

K2 Select International Fund

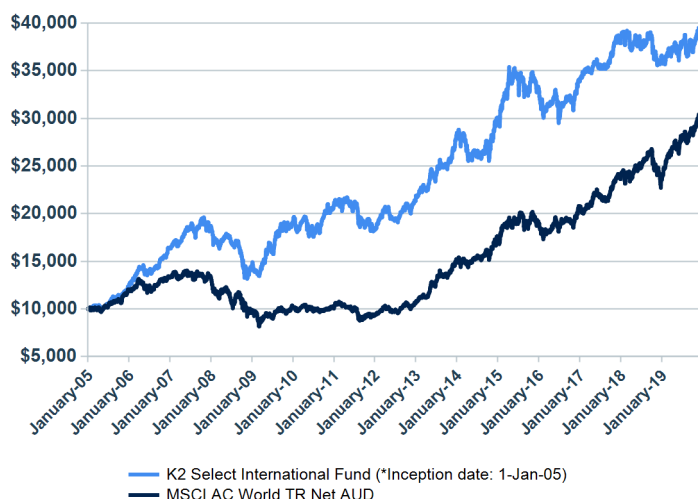
30 November 2019



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)	2.9%	4.6%	9.7%	6.1%	6.4%	7.8%	9.6%	1-Jan-2005
Average Net Exposure	93.4%	93.4%	73.0%	75.1%	77.9%	82.9%	77.1%	

Growth of \$10,000



Commentary

The K2 Select International Fund returned 2.9% for November.

Led by the US, strong gains were made in most developed markets as investors were buoyed by receding fears of an economic recession. Recoveries in global manufacturing surveys and easier monetary policies are indicating an improving growth outlook. Ongoing struggles between the US and China to reach a phase 1 trade deal are being dismissed as a matter of when not if. As always the devil will no doubt be in the detail. China, still the world's growth engine, recorded a November manufacturing PMI that showed expansion for the first time in 7 months, signalling a recovery in activity. Global PMI's for November also expanded and have now risen for four consecutive months. All eyes will now be on 15 December as markets await the Trump administration's decision on whether to impose an additional tranche of tariffs on the remaining Chinese imports or as we suspect, delay them into 2020 post the holiday spending season.

Positive contributors to Fund performance included NZ listed retirement and aged care living companies Metlifecare (+21%) and Summerset Group (+17%). Metlifecare is one of NZ's largest providers of healthcare services for the elderly. K2 has been attracted to the ageing demographics of the NZ population with those aged over 75 forecast to double by 2035. Short-term conditions had seen Metlifecare trade on historically low earnings multiples and at a significant discount to book value. The company announced on 20 November that they had received a "non-binding preliminary expression of interest from a credible third party to acquire the company." We believe the company remains undervalued and based on a history of the average control premium for successful takeovers in NZ considerable upside remains.

The AUD decreased -1.8% versus the USD with the Fund currently 95% hedged to the AUD providing capital protection against a rising AUD. Net exposure has remained steady at 93%.

Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.6%	+0.2%
Mastercard Inc	5.3%	+0.1%
Abbott Laboratories	5.3%	-0.2%
Visa Inc	5.2%	-0.1%
Mcdonald's Corp	5.1%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	2.3%	+0.1%
Consumer	23.0%	+3.7%
Financials	12.9%	-2.0%
Health Care	14.8%	-2.0%
Industrials	8.4%	-1.5%
Information Technology	26.4%	-0.3%
Materials	6.4%	+3.0%
Real Estate	2.1%	+0.2%
SHORTS	-3.4%	-1.0%
Number of Positions	35	0
Gross Equity Exposure	99.7%	+1.8%
Cash Weighting	7.0%	+0.2%
Net Equity Exposure	93.0%	-0.2%
Currency Exposure Hedged of AUD	95.3%	+0.6%

Fund Characteristics

FUM	AUD \$22m
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	-1.6	1.4	0.3	2.9								4.3	9.2	8.9%	-2.2%	
													Incept	293.3	202.8		
													Incept	9.6%pa	7.7%pa	23.2%	-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 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.