

K2 Global High Alpha Fund

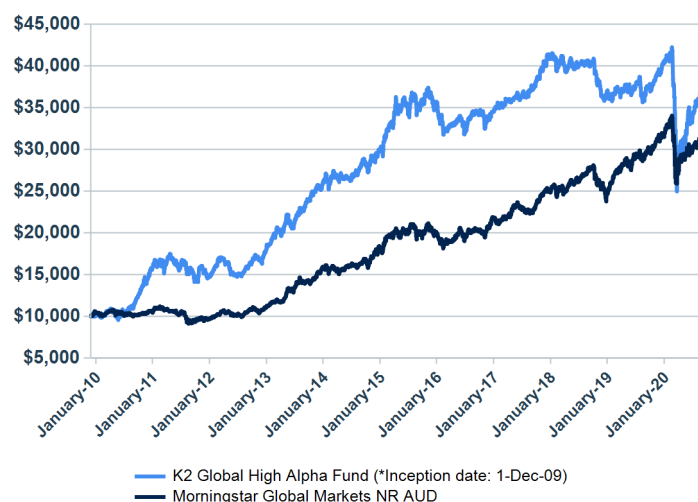
31 August 2020



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)	5.5%	13.0%	1-Dec-2009
Average Net Exposure	96.6%	81.6%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Money3 Corp Ltd	3.8%	+0.8%
BHP Group Ltd	3.4%	+0.0%
Corporate Travel Management	3.4%	+1.5%
Macquarie Group Ltd	3.2%	-0.8%
Summerset Group Holdings Ltd	3.2%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	5.4%	+0.6%
Consumer	16.6%	+1.5%
Energy	0.4%	+0.0%
Financials	23.2%	-1.4%
Health Care	10.8%	+0.3%
Industrials	6.1%	+1.0%
Information Technology	10.3%	-0.5%
Materials	16.3%	-3.1%
Other	2.4%	-0.4%
Real Estate	2.9%	-2.2%
SHORTS	-0.5%	+0.3%
Number of Positions	69	-4
Gross Equity Exposure	95.0%	-4.5%
Cash Weighting	6.0%	+3.9%
Net Equity Exposure	94.0%	-3.9%
Currency Exposure Hedged of AUD	92.0%	-2.3%

Commentary

The K2 Global High Alpha Fund returned +5.5% for the month of August. The fund has now returned +29% since 31 March significantly outperforming the benchmark return of 10%. A combination of good stock selection, investing cash early in the cycle and accumulating AUD exposure at lower levels have all contributed to the very strong excess return of +18% vs benchmark for investors in just five months.

Led by US equities, which enjoyed their best August performance since 1986 to reach fresh all time highs, the rally in global equity markets continued. Investors were buoyed by highly accommodative fiscal and monetary policy, improved economic momentum as lockdowns ease and vaccine optimism. Late in the month, in his speech at the virtual Jackson Hole Economic Policy Symposium, Fed Chairman Jerome Powell announced a change of regime to push and hold inflation above the prior 2% threshold for an unspecified amount of time. While markets were initially unsure of how to react, this change effectively implies that interest rates are going to remain low indefinitely, giving risk assets the green light to keep rising.

With party conventions concluded and candidates officially endorsed the race to The White House has reached the home stretch. Polling has narrowed over the last couple of weeks with the result we believe still too close to call. Given the enormous number of postal votes expected this election and the associated legal posturing it is possible that a result might not be declared until well past November 3rd. Markets will not appreciate the uncertainty this has the potential to create.

A significant positive contributor for the month included Corporate Travel (CTD) which rose 83% for the month. The stock was purchased in late July on anticipation of a recovery from the global shutdowns impacting international travel. CTD is well positioned versus its peers with a strong balance sheet and ample liquidity. More importantly their equity base has not been diluted with a capital raising. Other strong contributors throughout the month were Money3 (+26%), Netwealth (+17%), Mastercard (+16%), Nike (+15%) and Alibaba (+14%).

The fund ended the month with a net exposure to equities of 94% reflecting our unchanged overall optimistic stance. As central banks continue to expand their balance sheets to fund government deficits while keeping interest rates at historic lows, equities will remain in high demand.

The AUD ended the month up +3.46% versus the USD at 0.7390. The fund is currently 93% hedged to the AUD providing capital protection against a rising AUD.

Fund Characteristics

FUM	AUD \$38m
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

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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											10.5	3.8	3.9%	-0.6%	
													Incept	271.9	210.5		
													Incept	13.0%pa	11.1%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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