

K2 Global Equities Fund (Hedge Fund)

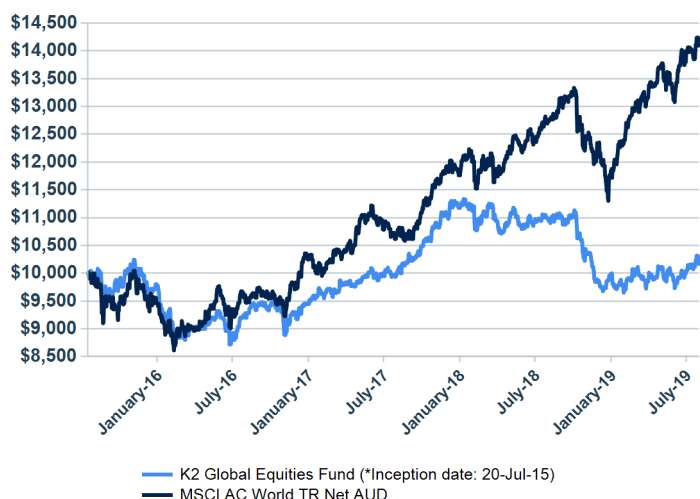
31 July 2019



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)	1.7%	0.7%	-7.5%	3.3%	0.4%	20-Jul-2015
Average Net Exposure	77.2%	73.5%	62.6%	75.3%	76.9%	

Growth of \$10,000



Commentary

The K2 Global Equities Fund returned 1.7% for the month of July.

Global equity markets in July continued to move higher with the MSCI AC World TR Net AUD Index gaining 2.1%. Central bank news flow continues to dominate the headlines with the US Federal Reserve and Australia's RBA cutting interest rates. Global long bond yields continue to fall providing valuation support for equities. However, with many government yields at all-time lows, there remain pockets of the market indicating that interest rates will never rise again. A scenario that is clearly unlikely as markets remain in uncharted territories. As we write, US President Trump has reignited the trade war with China, threatening 10% tariffs on the remaining \$300bn of Chinese imports that aren't subject to existing levies. Expect volatility to re-emerge as Trump continues to surprise investors with his "tweets" and unpredictability.

A positive contributor to Fund performance included Google parent company Alphabet. Q2 results showed a re-acceleration in revenue growth along with the announcement of a \$25bn buyback authorisation that pleased the market. Alphabet offers attractive growth prospects into the foreseeable future driven by the core advertising business in addition to potential green shoots from numerous special projects. Currently trading on an undemanding valuation of 22x FY2020e PE while offering double-digit EPS growth annually over the next 3 years.

Other strong performers throughout the month were Austal Limited, (+20%) after significantly upgrading FY 19/20 profit guidance. Our core small-cap holdings in Australia performed strongly with Kina Securities (+14%), Cedar Woods (+12%) and Medical Developments (+8%).

The AUD ended the month down -1.98% versus the USD, providing a tailwind to Fund performance. Towards the end of July, the Fund increased its hedged position from approximately 50% to 95% to protect against a falling USD. Net exposure has increased during the month to 79%, with the Fund currently holding 21% cash.

Top 5 Stock Holdings	Current	Monthly Move
WorleyParsons Ltd	3.5%	+1.6%
Seven Group Holdings Ltd	2.9%	+0.1%
Axesstoday Ltd	2.5%	-0.1%
Austal Ltd	2.4%	+0.4%
Visa Inc	2.4%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	3.1%	+0.3%
Consumer	12.8%	+1.8%
Energy	6.0%	+2.8%
Financials	24.0%	-0.8%
Health Care	10.2%	+1.4%
Industrials	10.2%	+2.8%
Information Technology	8.3%	-0.2%
Materials	5.3%	-1.1%
Other	1.4%	+0.1%
SHORTS	-2.0%	+2.0%
Number of Positions	64	0
Gross Equity Exposure	83.2%	+3.3%
Cash Weighting	20.8%	-7.3%
Net Equity Exposure	79.2%	+7.3%
Currency Exposure Hedged of AUD	95.7%	+45.6%

Fund Characteristics

FUM	AUD \$5m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen, Nicholas Leitt 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												1.7	2.1	22.8%	-3.2%
												Incept	1.7	40.9		
												Incept	0.4%pa	8.8%pa	23.0%	-3.1%

(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 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.