

K2 Select International Fund

30 November 2022

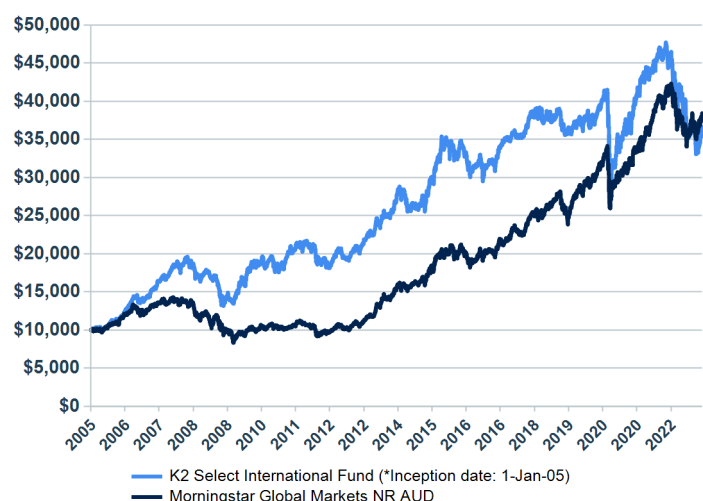


The K2 Select International Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	6.86%	117.69	7.52%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	9.3%	-0.1%
BHP Group Ltd-Spon ADR	8.1%	+1.2%
RIO Tinto Plc-Spon ADR	7.9%	+1.1%
Kina Securities Ltd	6.9%	-0.6%
Judo Capital Holdings Ltd	5.2%	+0.5%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	49.0%	+4.0%
Mid Caps >=AUD\$2b < AUD\$7.5b	21.3%	-1.7%
Small Caps < AUD\$2b	27.5%	-1.0%

Month End Exposures	Current	Monthly Move
Communication Services	4.9%	-0.2%
Consumer	9.0%	+0.2%
Energy	9.6%	-0.5%
Financials	28.8%	-0.8%
Health Care	6.6%	-2.4%
Industrials/Real Estate	13.4%	-0.8%
Materials	25.6%	+5.8%
SHORTS	-1.0%	-0.2%
Number of Positions	35	+2
Gross Equity Exposure	99.1%	+1.6%
Cash Weighting	3.0%	-1.1%
Net Equity Exposure	97.0%	+1.1%
Currency Exposure Hedged of AUD	79.4%	-3.9%

Commentary

The K2 Select International Fund returned +6.86% for the month outperforming the index by 4.0% in November. The strong risk on market sentiment that began in early October continued through to month-end. There have been a number of leading indicators that have been supportive for markets which have rallied strongly from the recent lows. Peaking US bond yields combined with some lower partial inflation inputs have generally been positive for risk assets.

The recent market rally needs to be put in context as performance year to date has been very volatile following the most aggressive US Fed interest rate hike cycle since the early 1980's. Further, there will be some lagged effects impacting the economy well into next year. The tighter monetary policy has been effective. There have been clear signs of demand destruction in the US economy following the aggressive rate hike cycle combined with Quantitative Tightening (QT). Earnings have been downgraded over the year in line with lower growth pulse. Despite the earning pressure some sectors have performed well. This includes energy, financials and industrials. For the year ahead it is anticipated that the pace of aggregate earnings downgrades will slow. Looking forward, signs of economic slowdown will continue to be viewed as positive news for markets as this suggests cash rate reaching their peak for the cycle.

The Fed commentary however will remain hawkish. This will be at odds with softening signs of economic activity. The Fed simply needs to be convinced the inflation threat is addressed. Despite their commentary bond markets are beginning to price in a 5.25%-5.5% Fed Funds Rate and the long bond yields are already starting to fall from their highs earlier this year. The cure inversion is currently suggesting that the tough Fed narrative of further rate hikes may not eventuate.

The slow opening of the economy in China will be a key contribution for global growth in 2023. The best form of stimulus is simply allowing economies to reopen. This should lead to the long repair in the very weak consumer and business sentiment in China following such aggressive lock down policies. In Europe, the economic challenges remain amplified.

