

K2 Global High Alpha Fund

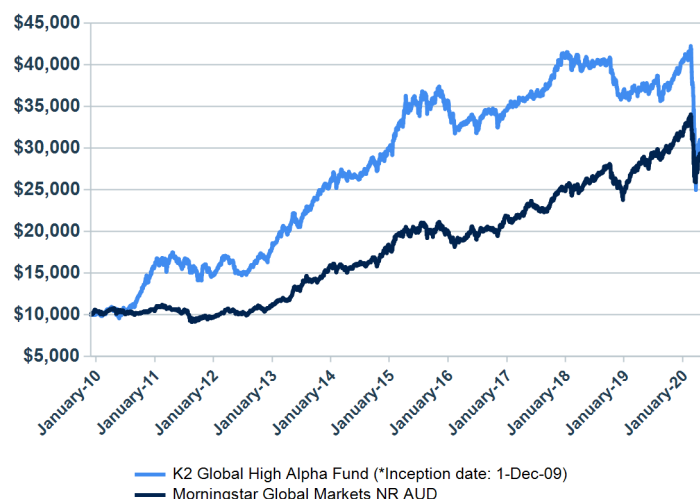
30 April 2020



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) | 8.1% | -23.4% | -17.1% | -4.6% | -2.1% | 11.3% | 11.6% | 1-Dec-2009 |
| Average Net Exposure | 82.0% | 86.2% | 81.3% | 74.7% | 78.0% | 82.3% | 81.2% | |

Growth of \$10,000



Commentary

The K2 Global High Alpha Fund returned +8.13% for the month of April.

Global equity markets bounced off their March lows as investors began to look through the economic carnage inflicted by Covid-19. With governments around the world slowly relaxing restrictions investor focus has shifted to the timing and shape of recovery. Concern over corporate solvency is slowly dissipating as company's moved swiftly to strengthen balance sheets and increase liquidity. Investor appetite for corporate debt of all grades and maturities has been insatiable. It helps to have the Fed in your corner. Commentary from US companies has been fairly consistent. It is no surprise that Q2 will be horrible with any recovery not expected to begin until later in the quarter. In addition, most management teams are unwilling to provide any form of guidance.

The blame game has erupted within the US government, with China firmly in the administration's sights. Any escalation of the trade war and threatened imposition of additional tariffs represent a significant risk to markets going forward.

Positive contributors for the month included Australian small cap stocks Money3 Corporation (+30%) and Austal Limited (+15%) bouncing back from oversold levels. US listed Abbott Laboratories (+17%) and VISA (+11%) continue to benefit from their recession resilient business models. Macquarie Bank (+20%) and Goldman Sachs (+19%) rallied strongly as corporate raisings and M&A activity increased.

The fund ended the month with a net exposure to equities of 84%. On one hand we take the longer-term view that Covid-19 will end and global economic growth will recover, albeit at different stages for different countries, however the extent of the economic damage being inflicted is still very much unknown. Given the short-term uncertainty we feel it is appropriate to maintain a slightly more cautious approach.

The AUD ended the month up +6.92% versus the USD at 0.6524. The fund is currently close to fully hedged to the AUD providing capital protection against a rising AUD.

| Top 5 Stock Holdings | Current | Monthly Move |
|----------------------|---------|--------------|
| Visa Inc | 3.7% | -0.2% |
| Macquarie Group Ltd | 3.7% | +0.4% |
| Lonking Holdings Ltd | 3.6% | -0.1% |
| BHP Group Ltd | 3.3% | +0.1% |
| Austal Ltd | 3.3% | +0.2% |

| Month End Exposures | Current | Monthly Move |
|---------------------------------|---------|--------------|
| Communication Services | 4.0% | +1.0% |
| Consumer | 13.0% | -0.2% |
| Energy | 0.2% | +0.2% |
| Financials | 25.9% | -1.6% |
| Health Care | 7.2% | -1.0% |
| Industrials | 9.3% | +0.2% |
| Information Technology | 11.5% | -0.2% |
| Materials | 11.2% | -0.1% |
| Other | 3.1% | -0.2% |
| Real Estate | 3.8% | +1.4% |
| SHORTS | -5.6% | -3.3% |
| Number of Positions | 61 | +4 |
| Gross Equity Exposure | 94.7% | +2.7% |
| Cash Weighting | 16.4% | +3.9% |
| Net Equity Exposure | 83.6% | -3.9% |
| Currency Exposure Hedged of AUD | 99.5% | -3.6% |

Fund Characteristics

| | |
|--------------------|---|
| FUM | AUD \$34m |
| 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 |

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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 | | | -16.6 | 0.6 | 16.2% | -3.0% | |
| | | | | | | | | | | | | | Incept | 212.4 | 191.6 | | |
| | | | | | | | | | | | | | Incept | 11.6%pa | 10.8%pa | 19.3% | -1.6% |

(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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