



KII - K2 Global Equities Fund (Hedge Fund) Monthly Report - 31 August 2016

Global Market Review

The K2 Global Equities Fund returned 2.12% for the month of August while the MSCI AC World TR Net AUD Index returned 1.47%.

Global equities consolidated recent gains and volatility subsided as investors eagerly await the timing of the next US interest rate hike. The US Federal Reserve has remained consistent that the timing of interest rate rises is data dependent. US economic data has been mixed, however, the labour market and consumer confidence remains strong and expectations are increasing for another imminent move higher in rates. As a consequence investors embraced stocks that benefit from a stronger US economy with US Financials (+3.6%) rallying strongly and defensive sectors, including Utilities (-6.1%), Telecoms (-5.7%) and Healthcare (-3.5%), all underperforming.

Asian markets significantly outperformed other regions as equity fund flows out of Europe into Asian markets continued in August. Hong Kong (+5.0%) and mainland China (+3.6%) were the major beneficiaries. The Europe region recorded modest gains led by the German DAX (+2.5%) and the UK FTSE 100 (+0.8%).

Portfolio Insight: Broadcom

Broadcom is headquartered in Singapore and California and is listed in the US. The company is a significant producer of semiconductor and wireless related components. The company's targeted focus towards structural growth areas including enterprise storage (the cloud) and Radio Frequency (RF) wireless communications has delivered above industry growth rates. Broadcom is a proven consolidator within the semiconductor industry, as its focus on operating margin leverage and EPS accretion has delivered significantly for shareholders.

The ever-increasing sophistication of smartphones requires greater RF content per phone, driving demand for Broadcom's RF wireless products, under-pinning double digit growth over the next two years. The explosion in cloud based storage bodes well for the long-term future. Broadcom trades on 14x forward P/E, a discount to its peers while delivering higher earnings growth.

Outlook

The global economy is showing signs of recovery after years of sub-par growth. Encouragingly, earnings are recovering in emerging markets in particular in India, Brazil and China. Fundamentals are improving as emerging countries continue to deleverage and reduce debt. This improving emerging markets economic recovery, coupled with a better US macro environment and broadening global policy support, bodes well for global growth prospects.

However, the short term direction of markets will most likely be driven by the timing of the next US interest rate rise. The most recent US payrolls data supports the strength of the US labour market and expectations are now pricing a 59% chance of a 25bp rise by December, up from a 36% probability a mere month ago. The lack of recent volatility will likely change as the market further prices in higher US rates, however we believe the US economy can absorb a gradual increase in rates.

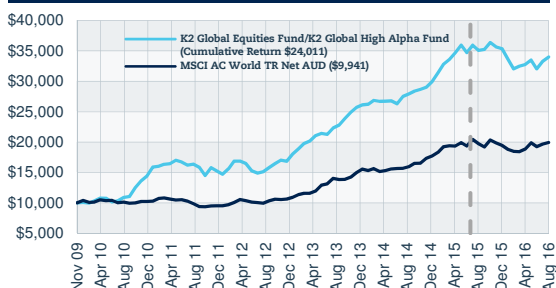
The fund continues to remain positively disposed to equities and we remain exposed (79%) above our net neutral position of net 65% long.

Top 5 Stock Contributions - August

Largest	Alibaba Group Holding Ltd, Goldman Sachs Group Inc, Oneview Healthcare PLC,
	Think Childcare Ltd, Updater Inc
Smallest	Finetex EnE Inc, Gateway Lifestyle, Hansol Technics Co Ltd,
	Heng Sheng Holding Group Ltd, Medical Developments International

Performance to 31 August 2016 (net of fees)	
1 Month	2.12%
3 Months	1.53%
6 Months	6.10%
1 Year	-3.07%
Since Inception (pa)*	19.88%

Growth of AUD \$10,000*



*Returns are based on NAV per unit plus distributions reinvested net of all fees. Since inception returns are based on the K2 Global High Alpha Fund between 1/12/09 and 19/7/15 and the K2 Global Equities Fund for the period 20/7/15 to 31/8/16. The portfolio of the K2 Global Equities Fund is based on the portfolio of the K2 Global High Alpha Fund.

Fund Details (Unaudited)

NAV Per Unit:	A\$2.36
Fund Size:	A\$37.5m
Start Date:	20-Jul-15

Top 5 Large Cap Holdings	Sector	%
Goldman Sachs Group Inc	Financial	3.0
Nordea Bank AB	Financial	2.1
AbbVie Inc	Cons. Non-Cyc	1.7
Facebook Inc	Communication	1.7
Vocus Communications Ltd	Communication	1.6

Geographic Exposure %

	Long	Short	Net Equity
Australia	41.6	-	41.6
Canada	1.5	-	1.5
China	2.1	-	2.1
Euroland	3.6	-	3.6
Japan	0.4	-	0.4
Korea	0.5	-	0.5
New Zealand	3.6	-	3.6
Sweden	2.1	-	2.1
United Kingdom	1.8	-	1.8
United States	21.8	-	21.8
Total Equity	79.0	-	79.0
Total Cash			21.0
Total Equity and Cash Exposure			100.0
Net AUD Exposure AFTER Hedging			48.7%

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