

Product Disclosure Statement
Issued 1 July 2019

K2 Global Equities Fund (Hedge Fund)

ARSN 605 448 271/ ASX CODE KII



Contact Details

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For lodging complaints and dispute resolution please refer to Section 08 on page 15 of this PDS.

Issued by

K2 Asset Management Ltd

ABN 95 085 445 094 / AFSL 244 393

Contents

- 01 About K2 Asset Management Ltd
- 02 How the Fund works
- 03 Benefits of investing in the Fund
- 04 Risks of managed investment schemes
- 05 How we invest your money
- 06 Fees and costs
- 07 ASX AQUA Rules
- 08 How to transact on your investment
- 09 How managed investment schemes are taxed
- 10 The Fund's Service Providers
- 11 Additional Information
- 12 Terms used in this PDS

Investment in the K2 Global Equities Fund (**Fund**) is offered by K2 Asset Management Ltd (**K2**) ABN 95 085 445 094 AFS Licence No. 244 393.

The information provided here is general information only.

Units in the Fund are offered and issued by K2 on the terms and conditions described in this PDS. By becoming an investor in the Fund you agree to be bound by this PDS. You should not base your decision to invest in the Fund solely on this information. You should obtain professional financial advice tailored to your personal circumstances and consider the suitability of the Fund in view of your financial position, investment objectives and needs before making an investment decision. K2 and its respective employees, agents and officers do not guarantee the success, repayment of capital, rate of return on income or capital, or investment performance of the Fund. Past performance is not a reliable indicator of future performance. It is your obligation to seek any advice, and observe any legal restrictions, on investment in the Fund which may apply to you.

All amounts in this PDS are in Australian dollars. All fees are inclusive of goods and services tax (**GST**) and take into account reduced input tax credits (**RITC**) if applicable. All fees in this PDS are rounded to two decimal places.

Information in this PDS is subject to change of a type that is not materially adverse from time to time. Such updates will be published on the ASX Market Announcements Platform and at www.k2am.com.au. A paper copy of any updated information will be provided free of charge on request.

As a disclosing entity, the Fund has regular reporting and disclosure obligations under the *Corporations Act 2001 (Cth)* (**Corporations Act**). In accordance with ASIC guidance, all material information will be available to investors at www.k2am.com.au. A copy of any documents lodged with ASIC to comply with disclosure requirements may be obtained from or inspected at an ASIC office. On request, K2 will provide investors with copies of the most recent annual financial report for the Fund, the half-yearly financial report and any continuous disclosure notices.

Updated information about performance, unit prices, Fund size and other general information about the Fund will be published on the ASX Market Announcements Platform and K2's website at www.k2am.com.au.

Summary of disclosure against ASIC benchmarks and principles

This PDS contains disclosures against benchmarks and disclosure principles set out in ASIC Regulatory Guide 240. The Fund meets both ASIC benchmarks 1 (on valuation of assets) and 2 (on periodic reporting) - see section 02 on page 05.

Disclosure principle	Where to find in PDS
1 Investment strategy	Section 02, page 03 Section 05, page 08
2 Investment manager	Section 01, page 03
3 Fund structure	Section 02, page 03 Section 10, pages 16 - 17
4 Valuation, location and custody of Assets	Section 02, page 05 Section 05, page 08 Section 08, page 15 Section 10, pages 16 - 17
5 Liquidity	Section 04, page 06 Section 05, page 08
6 Leverage	Section 05, page 08 Section 10, pages 16 - 17
7 Derivatives	Section 04, page 07 Section 05, page 08
8 Short selling	Section 04, page 07 Section 05, page 08
9 Withdrawals	Section 02, page 05 Section 08, page 14

01 About K2 Asset Management Ltd

K2 Asset Management Ltd (**K2**) is an Australian fund manager specialising in managed funds for retail, wholesale and institutional investors. K2 was established in 1999 and is owned by K2 Asset Management Holdings Ltd, a listed company on the Australian Securities Exchange (**ASX**).

K2 is the responsible entity and investment manager of a number of investment funds, including the K2 Global Equities Fund (ASX:KII) (**the Fund**).

As responsible entity, K2 oversees the operation and management of the Fund and is required to act in the best interests of investors. K2 will also act as a buyer and seller of units on the ASX market on behalf of the Fund to assist in providing liquidity to investors. K2 has appointed a market participant to help it perform this market making function.

As the investment manager, K2 is responsible for directing all investments within the Fund.

K2 has brought together a team of investment professionals with a depth of knowledge and experience in domestic and international equity markets. More information about the individuals responsible for the investment management of the Fund, including the proportion of time each individual devotes to executing the Fund's investment strategy, is available at www.k2am.com.au. The Fund is not dependent on any particular individual but enjoys the benefit of the expertise of a group of professionals operating as a team.

K2 is indemnified out of the Fund against all liabilities and expenses incurred by it in properly performing any of its duties, exercising any of its powers, or omitting to act in relation to the Fund, or attempting to do so. Subject to the Corporations Act, provided K2 acts in good faith and without negligence, it is not liable to investors for losses in relation to the Fund (except in certain circumstances, where it can be indemnified from the Fund).

02 How the Fund works

The Fund is an Australian registered managed investment scheme and unit trust. In a unit trust structure, when you invest your money, it is pooled with other investor funds. Each unit represents an equal share in the net assets of the Fund, however no investor is entitled to any specific or part asset of the Fund. The rights of unitholders are set out in the Fund's constitution.

The Fund's units have been admitted to trading status on the ASX market. Quotation on the ASX market allows investors to trade units on the ASX market in the same way as trading ASX listed securities. For information regarding the ASX AQUA Rules refer to section 07 on page 13.



Investment strategy

The Fund invests in globally listed equities across a range of sectors and aims to deliver strong capital growth over the Long-Term. K2's investment approach is to invest in high quality stocks and actively adjust net exposure in line with K2's index unaware strategy. K2's investment parameters allow both Long and Short investment in equity markets, with the added flexibility of investing in cash. The Fund carries specific capacity limits, enabling it to remain versatile and protect its ability to continue to achieve its performance objectives.

