

K2 Select International Fund

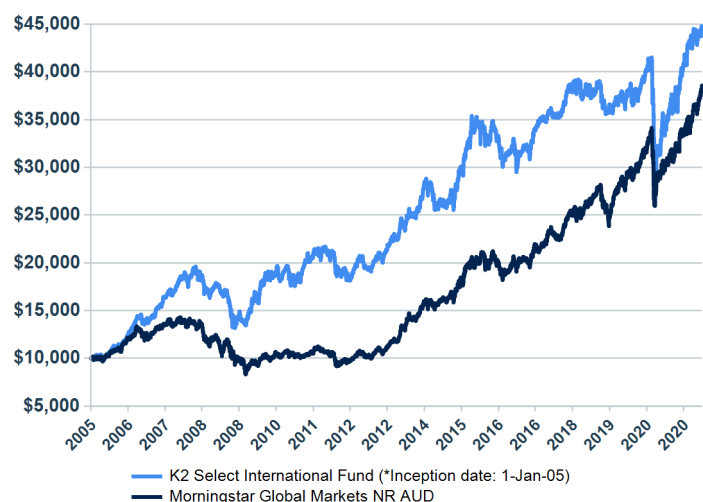
30 June 2021



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)	1.80%	3.98%	9.52%	31.80%	8.00%	7.89%	9.51%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	6.0%	+0.7%
Ryman Healthcare Ltd	5.1%	0.0%
Visa Inc	4.8%	+0.3%
Mastercard Inc	4.6%	+0.2%
Abbott Laboratories	4.1%	+1.2%

Month End Exposures	Current	Monthly Move
Communication Services	7.8%	-0.8%
Consumer	17.5%	-2.4%
Energy	1.0%	-0.7%
Financials	26.7%	+0.2%
Health Care	9.7%	+1.3%
Industrials/Real Estate	5.3%	+2.3%
Information Technology	23.5%	+2.5%
Materials	3.3%	-2.4%
Utilities	2.7%	+0.8%
Number of Positions	35	-1
Gross Equity Exposure	98.6%	+0.5%
Cash Weighting	1.4%	-3.6%
Net Equity Exposure	98.6%	+3.6%
Currency Exposure Hedged of AUD	72.2%	-2.2%

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Commentary

The K2 Select International Fund returned +1.8% for the month to be up +31.8% over the past fiscal year which is ahead of the benchmark (BM). 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 BM, particularly since the severe March 2020 correction.

Global equity markets were broadly higher in June as investors digested the latest musing from the US Federal Reserve and their potential impacts on asset allocation. A tiny shift in rhetoric to indicate that interest rates may increase sooner than expected was enough to send bond yields down and the USD up as perceived less risky assets benefited. Helping to calm investor nerves, Chairman Powell in his speech to congress emphatically stated that rates will not be raised pre-emptively with any increase only happening when there is evidence of actual inflation. The case for transitory inflation largely driven by supply disruptions gained momentum as key food and materials prices such as lumber (-58%), corn (-7%) and Soybeans (-13%) have all declined from their May highs.

Peeking under the hood, Technology stocks regained their ascendancy while a flattening yield curve lead to Financials selling off. Meanwhile in Asia, Chinese markets continue to underperform their global peers. In stark contrast to the US, China appears to have the fiscal and monetary brakes on in their efforts to control inflation and credit excesses. Such an orthodox approach provides little inspiration for equities with the local CSI 300 Index flat year to date compared to an increase of +14.4% for the S&P 500 Index.

A recent addition to the portfolio includes Anaergia Inc, a Canadian listed waste recovery and clean energy producer. Funds raised in the IPO are being invested in additional build-own-operate plants where they are able to control and benefit from the entire value chain. Revenue is earned from tipping fees from local councils for taking waste which is then converted predominantly into natural gas and sold to utility companies. For this, gross profit margins are in the range of 60-70%. It is estimated that California alone will require approximately 160 of these facilities to meet their waste management regulations. And that is just the tip of the iceberg.

The AUD fell -3.11% to 0.497. The fund is currently 72% hedged to the AUD providing capital protection against a rising AUD. The fund remains fully invested. With central banks steadfastly anchored at close to zero and governments ready to unleash a flood of fiscal spending, we believe equities continue to be the asset class of choice.

Fund Characteristics

FUM	AUD \$16m
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%
												Incept.	347.91	285.20		
												Incept.	9.51%pa	8.52%pa	22.05%	-2.45%

(1) Morningstar Global Markets NR AUD

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