

K2 Select International Fund

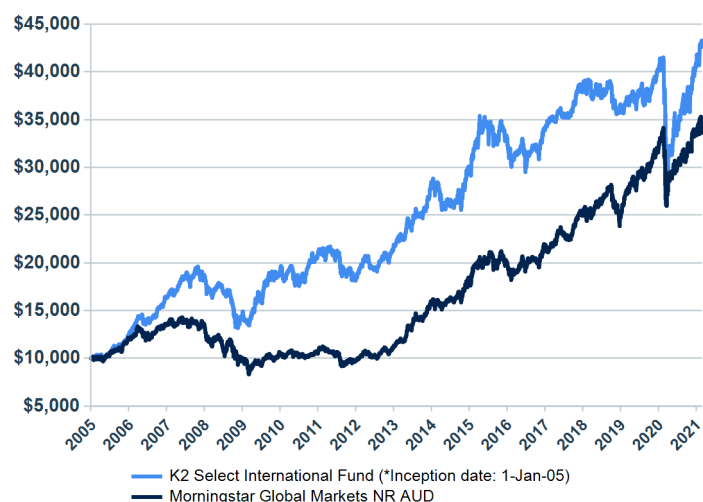
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The K2 Select International Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	Inception (%pa)	Inception Date
Performance (Net of Fees)	4.7%	9.4%	1-Jan-2005
Average Net Exposure	99.0%	78.4%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.6%	-0.3%
BHP Group Ltd-Spon ADR	5.4%	+0.4%
Summerset Group Holdings Ltd	5.3%	+0.1%
Visa Inc	4.8%	+0.2%
Nike Inc	4.5%	-0.2%

Month End Exposures	Current	Monthly Move
Communication Services	7.2%	+0.4%
Consumer	18.4%	+2.1%
Energy	1.3%	+0.2%
Financials	28.5%	+0.1%
Health Care	14.4%	-1.3%
Industrials	2.5%	-0.7%
Information Technology	17.9%	0.0%
Materials	8.2%	+0.0%
Real Estate	1.3%	-0.1%
Number of Positions	34	+1
Gross Equity Exposure	99.8%	+0.7%
Cash Weighting	0.2%	-0.7%
Net Equity Exposure	99.8%	+0.7%
Currency Exposure Hedged of AUD	78.9%	-4.1%

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Commentary

The K2 Select International Fund returned +4.7% for the month outperforming the benchmark (BM) by 3.0%. The fund has returned +25.4% this financial year to be +12.0% ahead of the benchmark (BM). Since the cycle lows in the March correction the fund is up +62.4% outperforming the BM by +31.3%. 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.

Global equity markets jumped out of the blocks in February before falling away over the second half of the month in what was almost a mirror image of January albeit for different reasons. On this occasion, rising bond yields, which are especially bad for growth stocks, catapulted higher, putting pressure on equity valuations. In the US, 10 year bond yields peaked at over 1.5%, a level not seen for over 12-months. While still low by historical standards the equity market rotation away from Growth at Any Price has started. Not surprisingly, under this scenario, the tech heavy NASDAQ lagged its more broader domestic large and small cap peers. More Value orientated European and Asian markets also performed well.

A positive contributor to performance included the fund's holdings in cruise ship operators Royal Caribbean and Norwegian. The industry is benefitting from the roll-out of the COVID vaccine which has coincided with a significant increase in cruise bookings since January. In addition, pricing is up by approximately mid-single digits on pre-COVID levels as pent up demand is unleashed. This is all being achieved with minimal spending on sales and marketing. Despite lingering uncertainty around resumption of sailing we believe a return to 2019 profitability will occur sooner than market expectations as leisure travel enjoys a sharp recovery.

The AUD consolidated its gains, advancing +0.81% for the month as commodity prices continued to rally. Copper, nickel, aluminium, oil and iron ore all surged as investors embraced a more reflationary environment aided by the global vaccine rollout. It is expected that large global fiscal stimulus programs will drive further commodity intensive infrastructure. The fund is currently 79.0% hedged to the AUD providing capital protection against a rising AUD.

