

K2 Select International Fund

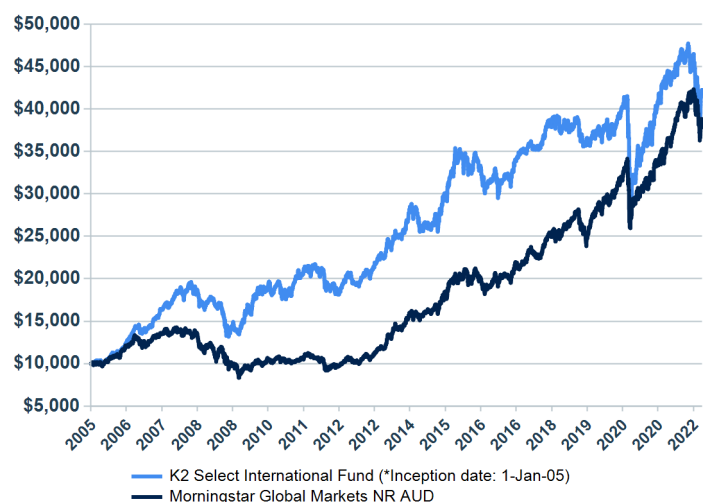
31 March 2022



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)	1.13%	-9.22%	-7.86%	-2.77%	3.64%	7.39%	8.66%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.4%	-0.1%
Macquarie Group Ltd	5.2%	+5.2%
Ryman Healthcare Ltd	4.9%	-0.4%
RIO Tinto Plc-Spon Adr	4.8%	+4.8%
Visa Inc	4.5%	-0.1%

Month End Exposures	Current	Monthly Move
Communication Services	6.1%	-6.7%
Consumer	4.3%	-7.1%
Energy	4.3%	+3.0%
Financials	26.8%	+6.9%
Health Care	9.7%	-0.4%
Industrials/Real Estate	8.5%	+4.5%
Information Technology	16.0%	-5.3%
Materials	15.5%	+11.4%
SHORTS	-2.6%	-2.6%
Number of Positions	37	+7
Gross Equity Exposure	93.8%	+0.8%
Cash Weighting	11.5%	+4.5%
Net Equity Exposure	88.5%	-4.5%
Currency Exposure Hedged of AUD	90.6%	+0.6%

George Boubouras
Head of Research
research@k2am.com.au
03 9691 6111

Marcela Tirado
Client Services
invest@k2am.com.au
03 9691 6111

Commentary

The K2 Select International Fund returned +1.13% for the month outperforming the index by +2.5%. The index was -1.4% for the month. The AUD strength contributed to the performance. The recent strength in commodity currencies has been supportive for the AUD. The Fund maintains a hedging strategy that provides some capital protection against a rising AUD.

Markets globally continue to adjust to the expectation of additional rate hikes from the US Fed to address the persistent inflation concerns. In addition to the higher US cash rate outlook, the long overdue start to Quantitative Tightening (QT) has begun. The US Fed ultimately aims to engineer a soft economic landing while balancing the various risks.

The positives include the current economic and earnings momentum remaining above long run historical benchmarks (although slowing), compelling equity valuations, sound corporate credit conditions, high household savings rates and the strong labour market in developed economies. The strong wealth effects create some comfort for policy makers that the tighter monetary policy can be absorbed. Further, in the early rate hike stage of the economic cycle, equity earnings (in aggregate) and commodities tend to benefit.

The risks include ongoing supply chain bottlenecks, China slowdown, increasing corporate costs, persistent inflation, quantitative tightening (QT) and the ongoing and devastating conflict in the Ukraine that appears to have no end in sight. The uncertainty for markets and the implications for energy prices are anticipated to persist. For now, these geo-political concerns will dominate headlines and therefore investor and consumer sentiment.

Valuations remain attractive for developed market (DM) equities with a preference for US and commodity based economies such as Canada and Australia. The earnings momentum tailwind is robust however it will be slowing into 2023. The US quarterly earnings that begin in mid-April will be a good barometer regarding the quality of corporate earnings.

The Fund has the largest weighting to the US market. Our largest weightings at the stock level include Microsoft, Macquarie Group, Ryman Healthcare, Abbott Laboratories, Goldman Sachs, VISA and Mastercard. Some of the best performing holdings for the Fund this month were Stanmore Resources, Universal Music Group, BHP Group and Macquarie Group. Some of the underperformers include Nike, Walt Disney and JP Morgan.

Fund Characteristics

FUM	AUD \$13m
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 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	2.78	-6.81	-3.68	1.13				-6.49	-0.81	2.80%	-0.14%
Incept.													318.82	282.08		
Incept.													8.66%pa	8.08%pa	20.98%	-2.32%

(1) Morningstar Global Markets NR AUD

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