

K2 Global High Alpha Fund

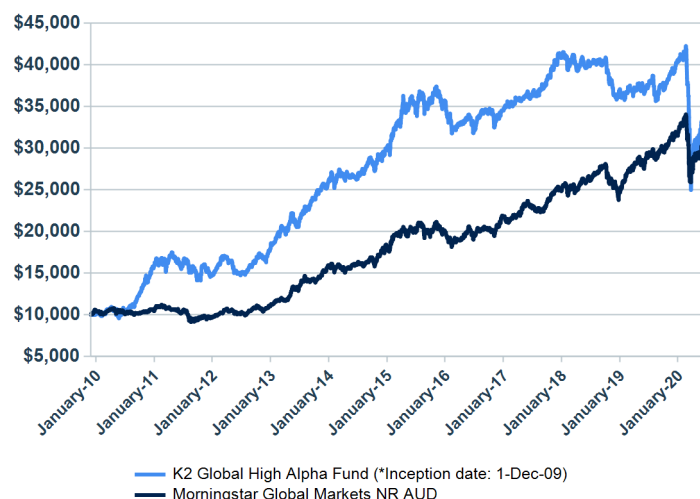
31 May 2020



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)	6.3%	-11.7%	-10.2%	-3.2%	-1.6%	12.6%	12.1%	1-Dec-2009
Average Net Exposure	90.1%	87.6%	82.9%	75.7%	78.3%	82.3%	81.3%	

Growth of \$10,000



Commentary

The K2 Global High Alpha Fund returned +6.33% for the month of May.

Global equity markets extended their post-Covid bounce in May. The enormous amounts of liquidity being created by the US Federal Reserve and other central banks is a major driving force behind the rise in markets, winning the tug-of-war against the gloomy economic reality of main street. With most countries now gradually in the process of easing restrictions investor focus will remain on the timing and shape of any recovery. In addition, Governments are standing ready, willing and able to provide stimulus and support where required.

The ongoing threat of geo-political tensions boiling over represent a significant risk to markets going forward. Hong Kong experienced this first hand with the announcement of Beijing's new national security rules over the territory. Meanwhile, US-China relations continue to deteriorate as the US enters the fray over Hong Kong and the fall-out from Covid-19 persists. We are closely monitoring the situation with respect to how it might impact the trade deal. Although we are paying greater attention to what each party is actually doing rather than what they are saying.

The Australian small cap sector continued to rebound strongly, materially outperforming large caps. Significant share price gains were recorded in the funds core small cap holdings including Paradigm Biopharmaceuticals (+49%), Elanor Group (+38%), Data3 Ltd (+37%), Healthia Ltd (+31%) and Kina Securities (+13%). Internationally, VISA (+9%) reported solid Q2 results in May and has now fully re-couped its March falls.

The fund ended the month with a net exposure to equities of 93.5% reflecting our optimistic stance. We believe that ultimately global economic growth will recover however it is unlikely to be a smooth ride with the extent of the economic damage inflicted by the virus still very much unknown.

The AUD ended the month up +2.19% versus the USD at 0.6667. The fund is currently 98% hedged to the AUD providing capital protection against a rising AUD.

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	4.8%	+1.0%
BHP Group Ltd	3.4%	+0.1%
Kina Securities Ltd	3.2%	+0.2%
Money3 Corp Ltd	3.2%	+0.0%
RIO Tinto Ltd	2.9%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	5.7%	+1.7%
Consumer	14.9%	+1.8%
Energy	0.4%	+0.2%
Financials	24.9%	-1.0%
Health Care	7.2%	0.0%
Industrials	4.7%	-4.5%
Information Technology	11.3%	-0.2%
Materials	18.2%	+7.0%
Other	2.8%	-0.3%
Real Estate	4.8%	+0.9%
SHORTS	-1.2%	+4.4%
Number of Positions	69	+8
Gross Equity Exposure	96.0%	+1.2%
Cash Weighting	6.4%	-9.9%
Net Equity Exposure	93.6%	+9.9%
Currency Exposure Hedged of AUD	97.3%	-2.3%

Fund Characteristics

FUM	AUD \$36m
Portfolio Managers	Campbell Neal, 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	-7.8	-23.2	8.1	6.3		-11.3	3.9	15.6%	-3.1%	
													Incept	232.2	201.0		
													Incept	12.1%pa	11.1%pa	19.2%	-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.

©2020 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.