

K2 Global High Alpha Fund

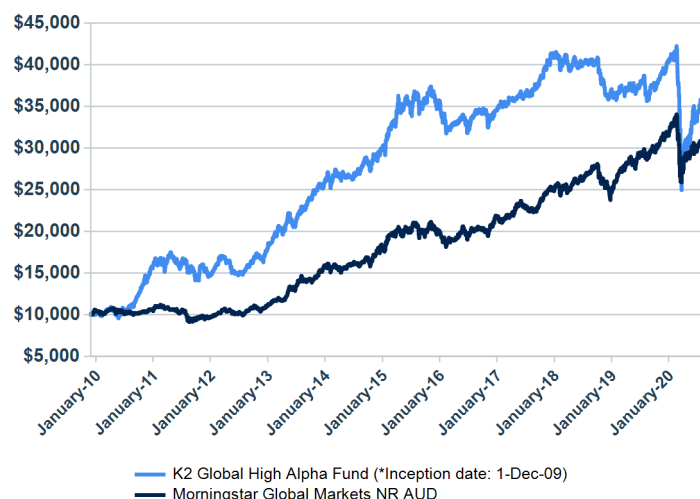
31 July 2020



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	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	4.7%	12.8%	-7.6%	-1.0%	-0.6%	12.5%	12.5%	1-Dec-2009
Average Net Exposure	95.7%	93.7%	87.0%	77.6%	78.9%	82.4%	81.5%	

Growth of \$10,000



Commentary

The K2 Global High Alpha Fund returned +4.68% for the month of July.

Not all global equity markets were equal in July. Led by the FANGMAN's, US equities (S&P 500: +5.5%) significantly outperformed their European counterparts (STOXX Europe 600: -1.1%). 84% of US companies have beaten expectations in reporting season so far meaning that worst case fears have not been realised in most cases. While for big tech, even wildly optimistic forecasts have been smashed. The big keep getting bigger. The USD Index (DXY) recorded its biggest fall since September 2010 providing broad support for commodity prices.

With less than 100 days to the US election we feel the result is too close call. Despite the mainstream published polls overwhelmingly favouring Biden, we question their validity given limited sample sizes and not all respondents are registered, likely or even eligible to vote. In the event of potential recounts in certain states a result might not be known until well into January. Markets will not like this uncertainty.

Alibaba, China's most dominant e-commerce player, was a significant positive contributor for the month. The company's core platform is benefiting from the COVID-19 pandemic as consumers continue to migrate their purchases online. A key catalyst for the stock is the pending IPO of their 33% stake in Ant Financial with market speculation of valuations north of US\$200b, which if achieved would be a major positive for the stock. Alibaba remains a core fund holding offering above market secular growth whilst trading on an undemanding forecast PE of 24x FY2022 earnings.

The fund ended the month with a net exposure to equities of 98% reflecting our overall optimistic stance. As central banks continue to expand their balance sheets to fund government deficits while keeping interest rates at historic lows, risk assets such as equities will remain in high demand.

The AUD ended the month up +3.67% versus the USD at 0.7143. The fund is currently 94% hedged to the AUD providing capital protection against a rising AUD.

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	4.0%	+0.0%
BHP Group Ltd	3.4%	0.0%
Money3 Corp Ltd	3.0%	+0.2%
RIO Tinto Ltd	3.0%	+0.0%
Kina Securities Ltd	3.0%	-0.3%

Month End Exposures	Current	Monthly Move
Communication Services	4.8%	-0.7%
Consumer	15.1%	+1.5%
Energy	0.4%	-0.5%
Financials	24.7%	+2.7%
Health Care	10.6%	-0.2%
Industrials	5.0%	+0.2%
Information Technology	10.8%	-0.4%
Materials	19.4%	+0.2%
Other	2.8%	0.0%
Real Estate	5.1%	+2.4%
SHORTS	-0.8%	-0.8%
Number of Positions	73	+7
Gross Equity Exposure	99.5%	+6.1%
Cash Weighting	2.2%	-4.4%
Net Equity Exposure	97.8%	+4.4%
Currency Exposure Hedged of AUD	94.3%	-1.9%

Fund Characteristics

FUM	AUD \$37m
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												4.7	0.9	4.3%	-0.2%	
													Incept	252.5	201.9		
													Incept	12.5%pa	10.9%pa	17.9%	-1.4%

(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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