



K2 Asset Management Holdings Media Release 28 August 2018 2018 Financial year end

“Building on a structured strategy of growth”

K2 Asset Management Holdings Ltd (KAM) today announced an after tax profit of \$5.2 million for the 2018 financial year.

All K2 Funds provided unitholders with strong absolute returns for the 2018 financial year. In line with the Fund performance returns set out below, K2 received performance fees totalling \$7.6 million and management fees of \$5.9 million bringing total income to \$14.1 million.

The performance of the K2 Funds and funds under management (FUM) as at 30 June 2018 is detailed in the table below:

K2 Fund	Financial year fund performance*	Since inception fund performance (p.a.)*	Since inception index performance (p.a.) #	FUM \$million
K2 Australian Absolute Return Fund	+13.1%	+11.5%	+8.6%	246.4 AUD
K2 Select International Absolute Return Fund	+6.4%	+10.3%	+7.0%	56.7 AUD
K2 Asian Absolute Return Fund	+6.5%	+9.7%	+6.6%	33.9 AUD
K2 Global High Alpha Fund	+10.5%	+17.6%	+11.5%	36.4 AUD
K2 Global Equities Fund (KII)	+9.7%	3.0%	+7.4%	17.2 AUD
K2 Australian Small Cap Fund (KSM)	+8.2%	+11.4%	+10.0%	14.0 AUD
Total				404.7 AUD

The above information is unaudited. *Financial year performance figures are based on a financial year ended 30 June and are net of all fees. # The K2 Australian Absolute Return Fund is compared to the All Ordinaries Accumulation Index, the K2 Select International Absolute Return Fund is compared to the MSCI World AC Index (AUD), the K2 Global High Alpha Fund is compared to the MSCI World AC Index (AUD), the K2 Global Equities Fund is compared to the MSCI World AC Index (AUD) and the K2 Australian Small Cap Fund is compared to the Small Ordinaries Accumulation Index. The K2 Asian Absolute Return Fund is compared to the MSCI Asia ex Japan Index (AUD). Prior to 1 October 2017, the K2 Asian Absolute Return Fund was compared to the MSCI Asia Pacific ex Japan Index (AUD). FUM figures are pre distributions payable for 30 June 2018.

K2 continues to focus on its distribution strategy and growing funds under management (FUM). The past 12 months have seen a number of key requirements met which assist in achieving future FUM targets. These include continuing to work with rating houses to articulate our message and further enhance distribution channels available to the K2 Funds. The K2 Australian Small Cap Fund received its first consultant rating in April 2018 with a Recommended rating from Lonsec. K2 is also working with some large financial institutions to position the K2 Funds on their approved product lists. We acknowledge that growing FUM will require strong relationships and partnering to achieve long term success. K2 is partnering with some industry leaders with the aim of accessing a new target market and providing increased accessibility to our suite of products. Our distribution team continue to educate investors as to how K2 is differentiated from other investment products and why our Funds need to play a role in their respective investment portfolios.

The global market outlook is far from certain with rising global bond yields signalling the start of more normalised levels of interest rates and growth. The interest rate hike cycle is well underway in the US and has commenced in the UK. It is

only a question of when, not if, Australia will experience this same fiscal tightening. Domestically, company valuations are at lofty highs trading at large premiums to their average 10 year PE. Strong inflow into ETFs and other passive index-driven strategies, since the end of the GFC, has been a significant driver in the sustained appreciation of equities. With investors entering the market in this passive manner, the valuation call on equities has arguably moved away from active managers assessing true stock valuations, to being determined largely by cash flow and momentum. Without strong sustainable future growth these valuations will no doubt be tested. The fallout from the Banking Royal Commission will come to fruition in the year ahead and it is yet to be seen just how restrictive the new regulatory environment will be on historical blue chip financial equities. The predicted unravelling of the domestic housing market and the effect this will have on severely debt-dependent households is also expected to dominate headlines in the coming 12 months.

As we enter our 20th year of operation, navigating the day to day noise and understanding the complexity of equity markets is what our unitholders have come to expect from our investment managers. K2's ability to deliver investment outperformance over the long term is evidenced by our track record through a number of investment cycles.

Our investment managers enter the new financial year maintaining a conservative and vigilant stance.