

# K2 Global Equities Fund (Hedge Fund)

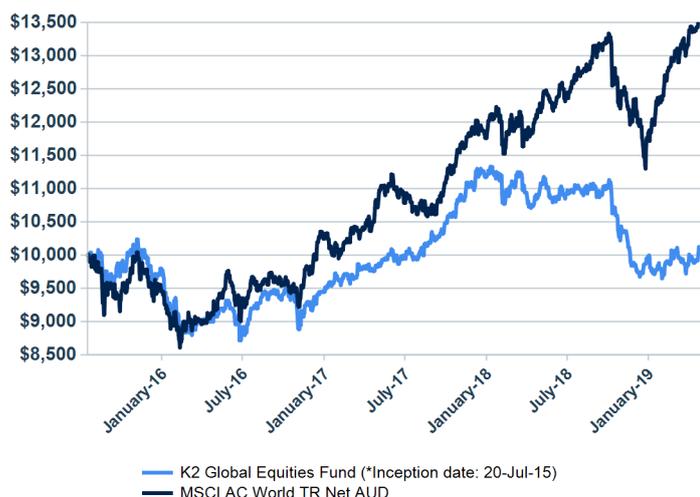
## 30 April 2019



The K2 Global Equities 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 Funds' mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	3 Months	1 Year	3 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	2.5%	4.6%	-7.8%	3.6%	0.3%	20-Jul-2015
Average Net Exposure	71.2%	63.7%	65.4%	76.1%	77.1%	

### Growth of \$10,000



### Commentary

The K2 Global Equities Fund returned 2.5% for the month of April.

Global stocks continue on their higher path, driven by the US S&P 500 recording its strongest start to a calendar year since 1987, rising 18% in 2019 so far. The broader international markets, represented by the MSCI AC World TR Net AUD Index, rallied 4.3% in April.

Equity market gains are primarily being driven by ultra-low inflation and the consequent low interest rate environment. Central bank policies remain supportive and investors have vigorously increased exposure to growth stocks, which have continued to re-rate to well above long run averages. The exuberance within markets has seen outsized gains made in the IPO market with recent listings in Zoom Technologies and Pinterest. Another warning sign is that hedge funds have record short positions on the VIX, indicating a sense of complacency and over confidence.

A key positive contributor to Fund performance included JP Morgan in the US, which rallied 15% in April following an above consensus first quarter earnings result. JPM 1Q 2019 highlights included revenue momentum, profitable market share gains and strong operating leverage. JPM currently trades on a PE of 11.5x with a strong capital base and a robust earnings trajectory. Chinese car manufacturer, Guangzhou Auto, was the largest detractor for the month, following significant outperformance in the March quarter. We maintain our positive view on the stock on the back of improving industry demand, imminent new product launches, an undemanding valuation of 6.1x 2019e earnings and supported by a dividend yield of 5.5%.

The Fund increased stock exposure by 3.0% during April to close the month at 73%. The Fund remains unhedged to the AUD at the currency level and with the AUD depreciating 0.6% against the USD for the month, this provided a small tailwind to overall Fund performance.

Top 5 Stock Holdings	Current	Monthly Move
Cedar Woods Properties Ltd	3.8%	+0.2%
Seven Group Holdings Ltd	2.5%	+0.2%
Axesstoday Ltd	2.4%	0.0%
Mineral Resources Ltd	2.3%	-0.1%
Macquarie Group Ltd	2.2%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	3.2%	+0.4%
Consumer	12.4%	-1.1%
Energy	2.6%	+0.6%
Financials	17.4%	+1.2%
Health Care	9.5%	-0.5%
Industrials	8.6%	+1.1%
Information Technology	6.7%	+0.5%
Materials	9.5%	+0.1%
Other	1.3%	+0.0%
Real Estate	3.8%	-0.5%
SHORTS	-1.9%	+1.3%
Number of Positions	68	-1
Gross Equity Exposure	77.0%	+0.4%
Cash Weighting	26.8%	-3.0%
Net Equity Exposure	73.2%	+3.0%
Currency Exposure Hedged of AUD	5.4%	+4.2%

### Fund Characteristics

FUM	AUD \$7m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen, Nicholas Leitl and Tony Sutton
Strategy	International Equities (Based on K2 Global High Alpha Fund)
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
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	2.05%
Buy/Sell	Bought and Sold on the ASX market (ASX: KII)
Performance Fee	20.5% of the amount by which the NAV per unit exceeds the High Water Mark

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## K2 Global Equities 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
2015/16	-0.4	-2.4	0.4	3.3	-2.0	-0.8	-4.9	-4.7	1.4	0.9	2.2	-4.3	<b>-11.2</b>	-6.5	18.6%	-0.5%
2016/17	3.9	2.1	0.0	-1.9	0.6	1.6	2.1	-0.7	2.7	0.1	2.1	-0.9	<b>12.2</b>	15.3	20.4%	-2.4%
2017/18	0.1	3.8	1.3	3.6	1.8	1.2	-0.5	-0.2	-1.4	0.1	-0.8	0.6	<b>9.7</b>	15.0	16.3%	-3.0%
2018/19	0.6	0.5	-0.3	-5.2	-5.5	1.3	-3.4	3.8	-1.6	2.5			<b>-7.6</b>	10.7	38.7%	-6.7%
												Incept	<b>1.0</b>	37.3		
												Incept	<b>0.3%pa</b>	8.6%pa	<b>23.5%</b>	<b>-3.2%</b>

(1) MSCI AC World TR Net AUD

DISCLAIMER: Returns are shown after fees (including performance fees) and expenses have been deducted and assume the reinvestment of income distributions. Please note that past performance is not a reliable indicator of future performance. The information contained in this document is produced by K2 Asset Management Ltd ("K2") in good faith, but does not constitute any representation or offer by K2. It is subject to change without notice, and is intended as general information only and is not complete or definitive. K2 does not accept any responsibility, and disclaims any liability whatsoever for loss caused to any party by reliance on the information in this document. A product disclosure statement or information memorandum for general information on any Fund referred to in this document can be obtained at [www.k2am.com.au](http://www.k2am.com.au) or by contacting K2. You should read the product disclosure statement and consider whether the product is appropriate for you before making a decision to acquire or continue to hold an interest in a Fund. Fees referred to in this document are inclusive of GST and RITC and do not include expense recoveries.