

K2 Global High Alpha Fund

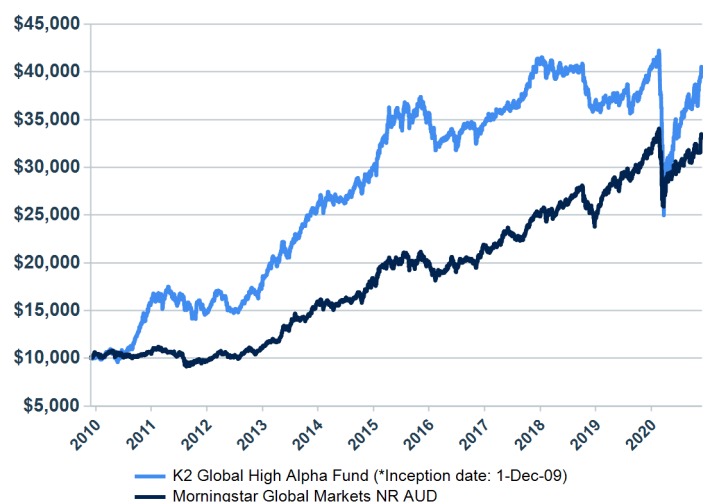
30 November 2020



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	Inception (%pa)	Inception Date
Performance (Net of Fees)	9.8%	13.4%	1-Dec-2009
Average Net Exposure	94.6%	82.0%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Money3 Corp Ltd	5.0%	+0.8%
Summerset Group Holdings Ltd	3.9%	-0.2%
Kina Securities Ltd	3.6%	+0.1%
Macquarie Group Ltd	3.4%	0.0%
BHP Group Ltd	3.4%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	3.8%	-2.2%
Consumer	19.0%	+2.1%
Energy	0.4%	0.0%
Financials	29.2%	+2.6%
Health Care	12.2%	+0.6%
Industrials	7.1%	+0.2%
Information Technology	7.7%	-3.1%
Materials	11.9%	-0.8%
Other	3.4%	+0.7%
Number of Positions	61	0
Gross Equity Exposure	94.7%	-0.9%
Cash Weighting	5.3%	+0.9%
Net Equity Exposure	94.7%	-0.9%
Currency Exposure Hedged of AUD	87.9%	-2.9%

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Commentary

The strong returns continued in November. The K2 Global High Alpha Fund returned +9.8% for the month and has now returned +18.8% this financial year to be +7.7% ahead of the benchmark (BM). Since the cycle lows in the March correction the fund is up +60.2% outperforming the BM by +31.8%. 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. Importantly, the fund has delivered a consistent 13.4% p.a. return over the past 11 years without excess market volatility.

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.

The fund has recently increased exposure to Financials. We see value within the sector supported by rising inflation expectations and bond yields. Positive contributors within the sector included Money3 Corporation (+32%), Goldman Sachs Group (+22%), Polar Capital (+20%), Kina Securities (+13%), Lazard Ltd (+11%) and Macquarie Bank (+9%).

The fund ended the month with a net exposure to equities of 95% reflecting our unchanged overall optimistic stance. Central banks have committed to keeping interest rates at historic lows and it's 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 \$39m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen and Tony Sutton, 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

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	-7.8	-23.2	8.1	6.3	1.4	-10.0	3.2	14.8%	-2.8%
2020/21	4.7	5.5	-1.0	-1.1	9.8								18.8	11.2	4.3%	-0.5%
												Incept	300.1	232.6		
												Incept	13.4%pa	11.5%pa	17.9%	-1.5%

(1) Morningstar Global Markets NR AUD

DISCLAIMER: Returns are shown after fees (including performance fees) and expenses have been deducted and assume the reinvestment of income distributions. Please note that past performance is not a reliable indicator of future performance. The information contained in this document is produced by K2 Asset Management Ltd ("K2") in good faith, but does not constitute any representation or offer by K2. It is subject to change without notice, and is intended as general information only and is not complete or definitive. K2 does not accept any responsibility, and disclaims any liability whatsoever for loss caused to any party by reliance on the information in this document. A product disclosure statement for general information on any Fund referred to in this document can be obtained at www.k2am.com.au or by contacting K2. You should read the product disclosure statement and consider whether the product is appropriate for you before making a decision to acquire or continue to hold an interest in a Fund. Fees referred to in this document are inclusive of GST and RITC and do not include expense recoveries.

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