

K2 Global High Alpha Fund

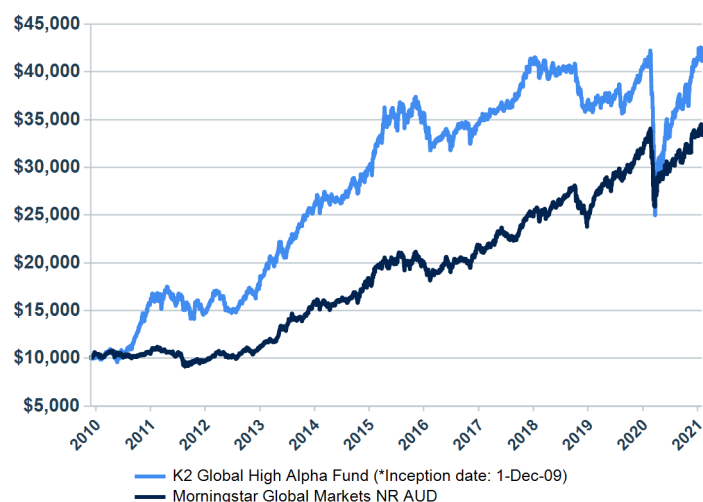
31 January 2021



The K2 Global High Alpha 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	Inception (%pa)	Inception Date
Performance (Net of Fees)	-0.3%	13.5%	1-Dec-2009
Average Net Exposure	94.8%	82.1%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	5.0%	+1.7%
BHP Group Ltd	4.8%	+1.1%
Summerset Group Holdings Ltd	4.4%	0.0%
Kina Securities Ltd	4.3%	+0.6%
RIO Tinto Ltd	4.1%	+0.9%

Month End Exposures	Current	Monthly Move
Communication Services	4.5%	+0.4%
Consumer	16.2%	+0.0%
Energy	0.6%	+0.0%
Financials	31.3%	+1.7%
Health Care	12.7%	+0.8%
Industrials	6.9%	+0.3%
Information Technology	6.0%	-0.1%
Materials	16.5%	+2.2%
Other	2.5%	+0.1%
Real Estate	0.7%	+0.2%
Number of Positions	59	-3
Gross Equity Exposure	97.8%	+5.6%
Cash Weighting	2.2%	-5.6%
Net Equity Exposure	97.8%	+5.6%
Currency Exposure Hedged of AUD	89.2%	+4.1%

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Commentary

The K2 Global High Alpha Fund returned -0.3% for the month and has now returned +22.2% this financial year to be +11.1% ahead of the benchmark (BM). Since the cycle lows in the March correction the fund is up +64.8% outperforming the BM by +35.8%. 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. Importantly, the fund has delivered a consistent 13.5% p.a. return over the past 11 years without excess market volatility.

Global equity markets experienced mixed returns throughout January. Asia and Small caps were the standout performers while large-cap US and Europe lagged. After a strong start to the month markets hit the skids as the great short squeeze unfolded. Otherwise dormant companies including GameStop, AMC Entertainment and Blackberry reached stratospheric heights forcing hedge funds who are short these names to de-leverage and thus drag down the overall market. However, as we go to print in early February, normality is slowly returning.

We are over half way into Q4 US reporting season with results so far in aggregate proving very encouraging. The major banks have benefited from increased trading and corporate activity while Netflix posted significantly better than expected subscriber growth, re-focusing investor attention on Big Tech in the process.

The best performing holdings for the Fund this month were Ballard Power (BLDP US), Tencent Holdings (700 HK), Hellofresh (HFG GY) and DraftKings (DKNG US) which rose 46%, 21%, 10% and 16% respectively.

Ballard Power is a leading global provider of innovative clean energy and fuel cell solutions. The company is benefitting from improving order growth and increasing global awareness of renewable energy. With greater than 50 million kms of in-revenue service, guidance of a 70% reduction in the cost of its fuel-cell modules by 2024 and strong strategic partnerships, Ballard is well placed to successfully commercialise fuel-cell technology for heavy duty applications (ie. truck, train, bus, marine).