For more information about the Fund's investment strategy, please refer to section 05 on page 08 of this PDS.

02

How the Fund works cont...

The Fund at a glance	
Fund category	Global listed equities
ASX code	KII
Inception date	20 July 2015
Suggested investment timeframe	Long-Term (7 or more years)
Typical number of stocks held	Up to 120
Investment management fee	2.05% pa (incl. GST & RITC)
Performance fee	20.50% pa (incl. GST & RITC) of the amount by which the NAV per unit exceeds the High Water Mark
Investment objective	The Fund aims to deliver capital growth over the Long-Term by seeking out opportunities in undervalued companies in all market cycles
Investment style	Flexible to reflect the economic cycle
Unit prices	Available at www.k2am.com.au
Applications	Throughout the ASX Trading Day
Minimum initial investment	There is no minimum number of units that investors can buy on the ASX market
Additional investment	You can add to your investment at any time by purchasing additional units on the ASX market
Valuation	See section 02 on page 05 and section 08 on page 15
Redemptions	Throughout the ASX Trading Day
Minimum withdrawal	There is no minimum number of units that investors can sell on the ASX market
Access to your investment	Settlement of your sale proceeds occurs via the CHESS settlement service on the second Business Day after trade date
Reporting	Monthly performance updates via K2's website at www.k2am.com.au Holding statements and periodic statements from the Unit Registry
Distributions	The Fund may pay distributions shortly after 30 June each year. Distributions can be made more frequently at K2's discretion
Responsible Entity & Investment Manager	K2 Asset Management Level 32, 101 Collins Street Melbourne Victoria 3000
Contact	Client Services Telephone: +61 3 9691 6191 Fax: +61 3 9691 6170 Email: invest@k2am.com.au
Administrator	State Street Australia
Auditor	KPMG Australia

02

How the Fund works cont.

Investing in the Fund

You can invest in the Fund by purchasing units through your stockbroker. You do not need to complete an application form and the purchase of your units will be settled in the same way as a purchase of listed securities through the ASX CHESS settlement service. Your entry price into the Fund will be the price at which you purchase units on the ASX market.

Withdrawing from the Fund

You can withdraw from the Fund by selling units on the ASX market through your stockbroker. You do not need to complete a withdrawal form. Your exit price will be the price at which you sell units on the ASX market and you will receive proceeds from the sale of your units through the ASX CHESS settlement service in the same way as if you had sold securities on the ASX market.

Access to your investment

Settlement of your sale proceeds occurs via the CHESS settlement service on the second Business Day after trade date.

Exceptional circumstances may arise where you will be able to make an off-market request to withdraw your investment from the Fund where trading in the units on the ASX market has been suspended for five consecutive Business Days, subject to any provisions contained in the Fund's constitution.

Valuation

The net asset value (**NAV**) per unit is calculated daily by deducting all liabilities (including fees) from the total value of the Fund's assets and dividing this by the number of units on issue. The daily NAV per unit is published on K2's website at www.k2am.com.au at the end of each day for the previous ASX Trading Day.

An indicative NAV (**iNAV**) is also calculated throughout the ASX Trading Day updating the NAV for foreign exchange movements and changes in prices of stocks held in the Fund. The iNAV will be published on K2's website at www.k2am.com.au throughout the ASX Trading Day.

Refer to section 08 on page 15 for more information on unit pricing procedures.

Distributions

To prevent the Fund from incurring a tax liability, the Fund may pay distributions shortly after 30 June each year. Distributions can be made more frequently at K2's discretion. Distributions are calculated based on the Fund's net income at the end of the distribution period divided by the number of units on issue. You can reinvest your distribution automatically into the Fund or have it paid directly into your bank account.

A distribution of net income generally forms part of a unitholder's assessable income, and you will be liable to pay tax on that income. At the time of distribution, the value of each unit will be reduced by the distribution amount.

Reporting

K2 will provide monthly performance updates via K2's website at www.k2am.com.au. By purchasing units on the ASX market, you will also receive a holding statement from the Unit Registry which sets out the number of units held. The holding statement will specify the "Holder Identification Number" or "Shareholder Reference Number" allocated by CHESS.

Fund performance and other information is available at www.k2am.com.au.

03

Benefits of investing in the Fund

Investing in the Fund offers a range of benefits, including:

Expertise

You benefit from the skill and experience of K2's dedicated equity investment team. K2's portfolio managers bring with them their own investment style while still adhering to the Fund's portfolio rules and guidelines.

Market Access

Through the ASX market, you can easily gain exposure to a wide investment universe that may not be present in your current investment portfolio.

Flexibility

The Fund invests in a diverse range of listed equities rather than reflecting an index or benchmark. Portfolio managers have the added flexibility to buy Long and Short Sell as well as hold cash in different market cycles.

ASX Trading and CHES Settlement

You will be able to buy and sell units on the ASX market and benefit from CHES settlement and reporting.

Risk Management

K2 employs various risk management strategies, including but not limited to stop loss guidelines and exposure limitations. Stringent compliance procedures are also implemented.

04

Risks of managed investment schemes

Any financial investment is not without associated risks. All asset classes carry varying degrees of risk.

When considering any investment in a managed investment scheme, it is important that you understand:

- the value of investments will go up and down;
- the level of returns will vary, and future returns may differ from past returns;
- returns are not guaranteed, you may lose some of your money and past performance is not necessarily indicative of future performance;
- laws affecting registered managed investment schemes may change in the future;
- assets with the highest long-term returns may also carry the highest level of short-term risk; and
- the appropriate level of risk for each investor will vary depending on a range of factors, including age; investment time frames; where other parts of the person's wealth are invested; and the investor's risk tolerance.

Before making an investment in the Fund, you should consider if it is appropriate for your individual circumstances and if necessary seek professional advice. Risks that should be considered when investing in the Fund include, but are not restricted to, the following:

– ASX Market Risk

The ability to buy and sell units on the ASX market could be limited and may impact the liquidity of your investment. No trading will occur during any period where ASX suspends trading of the Fund's units. It is also possible that the price at which units trade on the ASX market is materially different to the NAV per unit or iNAV.

