



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

11 November 2014

Dear Manager,

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

In accordance with ASX Listing Rule 3.13.3, I attach the Chair and Managing Director's presentation, which will be delivered at the company's annual general meeting at 9:00am today.

Yours sincerely

Hollie Wight
Company Secretary



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

Presented by Mr Campbell Neal at 9.00am 11 November 2014

Welcome

Good morning ladies and gentlemen and fellow shareholders. Thank you for attending the annual general meeting of K2 Asset Management Holdings Ltd. My name is Campbell Neal, the Chairman and Managing Director of K2, and it is my pleasure to welcome you here today.

I am advised that a quorum is present and I formally declare this meeting open.

Introductions

I would like to introduce our board of directors: Mark Newman, Robert Hand and Hollie Wight. Hollie Wight is also here as company secretary.

Also present is Kylee Byrne from our independent auditors, Pitcher Partners, who is available throughout the meeting to answer questions in relation to the year-end audit and the financial statements.

Agenda

Today's meeting will consist of my address where I will discuss the year that was and the year ahead, before moving on to the three formal resolutions as set out in your notice of meeting.

You will have an opportunity to speak and ask questions of the directors and auditor at the end of this meeting, and there will also be formal opportunities to ask questions during the meeting. If you wish to ask a question during the meeting, please raise your hand and I will call on you to speak. Please stand and introduce yourself prior to asking your question.

For those of you who are shareholders and holding a grey voting card, you are entitled to vote and speak at the meeting today. Grey cards will also be used for the holding of a poll if one eventuates, so if you believe you have been given the wrong card please see Elizabeth at our registration desk.

Chair's address

2014 Market wrap and current market conditions

It would be fair to say that equity markets are never stagnant nor boring. The 2014 year presented a number of challenges both domestically and globally.

The tough Federal budget, a global technology sell off in April and uncertainty in China all contributed to volatile levels of investor sentiment and confidence in financial markets.



For investors looking for long term returns, equities remain the logical choice. The compounded return of world equity markets have been above 10% per annum for the last five years which is impressive if you compare that to the low interest rate environment and meagre term deposit rates currently on offer.

The All Ordinaries Accumulation Index ended the year up 17.6% making the two year return 42.0%. The MSCI World Index rose 21.6% and the US S&P 500 was up 22.0%.

On a global front, Australia did, however, underperform and like last year it was only a handful of stocks being CBA, Westpac, BHP, ANZ, NAB and Telstra, which accounted for more than half of all gains in the All Ords Index. So not an easy market to manage but certainly a good year nonetheless.

From a business growth perspective K2 was busy last year adding two new investment funds to our suite of products. The K2 Australian Small Cap Fund launched on 1 December 2013 and the K2 International Opportunities Fund launched on 1 February 2014.

The Small Cap Fund aimed to leverage off the Australian team's expertise and focus on Australian and New Zealand Small Caps which have always played a significant role in our investment strategy.

The K2 International Opportunities Fund is the first long only product launched by K2 and we are exploring the merits of its varied fee structure and investment strategy.

All of our funds were aggressive on their market exposure for the first half of the year before reducing their exposure in February, again reflecting the difficult and challenging conditions of the second half.

Currency also had significant impact on our international funds' overall returns. By being essentially unhedged in the first half of the year we added significantly to returns as the Australian dollar fell to 89.2 cents by 31 December 2013. Some of these gains were unfortunately negated during the second half as the Australian dollar bounced back to 94.2 cents by 30 June 2014.

Fund performance

Returns for the year were solid with fund performance figures as follows:

- ▶ The K2 Australian Fund returned 12.5% for the year;
- ▶ The K2 Select International Fund returned 7.7% for the year;
- ▶ The K2 Asian Fund was up 7.4%;
- ▶ The K2 Global High Alpha Fund returned 23.7%;
- ▶ The K2 Australian Small Cap Fund returned 14.5% for the seven months to June; and
- ▶ The K2 International Opportunities Fund was down -3.5% for the five months since it began.

Financial results

Looking at the business results for the financial year it is easy to see the correlation between fund performance and profit. All of the funds bar one exceeded the various performance hurdles to pay performance fees, and management fees moved in line with the increasing funds under management.

