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K2 Global High Alpha Fund
Monthly Report - 31 January 2017

Global Market Review

The K2 Global High Alpha Fund returned 2.24% for the month of January.

Global equity market performance was mixed throughout the month as investors digested President Trump's administration and key priorities. Equity markets have rallied substantially post Trump's election win as market participants embraced the President's pro-growth agenda of tax cuts, less regulation and large infrastructure spending. However, post inauguration, the President's executive order to temporarily halt certain immigration and continued talk on trade tariffs have caused nationalist concerns which may over shadow the pro-growth agenda. There is an ongoing debate on whether Trump's protectionist policies will threaten the economy and the stock market.

Despite the above concerns, the US S&P rose 1.8% with nearly 3/4 of US companies reporting quarterly earnings to date having beaten expectations. The Asian region was a standout performer reversing last month's losses with strong gains recorded in Hong Kong's Hang Seng Index (+6.2%), Singapore's Straits Index (+5.8%) and China's Shanghai Composite Index (+1.8%). The European region was an underperformer with the STOXX 600 falling -0.4% weighed by weakness in the CAC (-2.3%) and FTSE 100 (-0.6%).

Portfolio Insight: The AUD

The Fund further increased its AUD hedging position in January at just under USD0.7350 and is now close to being fully hedged back to the AUD. Global growth signals are flashing positive and commodity prices have recovered faster than consensus expectations, particularly for iron ore and coal. In FY17 Australian mining and energy exports are forecast to exceed $203b versus $157b in FY16. In FY12 and FY14 mining and energy exports exceeded $190b, so FY17 is set to establish a new record level of exports, partly aided by the weaker AUD. Additionally, the Australian rural and tourism sectors are performing strongly. Australia’s external accounts in 2017 are likely to show the largest trade surpluses as a percentage of GDP since the 1970’s. While expectations are for a pull-back in coal and iron ore prices, there is still a risk that the cumulative impact of previous monetary and quantitative easing and a new tilt globally to fiscal easing with an infrastructural bias will see commodity prices and inflation trend higher. The Australian economy is likely to enjoy a lagged boost from the upturn in commodity prices. The Australian property market is proving more resilient than consensus expectations and rises in major capital cities will provide a positive wealth effect boost to consumption. Australian short term interest rates may rise quicker than expectations if the market has underestimated underlying growth in the economy and the massive positive turn in Australia’s external accounts. We believe this backdrop will have a very positive impact on the AUD.

Outlook

Global economic data continues to improve and bodes well for global growth and for corporate earnings momentum. Consensus earnings expectations globally are beginning to turn higher and this augurs well for further equity market gains. Of course, the greatest risk is policy uncertainty emanating from the Trump Administration. The USD, represented by the Dollar Index, fell 2.6% in January recording its worst monthly fall since March 2016 having been impacted by this uncertainty.

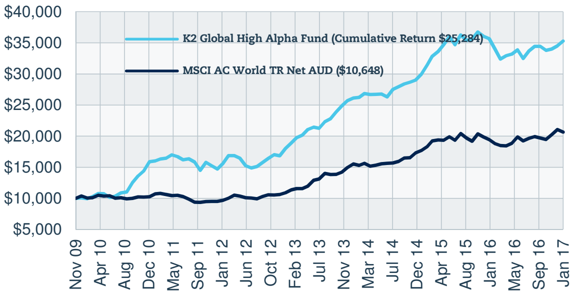
The immediate outlook for the USD will be driven by the Federal Reserve board policymakers' outlook for the US economy at the conclusion of their February 1st FOMC meeting. We expect US interest rates to remain on hold at this meeting with market expectations on the probability of the next interest rate rise occurring by June this year. President Trump is proving to be quite unpredictable and it's very likely markets will go through a period of profit taking and consolidation while Trump proves his credibility. Despite some likely short term turbulence equities remain the asset class of choice.

Top 5 Stock Contributions - January

Largest	Broadcom Ltd, Facebook Inc, Medical Developments International,
	Money3 Corp Ltd, Think Childcare Ltd
Smallest	Goldman Sachs Group Inc, PWR Holdings Ltd, Shire PLC, Yowie Group Ltd,
	ZipTel Ltd

Performance to 31 January 2017 (net of fees)	
1 Month	**2.24%**
3 Months	**4.44%**
6 Months	**4.70%**
1 Year	**3.79%**
3 Years (pa)	**10.40%**
5 Years (pa)	**17.67%**
Since Inception (pa)	**19.24%**

Growth of AUD $10,000



Returns are based on NAV per unit plus distributions reinvested net of management fee and performance fee accruals. The method for calculating the NAV is set out in the Fund's PDS.

Fund Details (Unaudited)	
Exit Price Per Unit:	**A$175.86**
Fund Size:	**A$43.5m**
Start Date:	**1-Dec-09**

Top 5 Large Cap Holdings	Sector	%
Nordea Bank AB	Financial	**3.2**
Goldman Sachs Group Inc	Financial	**2.8**
Facebook Inc	Communication	**2.7**
Tencent Holdings Ltd	Communication	**2.1**
AbbVie Inc	Cons. Non-Cyc	**2.1**

Geographic Exposure %	Long	Short	Net Equity
Australia	40.2	-4.0	**36.2**
Canada	3.1	-	**3.1**
China	2.1	-	**2.1**
Denmark	1.4	-	**1.4**
Euroland	1.6	-0.3	**1.3**
Hong Kong	0.6	-	**0.6**
New Zealand	4.4	-	**4.4**
Sweden	3.2	-	**3.2**
Switzerland	-	-0.3	**-0.3**
United Kingdom	0.5	-	**0.5**
United States	33.1	-	**33.1**
Total Equity	**90.2**	**-4.6**	**85.6**
Total Cash			**14.4**
Total Equity and Cash Exposure			**100.0**
Net AUD Exposure AFTER Hedging			**94.6%**

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