

K2 Select International Fund

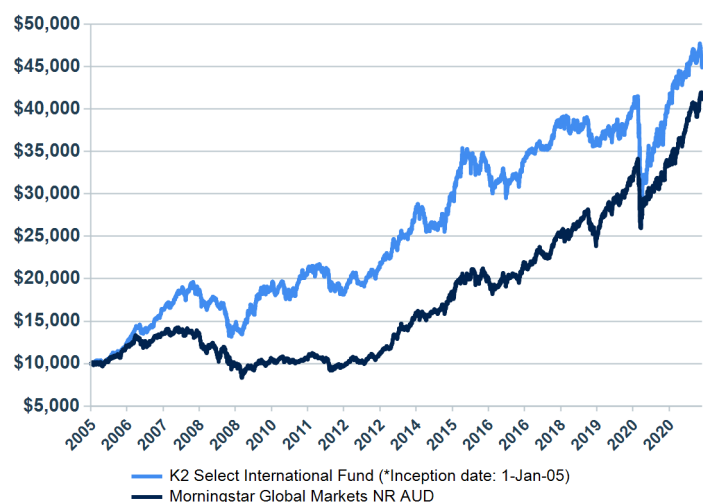
30 November 2021



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)	-3.89%	-4.57%	2.03%	14.99%	6.42%	9.22%	9.28%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	6.0%	+0.1%
Ryman Healthcare Ltd	6.0%	-0.6%
Costco Wholesale Corp	4.6%	+0.9%
Nike Inc	4.5%	+0.5%
Keysight Technologies In	4.4%	+0.8%

Month End Exposures	Current	Monthly Move
Communication Services	9.6%	+0.4%
Consumer	18.1%	+0.8%
Energy	1.1%	-0.1%
Financials	24.6%	-2.3%
Health Care	11.0%	-0.1%
Industrials/Real Estate	6.8%	+0.0%
Information Technology	23.2%	+1.3%
Materials	3.1%	+0.4%
Utilities	3.2%	+0.4%
Number of Positions	37	-1
Gross Equity Exposure	100.6%	+0.9%
Cash Weighting	-0.6%	-0.9%
Net Equity Exposure	100.6%	+0.9%
Currency Exposure Hedged of AUD	84.6%	+19.8%

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Commentary

The K2 Select International Fund returned -3.89% for the month of November. The fund has delivered +9.29% p.a. return (after all fees) since inception.

Global equity markets retreated in November with all major regions experiencing declines. After spending the majority of the month in positive territory sentiment rapidly deteriorated in the last few days with the emergence of a new Covid strain combined with an unexpected hawkish shift from the Federal Reserve. Removal of the word "transitory" and potential acceleration of the tapering program came as a shock to investors already grappling with the potential economic impacts of Omicron.

With regards to inflation, this month we saw The Dollar Store raise prices by 25% to \$1.25, the first price increase since it was founded in 1986. And anecdotally, according to the American Farm Bureau Federation, the average cost of feeding 10 people with turkey and trimming for Thanksgiving dinner has increased by 14% from last year. So, it came as no surprise to us that the concept of transitory inflation has been removed from the Fed lexicon. On the flipside however, right on cue, the threat of border closures and subsequent oil price falls might serve to dampen inflationary expectations in the short term.

A positive contributor to fund performance included global retail giant Costco. Monthly sales growth continues to accelerate, exceeding elevated expectations, driven by food court re-openings and gasoline sales. On the negative side, portfolio holdings leveraged to the re-opening trade declined in a classic case of markets shooting first and asking questions later. While Omicron does represent a bump in road we believe that when the dust settles pent up demand for experiences and travel will lead consumer spending.

Following recent gains the AUD fell significantly, declining -5.5% to close the month at 0.7102 as investors flocked to the perceived safe haven of the American Dollar. The fund took advantage of these declines to accumulate AUD, increasing its hedged position to 85%.

The fund remains fully invested with a focus on high quality companies and is well positioned for the ongoing cyclical recovery.

Fund Characteristics

FUM	AUD \$15m
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	-3.89								0.22	6.82	1.61%	0.00%
Incept.													348.90	311.47		
Incept.													9.28%pa	8.72%pa	20.91%	-2.31%

(1) Morningstar Global Markets NR AUD

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