– Market Making Risk

The Fund will bear the risk of K2 acting as market maker on the Fund's behalf. The Fund may be impacted by an error in the execution of market making activities or in the price at which units are transacted on the ASX market.

This may have a negative or positive impact on the Fund's NAV. To manage this risk, K2 can increase the spread at which it makes a market. Subject to the ASX AQUA Rules and ASX Operating Rules, K2 can also limit or cease its market making activities for a period of time.

There is also a risk that the market participant appointed by K2 may make an error in the execution of K2's market making activities. If these errors cannot be corrected, the Fund may incur losses.

– iNAV Risk

The iNAV is indicative only and may not accurately reflect the true value of the underlying assets of the Fund.

– Termination of the Fund or removal from quotation by ASX

To allow for continued quotation of securities under the ASX AQUA Rules, certain requirements are imposed. There is a risk that the Fund will not be able to continue to meet these requirements in the future or that ASX may change the quotation requirements. K2 may also elect to terminate the Fund in the future for any reason, such as if the Fund's objectives can no longer be achieved.

– Market Risk

Changes in regulatory and economic policy, political events, technology, economic cycles, investor sentiment, environmental and social climate can all impact financial markets.

04 Risks of managed investment schemes cont.

- **Equity Specific Risk**
Individual companies in which the Fund invests can have specific factors that can impact their stock valuation. This can include market cycles, internal management changes and product/service demands. Some securities may also become illiquid and as a result it may be difficult to exit the position.
- **Currency and Interest Rate Risk**
Currency markets can be volatile and are subject to a range of influences. Currency risk occurs where the underlying assets of a Fund are denominated in a currency other than Australian dollars. Changes in interest rates and exchange rates may impact economic conditions and stock valuations both positively and negatively.
- **Short Selling Risk**
Short Selling carries particular risks that traditional Long positions do not. With a Long position, the value of the asset cannot drop below zero, thereby placing a limit on the possible loss inherent in the asset. In a Short position, where the purchaser expects the asset to depreciate, there is a risk that the asset could appreciate. Short Selling theoretically has unlimited risk of loss because there is no limit on the level to which a position may appreciate before it is closed out.
- **Counterparty and Broker Credit Risk**
Credit risk is the risk of loss caused by another party, including the Prime Broker or Administrator, defaulting on their financial obligations. For more information see section 10 on page 16.
- **Derivative Risk**
The Fund may use various derivative instruments, including swaps, futures, options, forward contracts and other derivatives. The more volatile nature of these instruments may impact the returns of the Fund.
- **Conflicts of Interest Risk**
K2 is the responsible entity of the Fund and also acts as investment manager and market maker. A conflict might arise between the Fund and investors trading units of the Fund on the ASX due to the Fund's aim to benefit from its market making activities. A conflict may also arise as K2 could use market making activities to influence the performance of the Fund. K2 maintains a conflicts of interest policy to ensure it manages its obligations to the Fund so that any conflicts are managed appropriately.

While K2 actively manages risk, many risks remain outside K2's control. Accordingly, no guarantee can be made that these risks will not eventuate. However, K2 has adopted various risk management strategies to help minimise identified risks. These include, but are not limited to, stop loss guidelines for all positions, exposure limitations on asset classes, internal trading systems that allow continuous transparency to the Fund's assets, annual reviews of service providers, ongoing audit, compliance monitoring, conflicts management policy and internal market making processes.

Ways to reduce or manage risk:

Seek professional advice

K2 recommends you seek professional advice to assist in understanding your current financial situation and your individual investment objectives.

Invest for at least the suggested time frame

Historically, growth assets have achieved the highest returns over the Long-Term, with the greatest risk in the short-term.

Individual investment strategy

You should consider the following factors before investing in the Fund:

- your risk profile;
- your investment timeframe;
- the level of return you are seeking;
- whether you are investing for income or growth; and
- your current financial situation.

05

How we invest your money

Investment Objective

The Fund aims to deliver capital growth over the Long-Term by seeking out opportunities in undervalued companies in all market cycles.

Suggested Investment Timeframe

Long-Term

Potential Risk Level

High

Investor Suitability

This Fund may be suitable for you if:

- you have a Long-Term investment period;
- you seek diversification within traditional asset class exposure;
- you seek exposure to global equities; and
- your risk tolerance is high and you are comfortable with the level of risk associated with the Fund.

Description of Fund

The Fund invests in globally listed equities. It typically holds up to 120 different stocks but, may hold up to 100% cash depending on market conditions.

The Fund can buy Long and Short Sell when seeking out investment opportunities and there is no predetermined capital allocation to any geographic region or industry sector.

Investment Strategy

K2 employs a top-down macroeconomic view with bottom-up stock selection to identify investment opportunities. Continuous macroeconomic analysis of market conditions determines the Fund's net equity exposure. This top-down overlay provides our investment managers with the autonomy to invest in a benchmark unaware manner, in sectors and regions that they believe will provide the most value.

K2's investment strategy intends to produce investment returns by:

- adopting a flexible investment style that reflects the economic cycle;
- actively adjusting net equity exposure;
- identifying major themes or catalysts in a timely manner;
- being index unaware with a Long bias; and
- allocating capital dynamically.

The Fund's ability to produce investment returns is dependent on a wide range of factors, none unusual or unique to the Fund. The Fund's performance returns may be impacted either positively or negatively by market conditions, interest rates, equity specific factors, liquidity and currency movements. Refer to section 04 on pages 06 and 07 for more information on risks.

K2 may alter the investment strategy if it believes it is in the best interest of the Fund to do so. K2 will notify you of any such change in the Fund's investment strategy, however the strategy is not expected to change over the life of this PDS.

Types of Assets Held

The Fund primarily invests in international and Australian listed equities. If deemed appropriate, the Fund may hold upto 100% cash.