Some of the key figures for the 2014 financial year are as follows:

- ▶ Total revenue amounted to \$41.7 million.
- ▶ Total expenses for 2014 were \$18.2 million.
- ▶ Net profit after tax totalled \$16.4 million.



Of total revenue, performance fees contributed \$27.7 million and the split from the various funds was:

- ▶ \$11.4 million from the K2 Australian Fund;
- ▶ \$10.5 million from the Select International Fund;
- ▶ \$3.8 million from the Asian Fund;
- ▶ \$1.9 million from the Global High Alpha Fund; and
- ▶ \$320,000 from the Small Cap Fund that launched on 1 December 2013.

Looking further at the income:

- ▶ Management fees increased moving from \$11.1 million in 2013 to \$12.9 million in 2014;
- ▶ Responsible entity income sat consistently at a little over half a million dollars; and
- ▶ Interest income was \$650,000 for the year.

Focusing on expenses:

- ▶ As in the 2013 financial year employee expenses were K2's biggest outlay in 2014. Employees again qualified for the various bonus schemes which are aligned with both fund and business performance. Bonuses were paid to all staff and I will go over this in more detail when I discuss the remuneration report.
- ▶ The other obvious shift in expenses comes from marketing expenses which increased some \$330,000. Our advertising expense increased during the year with K2 undertaking a number of advertising campaigns in newspapers and industry publications.
- ▶ All other expenses remained fairly stable and as part of general processes we monitor expenses continually.

The balance sheet continues to show excess cash on deposit that ensures we comply with our Australian Financial Services Licence requirements. We continue to have no debt and the balance sheet projects a strong business unit.

K2 declared a 6 cent dividend for December 2013 and a final dividend of 2 cents for June 2014, both of which were fully franked. We maintain our policy of paying out dividends when possible and franking them to the maximum extent available. In an industry where yield is paramount we were pleased with these returns to shareholders.

Funds under management and business development

Looking at funds under management for the 2014 year you can see that funds under management were up from \$742 million to \$858 million. This was the result of strong fund performance and 9 months of positive fund inflows to March 2014.

The new funds also contributed to K2 inflows and as we look to move the Australian Small Cap Fund over to daily pricing we hope this opens the door for further inflows.

Platforms remain a key distribution channel for K2 and we continue to gain support from many independent financial planners, increasing our investor diversity.

In line with the general low interest rate cycle we expect to see people continuing to move out of low interest rate term deposits and into growth assets like equities. As interest rates continue to sit at historically low levels, investors will need to be in equities in order to receive acceptable returns.

We believe we are well placed to take advantage of fund flows, as the market continues to seek performance orientated funds. Our brand is well recognised and I believe the industry understands what we do and especially how we protect capital in periods of falling markets.

We are currently in the process of launching a listed investment company which will mirror our Global High Alpha Fund. This aims to add a further platform for increasing funds under management. The current time frame looks to be around February 2015 and we are working closely with a number of lead managers to ensure a successful launch.



In terms of where we see business growth coming from, I believe listed investment companies could play a significant role together with us continuing to launch new niche investment funds. Obviously we will continue to grow the funds under management of our existing products.

Just for the record, 2014 was K2's biggest revenue year ever, at \$41.7 million and we paid our biggest dividend to shareholders since listing K2 Holding's, being 8 cents per share.

That is something we all can be proud of. But, what I say is that we are only as good as our next year.

Outlook

So, looking at this current financial year and how things are tracking for the four months to October we are showing absolute returns across all funds and all are accruing various levels of performance fees.

We believe there is still significant upside in equity markets and that will hold K2 in good stead.

As I say every year; we remain confident in our processes and in our people. We have a tried and tested investment team backed up by great people in business development and administration.

I am not going to give any profit forecasts for K2. Suffice to say that K2 will continue to focus on performance and work to achieve the best possible returns in all economic and market conditions.

We are confident in our processes and we are confident in our investment team delivering the returns our unit holders expect. We acknowledge we need to continue to adapt to the ever changing investment environment like we have always done.

It is this combination of our investment team's processes and our willingness to adapt that will maintain K2's long term future.

This concludes my presentation so before we move on to the formal proceedings of the meeting, on behalf of the board I would like to thank our shareholders for your continued support and I would especially like to thank our staff for your constant enthusiasm and professionalism.