

K2 Asset Management Holdings Ltd

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The Manager, Announcements
ASX Market Announcements
4th Floor, 20 Bridge Street
SYDNEY NSW 2000
By E-lodgement

23 December 2020

Dear Manager

**K2 Asset Management Holdings Ltd (KAM)
Chairman's AGM address**

In accordance with ASX Listing Rule 3.13.3, I **enclose** the Chair and Managing Director's address, which will be delivered at the company's Annual General Meeting (AGM) at 9:00 am today.

Yours faithfully

A handwritten signature in dark ink, appearing to be 'H. Wight'.

Hollie Wight
Executive Director



K2 Asset Management Holdings Ltd 2020 Annual General Meeting Chair and Managing Director's address

Presented by Mr Campbell Neal at 9.00 am on 23 December 2020

Chair's address

Good morning to all and welcome to the Annual General Meeting of K2 Asset Management Holdings Limited. This is our first virtual meeting of shareholders being conducted in very different circumstances. All parties are joining us online or via telephone and we're glad to be able to engage with our shareholders from far and wide this year, despite it being in a slightly different manner.

Today the Company's performance for the year ended 30 June 2020 will be discussed along with recent business initiatives and developments before sharing the outlook for 2021.

Procedures for the meeting

The notice for this Annual General Meeting was sent to shareholders, and copies of the notice are available from the Shareholder section of our website. If there are no objections, the notice will be taken as read.

As this meeting is conducted in a virtual manner, technical issues may arise that are beyond our control. In the event that today's proceedings are disrupted by technical difficulties, the meeting will be adjourned and will resume at 1pm Australian Eastern Daylight Time. If this resumption is not possible, an ASX announcement will be issued with further information.

As recommended by the Australian Securities and Investments Commission, voting on each resolution will be taken by way of a poll. The results of the poll will be notified to ASX following the meeting. Only K2 shareholders or their duly appointed representatives or proxies are eligible to vote at this meeting.

Questions during the meeting should be directed to Hollie Wight.

Market summary and fund performance

The Covid-19 pandemic presented significant risks and challenges to business operations globally from a health, social and economic perspective. Australia has fared remarkably well from a health standpoint and economic policy has been robust and swiftly implemented. As fund managers, we needed to rapidly adjust to this turbulent time.

Given the upheaval in family life, working life and market conditions, K2's staff adapted remarkably well and our prior investment in technology allowed the rapid transition to proceed smoothly. It is a testament to the quality of our people and it highlights the commitment they have to getting a job done.

The pandemic and resulting fall into recession was sharp and it was deep. The level of government stimulus



injected into the markets globally has never before been seen and the policy response has no doubt softened the severity of the downturn. We will need to wait a little longer for the ultimate medical solution that will remedy the immediate health crisis but the economic recovery is happening.

The 2020 March quarter was undeniably one of the most difficult in terms of market conditions and it called upon the accumulated experience of our investment team, and confidence in the underlying equity holdings, to hold firm at that time. Since the market lows in March 2020 to December all global equity markets have rebounded strongly.

The K2 funds have maintained an average of 94% exposure to the market over this period and our unitholders have been able to benefit from those asset exposure decisions made earlier in the year. Volatile markets have always been favourable to our investment strategy and it is through these market swings that we are able to demonstrate the value of our offering and the required place they have in our client's portfolios. Market sentiment towards value investing makes sense in these market conditions and again plays well to K2's investment philosophy.

Financial results

Looking at the financial results for FY20 in more detail, some of the key items to note are:

- Total revenue amounted to \$3.1 million
- Breaking this down,
 - \$2.0 million came from management fees
 - \$710,000 was received in performance fees and
 - the remainder from Responsible Entity income, interest income and government stimulus participation.
- Expenses totalled \$3.99 million; and

The company recorded a net loss before tax of \$845,000 resulting in an after-tax loss of \$740,000.

Expenses

Expenses were considerably down from the 2019 year as the Board and senior management continued to look for efficiencies with the aim of ensuring that the level of expenses were appropriate for the current income. Major reductions can be seen in employee expenses that saw remuneration deductions along with a decrease in overall staff numbers. Again, there were no short-term bonuses paid to staff and no increases in base remuneration.

Having negotiated a sublease agreement on a large portion of our space in December 2019 occupancy expenses have near halved. We have just shy of two years left on our lease. With the working environment forever changing, we believe we are in a good position to negotiate a new lease in due course.

Our balance sheet remains exceptionally strong with \$11.9 million in cash at 30 June 2020. This balance sheet strength has played a vital role in business strategy developments and will continue to allow the business to



return to profitability.

Strategy & Funds under management

Let me now turn to funds under management which continues to be at the forefront of board decision making and overall business strategy. There have been a number of initiatives that have come to fruition in 2020.

First was the appointment of George Boubouras as Head of Research at K2 in January 2020. George brings with him a wealth of knowledge in the finance industry and shares many of the same views as the Board in terms of growth and future direction.

As noted in the market announcement on 25 November, K2 has entered into an investment management agreement with Apostle Funds Management to become the Responsible Entity (RE) of the Apostle Dundas Global Equity Fund. Taking on the RE role of an external manager is an expansion to the ongoing business growth strategy and one that we are confident we can build on over time. We have the processes, IT capabilities and long-term experience coupled with the financial backing to fulfil this role and we believe this is an area where long-term sustainable revenue can be achieved.