The Fund may use exchange-traded and over-the-counter derivative instruments, but the use of such instruments does not form a major part of the Fund's investment strategy. The Fund has no predetermined allocation for each asset type, except derivative exposure is limited to 5%.

Equities are denominated in their local currency. Currency is taken into account at the portfolio level and positions are adopted purely as a hedging tool to reduce overall currency risk.

The Fund may also make other investments as permitted by the Fund's constitution and the ASX AQUA Rules.

Derivatives

The Fund may use derivative instruments, but it is expected that such instruments will be used within the Fund sparingly. If used, derivatives may include swaps, futures, options and forward contracts. K2 will only engage reputable financial institutions (such as the Prime Broker) as a derivative counterparty.

Short Selling

Short Selling may be used when specific opportunities or market conditions have the potential to increase returns. Short positions are subject to diligent ongoing exposure risk review by the investment team and stringent stop loss guidelines. Refer to section 04 on page 07 for more information on risks associated with Short Selling.

Leverage

K2 does not use leverage to increase the net invested position of the Fund greater than the Gross Asset Value of the Fund. In order to implement any Short positions or derivative exposure, equity and/or cash may be required to be deposited with the Prime Broker as collateral. The Fund does not use other types of leverage.

Liquidity

As the Fund only invests in listed equities, under normal market conditions K2 reasonably expects to be able to realise at least 80% of the Fund's assets, at the value ascribed to those assets in calculating the Fund's Net Asset Value, within 10 business days. K2 monitors the Fund's portfolio on an ongoing basis, having regard to the overall liquidity profile of the Fund's underlying investments.

Valuation, Location and Custody of Assets

The Fund invests in globally listed equities in various currencies which are held in accordance with normal business practices either by the Prime Broker or in custody accounts with State Street Australia Ltd or Morgan Stanley Private Bank National Association. The roles performed by these custodians are set out at section 10 on page 16. Non-cash assets are exchange traded and are valued accordingly. Please refer to section 08 on page 15 for key aspects of the Fund's unit pricing policy.

Labour Standards and Environmental, Social and Ethical Considerations

Labour standards and environmental, social and ethical considerations are taken into account in the selection, retention or realisation of investments relating to the Fund to the extent that these may affect the performance of an investment.

06

Fees and costs

It is a legal requirement to display the following consumer advisory warning at the beginning of the fees section of a PDS. The fee example provided in the consumer advisory warning box does not specifically relate to the Fund, and is a standard example prescribed by law.

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of Fee or Cost	Amount	How and When Paid
Fees when your money moves in or out of the managed investment product		
<i>Establishment Fee</i> The fee to open your investment	Nil	
<i>Contribution Fee</i> The fee on each amount contributed to your investment	Nil	
<i>Withdrawal Fee</i> The fee on each amount you take out of your investment	Nil	
<i>Exit Fee</i> The fee to close your investment	Nil	

06

Fees and costs cont.

Type of Fee or Cost	Amount	How and When Paid
Management Costs - The fees and costs for managing your investment ¹		
Investment Management Fee	2.05% pa (incl. GST & RITC)	The investment management fee is calculated and accrued daily based on the Gross Asset Value of the Fund. It is paid monthly in arrears out of the Fund's assets.
Estimated Responsible Entity Fee	0.06% pa (incl. GST & RITC)	The responsible entity fee covers direct and indirect costs that relate to K2's role as responsible entity. It is calculated and accrued daily and is paid monthly in arrears out of the Fund's assets.
Estimated Expense Recoveries ²	1.13% pa (incl. GST & RITC)	This cost is calculated and accrued daily and is payable when expenses are invoiced. The amount is paid directly from the Fund and is reflected in the unit price.
Estimated Indirect Costs ³	0.00% pa (incl. GST & RITC)	This cost is calculated on the basis of K2's reasonable estimate of such costs and is payable once the cost is incurred. The amount is paid directly from the Fund and is reflected in the unit price.
Estimated Performance Fee ⁴	0.00% pa (incl. GST & RITC)	<p>The performance fee per unit is 20.50% pa (incl. GST & RITC) of the amount by which the NAV per unit exceeds the High Water Mark.</p> <p>The performance fee is accrued daily based on the NAV (before performance fee) of the Fund and is crystallised and paid on a semi-annual basis as at 31 December and 30 June.</p> <p>Units that are either purchased by K2 on the ASX market or (where permitted) redeemed directly via an off-market withdrawal request will be cancelled. Any performance fee accrued on cancelled units during a half financial year will become payable to K2.</p>

¹ Management costs reduce the Net Asset Value of the Fund and are reflected in the unit price.

² Includes ASX fees, custodian fees, administration, unit registry and other expenses relating to the compliance, investment management, management and administration of the Fund. The average expense recoveries are calculated and paid out of the Fund's assets. The estimated percentage above is based on expenses averaged over the three financial years ended 30 June 2019. This is not a guarantee of future expense amounts as these costs can increase or decrease depending on the assets within the Fund. Changes in the amount of fees and costs charged by service providers, regulators and other third parties may cause the Estimated Expense Recoveries amount to increase or decrease from time to time.

³ Indirect costs are generally any amount that K2 knows or estimates will reduce the Fund's return, that are paid from the Fund's assets or the assets of interposed vehicles, other than transactional and operational costs. The amount of indirect costs include, but are not limited to, a reasonable estimate of the costs of investing in over-the-counter (OTC) derivatives which may be used by the Fund to gain economic exposure to assets. The amount of total indirect costs shown above is based on the responsible entity's knowledge of, or where required, reasonable estimate of, such costs. Indirect costs are generally calculated on the basis of indirect costs paid by the Fund in the previous financial year. As such, the actual indirect costs may differ from the amount shown above. Indirect costs are deducted from the returns on your investment or from the Fund's assets as a whole. They are reflected in the unit price and are not an additional cost to you.

