

# K2 Global Equities Fund (Hedge Fund)

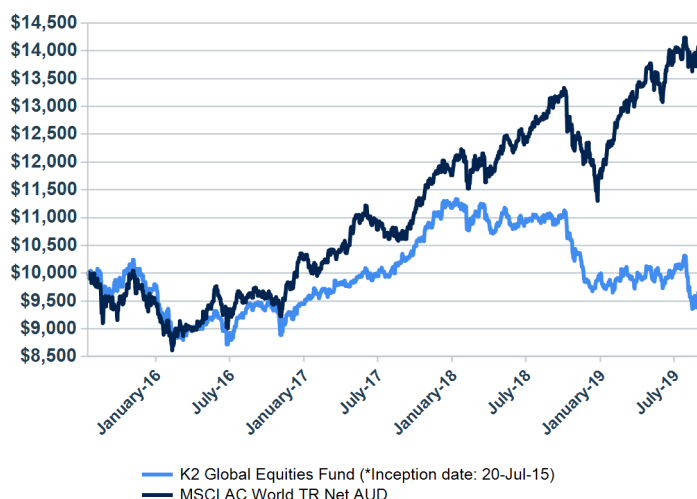
## 31 August 2019



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 Fund's 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)	-5.1%	-2.2%	-12.6%	0.8%	-0.8%	20-Jul-2015
Average Net Exposure	81.0%	76.9%	62.6%	75.1%	76.9%	

### Growth of \$10,000



### Commentary

The K2 Global Equities Fund returned -5.1% for the month of August.

Global equity markets were extremely volatile during the month as once again President Trump further intensified the disruptive and ongoing trade war with China. Weak manufacturing data also contributed to the further compression of long bond yields, resulting in the US 10-year yield falling below the US 2-year yield. This historically has been a reliable recession indicator however given the manipulation of bond yields by global Central Banks this indicator is unlikely to be as predictable as it once was. The MSCI AC World TR Net AUD Index fell -0.1%, aided by the weaker AUD. Commodities tumbled with Iron Ore and Oil falling -28% and -6.7% respectively. Perceived safe haven assets performed best with Gold up +6.7% and the USD currency index breaking out to fresh 12 month highs, up +0.4% to 98.92. The great bond rally continues. The US 10-year bond yield capitulated 52bp in August to below 1.5%. Currently over USD17 trillion is invested in negative yielding bonds globally, representing approximately 30% of all investment grade securities.

The main positive contributor to performance included a position in small cap Australian niche property focused fund and asset manager Elanor Group. The stock rallied over 25% following a strong FY19 result. The key highlight being the 28% growth in FUM, demonstrating a sustainable rise in recurring income. Elanor continues to deliver on its key strategic initiatives and is well funded to support future investments. Other strong performers included Taiwanese semiconductor company MediaTek (+17%), US food processor Tyson Foods (+17%) and a short position in ride-sharing business UBER (-23%).

The AUD ended the month down -2.2% versus the USD. The Fund is currently 95% hedged to the AUD, providing capital protection against a falling USD. We believe the USD will ultimately decline on lower interest rates and any positive related trade outcome between the US and China. Net exposure increased by 5.5% during the month to 85%.

Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	3.1%	+0.3%
WorleyParsons Ltd	3.1%	-0.4%
Austal Ltd	2.9%	+0.5%
Visa Inc	2.9%	+0.5%
Moelis Australia Ltd	2.7%	+0.6%

Month End Exposures	Current	Monthly Move
Communication Services	1.3%	-1.8%
Consumer	13.8%	+1.1%
Energy	5.8%	-0.2%
Financials	22.3%	-1.6%
Health Care	13.1%	+2.9%
Industrials	10.9%	+0.7%
Information Technology	11.3%	+3.0%
Materials	4.3%	-0.9%
Other	1.6%	+0.2%
Real Estate	1.6%	+1.6%
SHORTS	-1.4%	+0.6%
Number of Positions	62	-2
Gross Equity Exposure	87.5%	+4.3%
Cash Weighting	15.3%	-5.5%
Net Equity Exposure	84.7%	+5.5%
Currency Exposure Hedged of AUD	95.4%	-0.3%

Fund Characteristics	
FUM	AUD \$4m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen 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	-11.2	-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	12.2	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	9.7	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	-2.3	1.4	-8.5	11.3	37.0%	-6.2%
2019/20	1.7	-5.1											-3.5	2.0	20.9%	-2.5%
												Incept	-3.5	40.8		
												Incept	-0.8%pa	8.6%pa	22.7%	-2.9%

(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 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.