

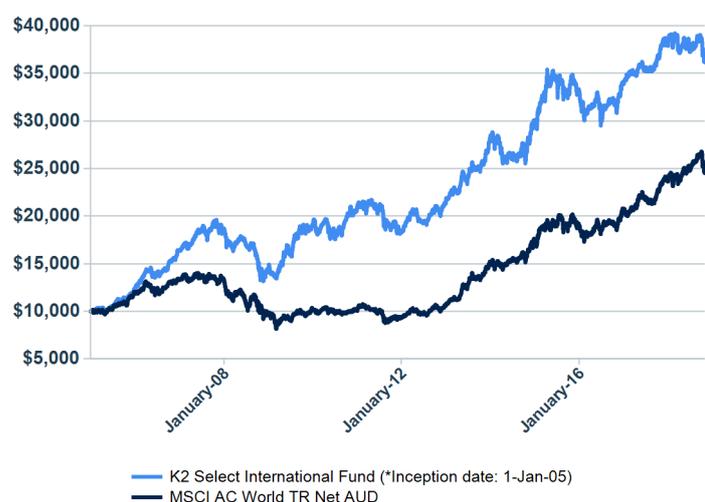
K2 Select International Fund

31 October 2018



	1 Month	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	-5.6%	-3.2%	-2.9%	1.9%	7.3%	10.0%	9.8%	1-Jan-2005
Average Net Exposure	68.5%	80.6%	84.6%	78.5%	81.8%	82.4%	77.5%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Visa Inc	5.8%	+0.1%
Goldman Sachs Group Inc	5.3%	-2.0%
Metlifecare Ltd	4.2%	-0.1%
Johnson & Johnson	3.3%	-1.0%
JPMorgan Chase & Co	3.1%	-0.7%

Month End Exposures	Current	Monthly Move
Communication Services	2.2%	-0.9%
Consumer	1.4%	-13.3%
Energy	2.1%	-3.5%
Financials	14.9%	-10.2%
Health Care	14.2%	+0.6%
Information Technology	11.5%	-1.1%
Materials	3.9%	-5.1%
Real Estate	2.2%	-0.4%
SHORTS	-4.4%	-2.0%
Number of Positions	29	-6
Gross Equity Exposure	56.8%	-33.1%
Cash Weighting	52.0%	+37.1%
Net Equity Exposure	48.0%	-37.1%
Currency Exposure Hedged of AUD	45.7%	+0.7%

Commentary

The K2 Select International Absolute Return Fund returned -5.6% for the month of October while Global equity markets returned -5.6%.

Positive contributors to performance were few and far between given the sharp fall in global equity markets. Gains were made predominantly from our short positions including Harley-Davidson in the US as millennials avoid motor-bikes and baby boomers de-stock their garages reducing second hand prices. UK Software automation company Blue Prism Group retreated due to a lack of valuation support and red flags associated with their sales practices, aggressive revenue recognition and competitive pressures.

Key detractors for the month included cruise ship operators Royal Caribbean Cruises and Norwegian Cruise Line Holdings where fears of a global economic slowdown outweighed strong reported results and favourable forward commentary. As a high discretionary spend item, the cruise operators bore the brunt of market concerns. These positions have now been exited.

The Fund's net exposure was further reduced during the month to 48% after initially starting the month at 85%. We believe a more cautious approach is warranted as global economic growth decelerates. This is being driven by a number of factors including rising US interest rates, persistently high oil prices, geo-political events such as Brexit and Trade Wars and a shrinking of the Federal Reserve balance sheet. In addition, higher input costs from wages and tariffs will pressure corporate earnings, removing much of the foundation that helped propel equity markets higher.

The Fund currently holds a 46% hedged position to offset against any bounce in the Australian dollar.

Fund Characteristics

FUM	AUD \$45m
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 stocks
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.36%
Buy/Sell	Daily Application/Redemption
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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