⁴ The figure shown in the table is the performance fee estimated for the financial year ended 30 June 2019. The average performance fee charged for the three financial years ended 30 June 2019 was 1.05%. The estimates provided are examples only and not a forecast or representation of likely future performance. The actual performance fee may be higher, lower or not payable at all. For further information about the calculation of the performance fee, please see "Performance Fee" under the heading "Additional Explanation of Fees and Costs" on page 11.

06

Fees and costs cont.

Example of annual fees and costs for the Fund

This table gives you an example of how the fees and costs for this managed investment product can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

Example: Balance of \$50,000, with a contribution of \$5,000 during the year		
Contribution Fees	Nil	For every \$5,000 you put in, you will be charged \$0
PLUS Management Costs*	3.24%	And , for every \$50,000 you have invested in the Fund, you will be charged \$1,620 each year
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of \$1,620#

* The breakdown of the Management Costs in the above example is detailed in section 06 on page 10.

Management Costs are charged on your investment amount and any contributions made during the year. In the example, management costs are calculated using the \$50,000 balance only and do not take into account the \$5,000 contribution, as it assumes that this contribution occurs at the end of the year.

Please note that this example does not capture all the fees and costs that may apply, such as brokerage fees.

Additional Explanation of Fees and Costs**Performance Fees**

Upon the Fund meeting its performance criteria, a performance fee is payable. K2 will only be eligible to receive a performance fee where the NAV per unit, before performance fees, is above the applicable High Water Mark. The performance fee is calculated and accrued daily based on the NAV before performance fees of the Fund.

The performance fee per unit is 20.50% (inclusive of GST and RITC) of the total return above the High Water Mark. The **High Water Mark** is the higher of:

- a) where a performance fee is paid or payable in respect of the immediately preceding half financial year, the highest NAV per unit from which a performance fee has been last deducted in the immediately preceding half financial year; or
- b) where a performance fee is not payable in respect of the immediately preceding half financial year, the higher of:
 - i. the relevant NAV at the date on which the units were created; or
 - ii. the last NAV from which a performance fee has been paid, if any.

A High Water Mark is a NAV above which K2 is entitled to charge a performance fee. If the current NAV falls below the High Water Mark, the NAV must reach the High Water Mark before K2 receives a performance fee on additional performance above the High Water Mark.

On each Business Day where there is a net creation of units, the performance fee on those units will be calculated using the relevant High Water Mark. The effect of this is that K2 will only receive a performance fee in respect of a specific unit on performance generated after that unit is created.

Units that are either purchased by K2 on the ASX market or (where permitted) redeemed directly via an off-market withdrawal request will be cancelled. Any performance fee accrued on units that are cancelled during a half financial year will become payable to K2. Otherwise, the accrued performance fee (if any) is payable to K2 at the end of each half financial year ending on 31 December or 30 June.

06

Fees and costs cont.

Brokerage Fees

When buying and selling units in the Fund via the ASX market, you are likely to incur brokerage fees and charges from your stockbroker. You should consult your stockbroker for more information in relation to their fees and charges.

Market Making Cost

The Fund has on-market entry and exit prices based around the iNAV to ensure transactional and operational costs of applications and redemptions, along with the risk of market making, are not borne by existing unitholders.

Morgans Financial Limited is the appointed market participant to execute K2's market making activities, provide liquidity for the units on the ASX and facilitate settlements. The market participant earns a fee of 0.20% (GST exclusive) of the value of all transactions in units of the Fund from market making activities. The fee is payable by the Fund and is subject to GST. This fee is offset by allowances included in the on-market entry and exit prices.

Any profit from market making is retained in the Fund and forms part of the Fund's performance returns. As such it is included in the calculation of investment management and performance fees. While contributions to overall performance may be small in the short-term, this practise may have a larger cumulative impact on Fund performance over time.

Transactional and Operational Costs

Because the Fund is actively managed, the Fund will incur transactional and operational costs such as brokerage, settlement costs, clearing costs and government charges as a result of the management of the Fund's investment portfolio. Transactional and operational costs are paid out of the Fund's assets and are reflected in the Fund's unit price.

Transactional and operational costs that are incurred because investors buy or sell units in the Fund are offset by the allowances that are included in the on-market entry and exit prices set by K2 when carrying out its market making activities. This is to ensure that the costs associated with these transactions (including the market making cost referred to above) are not borne by other investors.

In limited circumstances where an off-market transaction is available to investors, a buy/sell spread of +/-0.25% is an additional cost you will incur to enter or exit the Fund. The buy/sell spread ensures that the transactional and operational costs associated with the off-market transaction are not borne by other investors. The money is retained in the Fund and is not paid to K2. The spread is based on the Fund's average transaction costs and accordingly may be varied by K2 from time to time.

The average transactional and operational costs for the three financial years ended 30 June 2019 was approximately 0.87% of the Fund's average Net Asset Value, of which 0.34% resulting from unitholder transactions was recovered via on-market allowances or the buy-sell spread. The difference of 0.53% was reflected in the net investment return of the Fund. These costs may vary in the future.

Wholesale Clients

K2 may agree to an alternative fee arrangement with certain wholesale clients that satisfy minimum investment requirements.

Changing the Fees

All fees and expenses in this PDS can change without your consent, however it is not expected that the investment management or performance fees will change while this PDS is current. At least 30 days' notice will be provided in the event investment management or performance fees increase or there is any other change that requires us to give you prior notice. K2 has the right to recover all proper and reasonable expenses incurred in managing the Fund. Changes in the amount of fees and costs charged by service providers, regulators and other third parties may cause the amount of expenses recovered by K2, including the estimated responsible entity fee, to increase or decrease from time to time. The Fund's constitution defines the maximum that can be charged for fees described in this PDS.

07

ASX AQUA Rules

As the Fund has been admitted to trading status on the ASX market under the ASX AQUA Rules framework, this PDS is required to set out the key differences between the ASX Listing Rules and the ASX AQUA Rules. These differences are set out below, and generally relate to the level of control and influence that the issuer of a product has over the underlying instrument.

