

# K2 Select International Fund

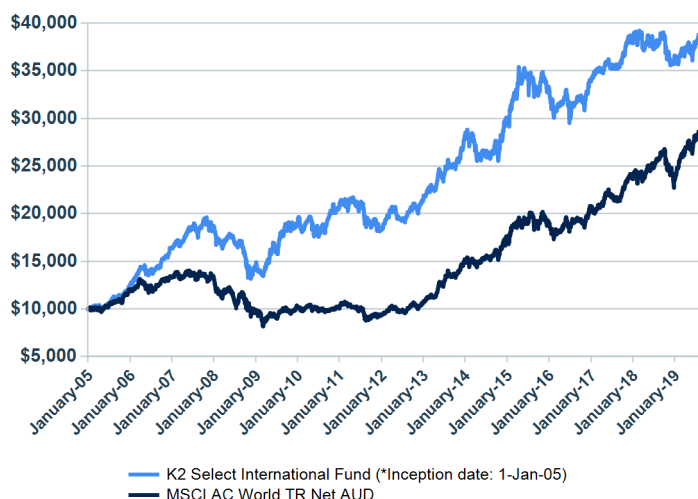
## 31 July 2019



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 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)	5 Years (%pa)	10 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	1.3%	0.6%	1.2%	6.8%	7.9%	8.0%	9.6%	1-Jan-2005
Average Net Exposure	88.4%	83.8%	67.1%	74.5%	77.8%	82.8%	76.7%	

### Growth of \$10,000



### Commentary

The K2 Select International Fund returned 1.3% for the month of July.

Equity markets continued their positive performance with the MSCI AC World TR Net AUD Index gaining 2.1%. Central bank news dominated the headlines culminating with US Federal Reserve Chairman Jerome Powell's press conference in the last trading hour of the month. Despite lowering interest rates by 25bps and bringing an early end to quantitative tightening, he was at pains to point out that "it's not the beginning of a long series of rate cuts" much to the disappointment of investors and the President. Powell's demonstrated ability to pivot on a dime while offering no clear policy direction will most likely confuse the market and lead to increased volatility.

US reporting season is reaching its usual conclusion with close to 80% of companies beating expectations, showing just how adept corporates have become at managing analyst expectations. But it is the guidance that counts and collectively, earnings revisions whether positive or negative, have been fairly muted. Results have highlighted the US consumers' preference for items, including coffee (Starbucks), hamburgers (McDonald's), AirPods (Apple) and Barbie dolls (Mattel). Meanwhile, as we go to print, trade talks have re-escalated with no meaningful resolution in sight. Alphabet was a positive contributor to Fund performance as Q2 results showed a re-acceleration in revenue growth and the authorisation of a \$25bn buyback. 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.

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 to 85% as we maintain our bias towards the US and specifically companies that offer visible revenue growth with margins that are defensible.

Top 5 Stock Holdings	Current	Monthly Move
Visa Inc	5.6%	+0.9%
Abbott Laboratories	5.1%	+0.9%
Mastercard Inc - A	5.0%	+0.8%
Microsoft Corp	4.9%	+0.8%
Alphabet Inc	4.6%	+1.1%

Month End Exposures	Current	Monthly Move
Communication Services	8.0%	-1.4%
Consumer	9.6%	-0.6%
Energy	2.1%	+2.1%
Financials	14.7%	-1.7%
Health Care	15.9%	+3.0%
Industrials	13.1%	+8.7%
Information Technology	19.9%	+0.9%
Materials	4.2%	-2.0%
SHORTS	-2.2%	+0.8%
Number of Positions	39	-4
Gross Equity Exposure	89.8%	+8.2%
Cash Weighting	14.7%	-9.8%
Net Equity Exposure	85.3%	+9.8%
Currency Exposure Hedged of AUD	96.3%	+48.5%

### Fund Characteristics

FUM	AUD \$28m
Portfolio Managers	Campbell Neal, 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	-4.1	3.5	0.7	11.3	32.6%	-3.8%	
2019/20	1.3												1.3	2.1	11.6%	-3.4%	
													Incept	282.1	183.2		
													Incept	9.6%pa	7.4%pa	23.4%	-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 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.