

K2 Select International Fund

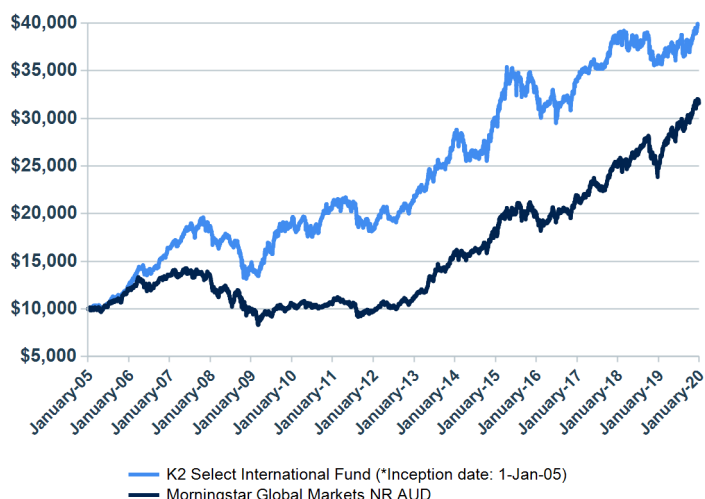
31 December 2019



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)	15 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	1.9%	5.1%	9.5%	5.8%	6.0%	7.7%	9.7%	9.7%	1-Jan-2005
Average Net Exposure	94.3%	93.7%	78.4%	75.4%	77.9%	82.9%	77.3%	77.2%	

Growth of \$10,000



Commentary

The K2 Select International Fund returned 1.9% for the month of December.

Global equity markets capped off a stellar 2019 driven by strong gains throughout the month in the US, Asia and European key indices. However, the MSCI AC World TR Net AUD Index declined slightly by -0.44% in December due to the strong rise in the AUD. In the UK a landslide win for Boris Johnson has given him a mandate to action Brexit on his terms, providing the market with greater certainty which they dutifully applauded. In the US, once again a trade deal with China appears to have been agreed in principal while the Fed have indicated that interest rates are unlikely to rise for some time yet. In the meantime, the Fed appear to have re-instigated quantitative easing, although officially called something else, it does have the same effect of adding liquidity to the system. To put this in context, since the end of August 2019 the Fed balance sheet has increased by approx. US\$400bn. This equates to roughly 87 S&P500 points for every US\$100bn.

Strong positive contributors to fund performance included global cruise companies Royal Caribbean and Norwegian. Despite facing significant challenges from hurricanes and the forced removal of Cuba from itineraries, a resilient US consumer has continued to drive revenue yields higher both in terms of up front ticket price and on-board spending. With private island experiences and unique on-board attractions like go karts and water slides holiday makers are quickly recognising the exceptional value proposition on offer when compared to land based alternatives. Looking forward to 2020 the major cruise operators enter the year in a record booked position and more importantly at higher prices than the same time last year. All aboard!

The AUD ended the month up +3.86% versus the USD at 0.7024. The fund is currently 95% hedged to the AUD providing capital protection against a rising AUD. Net exposure has remained steady at 92%.

Top 5 Stock Holdings	Current	Monthly Move
Microsoft Corp	5.7%	+0.1%
Abbott Laboratories	5.2%	-0.1%
Mcdonald's Corp	5.1%	-0.1%
Nike Inc	5.0%	-0.1%
Mastercard Inc	4.9%	-0.5%

Month End Exposures	Current	Monthly Move
Communication Services	2.2%	0.0%
Consumer	22.5%	-0.5%
Financials	14.0%	+1.1%
Health Care	13.9%	-0.9%
Industrials	7.5%	-0.9%
Information Technology	25.7%	-0.7%
Materials	6.4%	0.0%
Real Estate	2.0%	-0.1%
SHORTS	-2.2%	+1.1%
Number of Positions	34	-1
Gross Equity Exposure	96.5%	-3.2%
Cash Weighting	8.0%	+0.9%
Net Equity Exposure	92.0%	-0.9%
Currency Exposure Hedged of AUD	92.8%	-2.5%

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

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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	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							6.2	8.7	8.3%	-2.3%
Incept													300.7	215.7		
Incept													9.7%pa	8.0%pa	23.2%	-2.6%

(1) Morningstar Global Markets NR AUD

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