

K2 Select International Fund

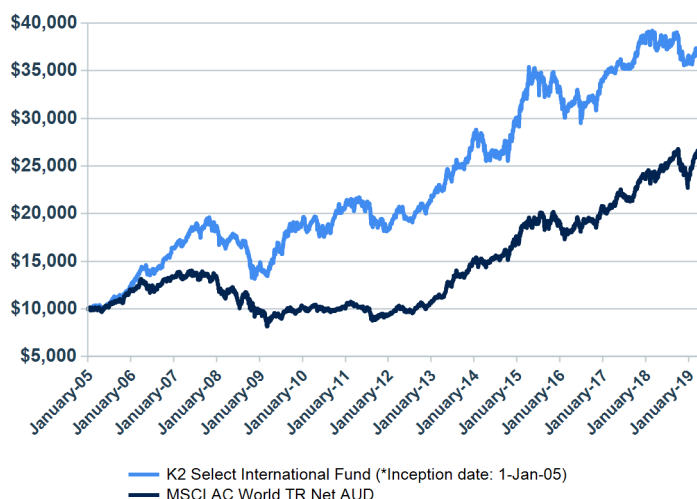
31 March 2019



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)	-0.3%	0.7%	-1.9%	5.4%	6.6%	9.9%	9.6%	1-Jan-2005
Average Net Exposure	67.8%	49.7%	69.1%	74.0%	77.9%	82.6%	76.6%	

Growth of \$10,000



Commentary

The K2 Select International Fund returned -0.3% for the month of March.

International equities continued their stellar performance in 2019 with the local Chinese A share market (+5.5%) once again the star performer following Premier Li Keqiang's announcement of additional fiscal policy stimulus at the China National Peoples Conference. Trade talks between China and the US appear to be inching closer to a potential resolution, sufficiently fast enough to keep investors upbeat however. By month end, the MSCI AC World TR Net AUD Index had increased 1.4%.

With the US Treasury needing to issue approximately \$1.2trn of bonds over the next year to cover government spending, the Federal Reserve will most likely need to assist, increasing the probability of QE4. This will inject additional liquidity into the financial system and provide ongoing support for equity markets.

Positive contributors to Fund performance included global electronic payment network providers Visa and Mastercard. Their high quality attributes of consistent earnings growth, increasing margins and significant barriers to entry, remain attractive to investors. US specialty contractor, MasTec, advanced after reporting a solid backlog and providing above consensus guidance for 2019, allaying market concerns of a potential slowdown. Aeroplane manufacturer, Boeing, was the largest detractor for the month following the crash of Ethiopian Airlines Flight 302 and grounding of all Boeing 737 Max aircraft. Subsequently, the Fund has exited this position.

The Fund remains fully unhedged at the currency level. With the AUD ending the month largely unchanged versus the USD, the Fund experienced only minor currency losses emanating from our long GBP and EUR positions. We are continuing to gradually increase our net exposure as the risk-reward trade-off for equity investment continues to improve. Net equity exposure over the month rose to finish at 70.6% at month end.

Top 5 Stock Holdings	Current	Monthly Move
Visa Inc	7.2%	+2.7%
Metlifecare Ltd	3.7%	+0.1%
Mastercard Inc - A	3.0%	+0.3%
Alphabet Inc	3.0%	+0.3%
Microsoft Corp	2.7%	+0.3%

Month End Exposures	Current	Monthly Move
Communication Services	6.7%	+1.2%
Consumer	7.4%	+1.8%
Energy	2.0%	+0.1%
Financials	11.0%	-2.5%
Health Care	14.6%	+1.4%
Industrials	6.9%	-2.1%
Information Technology	16.8%	+4.4%
Materials	4.4%	+0.2%
Real Estate	1.3%	+0.3%
SHORTS	-0.5%	+0.8%
Number of Positions	40	0
Gross Equity Exposure	71.7%	+4.1%
Cash Weighting	29.4%	-5.8%
Net Equity Exposure	70.6%	+5.8%
Currency Exposure Hedged of AUD	0.4%	-0.5%

Fund Characteristics

FUM	AUD \$35m
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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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				-1.7	6.2	36.8%	-4.9%
												Incept	268.3	164.5		
												Incept	9.6%pa	7.1%pa	24.5%	-2.7%

(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 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.