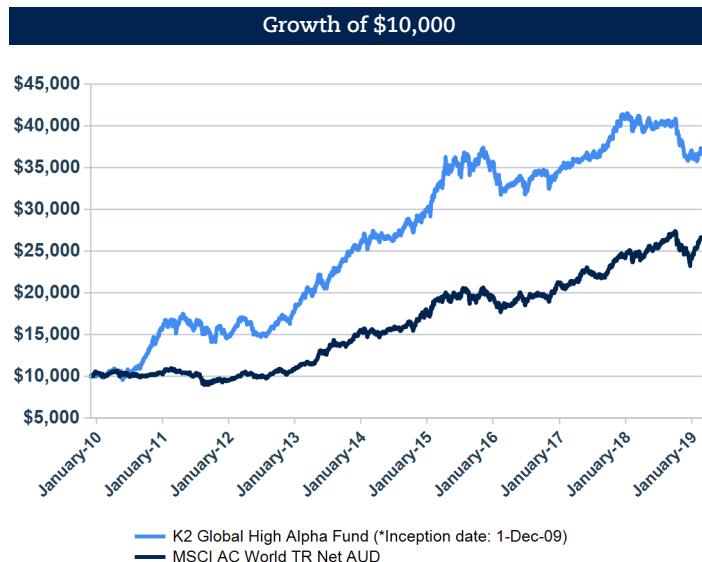


# K2 Global High Alpha Fund

## 28 February 2019



	1 Month	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	3.8%	2.1%	-8.5%	4.7%	6.7%	15.2%	1-Dec-2009
Average Net Exposure	51.8%	33.0%	67.9%	76.8%	80.8%	81.5%	



Top 5 Stock Holdings	Current	Monthly Move
Cedar Woods Properties Ltd	3.7%	+0.4%
Metlifecare Ltd	3.6%	+0.2%
Elanor Investor Group	3.0%	+0.1%
Seven Group Holdings Ltd	2.4%	+1.4%
Guangzhou Automobile Group	2.1%	+0.7%

Month End Exposures	Current	Monthly Move
Communication Services	2.2%	+0.6%
Consumer	13.3%	+5.6%
Energy	1.0%	+0.0%
Financials	16.9%	+4.0%
Health Care	8.4%	+1.5%
Industrials	8.6%	+5.0%
Information Technology	4.5%	+0.8%
Materials	4.5%	+3.8%
Other	1.1%	+1.1%
Real Estate	4.2%	-1.2%
SHORTS	-3.5%	+6.2%
Number of Positions	64	+7
Gross Equity Exposure	68.2%	+14.8%
Cash Weighting	38.7%	-27.2%
Net Equity Exposure	61.3%	+27.2%
Currency Exposure Hedged of AUD	1.8%	+2.2%

### Commentary

The K2 Global High Alpha Fund returned 3.8% for the month of February while the MSCI AC World TR Net AUD Index returned 5.2%.

International equities continued their explosive recovery from December's heavy losses with the S&P 500 now delivering its best start to a year since 1991. The local Chinese A share market (14.6%) stood out, rallying aggressively on the prospect of an increased weighting in the MSCI Indices, which was confirmed on 1 March and has continued positive rhetoric on a potentially imminent resolution to trade talks with the US. Central banks from the US to Europe, Australia and Japan collectively maintained their dovish positioning, providing a genuine 'soft' floor for equity markets.

The largest positive contributor to performance was Australian listed Seven Group Holdings, which rallied 23% for the month, reporting a 61% increase in underlying profit for the first half of 2019 and reaffirming full year guidance for EBIT growth of 25%. Core operating business WesTrac grew EBIT 40% as miners ramped up production and Seven's other core business, Coates Hire experienced strong margin expansion as the business continues to benefit from Australia's infrastructure boom.

The largest detractor was Pioneer Credit, which declined 23% during the month after missing consensus profit expectations for the first time in five years and as a result the position was exited.

The Fund remains fully unhedged at the currency level. Losses incurred in January were largely recovered in February as the AUD fell -2.4% against the USD with investors now starting to entertain the idea of a potential cut in US interest rates, data dependent of course.

We view the risk/reward trade off as materially more attractive than 3 to 6 months ago and have increased our net equity exposure accordingly. While we believe that markets are overbought in the short-term, we remain buyers on any weakness.

Fund Characteristics	
FUM	AUD \$31m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen, Nicholas Leitl, James Souter 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 120
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	2.05%
Buy/Sell	Monthly Application/Redemption
Performance Fee	20.5% of the amount by which the NAV per unit exceeds the High Water Mark

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