The fund's net exposure currently sits at 99.8%. The fund remains fully invested as we position the portfolio to benefit from a more inflationary and higher bond yield environment. Central banks globally continue to emphasise their willingness to keep the money flowing. Against this backdrop, equities are the asset class of choice.

Fund Characteristics

FUM	AUD \$16m
Portfolio Managers	Campbell Neal, David Poppenbeek 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 80
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.36%
Buy/Sell	Daily Application/Redemption
Performance Fee	15.38% pa of the amount by which the NAV per unit exceeds the High Water Mark once the fund achieves its hurdle

K2 Select International 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
2004/05							0.9	1.3	-0.4	-1.4	1.4	3.8	5.6	3.0	50.5%	-4.4%
2005/06	4.9	0.7	2.6	-1.0	4.2	4.4	5.1	4.4	5.7	-0.1	-3.7	2.0	33.2	22.3	21.3%	-4.1%
2006/07	0.4	2.1	2.8	3.6	2.0	4.8	2.4	0.1	1.1	3.1	5.1	-0.3	30.7	9.9	23.6%	-1.1%
2007/08	0.1	0.6	2.6	3.4	-3.7	-1.1	-8.0	-0.6	-1.2	3.0	1.8	-3.4	-7.0	-20.0	43.5%	-7.3%
2008/09	-2.5	2.9	-8.6	-9.7	-2.5	5.1	-3.1	-2.8	4.9	6.9	7.8	-0.6	-4.0	-15.3	51.1%	-4.0%
2009/10	7.6	2.1	3.3	-1.7	1.4	3.0	-4.1	0.2	4.7	0.2	-5.4	-2.7	8.1	8.4	11.7%	-1.0%
2010/11	4.3	-2.5	8.4	2.7	0.0	3.8	0.4	0.9	1.0	1.7	-1.9	-1.6	18.2	3.5	12.0%	-2.4%
2011/12	-2.2	-4.5	-4.5	2.5	-3.0	-1.7	3.6	4.7	3.6	0.0	-4.3	-1.5	-7.6	-2.6	22.9%	-2.9%
2012/13	0.6	3.4	2.0	0.6	1.4	2.8	2.7	1.8	0.7	2.5	4.1	-0.4	24.5	31.0	6.7%	-0.3%
2013/14	3.9	-0.4	0.5	2.4	4.4	5.5	-0.9	1.6	-5.7	-2.5	1.2	-1.8	7.7	19.6	8.0%	-0.1%
2014/15	0.7	1.0	3.9	0.8	4.1	3.7	4.0	4.2	2.1	3.1	3.1	-2.7	31.7	23.9	13.2%	-0.6%
2015/16	-0.1	-2.3	-1.9	5.4	-2.1	-1.9	-4.0	-3.3	2.1	0.4	4.0	-7.1	-10.9	-0.6	20.9%	-0.7%
2016/17	2.9	2.1	0.1	-1.3	3.8	3.0	2.1	0.9	0.4	1.2	1.4	-2.1	15.5	15.4	23.1%	-2.8%
2017/18	0.3	1.0	1.9	3.6	2.4	-1.7	2.1	-0.3	-2.6	0.7	-0.7	-0.2	6.4	15.1	21.6%	-3.2%
2018/19	0.8	2.7	-0.2	-5.6	-1.9	2.1	-2.6	3.6	-0.3	3.1	-4.1	3.5	0.7	10.5	32.6%	-3.8%
2019/20	1.3	-1.6	1.4	0.3	2.9	1.9	0.3	-8.6	-16.7	4.9	6.3	-0.3	-9.9	3.2	9.5%	-2.4%
2020/21	2.9	5.4	0.0	-2.9	9.1	4.8	-0.4	4.7					25.4	13.5	2.4%	-0.1%
												Incept	326.3	240.3		
												Incept	9.4%pa	7.9%pa	22.0%	-2.4%

(1) Morningstar Global Markets NR AUD

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