

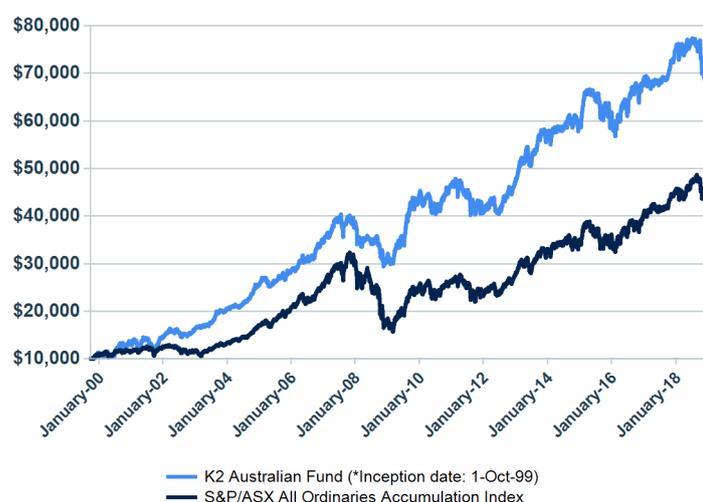
K2 Australian Fund

30 November 2018



	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)	-2.4%	-9.4%	-4.8%	3.2%	3.6%	8.5%	8.6%	10.6%	1-Oct-1999
Average Net Exposure	50.3%	68.2%	80.6%	79.2%	80.3%	82.4%	75.8%	72.6%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Cedar Woods Properties Ltd	2.9%	+0.1%
Medical Developments International	2.8%	-0.2%
Metlifecare Ltd	2.8%	-1.0%
BHP Billiton Limited	2.4%	-1.7%
RIO Tinto Ltd	2.4%	-0.5%

Month End Exposures	Current	Monthly Move
Consumer	3.9%	-0.3%
Energy	1.8%	-4.0%
Financials	12.1%	-2.4%
Health Care	7.0%	-0.7%
Industrials	4.1%	+0.4%
Information Technology	1.3%	-0.8%
Materials	7.9%	-4.0%
Real Estate	3.8%	-0.4%
SHORTS	-2.9%	-0.7%
Number of Positions	36	-1
Gross Equity Exposure	44.9%	-13.0%
Cash Weighting	61.0%	+14.3%
Net Equity Exposure	39.0%	-14.3%

Commentary

The K2 Australian Absolute Return Fund returned -2.4% for the month of November while the All Ordinaries Accumulation Index returned -2.2%.

The All Ordinaries Accumulation Index was again weak during November. The average daily move for the market during the month was negative and this was the third consecutive month of average daily declines. The last time this happened was during the European debt crisis back in 2011. Think Childcare was the best positive contributor for the month rising 30%. The company announced that it would acquire five centres thus expanding the group's footprint by 10%. Short positions in Domino's Pizza Enterprises and Steadfast Group were also positive contributors for the month.

The Fund's exposure to basic material companies were the largest detractors to performance; holdings in Woodside Petroleum, Alumina and BHP Billiton were the worst performers. Commodity prices were generally weaker for the month; oil declined more than 20% and steel (hot rolled coil) dropped 7%. The US 10yr bond yield also dropped below 3% by month end suggesting that global growth expectations had tapered.

The Fund's net exposure finished the month at 39%. Long exposure was reduced progressively during the month. We are sensing that Australian equity market liquidity will gradually be withdrawn; the combination of sustained declines in residential property and meaningful falls in equity prices typically leads to a significant drawdown in household net-wealth. Asset allocation subsequently tends to tilt towards less volatile investment alternatives. Our expectation is that the deferral in tariff negotiations between China and the US should see equity market sentiment improve near term. However we believe that the recovery will be short lived and should provide us with an opportunity to increase our short exposure.

Fund Characteristics

FUM	AUD \$203m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen and Nicholas Leitl
Strategy	Australian and New Zealand 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 stocks
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.31%
Buy/Sell	Daily Application/Redemption
Performance Fee	15.38% p.a. of the amount by which the NAV exceeds the High Water Mark once the fund achieves its hurdle.

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