

K2 Select International Fund

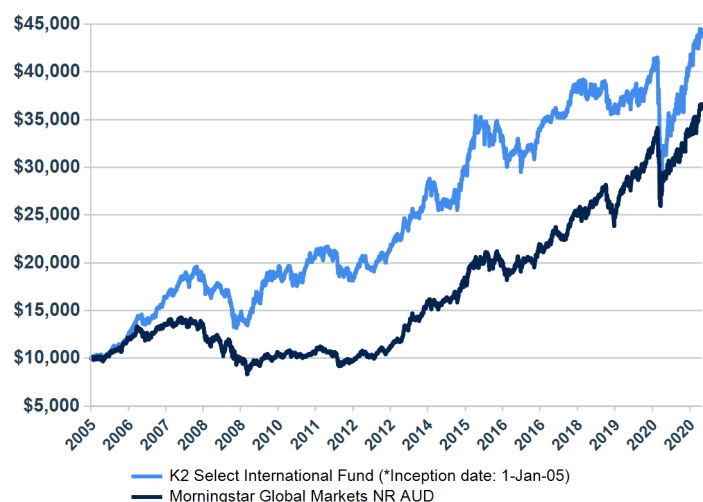
30 April 2021



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)	2.69%	8.65%	23.56%	37.94%	6.99%	7.38%	9.53%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.3%	+0.1%
Visa Inc	5.1%	+0.3%
Mastercard Inc	4.6%	+0.1%
JPMorgan Chase & Co	4.5%	-0.1%
Mcdonald's Corp	3.9%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	8.5%	+0.1%
Consumer	20.9%	-0.7%
Energy	1.3%	0.0%
Financials	25.6%	+0.4%
Health Care	8.8%	-0.9%
Industrials	1.9%	-0.3%
Information Technology	22.4%	+0.1%
Materials	5.9%	+0.2%
Real Estate	1.3%	+0.1%
Number of Positions	35	0
Gross Equity Exposure	96.7%	-1.0%
Cash Weighting	3.3%	+1.0%
Net Equity Exposure	96.7%	-1.0%
Currency Exposure Hedged of AUD	74.5%	-2.4%

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Commentary

The K2 Select International Fund returned +2.7% and has now returned +30.2% this financial year to be +8.5% ahead of the benchmark (BM). The fund has also performed strongly over the past year to be +37.9% outperforming the BM by +13.1%. The combination of good stock selection, investing cash early in the recovery and accumulation of the AUD at lower levels have all contributed to the strong performance vs benchmark since the severe March correction.

The resurgence in global equity markets continued unabated in April with all major developed markets posting strong returns. Central bank governors are at pains to highlight that they will remain accommodative and that any inflationary spikes will only be temporary, providing an ideal backdrop for investors. Concerns over increased Covid cases in India and other parts of the world and their potential impact on global growth from any lockdowns are largely being looked through as vaccines distribution gains momentum. Meanwhile, the amount of fiscal stimulus being suggested by the Biden administration grows by the day.

Commodity prices are surging with iron ore prices at record levels and oil, copper, nickel, cobalt, lithium, corn and soy bean prices all booming. The strength is driven by a combination of supply shortages, lack of investment and increasing demand evidenced by recent strong global PMI data.

US reporting season is almost complete with expectations exceeded once again. Aggregate earnings growth is tracking at approximately +50% YoY compared to original forecasts of around 20%. The major banks rallied on decreasing loan loss provisions while big tech's share price reactions were more mixed despite growing dominance.

A positive contributor to fund performance included fast food giant McDonald's. The company reported results late in the month with global same store sales growth of 7.5% comfortably beating consensus (5.1%). This was largely due to the US (+13.6%) which benefits from increased penetration of drive-through availability and exploding sales of its recently upgraded crispy chicken sandwich. We remain confident of these strong trends continuing with the accelerated re-opening of dining rooms, launch of national loyalty program and new famous meal promotion spearheaded by Korean megastars BTS to drive customer traffic.

The AUD recovered its prior month fall, gaining +1.30% to 0.7716. The fund is currently 74% hedged to the AUD providing capital protection against a rising AUD. The fund remains fully invested and positioned to benefit from a cyclical recovery fuelled by a combination of government spending and central bank support.

Fund Characteristics

FUM	AUD \$17m
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			30.16	21.65	2.32%	-0.07%	
													Incept.	342.34	264.87		
													Incept.	9.53%pa	8.25%pa	22.03%	-2.44%

(1) Morningstar Global Markets NR AUD

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