

K2 Select International Fund

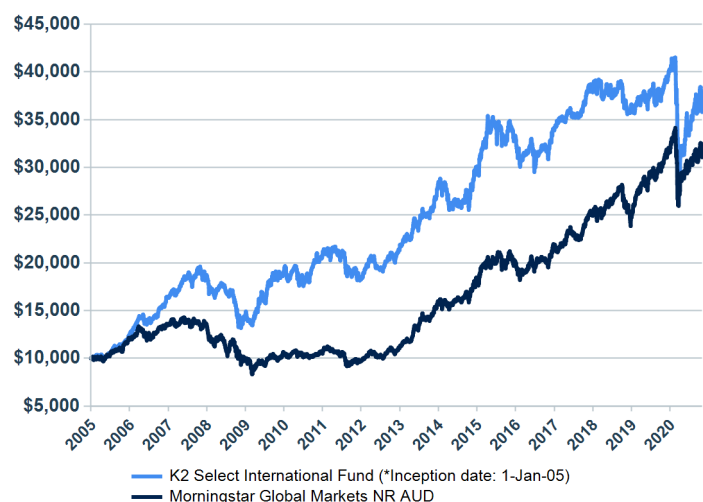
31 October 2020



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	Inception (%pa)	Inception Date
Performance (Net of Fees)	-2.9%	8.4%	1-Jan-2005
Average Net Exposure	98.6%	78.0%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	6.6%	+0.2%
Abbott Laboratories	5.8%	-0.1%
Nike Inc	5.7%	+0.2%
Visa Inc	5.4%	-0.1%
BHP Group Ltd-Spon Adr	5.2%	0.0%

Month End Exposures	Current	Monthly Move
Communication Services	11.8%	+0.4%
Consumer	14.8%	-0.4%
Energy	0.8%	+0.0%
Financials	17.8%	+1.0%
Health Care	13.5%	-1.0%
Industrials	4.2%	-0.5%
Information Technology	24.8%	-0.2%
Materials	8.9%	+0.5%
Real Estate	1.8%	-0.1%
Number of Positions	32	-1
Gross Equity Exposure	98.3%	-0.3%
Cash Weighting	1.7%	+0.3%
Net Equity Exposure	98.3%	-0.3%
Currency Exposure Hedged of AUD	80.7%	+11.0%

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Commentary

The K2 Select International Fund returned -2.9% for the month of October and has now returned +5% this financial year. Since the March lows the fund is up a very strong +36% outperforming the benchmark by +17%. The combination of good stock selection, investing cash early in the recovery and accumulation of the AUD at lower levels have contributed to the strong performance vs benchmark since the March correction.

Global equities markets retreated in October to post their second monthly decline in succession. Investor sentiment deteriorated on a number of fronts including the political stalemate in the US over the amount, timing and dispersion of additional stimulus, increased Covid cases and the potential for future lockdowns, particularly in Europe and general US election uncertainty. The VIX index, a key measure of market volatility, remained elevated at above average levels towards month end.

As we go to print one week into November, it appears Biden will win the US election in what many commentators are describing as a goldilocks scenario for equity markets. A divided government where the Senate remains a Republican majority and the House stays in control of the Democrats provides a beneficial environment for equities as it did two years ago, until Covid struck. Biden's platform of tax hikes, increased regulation and healthcare reform is now likely to be blocked with the immediate positive impact being seen in the share price gains of Technology and Healthcare stocks.

A significant positive contributor for the month included New Zealand aged care provider Summerset Group (SUM). One of the leading operators and developers of retirement villages in New Zealand SUM delivered strong sales of occupancy rights in the 3Q; +36% on last year. Residential property conditions continue to be supportive of future growth.

The fund ended the month with a net exposure to equities of 98% reflecting our unchanged overall optimistic stance. Once the election dust settles, fiscal stimulus will be high on the agenda to propel economic momentum. Meanwhile, central banks will continue to do the bulk of the heavy lifting by expanding their balance sheets and keeping interest rates at historic lows. In this environment equities are the asset class of choice.

The AUD ended the month down -1.99% versus the USD at 0.7028. The fund is currently 80% hedged to the AUD providing capital protection against a rising AUD.

Fund Characteristics

FUM	AUD \$14m
Portfolio Managers	Campbell Neal, David Popenbeek 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

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	-0.3	-9.9	3.2	9.5%	-2.4%	
2020/21	2.9	5.4	0.0	-2.9									5.3	3.6	1.5%	-0.1%	
													Incept	258.0	210.7		
													Incept	8.4%pa	7.4%pa	22.0%	-2.4%

(1) Morningstar Global Markets NR AUD

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