

K2 Global High Alpha Fund

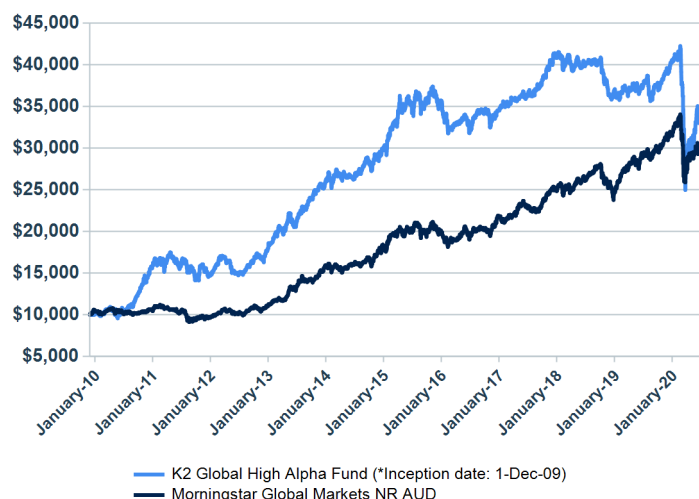
30 June 2020



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)	1.4%	16.6%	-10.0%	-2.5%	-0.6%	12.5%	12.2%	1-Dec-2009
Average Net Exposure	95.2%	89.1%	85.3%	76.8%	78.5%	82.3%	81.4%	

Growth of \$10,000



Commentary

The K2 Global Alpha Fund returned +1.38% for the month of June.

Global equity markets extended their gains from April and May in local currency terms to post their best quarterly performance since 1998. A combination of central bank liquidity, enormous government stimulus packages and lack of alternative growth options are outweighing the gloomy economic reality of main street and spiking case numbers in large parts of the world. Governments in aggregate have injected an astonishing US\$9 trillion into the global economy. Furthermore, the 4 major central banks, comprising the US, Eurozone, Japan and UK have expanded their balance sheets by US\$22 trillion. This liquidity is flowing into equities much like it did following the GFC. With QE 1, 2 and 3 every \$100bn increase in the Federal Reserve balance sheet equated to approximately +40 S&P 500 Index points. Markets appear to be on a similar path this time around and it is not over yet.

Despite the underlying positive trajectory, volatility increased in June as investors reacted to news flow surrounding virus updates and the US-China trade war. As economies continue to gradually re-open a bumpy ride is to be expected.

A significant positive contributor for the month included recreational vehicle manufacturer Thor Industries (+24%). The company is experiencing a surge in demand for their products as driving and camping holidays offer consumers the perfect antidote to Covid. Another key beneficiary from the pandemic was the funds holding in Tencent, China's leading social networking and on-line gaming company. The stock gained 21% as Chinese consumers turned to online entertainment during lockdown with demand surging for mobile games.

The fund ended the month with a net exposure to equities of 93% reflecting our overall optimistic stance.

The AUD ended the month up +3.34% versus the USD at 0.6890. The fund is currently 97% hedged to the AUD providing capital protection against a rising AUD.

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	4.0%	-0.7%
BHP Group Ltd	3.5%	+0.1%
Kina Securities Ltd	3.3%	+0.1%
RIO Tinto Ltd	3.0%	+0.1%
Summerset Group Holdings Ltd	2.9%	+0.5%

Month End Exposures	Current	Monthly Move
Communication Services	5.6%	-0.1%
Consumer	13.6%	-1.3%
Energy	0.9%	+0.6%
Financials	21.9%	-3.0%
Health Care	10.7%	+3.6%
Industrials	4.8%	+0.1%
Information Technology	11.1%	-0.2%
Materials	19.2%	+1.0%
Other	2.8%	0.0%
Real Estate	2.7%	-2.1%
Number of Positions	67	-2
Gross Equity Exposure	93.4%	-2.6%
Cash Weighting	6.6%	+0.2%
Net Equity Exposure	93.4%	-0.2%
Currency Exposure Hedged of AUD	96.2%	-1.1%

Fund Characteristics

FUM	AUD \$36m
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	14.7%	-2.8%	
													Incept	236.7	199.2		
													Incept	12.2%pa	10.9%pa	19.2%	-1.6%

(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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