

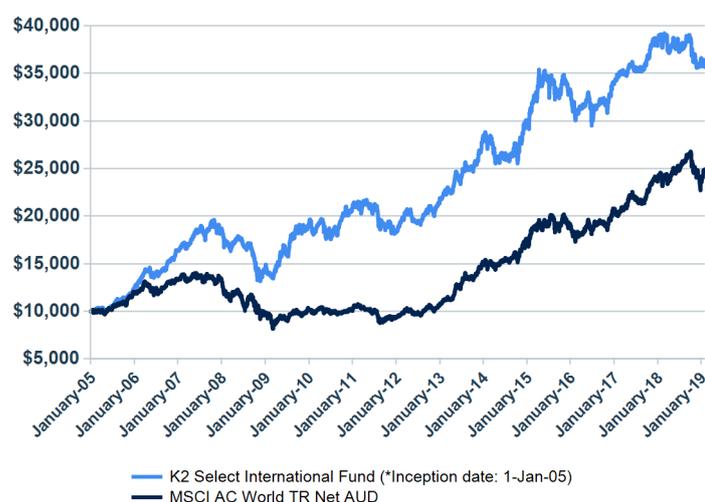
K2 Select International Fund

31 January 2019



	1 Month	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	-2.6%	-2.5%	-7.8%	3.9%	4.9%	9.8%	9.4%	1-Jan-2005
Average Net Exposure	26.6%	37.4%	72.5%	74.6%	78.8%	82.3%	76.8%	

Growth of \$10,000



Commentary

The K2 Select International Fund returned -2.6% for the month of January while global equity markets returned 4.2%.

International equities bounced back from December's heavy losses with the S&P 500 delivering its best January performance since 1987. Sharp gains were driven by a significant change in policy guidance from the US Federal Reserve which saw them swing from "hawkish" to "dovish" on further interest rate rises. Conciliatory talks on trade between US and China also buoyed investor sentiment, however, we believe the bullish response from investors will be short lived. Slowing global economic growth and corporate earnings are forcing governments and central bankers to consider additional stimulatory policies. We see significant uncertainty and volatility persisting and therefore continue to remain defensively positioned.

Positive contributors to Fund performance included Hong Kong listed Lonking Holdings, which benefited from favourable Chinese domestic policy aimed at accelerating infrastructure investment. US health insurance provider, Anthem Inc, advanced following the announcement of its plan to accelerate the launch of its pharmaceutical benefits business, which is expected to save USD4bn a year on drug costs. The largest detractor, outside of currency, was collectively the Fund's short positions and a number of these were exited during the month. In December, short positions generated a positive return of +157 basis points that almost entirely reversed in January.

The Fund remains fully unhedged to the AUD. Strong gains made in December were reversed in January as the AUD rallied 3.3% against the USD, with investors starting to price in no additional US interest rate rises in 2019. Our unhedged currency position detracted -308 basis points representing the major detractor on January's performance. Reflecting our cautious outlook, net exposure currently stands at 40% after having increased from 25% at the end of December.

Top 5 Stock Holdings	Current	Monthly Move
Visa Inc	4.1%	+0.1%
Metlifecare Ltd	3.6%	+0.0%
Anthem Inc	2.9%	+0.4%
Alphabet Inc	2.7%	+0.2%
Abbott Laboratories	2.3%	-0.3%

Month End Exposures	Current	Monthly Move
Communication Services	3.7%	+1.2%
Consumer	5.2%	+2.6%
Energy	1.8%	+0.5%
Financials	7.3%	+3.0%
Health Care	10.6%	-1.6%
Industrials	4.9%	+1.8%
Information Technology	10.6%	+1.3%
Materials	1.0%	+1.0%
Real Estate	4.5%	+2.8%
SHORTS	-9.9%	+1.9%
Number of Positions	43	+5
Gross Equity Exposure	59.4%	+10.8%
Cash Weighting	60.4%	-14.5%
Net Equity Exposure	39.6%	+14.5%
Currency Exposure Hedged of AUD	-1.0%	-1.9%

Fund Characteristics	
FUM	AUD \$36m
Portfolio Managers	Campbell Neal, David Poppenbeek, James Soutter 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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