Requirement	ASX Listing Rules	ASX AQUA Rules
Continuous Disclosure	Issuers of products under the Listing Rules are subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.	<p>K2, as an issuer of a product under the ASX AQUA Rules, will not be subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act.</p> <p>However, under the ASX AQUA Rules, K2 must provide ASX with information where the non-disclosure of that information may lead to the establishment of a false market in the Fund's units or would materially affect the price of the Fund's units.</p> <p>K2 is required to disclose information about the NAV of the Fund daily. K2 must also disclose information about:</p> <ul style="list-style-type: none"> – net monthly applications and redemptions; – dividends, distributions and other disbursements; and – any other information that is required to be disclosed to ASIC under section 675 of the Corporations Act. <p>K2 will make any required disclosures through the ASX Market Announcements Platform at the same time as it is disclosed to ASIC.</p>
Periodic Disclosure	Issuers of products under the ASX Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the ASX Listing Rules.	<p>K2, as an issuer of a product under the ASX AQUA Rules, is not required to disclose half yearly and annual financial information or reports.</p> <p>However, K2 (as the responsible entity of the Fund) is still required to lodge with ASIC financial reports required under Chapter 2M of the Corporations Act.</p>
Corporate Control	Listed companies and listed managed investment schemes are subject to requirements in the Corporations Act and the ASX Listing Rules relating to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings.	<p>As products quoted under the ASX AQUA Rules are not shares in companies, the issuers of such products are not subject to the corporate governance requirements under the Corporations Act and the ASX Listing Rules.</p> <p>However, K2, as an issuer of a product quoted under the ASX AQUA Rules, is subject to the general requirement to provide ASX with information concerning itself that may otherwise lead to the establishment of a false market or materially affect the price of its products. Section 601FM of the Corporations Act will continue to apply to K2 in relation to the removal of a responsible entity of a registered managed investment scheme by members.</p>
Related Party Transactions	Chapter 10 of the ASX Listing Rules specifies controls over related party transactions (which relate to transactions between an entity and other people in a position to influence the entity).	Chapter 10 of the ASX Listing Rules does not apply to AQUA Products, such as the Fund's units. However, as the Fund is a registered managed investment scheme, it is still subject to the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.
Auditor Rotation Obligations	There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the Corporations Act.	<p>K2, as an issuer of a product quoted under the ASX AQUA Rules, will not be subject to the requirements of Part 2M.4 Division 5 of the Corporations Act.</p> <p>However, K2, as responsible entity of the Fund, will continue to be required to undertake an independent audit of its compliance with the Fund's compliance plan in accordance with section 601HG of the Corporations Act and the auditor must not be the auditor of the responsible entity's financial statements (although they may be from the same firm).</p>

08

How to transact on your investment

1. Read this PDS.
2. Purchase units in the Fund on the ASX market through your stockbroker.
3. Receive confirmation of your investment via the ASX CHESS Settlement Service.

Acquisition and disposal of Units

Investing in the Fund

You can invest in units in the Fund by purchasing units on the ASX market through your stockbroker. Investors do not need to complete any application forms and the purchase of units is settled through the ASX CHESS settlement service.

The cost of investing in the Fund will be the price at which you purchase units on the ASX market plus any brokerage fee that you have agreed or negotiated with your stockbroker.

You can add to your investment at any time by purchasing additional units on the ASX market through your stockbroker.

Subject to the ASX Operating Rules, K2 reserves the right to refuse any purchase of units without giving a reason. Investors do not have a right to a cooling off period for units purchased on the ASX market.

Withdrawing from the Fund

You can sell units on the ASX market through your stockbroker. By selling units you do not need to complete any forms and you will receive the proceeds from a sale through the ASX CHESS settlement service. Your exit price will be the price at which you sell units on the ASX market, less any brokerage fee that you have agreed or negotiated with your stockbroker.

Off-market withdrawal rights

If trading in the Fund's units on the ASX market has been suspended for more than five consecutive Business Days, you may be able to apply to K2 directly to make an off-market withdrawal of your investment from the Fund.

If you wish to withdraw from the Fund in this way when permitted you must complete a withdrawal form which will be available from K2 on request.

Under the Fund's constitution, K2 may suspend the determination of the Net Asset Value of the Fund and/or extend the time for paying redemption proceeds.

Off-market withdrawals from the Fund may be suspended during a period in which K2 is unable to determine the NAV of the Fund because:

- an exchange or market on which investments in the Fund are quoted is closed or suspended;
- in the opinion of K2, it is not practicable to sell investments or where a disposal would be prejudicial to investors;
- in the opinion of K2, the NAV cannot be reasonably or fairly ascertained; or
- the Fund is unable to repatriate funds to make payments on redemptions or during a period in which any transfer of funds cannot, in the opinion of K2, be effected at normal rates of exchange.

No units may be issued or withdrawn during such periods of suspension.

K2 may also suspend the issue and withdrawal of units for up to 28 days if:

- the quotation of units is suspended, halted or revoked;
- K2's approval as an AQUA Product Issuer is suspended or revoked;
- K2 reasonably considers that it is in the interest of investors;
- a redemption would cause K2 to breach any law, regulation or obligation under which K2 operates; or
- it is allowed by any form of ASIC relief or otherwise permitted by law.

Where the Fund is not liquid (as defined in the Corporations Act) an investor does not have a right to withdraw from the Fund and can only withdraw where K2 makes a withdrawal offer in accordance with the Corporations Act. K2 is not obliged to make such offers. You will be notified in writing of any such changes to your withdrawal rights.

08

How to transact on your investment cont.

Complaints

If you wish to discuss any aspect of the Fund or wish to lodge a complaint, please contact K2 and we will endeavour to resolve your concerns quickly and fairly. If K2 cannot resolve your complaint, you may seek assistance from:

Australian Financial Complaints Authority (**AFCA**)
 GPO Box 3 Melbourne Vic 3001
 Phone: 1800 931 678
 Website: www.afca.org.au
 Email: info@afca.org.au
 You should quote the following AFCA membership number with your enquiry: 12481.

