



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

10 November 2015

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 10 November 2015

### 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

After my address today we will move onto the formal resolutions of today's meeting of which there are three as set out in your notice of meeting.

There will be an opportunity for you 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 or Grace at our registration desk.

### Chair's address

#### 2015 Market summary and Fund Performance

In terms of a wrap up of the 2015 financial year, we are pleased to say it was the most profitable year for K2 Holdings since listing in 2007 and the highest revenue year since establishment. All of the K2 Funds paid various levels of



performance fees and the dividends paid out to shareholders totalled 8.5 cents per share. If we calculate that out, with an average share price of 64 cents during the year that works out to be a dividend yield of over 13%. Comparing that to the world of record low interest rates in the range of 2.0% this was a great return for all shareholders.

The markets were a mixed bag throughout the year yet importantly all of the Funds outperformed their respective indexes comfortably:

- ▶ The K2 Australian Fund returned 11.0% for the year;
- ▶ The K2 Select International Fund returned 31.7% for the year;
- ▶ The K2 Asian Fund was up 34.9%;
- ▶ The K2 Global High Alpha Fund returned 31.9%; and
- ▶ The K2 Australian Small Cap Fund returned 13.5%.

More impressive are the since inception returns of the Funds when compared to their respective indexes all displayed on the screen now.

These financial year returns were not achieved without having to navigate significant market turmoil. The bleak end to the 2015 year particularly in China saw much of the year's market gains unravelled. China's share market is notably not a reliable guide for its overall economic health which was acutely demonstrated in the last weeks of the financial year when China's Shanghai exchange lost 25% of its annual gain. Questionable financial reforms seem to have placed a short term fix on a structural problem and we all remain hyper aware that any down turn in China has a significant impact on Australia's growth prospects.

Greece continued to be a talking point all year which internally we have viewed as an overreaction to a country that contributes just 2% of the Eurozone's total economic output.

To put the Australian markets into perspective, the All Ords returned 5.7% for the year well off the double digit returns of previous years, and the S&P/ASX 200 index returned just 1.2% for the 12 months to June 30, the worst year in the last three.

For K2's Funds and then ultimately K2 Holdings to have had such a great result in such a period highlights what we have always aimed to prove, that there is a differentiation in the way we run money. Our processes are tried and tested and continuously improved which allows us to have confidence in our methods for both now and in the future.

## Financial results

I know that I've touched on the bottom line results already but if we drill into the main items further we can see:

- ▶ Total revenue amounted to \$45.6 million.
- ▶ \$12.8 million was attributable to management fees and \$31.9 million was from performance fees across the funds.

Each Fund's contribution was varied due to the size of the Fund and the overall performance but were as follows:

- ▶ The K2 Australian Fund paid \$10.6 million in performance fees;
- ▶ The K2 Select International Fund's performance fee was \$11.2 million;
- ▶ The K2 Asian Fund's performance fee was \$6.1 million;
- ▶ The K2 Global High Alpha Fund paid \$3.2 million in performance fees; and



- ▶ The K2 Australian Small Cap Fund contributed \$545,000.

Looking further at the income:

- ▶ Management fees remained relatively consistent with the previous year at \$12.8 million;
- ▶ Responsible entity income contributed \$577,000; and
- ▶ Interest income for the period was \$350,000.

Total expenses for 2015 were \$18.7 million. Focusing on expenses, if you've had a chance to look at the financial statements you will have seen that employee expenses were again the largest expense for K2. We will go into more detail as to how this number comes about later when we go over the remuneration report. All other expenses remained fairly consistent and in fact overall decreased by a little over \$200,000.

Net profit before tax equated to \$27 million and after tax totalled \$18.9 million.

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.

Shareholders received a 4 cent dividend in February for the first half performance and then a 4½ cent dividend in August for the full year performance. Both of these dividends were fully franked.

## Funds under management and business development

I always touch on funds under management and what we are doing to develop existing channels of raising FUM and how we can explore new distribution opportunities.

FUM over the 12 month period remained fairly consistent peaking at just over \$900 million and finishing the year off at \$852 million pre distributions.

A major project that was undertaken late in the financial year was launching our first quoted unit trust on the ASX. The K2 Global Equities Fund was approved to trading status and listed on 20 July 2015 with seed investments of over \$17.3 million.

This product is the quoted version of the K2 Global High Alpha Fund which has returned over 24% per annum net of fees since inception in 2009. It is a new and dynamic way for unitholders to gain access to global markets and is a product that is targeted towards individuals and self-managed super funds:

- ▶ Investors are able to enter and exit the fund by buying and selling units on the ASX, just like any other listed security;
- ▶ Settlement and reporting is all managed via CHESS allowing investors to review this product along with all of their other ASX investments;
- ▶ K2 is acting as the market maker and providing a bid and offer in the secondary market providing stability and assurance around liquidity; and
- ▶ Paperwork in terms of application and redemption forms are a thing of the past.

