

# K2 Select International Fund

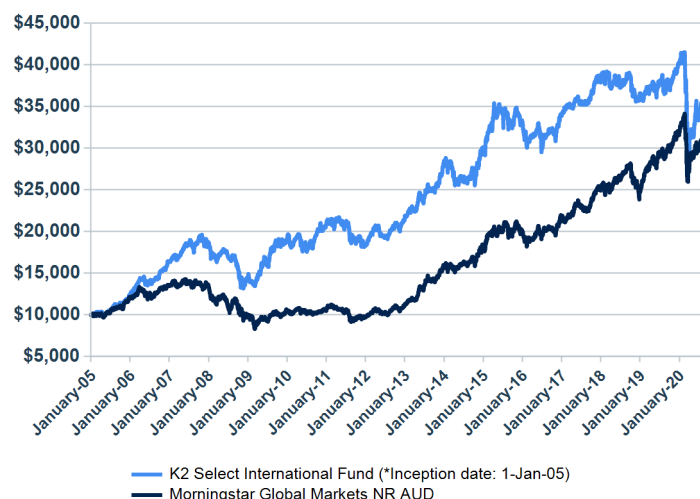
## 31 July 2020



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	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	15 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	2.9%	9.1%	-8.4%	-0.3%	0.5%	6.6%	8.0%	8.4%	1-Jan-2005
Average Net Exposure	97.4%	92.9%	91.2%	79.9%	78.9%	83.1%	78.8%	77.7%	

### Growth of \$10,000



### Commentary

The K2 Select International Fund returned +2.93% 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.

A significant positive contributor for the month included global medical device manufacturer Abbott Laboratories. Reported results exceeded expectations as increased revenue from Covid diagnostic testing partially offset delays in elective surgery. Encouragingly, despite lingering uncertainty, Abbott was able to re-instate full year guidance at a level which indicates management confidence in the improving outlook for the remainder of 2020.

The fund ended the month with a net exposure to equities of 99% 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 77% hedged to the AUD providing capital protection against a rising AUD.

Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	6.4%	-0.6%
Abbott Laboratories	6.3%	+0.6%
Visa Inc	5.5%	0.0%
BHP Group Ltd-Spon ADR	5.2%	+0.4%
Nike Inc	5.2%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	8.8%	-0.6%
Consumer	16.3%	+3.5%
Energy	0.7%	+0.2%
Financials	16.4%	-0.7%
Health Care	14.9%	+2.5%
Industrials	2.4%	+0.2%
Information Technology	25.3%	-2.7%
Materials	12.6%	+2.2%
Real Estate	1.1%	-1.6%
Number of Positions	36	-1
Gross Equity Exposure	98.5%	+0.4%
Cash Weighting	1.5%	-0.4%
Net Equity Exposure	98.5%	+0.4%
Currency Exposure Hedged of AUD	76.6%	-3.7%

### 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

**George Boubouras**  
 Head of Research  
 03 9691 6191  
 invest@k2am.com.au

## 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												2.9	0.9	2.6%	-0.1%	
													Incept	249.8	202.6		
													Incept	8.4%pa	7.4%pa	22.1%	-2.4%

(1) Morningstar Global Markets NR AUD

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