Unit pricing (NAV per unit)

The calculation of unit prices is set out in the Fund's constitution and is performed by the Fund's Administrator each Business Day. Broadly, the NAV per unit is calculated by:

1. calculating the Gross Asset Value of the Fund as at the relevant Business Day;
2. deducting any liabilities (including the investment management fee);
3. deducting any accrued performance fee after the deduction of liabilities; and
4. dividing the resulting NAV by the number of units on issue, this amount being rounded to the nearest cent (0.5 of a cent will be rounded up).

The daily NAV per unit is published on K2's website at www.k2am.com.au at the end of each day for the previous ASX Trading Day.

Indicative Net Asset Value (iNAV)

We will publish iNAVs throughout the ASX Trading Day on our website at www.k2am.com.au to show movements in securities with live market prices, as well as foreign exchange movements relevant to the Fund's portfolio. The iNAV is indicative only and we do not assure that the iNAV will always be up to date or accurately reflect the underlying value of the Fund. Neither we nor our appointed market participant assume any liability to any person relying on the iNAV, to the extent permitted by law.

iNAV quotations are based on the Fund's NAV per unit. Entry and exit prices will always be at an even spread around the iNAV so not to favour an investor who is either buying or selling units of the Fund.

09

How managed investment schemes are taxed

Investing in a managed investment scheme is likely to have tax consequences. K2's registered managed investment schemes do not pay tax on behalf of investors and you will be personally assessed for tax on any net income and capital gains generated by the scheme. In normal circumstances you should expect that some income and/or capital gains will be generated each year. The taxation of managed investment schemes is complicated and you are strongly advised to seek professional tax advice relevant to your own circumstances before investing in the Fund.

You should read the important information about taxation before making a decision to invest. Go to 'General Information' at www.k2am.com.au under 'How to Invest'. The material relating to taxation may change between the time when you read this PDS and the day when you acquire the product.

Foreign Tax Resident Reporting

Laws have been introduced in Australia to implement global standards relating to the automatic exchange of financial account information between tax authorities to ensure that everyone pays the right amount of tax. As a financial institution, K2 must identify accounts held by investors who are foreign tax residents or entities connected to foreign tax residents and report this account information to the Australian Tax Office. This information is then shared with tax authorities in:

- the United States (**US**) under a system known as the Foreign Account Tax Compliance Act (**FATCA**). This is for US citizens and tax residents only and applied from 1 July 2014; and
- other countries under the Common Reporting Standard (**CRS**). The CRS applies to all foreign tax residents from 1 July 2017.

On request from K2, it is important that you provide K2 with information about your tax residency, the nature of your business and any beneficial owners. This will enable K2 to comply with its obligations under the FATCA and CRS laws. If you do not respond, K2 may be required to treat you as if you are a foreign tax resident, even if you are not. Penalties may apply if you deliberately or recklessly provide false or misleading information.

10 The Fund's service providers

The following service providers to the Fund are not responsible for the preparation of this document or the activities of the Fund and therefore accept no responsibility for any information contained in this document. These service providers do not participate in the investment decision-making process.

K2 as responsible entity of the Fund monitors the compliance of all of the following service providers with their contractual obligations through receipt of compliance certifications, performance reviews and audit activity performed by the Fund's external auditor KPMG.

About the Prime Broker

Morgan Stanley & Co. International plc. (**Prime Broker**), based in London, provides prime brokerage services to the Fund under a standard agreement (**PB Agreement**).

These services may include margin financing, clearing, settlement, stock borrowing and foreign exchange facilities. The Fund deals with the Prime Broker mostly through its Sydney office. The Fund may also utilise other members of the Morgan Stanley group of companies and other brokers for executing transactions for the Fund.

The Prime Broker also provides a custody service for those investments of the Fund held by the Prime Broker in accordance with the PB Agreement and the rules of its regulator, the UK Financial Conduct Authority (**FCA**). The Prime Broker may appoint sub-custodians, including other members of the Morgan Stanley group.

Identification and segregation of Fund assets

In accordance with FCA rules, the Prime Broker will identify, record and hold the Fund's investments so that they are separately identifiable from the Prime Broker's other investments.

Collateral may not be segregated

Investments which constitute collateral for the purposes of the FCA rules, might not be segregated and may be available to creditors of the Morgan Stanley group. The law or market practices in some jurisdictions outside of Australia and the United Kingdom may require that investments are registered in the name of the Prime Broker (rather than a custodian), in which case such investments will not be segregated from the Prime Broker's own assets and, in the event of the Prime Broker's default, may not be protected. Cash held by the Prime Broker or its related entities will not be treated by the Prime Broker as client money and will not be protected by FCA 'client money' rules.

Borrowing of Fund assets

Investments and cash might be deposited by the Fund with the Morgan Stanley group as margin and will also constitute collateral for the purposes of the FCA rules. The Fund's investments may be borrowed, lent or used by the Morgan Stanley group, which would transfer property rights but leave the Fund with a right for the return of equivalent assets.

The Fund will rank as an unsecured creditor and, in the event of the insolvency of a Morgan Stanley group entity, the Fund may not be able to recover such equivalent assets in full. To better protect investors, K2 and the Prime Broker have agreed at the request of K2 to specific limitations on the borrowing and use of Fund assets.

Contractual relationship

Consistent with typical industry practice, the liability of the Prime Broker and its related entities is limited to circumstances involving its own negligence, wilful default or fraud, and the Prime Broker benefits from a limited indemnity from the Fund. The Prime Broker can be replaced by K2 by providing written notice. Various notice periods apply depending on the circumstances for termination of the contract.

10

The Fund's service providers cont.

About the Custodians

State Street Australia Limited

K2 has appointed State Street Australia Ltd (**SSAL or Adiminstrator**) to act as custodian of the Fund on terms consistent with typical Australian market practice. SSAL is the Australian subsidiary of a global business and is based in Sydney. It holds an Australian Financial Services Licence and is subject to ASIC regulation.

As is standard practice for global investment dealings, SSAL engages third party sub-custodians around the world to transact and hold assets for the Fund.

