

K2 Global High Alpha Fund

30 November 2018



	1 Month	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	-5.3%	-10.2%	-9.7%	0.3%	7.2%	15.4%	1-Dec-2009
Average Net Exposure	55.6%	68.1%	82.4%	80.5%	83.9%	82.8%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Metlifecare Ltd	3.5%	-0.8%
Pioneer Credit Ltd	3.4%	0.0%
Cedar Woods Properties Ltd	3.3%	+0.3%
Elanor Investor Group	3.0%	-2.5%
Medical Developments International	2.7%	-0.4%

Month End Exposures	Current	Monthly Move
Communication Services	0.9%	+0.0%
Consumer	6.4%	-2.9%
Energy	0.7%	-0.8%
Financials	13.6%	-6.1%
Health Care	9.2%	-5.3%
Industrials	1.3%	-3.0%
Information Technology	3.0%	-4.5%
Materials	0.8%	-1.7%
Real Estate	4.1%	-0.9%
SHORTS	-9.3%	-4.4%
Number of Positions	48	-3
Gross Equity Exposure	49.4%	-21.2%
Cash Weighting	69.2%	+30.1%
Net Equity Exposure	30.8%	-30.1%
Currency Exposure Hedged of AUD	42.7%	+2.2%

Commentary

The K2 Global High Alpha Fund returned -5.3% for the month of November while Global equity markets returned -1.5%.

Positive contributors to performance included global healthcare titans AbbVie and Johnson & Johnson as their more defensive characteristics appealed to investors. On the short side, a trading update from Blue Prism further highlighted the company's inability to generate meaningful profits. Lack of disclosure regarding R&D spend is still a real concern.

The largest detractor for the month was Goldman Sachs Group as the fallout from Malaysia's 1MDB scandal reached a crescendo. CYBG PLC delivered a poor FY18 result with lower NIM guidance, higher legacy conduct costs and an uncertain outlook overshadowed by BREXIT. The CYBG position was exited during the month.

An average currency hedged position of approximately 40% back to the AUD enabled the Fund to offset the strong bounce in the local currency during November. The AUD increased by 3.3% in November representing a major headwind for unhedged investors. K2's proven ability to successfully manage currency resulted in a significantly better outcome for the Fund.

The Fund's net exposure currently stands at 31% after having been reduced from 61% at the end of October. Despite a mitigation of some of the identifiable risks we maintain our cautious stance towards global equities. The Fed finally threw in the towel under public pressure from the President but the damage from higher interest rates might have already been done. A falling oil price will certainly help consumers however if being driven by falling demand, suggests an economy that is slowing. A temporary truce in the trade war is encouraging however we are yet to see either party raise a white flag with discussions merely delayed while the real issues of IP theft and protectionism are worked out away from the public's glare.

Fund Characteristics	
FUM	AUD \$32m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen, Nicholas Leitl, 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 120 stocks
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	2.05%
Buy/Sell	Monthly Application/Redemption
Performance Fee	20.5% of the amount by which the NAV per unit exceeds the High Water Mark

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