

# K2 Select International Fund

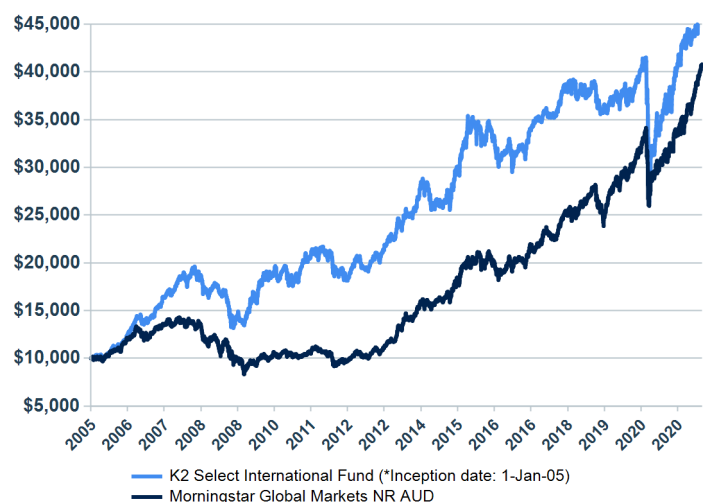
## 31 August 2021



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)	3.32%	6.91%	10.36%	27.60%	7.98%	9.16%	9.74%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Ryman Healthcare Ltd	6.9%	+1.1%
Microsoft Corp	6.1%	+0.3%
Visa Inc	4.8%	-0.4%
Mastercard Inc	4.4%	-0.5%
JPMorgan Chase & Co	4.0%	0.0%

Month End Exposures	Current	Monthly Move
Communication Services	6.8%	-1.5%
Consumer	18.2%	+0.5%
Energy	1.3%	+0.1%
Financials	29.1%	+3.0%
Health Care	11.3%	+0.7%
Industrials/Real Estate	3.3%	-1.9%
Information Technology	23.1%	-0.3%
Materials	3.2%	-0.6%
Utilities	3.3%	+0.2%
Number of Positions	35	+1
Gross Equity Exposure	99.4%	+0.2%
Cash Weighting	0.6%	-0.2%
Net Equity Exposure	99.4%	+0.2%
Currency Exposure Hedged of AUD	66.1%	-2.9%

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### Commentary

The K2 Select International Fund returned +3.32% for the month, +15% this calendar year and +27.6% over the past year. The combination of good stock selection and the accumulation of the AUD at lower levels have all contributed to the strong performance.

Global equity markets continued to move higher throughout August as investors gained comfort with the Fed's tapering timetable and unwillingness to raise interest rates in the foreseeable future. Chairman Powell's Jackson Hole speech further re-iterated this position. With the likelihood of "policy error" diminishing, long duration technology stocks who require low discount rates for valuation support were the biggest beneficiaries. In contrast, Asian markets were more mixed as China's policy reset and associated uncertainty around which sectors might be next in the firing line has left investors licking their wounds.

The great inflation debate appears to have taken a back seat but that is not to say it has gone away. Despite 10yr bond yields still remaining somewhat subdued at 1.30% indicating that any inflation will most likely be transitory, we believe it is being driven down by international investors who are attracted to yields greater than zero.

Positive contributor to fund performance included NZ listed aged care provider Ryman (RYM) and expanding Australian financial services firm MA Financial Group (MAF). MA Financial delivered a strong 1H result; profits were 93% higher than last year which enabled the company to lift full year profit growth guidance to 20-30%. RYM announced an 82% improvement in its 1Q cash receipts and acquired another site in Melbourne. RYM has rapidly established a strong foothold in Melbourne with a landbank of 12 sites. We envisage that over the next 5 years the value of RYM's Melbourne assets will surpass \$4 billion.

The AUD fell -0.45% to 0.7311. The fund is currently 66% hedged to the AUD providing capital protection against a rising AUD.

The fund remains fully invested and positioned towards the more cyclical and consumer discretionary parts of the market. As major economies continue to re-open part of our focus is on identifying companies exposed to improving economic activity. Overall, equities will continue to benefit from accommodative monetary policy and governments enormous amounts of fiscal spending by historical standards.

### 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%
2021/22	1.65	3.32											5.02	5.81	1.66%	0.00%
Incept.													370.40	307.59		
Incept.													9.74%pa	8.80%pa	20.92%	-2.31%

(1) Morningstar Global Markets NR AUD

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