

# K2 Select International Fund

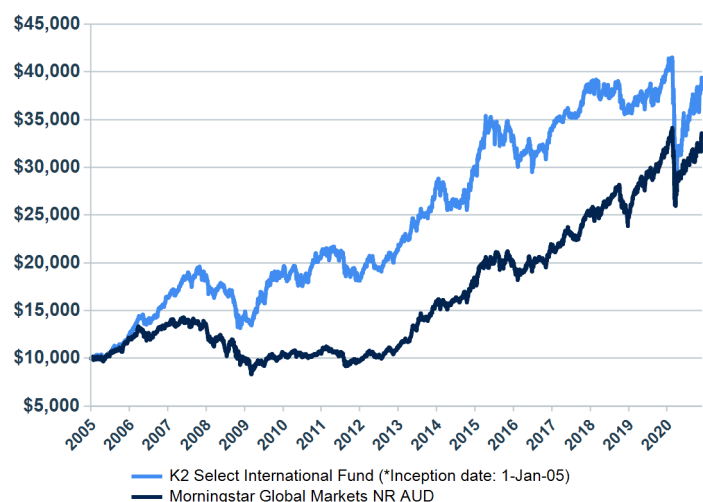
## 30 November 2020



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	Inception (%pa)	Inception Date
Performance (Net of Fees)	9.1%	8.9%	1-Jan-2005
Average Net Exposure	98.1%	78.1%	

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.7%	-0.9%
Nike Inc	5.7%	+0.0%
BHP Group Ltd-Spon Adr	5.4%	+0.2%
Visa Inc	5.3%	-0.1%
Abbott Laboratories	4.7%	-1.0%

Month End Exposures	Current	Monthly Move
Communication Services	5.7%	-6.1%
Consumer	15.6%	+0.7%
Energy	0.7%	0.0%
Financials	26.6%	+8.8%
Health Care	14.7%	+1.3%
Industrials	4.6%	+0.4%
Information Technology	22.2%	-2.6%
Materials	7.9%	-1.0%
Number of Positions	33	+1
Gross Equity Exposure	98.1%	-0.3%
Cash Weighting	1.9%	+0.3%
Net Equity Exposure	98.1%	-0.3%
Currency Exposure Hedged of AUD	74.4%	-6.3%

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### Commentary

The strong returns continued in November. The K2 Select International Fund returned +9.1% for the month and has now returned +14.9% this financial year to be +3.7% ahead of the benchmark (BM). Since the cycle lows in the March correction the fund is up +48.8% outperforming the BM by +20.3%. 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 equities markets enjoyed their best monthly performance in local currency terms in over 20 years with all major regions advancing strongly. Europe was the star performer after having lagged its US peers for most of the year. Positive news flow from multiple vaccine candidates invigorated investors. The quantum of additional US government stimulus required is therefore becoming less of a concern with the latest round of discussions suggesting a package in the range of \$1trn.

Looking under the hood, more Value orientated and Cyclical stocks, which will benefit as economies re-open, significantly outperformed their Growth counterparts. We expect this rotation to continue as investors slowly reposition their portfolios.

The US political environment, a prior cause of market angst, has taken a back seat. Despite on-going court challenges it now appears only a formality that the election will be officially called in Biden's favour. However, with government remaining divided, Biden's platform of tax hikes, increased regulation and healthcare reform is now likely to be blocked. Nirvana for markets.

Significant positive contributors for the month included global payment processing giants Visa and Mastercard. Despite benefitting from increased online spending and migration away from cash usage during Covid lockdowns, both companies suffered from a significant decline in cross border volumes as global travel ground to a halt. The emergence of a vaccine and subsequent resumption of international travel, albeit slowly, will see Visa and Mastercard return to their prior double digit growth rates.

The fund ended the month with a net exposure to equities of 98% reflecting our unchanged overall optimistic stance. Central banks have committed to keeping interest rates at historic lows and its now up to Governments to provide the necessary fiscal stimulus to maintain economic momentum. In this environment equities are the asset class of choice.

### Fund Characteristics

FUM	AUD \$15m
Portfolio Managers	Campbell Neal, David Popenbeek 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								14.9	11.2	1.6%	-0.1%	
													Incept	290.4	233.4		
													Incept	8.9%pa	7.9%pa	22.0%	-2.4%

(1) Morningstar Global Markets NR AUD

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