



K2 to tread lightly in 2008

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Boutique fund manager K2 Asset Management's international absolute return funds have reported positive returns to date, but the first half of 2008 may soon prove to be the toughest challenge yet for its investors.

K2's Select International Absolute Return Fund, which recently celebrated its third birthday, has delivered 23.17 per cent for investors net of fees, and 86.86 per cent since its inception.

K2's Asian Absolute Return Fund also performed strongly despite Asia's periodically volatile markets, chalking up 22.53 per cent net of fees for investors for the end of 2007. The fund has

delivered 20.54 per cent net of fees to its investors over the past five years.

But despite the rosy figures, K2 chief investment officer, Mark Newman, cautions that the first half of 2008 may not be smooth sailing for investors as international markets continue their realisation of losses from the US sub-prime fallout.

"The broader issue [with the sub-prime crisis] is gauging the magnitude and duration of the slowdown in America, and how it is going to impact the earnings of sectors that haven't been badly sold of [by the contagion]," said Newman.

"I think [investors] in the first half of the year might continue to show very nervous behaviour in the equity markets, so there might be a bit more downside. Looking forward we're a bit more optimistic about the second half, especially as the lower interest rates [in the US] we anticipate start to kick in, the changeover to a new president in November, and perhaps a change of economic policy," he said.

The fund manager currently has approximately \$740 million under management, and its Select International Fund was also recently included on the Asgard and Wealthtrac platforms. ■