

# K2 Select International Fund

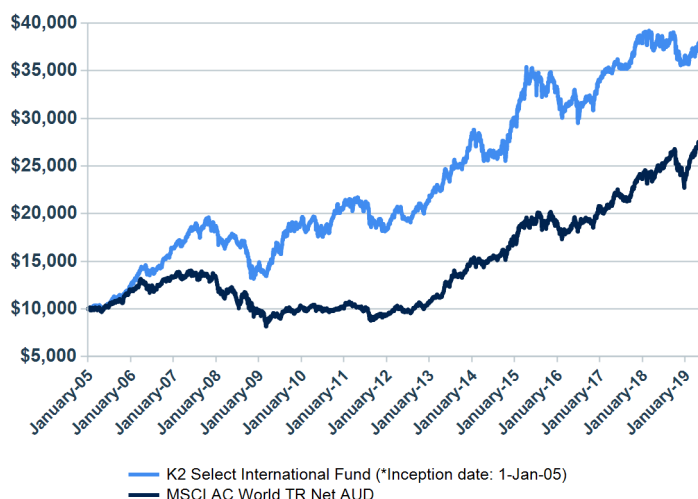
## 30 April 2019



The K2 Select International 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)	5 Years (%pa)	10 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	3.1%	6.5%	0.5%	6.4%	7.8%	9.5%	9.8%	1-Jan-2005
Average Net Exposure	76.6%	66.8%	68.7%	74.0%	77.8%	82.7%	76.6%	

### Growth of \$10,000



### Commentary

The K2 Select International Fund returned 3.1% for the month of April.

International equities continued their strong performance in 2019. The US, led by the Tech heavy Nasdaq (5.5%), was the star performer, as company earnings beat expectations and investors chased growth at what appears to be almost any price. Examples of this were heavily oversubscribed IPO's Pinterest and Zoom Technologies, which both enjoyed remarkable aftermarket success. With Uber in the process of raising USD8-10bn in the most hotly anticipated IPO of 2019, it remains to be seen if the sizzle will endure. Reported US GDP annualised QoQ growth of 3.2% in Q1 significantly exceeded expectations, highlighting the underlying strength of the world's biggest economy. As bond yields around the world continue to sink, it is no surprise that Saudi Aramco saw over USD100bn of demand for their USD12bn first ever dollar bond sale. International equity markets, represented by the MSCI AC World TR Net AUD Index, returned 4.3% for the month.

A positive contributor to performance included global entertainment icon Disney, following the much anticipated launch announcement of Disney+, a subscription video on demand service to rival Netflix, and the release of superhero film Avengers: Endgame to record breaking opening weekend global ticket sales. 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 remains unhedged to the AUD at the currency level. The AUD ended the month down -0.6% versus the USD, providing a tailwind to Fund performance. Net exposure has increased to 84% with a bias towards the US due to their stronger economic growth and a central bank that is happy to maintain an accommodative stance (with some not so subtle encouragement from the US President).

Top 5 Stock Holdings	Current	Monthly Move
Visa Inc	6.3%	-1.0%
Microsoft Corp	3.8%	+1.2%
Mastercard Inc - A	3.8%	+0.7%
Abbott Laboratories	3.8%	+1.1%
Home Depot Inc	3.4%	+1.6%

Month End Exposures	Current	Monthly Move
Communication Services	9.8%	+3.0%
Consumer	11.6%	+4.3%
Energy	0.4%	-1.6%
Financials	17.6%	+6.6%
Health Care	12.3%	-2.3%
Industrials	6.6%	-0.3%
Information Technology	17.3%	+0.5%
Materials	7.9%	+3.6%
Number of Positions	44	+4
Gross Equity Exposure	83.6%	+11.9%
Cash Weighting	16.4%	-13.0%
Net Equity Exposure	83.6%	+13.0%
Currency Exposure Hedged of AUD	-0.8%	-1.2%

### Fund Characteristics

FUM	AUD \$35m
Portfolio Managers	Campbell Neal, Mark Newman, David Poppenbeek 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 80
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.36%
Buy/Sell	Daily Application/Redemption
Performance Fee	15.38% pa of the amount by which the NAV per unit exceeds the High Water Mark once the fund achieves its hurdle

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## K2 Select International 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	
2004/05							0.9	1.3	-0.4	-1.4	1.4	3.8	5.6	2.5	50.5%	-4.4%	
2005/06	4.9	0.7	2.6	-1.0	4.2	4.4	5.1	4.4	5.7	-0.1	-3.7	2.0	33.2	21.1	21.3%	-4.1%	
2006/07	0.4	2.1	2.8	3.6	2.0	4.8	2.4	0.1	1.1	3.1	5.1	-0.3	30.7	9.7	23.6%	-1.1%	
2007/08	0.1	0.6	2.6	3.4	-3.7	-1.1	-8.0	-0.6	-1.2	3.0	1.8	-3.4	-7.0	-19.8	43.5%	-7.3%	
2008/09	-2.5	2.9	-8.6	-9.7	-2.5	5.1	-3.1	-2.8	4.9	6.9	7.8	-0.6	-4.0	-16.1	51.1%	-4.0%	
2009/10	7.6	2.1	3.3	-1.7	1.4	3.0	-4.1	0.2	4.7	0.2	-5.4	-2.7	8.1	7.0	11.7%	-1.0%	
2010/11	4.3	-2.5	8.4	2.7	0.0	3.8	0.4	0.9	1.0	1.7	-1.9	-1.6	18.2	2.7	12.0%	-2.4%	
2011/12	-2.2	-4.5	-4.5	2.5	-3.0	-1.7	3.6	4.7	3.6	0.0	-4.3	-1.5	-7.6	-2.3	22.9%	-2.9%	
2012/13	0.6	3.4	2.0	0.6	1.4	2.8	2.7	1.8	0.7	2.5	4.1	-0.4	24.5	30.5	6.7%	-0.3%	
2013/14	3.9	-0.4	0.5	2.4	4.4	5.5	-0.9	1.6	-5.7	-2.5	1.2	-1.8	7.7	19.2	8.0%	-0.1%	
2014/15	0.7	1.0	3.9	0.8	4.1	3.7	4.0	4.2	2.1	3.1	3.1	-2.7	31.7	23.7	13.2%	-0.6%	
2015/16	-0.1	-2.3	-1.9	5.4	-2.1	-1.9	-4.0	-3.3	2.1	0.4	4.0	-7.1	-10.9	-0.6	20.9%	-0.7%	
2016/17	2.9	2.1	0.1	-1.3	3.8	3.0	2.1	0.9	0.4	1.2	1.4	-2.1	15.5	15.3	23.1%	-2.8%	
2017/18	0.3	1.0	1.9	3.6	2.4	-1.7	2.1	-0.3	-2.6	0.7	-0.7	-0.2	6.4	15.0	21.6%	-3.2%	
2018/19	0.8	2.7	-0.2	-5.6	-1.9	2.1	-2.6	3.6	-0.3	3.1			1.4	10.7	35.5%	-4.4%	
													Incept	279.8	175.9		
													Incept	9.8%pa	7.3%pa	24.4%	-2.6%

(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.