

K2 Select International Fund

31 October 2022

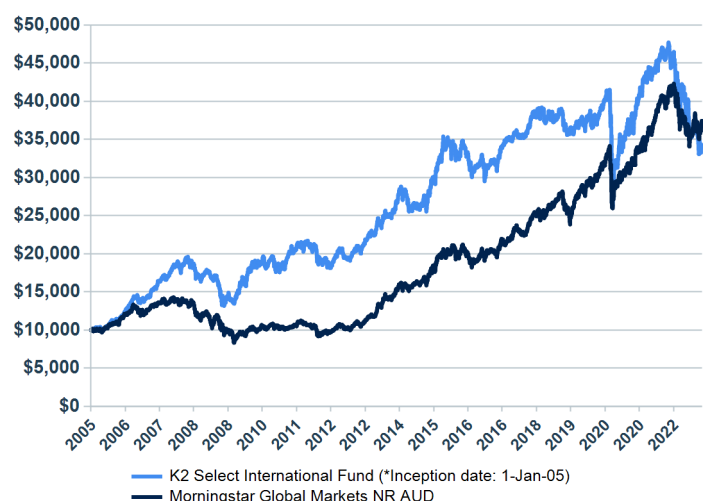


The K2 Select International Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	3.56%	110.13	7.15%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	9.3%	+0.9%
Kina Securities Ltd	7.5%	+0.2%
BHP Group Ltd-Spon Adr	6.8%	-0.3%
RIO Tinto Plc-Spon Adr	6.8%	-0.2%
Judo Capital Holdings Ltd	4.6%	+0.4%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	45.0%	-0.1%
Mid Caps >=AUD\$2b < AUD\$7.5b	23.0%	+5.5%
Small Caps < AUD\$2b	28.4%	-6.8%

Month End Exposures	Current	Monthly Move
Communication Services	5.1%	-5.4%
Consumer	8.9%	+1.4%
Energy	10.0%	+1.8%
Financials	29.5%	-1.7%
Health Care	9.1%	+0.7%
Industrials/Real Estate	14.2%	-1.5%
Materials	19.8%	+3.4%
SHORTS	-0.8%	-0.8%
Number of Positions	33	0
Gross Equity Exposure	97.5%	-0.5%
Cash Weighting	4.1%	+2.1%
Net Equity Exposure	95.9%	-2.1%
Currency Exposure Hedged of AUD	83.3%	-0.7%

Commentary

The K2 Select International Fund returned +3.56% for the month. Some risk appetite began to re surface in October from global investors. However, it has been undeniably a volatile year to date as markets have continued to adjust to the persistent robust pace of tighter monetary policy.

The recent US quarterly reporting period illustrated that US earnings have been resilient but slowing. Further, various partial economic indicators have clearly exhibited a slower economic pulse compared to the previous quarter and earlier this year when the US economy was growing at a rapid pace following two years of stimulus. The notable spike in inflation data over the past year has reinforced the dilemma central banks face.

The momentum of Fed Rate hikes has been the quickest in over a generation. The current US rate hike pace is well ahead of the comparable inflation risk periods of 1994 and 1983, which reinforces the inflation concern from the Fed Chair Powell. The jumbo 0.75% rate increases have continued this year taking the Fed Funds Rate to 3.25% (upper band) from near zero earlier this year. In the early Nov Fed Meeting rates are expected to move another 0.75% to take the effective Fed Funds Rate to 4%. We view that a 4.75%-5% Fed Funds Rate would be an appropriate pause level and this would be positive for markets.

Combined with the Quantitative Tightening (QT) the Fed has engineered a very aggressive restrictive monetary policy to address inflation. The demand destruction in the most robust global economy has started to show. At the margin, this adds some more predictability that we may be approaching a pause in rate hikes soon. This should lead to the USD strength pausing which will be a relief for many emerging economies.

The portfolio cash position is 4% at month-end compared to 15% in the June quarter. We continue maintain underweights to emerging markets and the EU region. Some of the best performing holdings for the Fund in October include Stanmore Resources, Netflix, Macquarie and Kina Securities.

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%
2022/23	4.96	-2.21	-8.79	3.56									-3.04	6.39	10.01%	-0.16%
												Incept.	242.85	273.74		
												Incept.	7.15%pa	7.67%pa	20.54%	-2.21%

(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 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.