

K2 Select International Fund

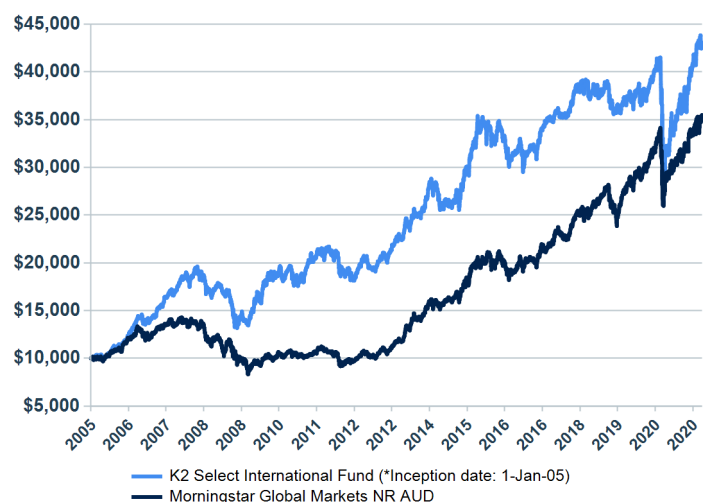
31 March 2021



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	3 Months	6 Months	1 Year	5 Years (%pa)	10 Years (%pa)	Inception (%pa)
Performance (Net of Fees)	1.05%	5.32%	16.82%	40.90%	6.51%	7.28%	9.40%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.1%	-0.4%
Visa Inc	4.8%	+0.0%
JPMorgan Chase & Co	4.6%	+0.2%
Mastercard Inc	4.5%	+0.1%
Summerset Group Holdings Ltd	4.1%	-1.2%

Month End Exposures	Current	Monthly Move
Communication Services	8.4%	+1.2%
Consumer	21.5%	+3.2%
Energy	1.3%	+0.0%
Financials	25.2%	-3.3%
Health Care	9.8%	-4.6%
Industrials	2.2%	-0.3%
Information Technology	22.3%	+4.4%
Materials	5.7%	-2.5%
Real Estate	1.2%	-0.1%
Number of Positions	35	+1
Gross Equity Exposure	97.7%	-2.1%
Cash Weighting	2.3%	+2.1%
Net Equity Exposure	97.7%	-2.1%
Currency Exposure Hedged of AUD	76.9%	-2.1%

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Commentary

The K2 Select International Fund returned +1.05% and has now returned +26.8% this financial year to be +8.5% ahead of the benchmark (BM). The fund has also performed strongly over the past year to be +40.9% outperforming the BM by +15.2%. 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.

The strong performance from global equity markets continued in March. Rising bond yields saw more Value oriented markets in Europe outperform their US counterparts across the pond. Once again, the Tech heavy Nasdaq lagged its more broader domestic peers as valuation support unwinds. Despite central banks globally being at pains to reinforce their message of looser for longer monetary policy inflation concerns persist. However, by allowing 10+ year bond yields to run they are effectively tightening without tightening. While official US inflation numbers might still be palatable if it were calculated today using 1990 methodology the number would be closer to 5% (source: shadowstats.com)

Peeking under the bonnet, March served up a healthy dose of "Madness" for investors to navigate. Not to be confused with the college basketball tournament which is currently being decided between Gonzaga and Baylor as we go to print. After being cancelled last year, this year's tournament has been a bonanza for on-line bookmakers, which we have exposure to through DraftKings. If we needed a reminder about the effects of over-leverage, Archegos certainly provided it and we remain wary of whether this might be a canary in a coal mine event. And, a ship was stuck in the Suez Canal for 6 days wreaking havoc with global trade.

A positive contributor to performance included the fund's holdings in financial heavyweights Lazard, Handelsbanken, US Bancorp and JPMorgan. Rising bond yields, increased deal flow and the expectation of lower Covid related bad debts than originally provisioned for are providing significant tailwinds for the sector. Despite their strong recent performance they are still broadly trading on low-teen multiples and remain core positions for the fund.

The AUD ceded part of the recent strong gains, declining -1.15% for the month to 0.7617. The fund is currently 77% hedged to the AUD providing capital protection against a rising AUD. The fund remains fully invested and positioned to benefit from a higher inflationary environment fuelled by central bank largesse and enormous government spending programs. 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							0.89	1.30	-0.44	-1.38	1.36	3.79	5.56	3.03	50.51%	-4.41%	
2005/06	4.91	0.73	2.64	-0.96	4.20	4.43	5.11	4.42	5.66	-0.07	-3.66	2.02	33.16	22.26	21.28%	-4.15%	
2006/07	0.43	2.13	2.80	3.60	1.97	4.81	2.40	0.13	1.06	3.14	5.05	-0.29	30.70	9.93	23.64%	-1.06%	
2007/08	0.09	0.64	2.57	3.36	-3.71	-1.08	-8.04	-0.63	-1.22	2.98	1.83	-3.45	-7.04	-19.95	43.46%	-7.29%	
2008/09	-2.51	2.89	-8.60	-9.70	-2.45	5.09	-3.10	-2.84	4.93	6.88	7.84	-0.65	-4.00	-15.30	51.14%	-3.95%	
2009/10	7.58	2.13	3.34	-1.70	1.41	3.03	-4.09	0.16	4.70	0.17	-5.42	-2.72	8.11	8.36	11.69%	-1.03%	
2010/11	4.31	-2.46	8.39	2.70	0.04	3.75	0.43	0.92	0.98	1.73	-1.91	-1.55	18.20	3.50	12.01%	-2.42%	
2011/12	-2.18	-4.47	-4.46	2.48	-3.02	-1.70	3.61	4.73	3.57	-0.02	-4.28	-1.48	-7.57	-2.59	22.89%	-2.93%	
2012/13	0.63	3.44	1.97	0.58	1.43	2.81	2.74	1.78	0.72	2.50	4.06	-0.44	24.49	31.02	6.72%	-0.35%	
2013/14	3.93	-0.38	0.47	2.43	4.36	5.47	-0.93	1.56	-5.72	-2.51	1.16	-1.82	7.72	19.62	8.01%	-0.15%	
2014/15	0.65	1.03	3.92	0.77	4.13	3.74	4.04	4.23	2.06	3.09	3.14	-2.68	31.74	23.89	13.16%	-0.63%	
2015/16	-0.13	-2.30	-1.88	5.41	-2.12	-1.91	-3.98	-3.27	2.08	0.40	3.97	-7.06	-10.88	-0.60	20.86%	-0.71%	
2016/17	2.90	2.13	0.13	-1.29	3.85	2.98	2.07	0.88	0.42	1.23	1.42	-2.06	15.50	15.36	23.10%	-2.82%	
2017/18	0.26	0.99	1.89	3.62	2.39	-1.72	2.11	-0.29	-2.65	0.70	-0.69	-0.25	6.38	15.13	21.63%	-3.25%	
2018/19	0.83	2.67	-0.16	-5.59	-1.95	2.09	-2.55	3.58	-0.28	3.12	-4.07	3.51	0.69	10.51	32.63%	-3.84%	
2019/20	1.29	-1.58	1.39	0.26	2.89	1.88	0.26	-8.61	-16.74	4.90	6.25	-0.27	-9.91	3.22	9.52%	-2.35%	
2020/21	2.93	5.39	0.02	-2.91	9.05	4.76	-0.45	4.70	1.05				26.75	18.26	2.38%	-0.08%	
													Incept.	330.74	254.69		
													Incept.	9.40%pa	8.10%pa	22.04%	-2.44%

(1) Morningstar Global Markets NR AUD

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