

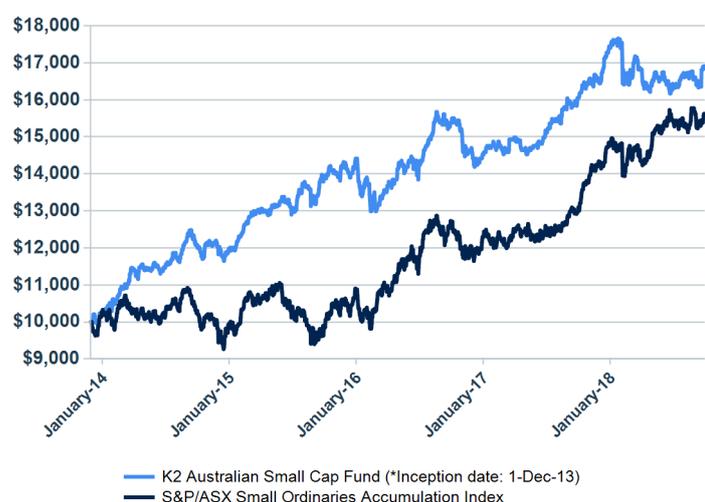
K2 Australian Small Cap Fund (Hedge Fund)

30 September 2018



	1 mth	3 mths	1yr	3yrs (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	2.1%	2.9%	5.4%	6.9%	11.5%	1-Dec-2013
Average Net Exposure	70.3%	74.2%	80.3%	82.6%	78.7%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Metlifecare Ltd	5.1%	-0.1%
Healthia Ltd	3.5%	+0.5%
Cedar Woods Properties Ltd	3.2%	-0.3%
Elanor Investor Group	3.1%	+0.2%
Aksesstoday Ltd	2.9%	-1.7%

Month End Exposures	Current	Monthly Move
Consumer	11.8%	+0.8%
Energy	2.9%	+1.5%
Financials	17.2%	+1.2%
Health Care	20.0%	+3.6%
Industrials	9.0%	+1.1%
Information Technology	4.5%	-0.2%
Materials	4.7%	-0.1%
Real Estate	6.0%	-0.4%
Utilities	1.5%	-0.1%
SHORTS	-3.8%	-0.7%
Number of Positions	53	+5
Gross Equity Exposure	81.5%	+8.0%
Cash Weighting	26.2%	-6.6%
Net Equity Exposure	73.8%	+6.6%

Commentary

The K2 Australian Small Cap Fund returned 2.1% for the month of September while the S&P/ASX Small Ordinaries Accumulation Index returned -0.4%.

One addition to the portfolio, and positive contributor, over the course of the month was Healthia Ltd (HLA). HLA is an integrated group of podiatry and physiotherapy businesses which is aiming to become one of Australia's leading allied health companies within a highly fragmented industry. Guided by a well-regarded management team and with a solid runway for earnings growth, HLA is well placed to generate strong returns for shareholders.

A key detractor for the month included Calix Limited (CXL). Since IPO in July 2018, CXL has been a strong performer and gave up some gains over the month. CXL is an industrial company which has developed proprietary kiln technology that has applications across multiple end markets including, Cement, Agriculture, Water and Infrastructure. We are attracted to CXL's strong management team, positive free cash flow generation and the size of the revenue opportunity ahead of them. We continue to hold CXL and look forward to positive news flow over the coming months.

The Fund's net exposure currently stands at 73.8%, which is in-line with its long run average and an increase on the previous month. The portfolio exposure is largely driven by the opportunities we find from bottom up stock selection and while we remain constructive on the outlook for equities, we are cognisant that there are pockets of the market which is, in our view, overvalued.

Fund Characteristics

FUM	AUD \$26m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen and Nicholas Leitl
Strategy	Australian and New Zealand Small Cap 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 100 stocks
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.31%
Buy/Sell	Bought and Sold on the ASX market (ASX: KSM)
Performance Fee	15.38% p.a. of the amount by which the NAV exceeds the High Water Mark once the fund achieves its hurdle.

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