50.51%	-4.41%
2005/06	4.91	0.73	2.64	-0.96	4.20	4.43	5.11	4.42	5.66	-0.07	-3.66	2.02	33.16	22.26	21.28%	-4.15%
2006/07	0.43	2.13	2.80	3.60	1.97	4.81	2.40	0.13	1.06	3.14	5.05	-0.29	30.70	9.93	23.64%	-1.06%
2007/08	0.09	0.64	2.57	3.36	-3.71	-1.08	-8.04	-0.63	-1.22	2.98	1.83	-3.45	-7.04	-19.95	43.46%	-7.29%
2008/09	-2.51	2.89	-8.60	-9.70	-2.45	5.09	-3.10	-2.84	4.93	6.88	7.84	-0.65	-4.00	-15.30	51.14%	-3.95%
2009/10	7.58	2.13	3.34	-1.70	1.41	3.03	-4.09	0.16	4.70	0.17	-5.42	-2.72	8.11	8.36	11.69%	-1.03%
2010/11	4.31	-2.46	8.39	2.70	0.04	3.75	0.43	0.92	0.98	1.73	-1.91	-1.55	18.20	3.50	12.01%	-2.42%
2011/12	-2.18	-4.47	-4.46	2.48	-3.02	-1.70	3.61	4.73	3.57	-0.02	-4.28	-1.48	-7.57	-2.59	22.89%	-2.93%
2012/13	0.63	3.44	1.97	0.58	1.43	2.81	2.74	1.78	0.72	2.50	4.06	-0.44	24.49	31.02	6.72%	-0.35%
2013/14	3.93	-0.38	0.47	2.43	4.36	5.47	-0.93	1.56	-5.72	-2.51	1.16	-1.82	7.72	19.62	8.01%	-0.15%
2014/15	0.65	1.03	3.92	0.77	4.13	3.74	4.04	4.23	2.06	3.09	3.14	-2.68	31.74	23.89	13.16%	-0.63%
2015/16	-0.13	-2.30	-1.88	5.41	-2.12	-1.91	-3.98	-3.27	2.08	0.40	3.97	-7.06	-10.88	-0.60	20.86%	-0.71%
2016/17	2.90	2.13	0.13	-1.29	3.85	2.98	2.07	0.88	0.42	1.23	1.42	-2.06	15.50	15.36	23.10%	-2.82%
2017/18	0.26	0.99	1.89	3.62	2.39	-1.72	2.11	-0.29	-2.65	0.70	-0.69	-0.25	6.38	15.13	21.63%	-3.25%
2018/19	0.83	2.67	-0.16	-5.59	-1.95	2.09	-2.55	3.58	-0.28	3.12	-4.07	3.51	0.69	10.51	32.63%	-3.84%
2019/20	1.29	-1.58	1.39	0.26	2.89	1.88	0.26	-8.61	-16.74	4.90	6.25	-0.27	-9.91	3.22	9.52%	-2.35%
2020/21	2.93	5.39	0.02	-2.91	9.05	4.76	-0.45	4.70	1.05	2.69	-0.53	1.80	31.80	28.43	2.59%	-0.26%
2021/22	1.65	3.32	-3.37	2.76									4.28	3.63	1.99%	0.00%
Incept.													367.09	299.19		
Incept.													9.59%pa	8.57%pa	20.93%	-2.31%

(1) Morningstar Global Markets NR AUD

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