Morgan Stanley Private Bank, National Association

Morgan Stanley Private Bank, National Association (**MSPB**), a US national banking association regulated by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation has been engaged to provide additional custody services to the Fund if deemed necessary by K2 on terms consistent with typical market practice.

MSPB can engage unrelated third party sub-custodians, subject to certain duties on MSPB.

MSPB is authorised to transfer certain assets of the Fund's investments to the Fund's prime brokerage account with the Prime Broker in certain situations, consistent with typical market practice. MSPB is not permitted to borrow, lend, charge, rehypothecate, dispose of or otherwise use for its benefit any investment held in custody on behalf of the Fund.

MSPB is an 'insured depository institution', as defined in the US Federal Deposit Insurance Act and certain cash deposits are insured by the US Federal Deposit Insurance Corporation (FDIC). However, MSPB may place funds with other depository institutions that may not carry the full protection of FDIC insurance.

About the Administrator

State Street Australia Ltd

K2 has appointed SSAL, based in Sydney, to act as Administrator of the Fund. K2 and SSAL have entered into an agreement for administrative services for the Fund that sets out SSAL's role as Administrator, including its rights and obligations and the limits on its liability.

Responsibilities of SSAL include:

- calculating the NAV and unit price for the Fund on each Business Day;
- preparing unaudited financial statements for the Fund in accordance with international financial reporting standards; and
- providing certain other administrative services.

SSAL's obligations in relation to the Fund are limited to the provision of services to K2, and SSAL has not undertaken any obligations to unitholders.

About the Unit Registry

Boardroom Pty Limited

K2 has appointed Boardroom Pty Limited (ABN 14 003 209 836) based in Sydney, (**Unit Registry or Boardroom**) to provide unit registry services to the Fund. K2 and Boardroom have entered into an agreement that sets out Boardroom's responsibilities, which include:

- maintaining the Fund's register of unitholders;
- providing certain other administrative services.

Appointment of New Service Providers

K2 may remove the Fund's Prime Broker, Custodian, Administrator or Unit Registry and appoint a replacement at any time without notice to investors. Changes to a key service provider will be disclosed to investors in the Fund's periodic disclosures.

11 Additional information

Market making on the ASX Market

The Fund's units can be bought and sold on the ASX market in the same way as ASX listed securities. To ensure that there is sufficient liquidity in the Fund's units, K2, acting through a market participant, may buy and sell units on the ASX market. At the end of each ASX Trading Day, K2 will create or cancel units by applying for or redeeming its net position in units bought or sold on the ASX market.

When determining the price at which it will buy or sell units, K2 will consider aspects such as the NAV per unit, market conditions and the supply and demand for units. The Fund will bear the risk of the market making activities carried out by K2, which may result in a cost or a benefit to the Fund.

CHES

The Fund uses the ASX Clearing House Electronic Sub-Register System (**CHES**). Settlement through CHES ensures investors' transactions are settled in two days (T+2) with settlement risk eliminated through the operation of transfer of entitlement against cleared funds. Instead of K2 issuing certificates for units held by investors, when an investor purchases units on the ASX market, the Unit Registry will provide a holding statement setting out the number of units held. The holding statement will specify the CHES allocated "Holder Identification Number" or "Shareholder Reference Number".

ASX conditions of admission

As part of the Fund's conditions of admission to trading status on the ASX market, K2 has agreed to:

- provide the iNAV as described in this PDS;
- disclose the Fund's portfolio holdings on a quarterly basis within two months of the end of each calendar quarter; and
- make available half year and annual financial reports, distribution information and other required disclosures on the ASX Market Announcements Platform.

ASX waivers

As the London Stock Exchange and the Borsa Italiana are not members of the World Federation of Exchanges or the Federation of European Securities Exchanges, ASX has granted the Fund a waiver of ASX Operating Rule Schedule 10A.3.3(c)(i) so that the Fund can have its capital value or distributions linked to securities traded on the London Stock Exchange or the Borsa Italiana.

ASIC relief

ASIC has granted relief from the ongoing disclosure requirements in section 1017B of the Corporations Act on the condition that K2 complies with the continuous disclosure requirements in section 675 of the Corporations Act as if the Fund were an unlisted disclosing entity and included statements to that effect in any PDS for the Fund.

Privacy

K2 will be collecting personal information about investors which it may need to provide to third parties, such as its service providers, regulatory authorities as required by law or to satisfy United States requirements (in the case of United States persons). In some cases, the organisations to which K2 or its service providers disclose your information may be located outside Australia, although it is not practicable to list all of the countries in which such recipients are likely to be located. For further information about how we collect, hold, use and disclose your personal information, please read K2's privacy policy, which can be downloaded from our website at www.k2am.com.au.

Information for New Zealand Investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

11 Additional information cont...

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

12 Terms used in this PDS

ASX AQUA Rules refer to the ASX rules that apply to the quotation of financial products such as the Fund's units on the ASX market.

ASX Listing Rules means the Listing Rules of ASX and any other applicable rules of ASX, modified to the extent of any express written waiver by ASX.

ASX Trading Day means the day and time during which shares are traded on the ASX market.

Business Day means the days identified by ASX upon which settlement occurs. Some public holidays and all weekends have been designated as non-business days.

Gross Asset Value means the value of all the assets and liabilities of the Fund, prior to fees.

High Water Mark has the meaning given in section 06 on page 11.

Indicative Net Asset Value or iNAV refers to the estimated NAV per unit that will be published on K2's website throughout the ASX Trading Day to take into account movements in stocks that have live market prices during the ASX Trading Day as well as foreign exchange movements relevant to the Fund's portfolio.

Long position refers to an asset which is held with the expectation that the value of the asset will appreciate.

Long-Term means seven (7) or more years.

Net Asset Value or NAV means the Gross Asset Value of the Fund, less all fees.

Short position or Short Selling refers to an investment technique in which an asset is borrowed and then immediately sold in the expectation that the asset will then depreciate. The borrowed asset is repaid by buying back the asset on the market, with the intention of obtaining it at a lower price. The asset is then returned to the original lender.

