



K2 Asset Management Holdings Ltd Media Release dated 13 February 2019 December 2018 half-year results and update

K2 Asset Management Holdings Ltd (KAM) today announced an after tax loss of \$558,123 for the half-year ended December 2018 in respect of KAM and its controlled entities.

The above result was consistent with Funds Under Management (FUM) and fund performance announcements and are a result of expected growth in FUM being slower than initially anticipated. In addition, revenue decreased when compared to the prior corresponding period driven by performance fees not being collected by the K2 Funds (Funds).

Management fees for the period totalled \$2.4 million, with additional other revenue totalling \$0.2 million. Each Fund's performance and FUM as at 31 December 2018 were as follows:

K2 Funds	Financial year to date fund performance*	Since inception fund performance (p.a.)*	Since inception index performance (p.a.) #	FUM \$million
K2 Australian Absolute Return Fund	-11.3%	+10.5%	+8.0%	197.7 AUD
K2 Select International Absolute Return Fund	-2.3%	+9.7%	+6.4%	37.7 AUD
K2 Asian Absolute Return Fund	-7.5%	+9.0%	+6.1%	18.9 AUD
K2 Global High Alpha Fund	-7.7%	+15.5%	+10.3%	31.4 AUD
K2 Global Equities Fund (KII)	-8.6%	0.0%	+4.9%	8.6 AUD
K2 Australian Small Cap Fund (KSM)	-10.7%	+7.8%	+6.1%	24.0 AUD
Total				318.3 AUD

Note: The above information is unaudited. *Year to date figures are based on the 6 months ended 31 December 2018 and are net of all fees. # The K2 Australian Absolute Return Fund is compared to the ASX All Ordinaries Accumulation Index, the K2 Select International Absolute Return Fund, the K2 Global High Alpha Fund and the K2 Global Equities Fund are compared to the MSCI AC World TR Net Index (AUD). The K2 Australian Small Cap Fund is compared to the S&P/ASX Small Ordinaries Accumulation Index. The K2 Asian Absolute Return Fund is compared to the MSCI AC Asia ex Japan TR Net Index (AUD). Prior to 1 October 2017, the K2 Asian Absolute Return Fund was compared to the MSCI Asia Pacific ex Japan Index (AUD).

Increased volatility in equity markets commenced in early 2018 and conditions continued to worsen through to late December. With Australia having not experienced a recession in over two decades, there is much speculation around a sustained economic slowdown. With this current view on market conditions, the net equity exposure of the Funds presently sits at neutral levels and dynamic changes have been implemented that correspond with changing circumstances.

Growth in FUM remains a key focus for K2's Board and senior management and a number of initiatives have been implemented in this regard. With effect from 1 January 2019, K2 signed a distribution agreement with Principals Funds Management, aiming to target a select group of investors. The K2 Australian Fund recently received an upgraded rating from an industry research consultant, significantly enhancing distribution opportunities for that Fund. K2 continues to work with a number of significant independent financial advisors from which early signs are very encouraging.

We anticipate FY19 to deliver a number of opportunities originating from strategic and organisational improvements made in FY17 and FY18.