The portfolio cash position is 3% at month-end compared to 15% in the June quarter. We continue maintain underweights to emerging markets and the EU region. Some of the best performing holdings for the Fund in November include BHP, Rio, Judo Capital, Macquarie and Glencore.

Fund Characteristics	
Portfolio Managers	Campbell Neal, David Poppenbeek and Bill Laister
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							0.89	1.30	-0.44	-1.38	1.36	3.79	5.56	3.03	50.51%	-4.41%	
2005/06	4.91	0.73	2.64	-0.96	4.20	4.43	5.11	4.42	5.66	-0.07	-3.66	2.02	33.16	22.26	21.28%	-4.15%	
2006/07	0.43	2.13	2.80	3.60	1.97	4.81	2.40	0.13	1.06	3.14	5.05	-0.29	30.70	9.93	23.64%	-1.06%	
2007/08	0.09	0.64	2.57	3.36	-3.71	-1.08	-8.04	-0.63	-1.22	2.98	1.83	-3.45	-7.04	-19.95	43.46%	-7.29%	
2008/09	-2.51	2.89	-8.60	-9.70	-2.45	5.09	-3.10	-2.84	4.93	6.88	7.84	-0.65	-4.00	-15.30	51.14%	-3.95%	
2009/10	7.58	2.13	3.34	-1.70	1.41	3.03	-4.09	0.16	4.70	0.17	-5.42	-2.72	8.11	8.36	11.69%	-1.03%	
2010/11	4.31	-2.46	8.39	2.70	0.04	3.75	0.43	0.92	0.98	1.73	-1.91	-1.55	18.20	3.50	12.01%	-2.42%	
2011/12	-2.18	-4.47	-4.46	2.48	-3.02	-1.70	3.61	4.73	3.57	-0.02	-4.28	-1.48	-7.57	-2.59	22.89%	-2.93%	
2012/13	0.63	3.44	1.97	0.58	1.43	2.81	2.74	1.78	0.72	2.50	4.06	-0.44	24.49	31.02	6.72%	-0.35%	
2013/14	3.93	-0.38	0.47	2.43	4.36	5.47	-0.93	1.56	-5.72	-2.51	1.16	-1.82	7.72	19.62	8.01%	-0.15%	
2014/15	0.65	1.03	3.92	0.77	4.13	3.74	4.04	4.23	2.06	3.09	3.14	-2.68	31.74	23.89	13.16%	-0.63%	
2015/16	-0.13	-2.30	-1.88	5.41	-2.12	-1.91	-3.98	-3.27	2.08	0.40	3.97	-7.06	-10.88	-0.60	20.86%	-0.71%	
2016/17	2.90	2.13	0.13	-1.29	3.85	2.98	2.07	0.88	0.42	1.23	1.42	-2.06	15.50	15.36	23.10%	-2.82%	
2017/18	0.26	0.99	1.89	3.62	2.39	-1.72	2.11	-0.29	-2.65	0.70	-0.69	-0.25	6.38	15.13	21.63%	-3.25%	
2018/19	0.83	2.67	-0.16	-5.59	-1.95	2.09	-2.55	3.58	-0.28	3.12	-4.07	3.51	0.69	10.51	32.63%	-3.84%	
2019/20	1.29	-1.58	1.39	0.26	2.89	1.88	0.26	-8.61	-16.74	4.90	6.25	-0.27	-9.91	3.22	9.52%	-2.35%	
2020/21	2.93	5.39	0.02	-2.91	9.05	4.76	-0.45	4.70	1.05	2.69	-0.53	1.80	31.80	28.43	2.59%	-0.26%	
2021/22	1.65	3.32	-3.37	2.76	-3.89	2.78	-6.81	-3.68	1.13	-3.00	-1.19	-11.91	-21.05	-8.80	5.43%	-0.15%	
2022/23	4.96	-2.21	-8.79	3.56	6.86								3.62	9.43	8.87%	-0.31%	
													Incept.	266.39	284.42		
													Incept.	7.52%pa	7.81%pa	20.48%	-2.21%

(1) Morningstar Global Markets NR AUD

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