

# K2 Global High Alpha Fund

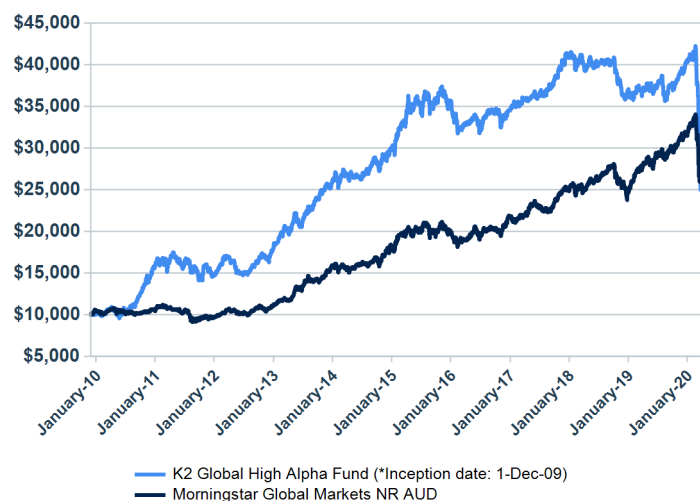
## 31 March 2020



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)	-23.2%	-28.4%	-21.3%	-7.0%	-3.0%	10.4%	10.8%	1-Dec-2009
Average Net Exposure	90.5%	87.1%	80.2%	74.4%	78.1%	82.4%	81.2%	

### Growth of \$10,000



### Commentary

The K2 Global High Alpha Fund returned -23.2% for the month of March.

Global equity markets sold off sharply as most major economies closed down on COVID-19 prevention measures. Investor concerns on the strength of corporate balance sheets to withstand the impending earnings shock caused widespread panic selling. This was further exasperated by the price of oil falling -54% to \$20.48 a barrel (WTI) rendering a vast majority of producers unprofitable. The policy response from central banks and governments has been swift with plans for massive monetary and fiscal stimulus announced.

Australia (-21%) was the worst performing developed market. European indices were also very weak with France (-17%), Germany (-16%) and UK (-14%) all declining. The US S&P 500 dropped -12.5% while the Asian region relatively outperformed with Hong Kong and China down -9.6% and -4.5% respectively.

In aggregate the funds exposure to smaller capitalisation companies had the most significant negative impact on performance as they bore the brunt of investor selling. It is our belief that in most cases these fire sale prices do not reflect actual underlying valuations and we have selectively added to our holdings. Our focus on identifying high quality companies with strong management and solid balance sheets has not changed.

The fund increased its long positions in the two major resource heavyweights BHP and RIO. Both companies provide exposure to a portfolio of Tier 1 assets that generate high returns on capital and strong free cash flow. With some of the lowest costs of production in the world they are able to sustain lower commodity prices throughout the cycle far better than their competitors. BHP and RIO will be major beneficiaries of China's return to work and the significant stimulus focused on infrastructure spending that is expected to follow.

The AUD ended the month down -6.34% versus the USD at 0.6102. The fund is currently fully hedged to the AUD providing capital protection against a rising AUD. Net exposure fell slightly to 87.5%.

Top 5 Stock Holdings	Current	Monthly Move
Visa Inc	3.9%	+0.8%
Lonking Holdings Ltd	3.6%	+1.3%
Macquarie Group Ltd	3.4%	+0.4%
Kina Securities Ltd	3.3%	+0.3%
Netwealth Group Ltd	3.3%	+0.7%

Month End Exposures	Current	Monthly Move
Communication Services	3.0%	+1.0%
Consumer	13.3%	-3.5%
Financials	27.4%	-0.8%
Health Care	8.2%	-1.0%
Industrials	9.0%	-1.9%
Information Technology	11.8%	+1.6%
Materials	11.3%	+5.4%
Other	3.3%	+0.8%
Real Estate	2.5%	-2.1%
SHORTS	-2.3%	+1.3%
Number of Positions	57	-8
Gross Equity Exposure	92.0%	-4.9%
Cash Weighting	12.5%	+2.3%
Net Equity Exposure	87.5%	-2.3%
Currency Exposure Hedged of AUD	103.1%	+8.2%

### Fund Characteristics

FUM	AUD \$31m
Portfolio Managers	Campbell Neal, David Popenbeek, 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				-22.8	-2.9	16.0%	-2.9%	
													Incept	188.9	181.3		
													Incept	10.8%pa	10.5%pa	19.3%	-1.6%

(1) Morningstar Global Markets NR AUD

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