

K2 Select International Fund

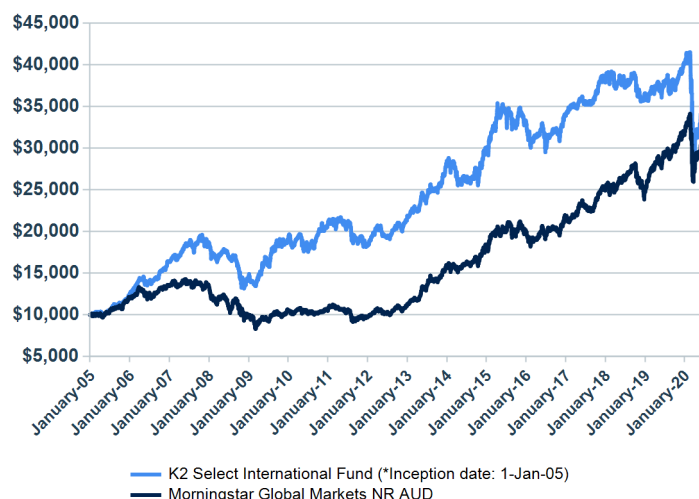
31 May 2020



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	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	15 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	6.3%	-7.2%	-6.5%	-1.8%	-0.6%	6.5%	8.4%	8.3%	1-Jan-2005
Average Net Exposure	86.3%	84.5%	89.0%	77.5%	78.1%	82.8%	78.4%	77.5%	

Growth of \$10,000



Commentary

The K2 Select International Fund returned +6.25% 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.

A significant positive contributor for the month included global sporting giant Nike. The company provided an encouraging mid-month trading update which highlighted that almost all stores have re-opened in Greater China and South Korea. While the vast majority of stores in the rest of world have been closed since mid-March, digital demand has accelerated above expectations helping to offset retail declines.

The fund ended the month with a net exposure to equities of 88% 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 82% hedged to the AUD providing capital protection against a rising AUD.

Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	6.3%	-0.3%
Abbott Laboratories	5.9%	-0.2%
Visa Inc	5.6%	+0.1%
Nike Inc	5.2%	+0.3%
Mastercard Inc	4.9%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	9.6%	+3.8%
Consumer	13.2%	+3.5%
Financials	14.8%	-2.8%
Health Care	8.3%	-0.1%
Industrials	2.3%	-1.2%
Information Technology	26.8%	+2.1%
Materials	10.4%	+2.4%
Real Estate	4.3%	+0.4%
SHORTS	-1.5%	+3.8%
Number of Positions	32	+1
Gross Equity Exposure	91.3%	+4.3%
Cash Weighting	11.6%	-11.8%
Net Equity Exposure	88.4%	+11.8%
Currency Exposure Hedged of AUD	81.2%	-4.2%

Fund Characteristics

FUM	AUD \$17m
Portfolio Managers	Campbell Neal, David Poppenbeek 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

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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		-9.7	3.9	9.9%	-2.6%
												Incept	240.7	201.8		
												Incept	8.3%pa	7.4%pa	23.3%	-2.6%

(1) Morningstar Global Markets NR AUD

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