

K2 Global High Alpha Fund

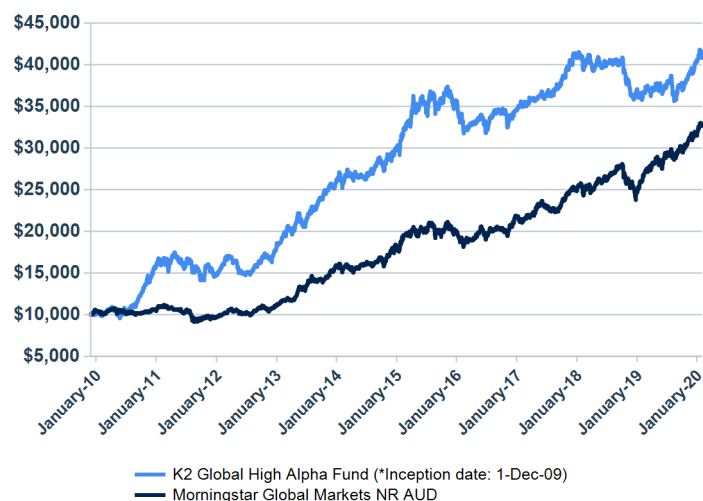
31 January 2020



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)	1.1%	6.8%	14.0%	5.0%	5.4%	15.2%	14.8%	1-Dec-2009
Average Net Exposure	84.9%	84.8%	75.4%	74.3%	78.2%	82.0%	81.1%	

Growth of \$10,000



Commentary

The K2 Global High Alpha Fund returned 1.1% for January.

The global equity market rally stalled in January and many markets sharply declined mid-month as fears of a potential global health epidemic, stemming from the spread of China's Coronavirus. The Asian region fared worse with large falls in Hong Kong's Hang Seng Index (-6.7%), Taiwan's TWSE Index (-4.2%) and Korea's KOSPI Index (-3.6%). Europe SXXP Europe 600 Index (-1.2%) and the US SPX 500 Index (-0.2%) also declined but to a lesser extent. Commodity prices and the AUD had large declines with the oil prices declining over -15%, copper -10% and the AUD nearly -5%.

Campaigning for the US election in November 2020 has started to ramp up. As always, lots of promises will be made by the various candidates to keep investors on their toes. For Trump to be re-elected the US economy must be firing on all cylinders within 1-2 months of election day. Any unforeseen hiccup has the potential to cause significant damage to his chances. Today, the unemployment rate is at record lows and equity markets are at record highs. Has Trump peaked too early? Watch this space.

A positive contributor to Fund performance included global fast food giant McDonalds. Reported 4Q 2019 earnings showed strong sales momentum in both US and international locations as technology investments including self-ordering kiosks and the acquisition of Dynamic Yield which creates a tailored drive-thru menu experience begin to show signs of paying off. Additional catalysts for 2020 such as new chicken products, plant-based protein burgers and an aggressive push to increase traffic, particularly during breakfast, will continue to drive sales.

The AUD ended the month down -4.7% versus the USD at 0.6692. The Fund is currently 92% hedged to the AUD providing capital protection against a rising AUD. Net exposure remained steady at 83%.

Top 5 Stock Holdings	Current	Monthly Move
Money3 Corp Ltd	3.5%	+0.3%
Seven Group Holdings Ltd	3.5%	+0.2%
Kina Securities Ltd	3.2%	-0.1%
Visa Inc	2.9%	+0.3%
Summerset Group Holdings Ltd	2.9%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	1.8%	+0.1%
Consumer	13.5%	-2.8%
Energy	3.2%	+0.0%
Financials	28.2%	+2.6%
Health Care	11.7%	+1.1%
Industrials	10.9%	+0.2%
Information Technology	9.7%	+1.0%
Materials	3.3%	-0.2%
Other	2.3%	+0.1%
Real Estate	4.0%	+0.1%
SHORTS	-6.1%	-3.3%
Number of Positions	65	-2
Gross Equity Exposure	94.8%	+5.6%
Cash Weighting	17.4%	+0.9%
Net Equity Exposure	82.6%	-0.9%
Currency Exposure Hedged of AUD	91.9%	-0.2%

Fund Characteristics

FUM	AUD \$46m
Portfolio Managers	Campbell Neal, David Poppenbeek, 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

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

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						9.0	12.7	17.2%	-2.7%	
													Incept	308.0	226.5		
													Incept	14.8%pa	12.3%pa	19.4%	-1.6%

(1) Morningstar Global Markets NR AUD

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