

K2 Select International Fund

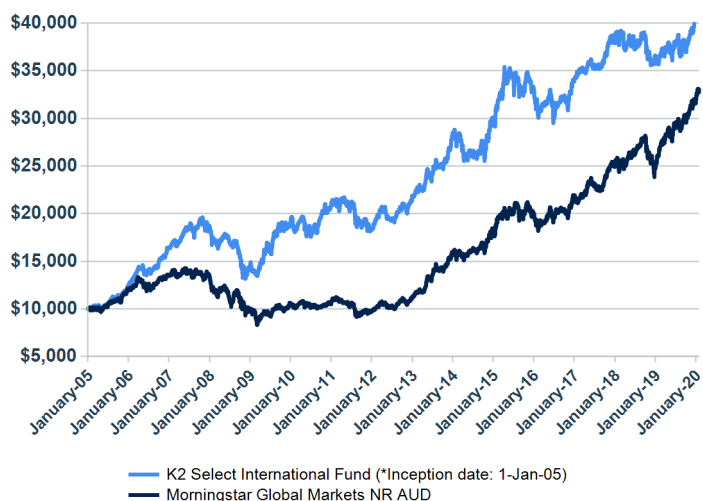
31 January 2020



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)	15 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	0.3%	5.1%	12.7%	5.1%	5.3%	8.2%	9.6%	9.7%	1-Jan-2005
Average Net Exposure	92.7%	93.5%	84.0%	75.7%	77.8%	82.9%	77.8%	77.3%	

Growth of \$10,000



Commentary

The K2 Select International Fund returned 0.3% for January.

Global equity markets began the new year in strong fashion as investors revelled in the clean air of a Brexit resolution, signing of a phase 1 trade deal between the US and China and accommodative central bank policies. However, by month end, all positive gains had evaporated with the onset and uncertainty surrounding the Coronavirus. While Hong Kong (-6.7%) bore the brunt of the selling pressure the US (-0.2%) and Europe (-1.2%) fared considerably better.

Campaigning for the US election in November 2020 has started to ramp up. As always, lots of promises will be made by the various candidates to keep investors on their toes. For Trump to be re-elected the US economy must be firing on all cylinders within 1-2 months of election day. Any unforeseen hiccup has the potential to cause significant damage to his chances. Today, the unemployment rate is at record lows and equity markets are at record highs. Has Trump peaked too early? Watch this space.

A positive contributor to fund performance included global fast food giant McDonalds. Reported 4Q 2019 earnings showed strong sales momentum in both US and international locations as technology investments including self-ordering kiosks and the acquisition of Dynamic Yield which creates a tailored drive-thru menu experience begin to show signs of paying off. Additional catalysts for 2020 such as new chicken products, plant based protein burgers and an aggressive push to increase traffic, particularly during breakfast, will continue to drive sales.

The AUD ended the month down -4.7% versus the USD at 0.6692. The Fund is currently 92% hedged to the AUD providing capital protection against a rising AUD. Net exposure has remained steady at 93%.

Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	6.6%	+0.9%
Abbott Laboratories	5.6%	+0.4%
Mastercard Inc	5.5%	+0.6%
Visa Inc	5.4%	+0.6%
Nike Inc	5.0%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	2.4%	+0.2%
Consumer	16.7%	-5.8%
Financials	16.6%	+2.6%
Health Care	14.3%	+0.4%
Industrials	7.8%	+0.3%
Information Technology	28.0%	+2.3%
Materials	6.9%	+0.5%
Real Estate	2.1%	+0.1%
SHORTS	-1.8%	+0.5%
Number of Positions	33	-1
Gross Equity Exposure	96.6%	+0.1%
Cash Weighting	6.9%	-1.0%
Net Equity Exposure	93.1%	+1.0%
Currency Exposure Hedged of AUD	92.3%	-0.5%

Fund Characteristics

FUM	AUD \$22m
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

George Boubouras
 Head of Research
 03 9691 6191
 invest@k2am.com.au

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	3.0	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	22.3	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	9.9	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	-20.0	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	-15.3	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	8.4	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	3.5	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	-2.6	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	31.0	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	19.6	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	23.9	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	15.4	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	15.1	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	10.5	32.6%	-3.8%	
2019/20	1.3	-1.6	1.4	0.3	2.9	1.9	0.3						6.5	12.7	8.2%	-2.3%	
													Incept	301.7	227.3		
													Incept	9.7%pa	8.2%pa	23.2%	-2.6%

(1) Morningstar Global Markets NR 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 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.

©2020 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.