After seeding the fund with \$17.3 million we have been pleased with the inflows that are being received on market on a daily basis with the Fund now sitting at over \$39 million FUM.



We really do see this distribution channel as a way of the future and we are pleased to announce that K2 has applied to ASX to have the K2 Australian Small Cap Fund admitted to trading status on the ASX and we expect that the Fund will begin trading around 15 December 2015.

The Small Cap Fund is again a niche product whose strategy should appeal to the self-managed super fund market as it again allows ease of access and streamlined reporting.

Acknowledgments within the industry that are always nice to note include K2 and the K2 Funds being nominated and winning awards from two of the most recognised industry bodies in our Funds' space. HFM Asia Hedge Fund Performance Awards and the Asia Hedge Awards both bring together and celebrate the best Funds in the region taking into account risk adjusted returns, outperformance of peers, customer service and innovation. To give this some scale this includes all alternative investment funds in Hong Kong, Japan, Singapore and Australia and puts K2 front of place with many industry leaders.

The K2 Select International Fund was nominated for and won Best Global Fund 2015 at the HFM Asia Hedge Fund Performance Awards in Singapore.

Asia Hedge Award nominations were also won for:

- ▶ The K2 Select International Fund for Best Global Fund;
- ▶ The K2 Asian Fund was nominated for and won Best Asia-Pacific Fund; and
- ▶ K2 Asset Management was nominated for Fund Manager of the Year.

Well done to all of the K2 team for their contribution to these awards.

## Outlook

To provide an outlook for the 2016 financial year, the Small Cap Fund's listing has been and will continue to be a major focus for the first half of the year.

Fund performance across all of the K2 products has been mixed with the markets stalling during the September quarter. With the change of government leadership on a domestic level and a hint of the US raising interest rates, the 2nd quarter of the 2016 financial year is looking much more promising.

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 are excited about the new distribution channels that quoted unit trusts are opening up and will continue to drive this avenue further.

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.

# K2 Asset Management Holdings Ltd

Annual General Meeting 2015



## Agenda

- ▶ Introduction
- ▶ Chairman's address
- ▶ Resolution 1: Receipt of financial reports
- ▶ Resolution 2: Adoption of remuneration report
- ▶ Resolution 3: Re-election of director

# K2 Asset Management Holdings Ltd

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# K2 Funds performance FY 2015



	K2 Australian Fund	K2 Select International Fund	K2 Asian Fund	K2 Global High Alpha Fund	K2 Australian Small Cap Fund
<b>Financial Year 2015 Fund performance*</b>	<b>11.0%</b>	<b>31.7%</b>	<b>34.9%</b>	<b>31.9%</b>	<b>13.5%</b>
<b>Financial Year 2015 index performance #</b>	<b>5.7%</b>	<b>23.7%</b>	<b>21.9%</b>	<b>23.7%</b>	<b>0.4%</b>

The above information is unaudited.

\* Figures are based on a financial year ended 30 June 2015

# 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 Asian Absolute Return Fund is compared to the MSCI Asia Pacific ex Japan Index (AUD), the K2 Global High Alpha 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.

# K2 Funds performance since inception



	K2 Australian Fund	K2 Select International Fund	K2 Asian Fund	K2 Global High Alpha Fund	K2 Australian Small Cap Fund
Since inception Fund performance*	532.1%	245.3%	453.8%	267.4%	40.6%
Since inception index performance #	253.4%	99.0%	152.4%	103.6%	4.6%

The above information is unaudited.

\* Since inception figures are up to 31 October 2015.

# 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 Asian Absolute Return Fund is compared to the MSCI Asia Pacific ex Japan Index (AUD), the K2 Global High Alpha 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.

# Consolidated Financial Results FY 2015



	2014	2015
<b>Income Statement</b>		
Total Revenue	\$41,749,868	\$45,638,460
Total Expenses	\$18,152,620	\$18,674,980
Net Profit Before Tax	\$23,597,248	\$26,963,480
Net Profit	\$16,437,342	\$18,878,891
<b>Balance Sheet</b>		
Total Assets	\$19,847,162	\$48,410,011
Total Liabilities	\$7,293,478	\$30,965,462
Net Assets	\$12,553,684	\$17,444,549

# Funds under management



	30/06/2014	30/06/2015
K2 Australian Fund	430.2	415.7
K2 Select International Fund	257.4	250.1
K2 Asian Fund	96.4	109.8
K2 Global High Alpha Fund	42.2	57.7
K2 Australian Small Cap Fund	14.5	19.0
K2 International Opportunities Fund	17.5	-
<b>TOTAL</b>	<b>858.2</b>	<b>852.2</b>

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