

# K2 Select International Fund

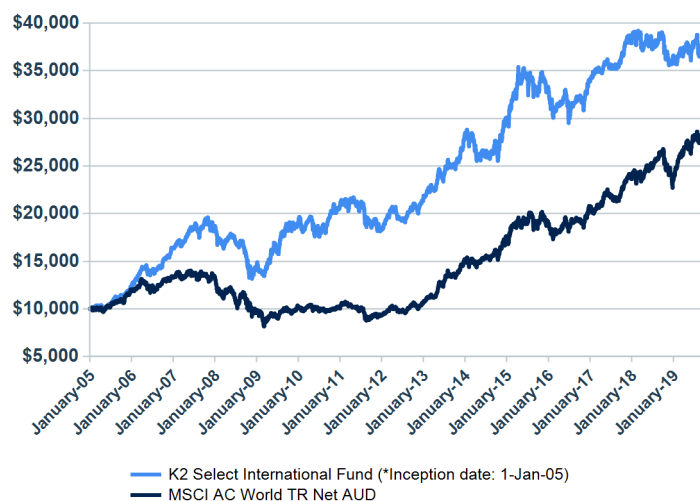
## 31 August 2019



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)	-1.6%	3.2%	-3.0%	5.5%	7.3%	7.6%	9.5%	1-Jan-2005
Average Net Exposure	87.4%	84.3%	67.2%	74.5%	77.7%	82.8%	76.8%	

### Growth of \$10,000



### Commentary

The K2 Select International Fund returned -1.6% for the month of August.

Equity markets retreated across the board in August as the trade war between the US and China escalated with both sides imposing additional tariffs in a tat-for-tat exchange that continues to drag on. We maintain our view that a deal will be reached in due course from which both parties can claim victory. The alternative is simply not something that either country or leader can stomach. Meanwhile, the increased volatility provides us with the opportunity to invest in quality companies whose share prices are being unduly impacted by the macro noise.

As we go to print, the beast that is Brexit took another twist with the likelihood of a general election being called prior to Boris Johnson's self-imposed Oct 31st deadline increasing significantly. Given the large amount of lingering uncertainty we prefer to avoid the UK and maintain a minimal exposure to Europe generally. Interestingly, towards the end of the month the yield on US Government 30-year bonds fell below the S&P 500 dividend yield for only the third time since 1977. The first time was during the GFC and the second time was immediately following the Brexit vote. After both of those events markets rallied strongly.

A positive contributor to Fund performance included Keysight Technologies, a manufacturer of electronic testing equipment. Strong Q3 results were driven by increased demand in 5G and better than feared China weakness following the resumption of shipments to Huawei. With global 5G roll-outs still very much in their infancy, Keysight offers significant growth potential over the next 3-5 years.

The AUD ended the month down -2.2% versus the USD. The Fund is currently 97% hedged to the AUD providing capital protection against a falling USD. Net exposure has increased to 91%. We maintain our bias towards the US and specifically companies that offer a higher degree of earnings certainty.

Top 5 Stock Holdings	Current	Monthly Move
Visa Inc	6.2%	+0.6%
Mastercard Inc	5.6%	+0.6%
Abbott Laboratories	5.4%	+0.3%
Microsoft Corp	5.4%	+0.5%
Home Depot Inc	5.1%	+0.7%

Month End Exposures	Current	Monthly Move
Communication Services	4.9%	-3.2%
Consumer	13.9%	+4.3%
Energy	1.8%	-0.3%
Financials	13.3%	-1.4%
Health Care	17.0%	+1.1%
Industrials	11.9%	-1.2%
Information Technology	25.6%	+5.7%
Materials	4.0%	-0.2%
SHORTS	-1.1%	+1.2%
Number of Positions	37	-2
Gross Equity Exposure	93.4%	+3.7%
Cash Weighting	8.7%	-6.0%
Net Equity Exposure	91.3%	+6.0%
Currency Exposure Hedged of AUD	97.1%	+0.7%

### Fund Characteristics

FUM	AUD \$27m
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											-0.3	2.0	12.1%	-2.5%	
													Incept	276.0	182.9		
													Incept	9.5%pa	7.3%pa	23.4%	-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](http://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.