



K2 Global High Alpha Fund Monthly Report - 30 November 2016

Global Market Review

The K2 Global High Alpha Fund returned 0.62% for the month of November.

Global equity markets had a strong month led by the US despite the unexpected election win of Donald Trump. After selling off initially, equity markets across the globe staged a strong recovery on bullish expectations of Trump's reflationary fiscal stimulus programs and proposed US corporate tax cuts. There were large distortions in markets as US bond yields continued to rise sharply further reinforcing the rotation out of defensive and high yield sectors into cyclical and financial stocks that benefit from higher rates and a stronger economy. The euphoria over Trump's policies saw the USD surge against most major currencies as the market has now priced a certain rate hike in the US on 15th December. Commodities also rose strongly on the back of Trump's fiscal stimulus plans and ongoing strength in the Chinese economy.

The best performing region was Japan's Nikkei (+5.1%) as the Yen continued to depreciate falling nearly 9% for the month. China's Shanghai Composite rallied 4.8% and the US S&P rose 3.4% to close near record highs. Europe was the laggard region with the STOXX 600 rising only 0.9%.

Portfolio Insight: Goldman Sachs

US Financials have been one of the biggest beneficiaries since the election of Donald Trump as US President. The sector gained 13.7% in November as US financials are perceived to benefit most from Trump's corporate tax cuts, substantially reduced financial regulation and most importantly an earnings uplift from the steepening yield curve.

Goldman Sachs (GS), the Fund's largest position, rose 23% for the month. One of the largest global investment banks with assets under supervision of USD1.29 trillion, GS is ranked number one in worldwide announced M&A and common stock offerings in the 2016 calendar year to date. As the US economy is likely to grow faster than expected post Trump's policies, capital markets should experience a continued rebound into 2017. GS has the highest revenue concentration to capital markets relative to its US investment banking peers so will likely benefit the most. GS has been buying back shares over last few years and has considerably reduced its cost base providing improved operating leverage to enhance earnings and ROE. We believe GS is extremely well positioned to benefit from the expected rise in US interest rates.

Outlook

Post the US election the next key events for equity markets are the 4th December Italian referendum and 15th December Federal Reserve Meeting. The Italian referendum is a vote for constitutional reform. A "no" vote will most likely decide the fate of the Italian Prime Minister and lead to further political uncertainty and renewed concerns on financial stability in the Eurozone's third largest economy. A "no" vote is widely expected but nonetheless will be negative for sentiment. European political uncertainty will remain with German and French elections due in 2017. A win by Marine Le Pen in the French Presidential Election in May would be perceived as negative for equities as "Project Europe" would be under serious threat.

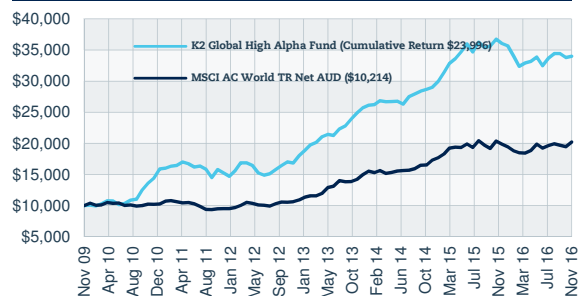
A December interest rate rise is all but confirmed by financial markets in the US, moving the focus to the timing of further rate increases in 2017. We expect the immediate outlook from the Federal Reserve testimony to be cautious in its accompanying narrative on further interest rate rises.

Top 5 Stock Contributions - November

Largest	AbbVie Inc, Galaxy Entertainment Group, Goldman Sachs Group Inc, Think Childcare Ltd, Thor Industries Inc
Smallest	Adairs Ltd, Medical Developments International, Money3 Corp Ltd, Updater Inc, Vita Group Ltd

Performance to 30 November 2016 (net of fees)	
1 Month	0.62%
3 Months	-1.30%
6 Months	0.34%
1 Year	-5.70%
3 Years (pa)	9.75%
5 Years (pa)	17.37%
Since Inception (pa)	19.10%

Growth of AUD \$10,000



Returns are based on NAV per unit plus distributions reinvested net of management fee and performance fee accruals. The method for calculating the NAV is set out in the Fund's PDS.

Fund Details (Unaudited)

Exit Price Per Unit:	A\$169.44
Fund Size:	A\$45.2m
Start Date:	1-Dec-09

Top 5 Large Cap Holdings	Sector	%
Goldman Sachs Group Inc	Financial	4.7
Nordea Bank AB	Financial	2.7
AbbVie Inc	Cons. Non-Cyc	2.0
Facebook Inc	Communication	1.9
Alphabet Inc	Communication	1.7

Geographic Exposure %

	Long	Short	Net Equity
Australia	40.9	-2.0	38.9
Canada	2.4	-	2.4
China	3.1	-	3.1
Denmark	1.2	-	1.2
Euroland	1.5	-0.3	1.2
Hong Kong	0.9	-	0.9
Korea	0.2	-	0.2
New Zealand	4.2	-	4.2
Sweden	2.7	-	2.7
Switzerland	-	-0.3	-0.3
United Kingdom	0.4	-	0.4
United States	28.7	-	28.7
Total Equity	86.2	-2.6	83.6
Total Cash			16.4
Total Equity and Cash Exposure			100.0
Net AUD Exposure AFTER Hedging			46.4%

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