

K2 Global High Alpha Fund

30 September 2018



	1 mth	3 mths	1yr	3yrs (%pa)	5yrs (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	-0.3%	0.8%	5.8%	4.3%	11.1%	17.1%	1-Dec-2009
Average Net Exposure	78.5%	80.6%	85.9%	82.2%	85.0%	83.2%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Goldman Sachs Group Inc	5.3%	0.0%
Elanor Investor Group	4.9%	+0.3%
Metlifecare Ltd	4.2%	+0.5%
Pioneer Credit Ltd	3.5%	+0.0%
Cedar Woods Properties Ltd	3.1%	+0.1%

Month End Exposures	Current	Monthly Move
Consumer	14.0%	-0.5%
Energy	6.6%	+0.4%
Financials	22.5%	-2.1%
Health Care	11.7%	0.0%
Industrials	5.0%	+0.9%
Information Technology	9.2%	-5.0%
Materials	5.7%	+0.6%
Other	1.1%	+1.1%
Real Estate	5.5%	-0.2%
Utilities	0.6%	0.0%
SHORTS	-6.0%	-1.4%
Number of Positions	64	-2
Gross Equity Exposure	87.8%	-3.4%
Cash Weighting	24.2%	+6.2%
Net Equity Exposure	75.8%	-6.2%
Currency Exposure Hedged of AUD	48.8%	+0.1%

Commentary

The K2 Global High Alpha Fund returned of -0.3% for the month of September while Global equity markets returned 0.4%.

Positive contributors included oil majors BP, Hess and Woodside as Brent crude prices rallied 6.9% driven by strong global demand and continued supply concerns.

The Fund sold the majority of its long-term holding in Updater as the company is scheduled to delist from the ASX on 8 October 2018. Updater has realised a return over 150% for the fund since initial investment in 2016. A new addition to the portfolio was a small company IPO listing in Australia called Healthia Limited (HLA). HLA is an integrated group of podiatry and physiotherapy businesses which is aiming to become one of Australia's leading allied health companies within a highly fragmented industry. Guided by a well-regarded management team and with a solid runway for earnings growth, Healthia is well placed to generate strong returns for shareholders.

A key detractor for the month included Goldman Sachs as financials generally suffer from a lack of inversion in the US yield curve. Trading on a PE of 10x and providing double digit earnings growth we remain positive on the company outlook and it remains a top holding for the Fund. Goldman Sachs offers a levered play on buoyant capital markets.

The Fund's net exposure currently stands at 75.8%. We remain cautiously optimistic but see risks increasing with rising interest rates, building inflationary pressures and an unwinding of stimulus measures by central banks. The Fund maintains its focus on investing in quality companies at attractive valuations with a keen emphasis on preserving capital.

Fund Characteristics	
FUM	AUD \$36m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen, Nicholas Leitt, James Soutter 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 120 stocks
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	2.05%
Buy/Sell	Monthly Application/Redemption
Performance Fee	20.5% of the amount by which the NAV per unit exceeds the High Water Mark

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