Apostle Funds Management entered the Australian market in 2000 sourcing integrated portfolio solutions for institutional clients. At 31 October 2020, Apostle had over \$3 billion of funds under management. Developments since that announcement is that the required resolutions have been passed by those members. The Apostle Dundas Fund has over \$1.0 billion in funds under management and is the start of what we hope is a very strong relationship. Partnerships like this are key to the K2 business going forward and we are excited to partner with a quality firm such as Apostle.

Over the period we have also launched the Annapurna Microcap Fund. This fund is in the preliminary stages for launch and we are confident in its' growth potential over the coming 12 months. The Annapurna Fund is being managed by Stephen Scott and Bill Laister who are veterans in the microcap space. Having previously managed the largest microcap fund in Australia, the Annapurna team are being supported by the K2 investment team and all back-office functions.

Outlook

Looking towards the 2021 financial year, K2 is working toward other opportunities and will continue to grow the current relationships that have been established with both Paua Wealth Management and Odyssey Asset Management.

Growing our RE offering and our corporate services will be important in growing revenue in the future. Maintaining the performance of our investment funds for our unitholders remains a key focus. With interest rates at all-time lows and predicted to remain at these levels for some time investors will no doubt be forced to look for alternative returns. Equity markets continue to provide what we believe is one of the best long-term options for wealth generation.

The Board believes that the steps we have taken, and will continue to take, will result in long-term sustainable revenue growth and to this point, if markets remain stable over the next few days, K2 will be close to breakeven for the first half of 2020.

With all that is uncertain around us, a few things that remain known; all recessions do come to an end and disciplined investing will pay off. Likewise, pandemics also come to an end and as a global community, we will come out the other side. K2 will emerge stronger and continue to thrive in the future.



This concludes the presentation this morning. Before moving on to the formal proceedings of the meeting, on behalf of the Board, we would like to thank our shareholders for your continued support. We acknowledge that this is a long journey and we hope to be able to deliver more positive developments in the future.

I would again like to thank our staff for your dedication and professionalism and for the hard work and resilience displayed this year.



K2 Asset Management Holdings Ltd
2020 Annual General Meeting
Chair and Managing Director's address slide pack

K2 Asset Management Holdings Ltd

Annual General Meeting 2020

K2 Asset Management



The K2 Board



Board members



Campbell Neal

Chairman and Managing
Director



Hollie Wight

Executive Director



Mark Newman

Non-Executive Director



Questions

- ▶ Please use the Zoom chat function

Meeting Material

- ▶ Visit the K2 website at:
- ▶ <https://www.k2am.com.au/shareholders>

Technical difficulties

- ▶ If technical issues occur that can not be remedied the meeting will resume at 1pm Australian Eastern Daylight Time.



Agenda

- ▶ Introduction
- ▶ Chairman's address
- ▶ Receipt of Annual Report
- ▶ Resolution 1: Adoption of Remuneration Report
- ▶ Resolution 2: Re-election of Director – Ms. Hollie Wight
- ▶ Resolution 3: Approval of additional 10% placement capacity

K2 Fund performance



	2021 YTD	5 years	7 years	10 years	Since Inception
K2 Australian Fund	23.5%	4.4%	4.1%	5.2%	10.1%
K2 Select International Fund	18.3%	3.9%	5.1%	6.8%	9.1%
K2 Asian Fund	20.9%	5.0%	4.9%	5.4%	9.2%
K2 Global High Alpha Fund	21.7%	2.8%	6.6%	9.9%	13.6%
K2 Australian Small Cap Fund (KSM)	36.9%	4.4%	8.2%		8.5%

* Year to date performance figures are net of all fees and are based on YTD to 21 December 2020.

Since inception, figures are unaudited and net of all fees up to 21 December 2020 for the K2 Australian Absolute Return Fund (inception date 1/10/99), K2 Select International Absolute Return Fund (inception date 1/1/05), K2 Asian Absolute Return Fund (inception date 1/9/99), K2 Global High Alpha Fund (inception date 1/12/09) and K2 Australian Small Cap Fund (inception date 1/12/13).

Consolidated Financial Results FY 2020



	FY 2019	FY 2020
Income Statement		
Management Fees	\$4,366,126	\$1,987,664
Performance Fees	\$16,835	\$709,857
Other revenue	\$415,764	\$448,863
Total Revenue	\$4,798,725	\$3,146,384
Total Expenses	\$6,568,685	\$3,991,878
Net Profit Before Tax	(\$1,769,960)	(\$845,494)
Net Profit After Tax	(\$1,341,887)	(\$740,673)
Balance Sheet		
Total Assets	\$14,643,979	\$14,606,717
Total Liabilities	\$1,331,547	\$1,769,653
Net Assets	\$13,312,432	\$12,837,064

Expenditure FY 2020



	FY 2019	FY 2020
Income Statement		
Employee benefits expense	(\$4,980,284)	(\$2,736,252)
Depreciation and amortisation expenses	(\$24,915)	(\$299,857)
Marketing expenses	(\$320,793)	(\$269,147)
Occupancy expenses	(\$434,386)	(\$107,089)
Professional expenses	(\$249,957)	(\$294,570)
Technology expenses	(\$166,964)	(\$87,907)
Fund operating expenses	(\$369,385)	(\$145,708)
Other expenses	(\$22,001)	(\$51,348)
Total	(\$6,568,685)	(\$3,991,878)

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Annual General Meeting 2020

K2 Asset Management

