

# K2 Select International Fund

## 30 June 2022

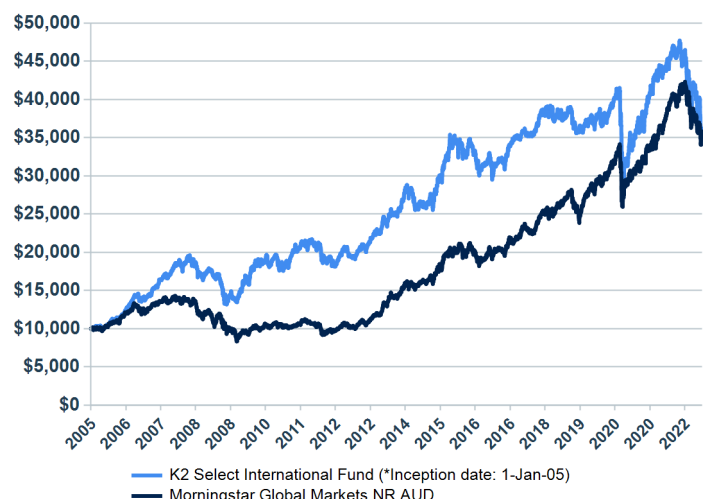


The K2 Select International Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-11.91%	117.42	7.48%

Refer below detailed performance data matrix

### Growth of \$10,000



### Commentary

In a volatile global equity market in June, the K2 Select International Fund returned -11.91% for the month. The first half 2022 performance in global equities was one of the worse in many decades as markets continued to adjust to the uncertainty with regard to the pace of tighter monetary policy combined with slowing economic momentum.

The US Fed has increasingly signalled to the market the need to increase rates rapidly from the historical lows seen in 2021. The aim for the Fed is to create the required capacity within the economy to address inflation concerns without going into recession. Price stability is their primary focus as the alternative is sub-optimal. The heightened uncertainty for markets year-to-date remains primarily with the slowing economic pulse, rising inflation expectations and the aggressive forecasts of higher US cash rates. The subsequent increase in market volatility and the prospect of a US recession has weighed on sentiment whereby valuations have now become very compelling compared to long-run historical benchmarks. The discount to the price of future earnings has been very aggressive this year and we believe this is overdone. Going forward, we look for the upcoming US quarterly reporting season in July to confirm the pace of the earnings slowdown.

The adjustment to higher nominal cash rates from the near zero levels has been a very painful transition and the subsequent weakness in equity markets has been severe. However, we continue to view a soft landing or shallow technical US recession as the core view. Credit conditions, corporate balance sheets and household savings in the key developed economies remain in good aggregate condition to be able to absorb some of the tighter monetary conditions ahead. Plenty of risks remain including persistently high energy prices, inflation expectations, the ongoing supply chain disruptions, earnings slowdown and increasing corporate costs, geopolitical risks and the very low levels of both consumer and corporate sentiment.

The K2 Select International Fund continues to have a USD exposure currency hedge in place which will benefit from a rising AUD. The portfolio cash position was 12.5% reflecting a cautious outlook in June. Our largest weightings include Microsoft, Alphabet, VISA, Macquarie and Rio. Some of the best performing holdings for the Fund this month were Woodside Energy, Americold Realty Trust and Reliance Worldwide. For the financial year 2022 the best performing holdings included Costco, Stanmore Resources, MA Financial, Woodside Energy, McDonalds and Americold Realty Trust.

Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.9%	+0.7%
Alphabet Inc	5.4%	+2.0%
Visa Inc	5.3%	+0.5%
Macquarie Group Ltd	5.0%	+0.1%
RIO Tinto Plc-Spon Adr	4.7%	0.0%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	56.1%	+0.5%
Mid Caps >=AUD\$2b < AUD\$7.5b	11.2%	-4.4%
Small Caps < AUD\$2b	20.2%	+4.3%

Month End Exposures	Current	Monthly Move
Communication Services	6.4%	+2.0%
Energy	4.1%	-0.6%
Financials	37.1%	+7.9%
Health Care	4.2%	+1.2%
Industrials/Real Estate	13.6%	+1.4%
Information Technology	11.2%	-5.0%
Materials	10.9%	-3.8%
Number of Positions	37	+5
Gross Equity Exposure	87.5%	+0.5%
Cash Weighting	12.5%	-0.5%
Net Equity Exposure	87.5%	+0.5%
Currency Exposure Hedged of AUD	98.0%	+5.1%

### 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 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

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

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

## 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	-3.00	-1.19	-11.91	-21.05	-8.80	5.43%	-0.15%	
													Incept.	253.61	251.30		
													Incept.	7.48%pa	7.44%pa	21.13%	-2.32%

(1) Morningstar Global Markets NR AUD

DISCLAIMER: The K2 Select Absolute Return Fund is issued by K2 Asset Management Limited (K2) ABN 95 085 445 094, AFS Licence No 244393, a wholly owned subsidiary of K2 Asset Management Holdings Limited. The information contained in this document is produced in good faith and does not constitute any representation or offer by K2. It is subject to change without notice and is intended as general information only and is not complete or definitive. The information provided in this document is current at the time of the preparation and K2 is not obliged to update the information. K2 does not accept any responsibility and disclaims any liability whatsoever for loss caused to any party by reliance on the information in this document. Please note that past performance is not a reliable indicator of future performance. Any advice and information contained in this document is general only and has been prepared without taking into account any particular circumstances and needs of any party. Before acting on any advice or information in this document you should assess and seek advice on whether it is appropriate for your needs, financial situation, and investment objectives. Investment decisions should not be made upon the basis of its past performance or distribution rate, or any rating given by a ratings agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the ratings agency themselves. A product disclosure statement or information memorandum for the funds referred to in this document can be obtained at [www.k2am.com](http://www.k2am.com) or by contacting K2. You should consider the product disclosure statement before making a decision to acquire an interest in the fund.

©2022 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.