The AUD consolidated recent strong gains, declining -0.65% for the month. The fund is currently 89% hedged to the AUD providing capital protection against a rising AUD.

The fund's net exposure currently sits at 98%. The fund remains close to fully invested as we position the portfolio to benefit from a more deflationary environment. Central banks globally have dug in their heels, showing no signs of deviating from their accommodative stance. Combined with another flood of money by way of fiscal stimulus the question is, where will the money go? Against this backdrop, equities are the asset class of choice.

Fund Characteristics

FUM	AUD \$40m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen 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 120
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	2.05%
Buy/Sell	Monthly Application/Redemption
Performance Fee	20.5% of the amount by which the NAV per unit exceeds the High Water Mark

K2 Global High Alpha 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	
2009/10						0.8	-1.3	3.5	4.6	-0.3	-5.4	1.8	3.4	1.5	33.7%	-0.3%	
2010/11	5.3	1.4	13.2	9.0	5.9	10.2	0.8	2.0	0.7	3.4	-1.7	-3.1	56.6	3.5	9.6%	-0.8%	
2011/12	1.0	-3.1	-8.6	8.9	-3.3	-3.5	6.2	7.9	0.0	-2.5	-7.3	-2.3	-8.0	-2.6	29.0%	-0.7%	
2012/13	1.5	4.5	4.0	3.5	-1.0	6.9	4.9	4.4	2.2	4.4	1.8	-0.8	42.7	31.0	13.9%	-0.4%	
2013/14	4.9	2.2	4.7	4.3	3.2	1.6	0.3	2.4	-0.6	0.1	0.2	-1.7	23.7	19.6	8.0%	0.0%	
2014/15	4.6	1.6	1.6	1.1	1.2	3.3	4.8	4.5	2.4	3.2	3.7	-3.5	31.9	23.9	9.2%	-0.1%	
2015/16	4.5	-2.4	0.7	3.1	-1.9	-1.0	-4.7	-4.7	1.6	0.8	2.1	-4.1	-6.4	-0.6	18.1%	-0.5%	
2016/17	3.8	2.2	-0.1	-1.9	0.6	1.5	2.2	-0.8	2.6	0.0	1.9	-0.9	11.8	15.4	19.7%	-2.4%	
2017/18	0.1	3.7	1.4	3.6	1.8	1.2	-0.4	-0.2	-1.3	0.2	-0.7	0.6	10.4	15.1	16.4%	-3.0%	
2018/19	0.6	0.5	-0.3	-4.9	-5.3	1.6	-3.3	3.8	-1.2	2.7	-1.8	1.3	-6.6	10.5	38.3%	-6.2%	
2019/20	2.0	-3.5	2.8	0.9	3.4	2.2	1.1	-7.8	-23.2	8.1	6.3	1.4	-10.0	3.2	14.8%	-2.8%	
2020/21	4.7	5.5	-1.0	-1.1	9.8	3.2	-0.3						22.2	11.6	4.6%	-0.4%	
													Incept	311.6	233.9		
													Incept	13.5%pa	11.4%pa	17.9%	-1.5%

(1) Morningstar Global Markets NR AUD

DISCLAIMER: Returns are shown after fees (including performance fees) and expenses have been deducted and assume the reinvestment of income distributions. Please note that past performance is not a reliable indicator of future performance. The information contained in this document is produced by K2 Asset Management Ltd ("K2") in good faith, but 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. 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. A product disclosure statement for general information on any Fund referred to in this document can be obtained at www.k2am.com.au or by contacting K2. You should read the product disclosure statement and consider whether the product is appropriate for you before making a decision to acquire or continue to hold an interest in a Fund. Fees referred to in this document are inclusive of GST and RITC and do not include expense recoveries.

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