

# K2 Global Equities Fund (Hedge Fund)

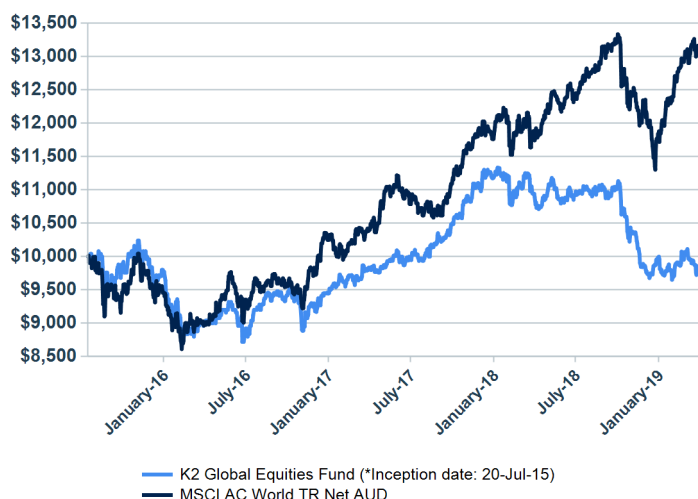
## 31 March 2019



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)	-1.6%	-1.3%	-9.9%	3.1%	-0.4%	20-Jul-2015
Average Net Exposure	66.5%	48.1%	66.7%	76.6%	77.2%	

### Growth of \$10,000



### Commentary

The K2 Global Equities Fund returned -1.6% for the month of March.

Risk assets across the globe continued to rally despite growing unease over a slowing global economy. Global bond yields have fallen to near record levels in most developed countries with over 50% of European bonds across the curve trading with negative yields. The key US yield curve inverted in March for the first time since 2007, which is historically a reliable forward indicator for a pending recession.

Despite clear discomfort, equity markets continued to power ahead driven by dovish global central banks with the MSCI AC World TR Net AUD Index increasing 1.4%. The US Federal Reserve has slashed its projected rate rises from two to zero, the ECB has extended its pledge on record low rates and the Chinese authorities continue to stimulate via monetary and fiscal policies. Given the significant cash on the sidelines, investors have added risk on the assumption that central banks will support equity prices and economies with their policy support. Deteriorating fundamentals and high valuations are currently being overlooked.

The Fund had a difficult month as numerous key stock holdings gave back recent gains generated over the last couple of months. We still have strong conviction on these stocks and nothing material changed over the month for these companies. Aeroplane manufacture, Boeing, however was exited during March following the crash of Ethiopian Airlines Flight 302 and subsequent grounding of all Boeing 737 Max aircraft.

The Fund remains fully unhedged at the currency level. With the AUD ending the month largely unchanged versus the USD, the Fund experienced only minor currency losses emanating from our long GBP and EUR positions. The Fund gradually increased exposure over the month and had a net equity exposure of 70.2% by month end.

Top 5 Stock Holdings	Current	Monthly Move
Metlifecare Ltd	3.9%	+0.3%
Cedar Woods Properties Ltd	3.6%	+0.0%
Elanor Investor Group	3.0%	+0.1%
Axesstoday Ltd	2.4%	-0.3%
Mineral Resources Ltd	2.4%	+2.4%

Month End Exposures	Current	Monthly Move
Communication Services	2.9%	+0.6%
Consumer	13.5%	+0.3%
Energy	2.1%	+1.0%
Financials	16.2%	-1.9%
Health Care	10.0%	+1.4%
Industrials	7.6%	-1.1%
Information Technology	6.2%	+1.7%
Materials	9.4%	+5.0%
Other	1.2%	+0.2%
Real Estate	4.3%	+0.2%
SHORTS	-3.2%	+0.3%
Number of Positions	69	+6
Gross Equity Exposure	76.5%	+7.1%
Cash Weighting	29.8%	-7.7%
Net Equity Exposure	70.2%	+7.7%
Currency Exposure Hedged of AUD	1.2%	-1.0%

### Fund Characteristics

FUM	AUD \$7m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen, Nicholas Leitl, James Soutter 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				<b>-9.8</b>	6.2	39.8%	-7.2%
												Incept	<b>-1.5</b>	31.6		
												Incept	<b>-0.4%pa</b>	7.6%pa	<b>23.8%</b>	<b>-3.3%</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.