

K2 Asset Management

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K2 Asset Management Holdings

Media Release 10 August 2016

2016 Financial year end

“Astute investors continue to adhere to their long term investment strategies”

K2 Asset Management Holdings Ltd (KAM) today announced an after tax profit of \$3.8 million and a fully franked dividend of 0.5 cent per share.

K2 Asset Management's revenue for the year totalled \$14.1m comprising management fees of \$12.1m, performance fees of \$1.1m, and interest and other income of \$0.8m. Funds under management (FUM) finished the year at \$689.7m.

The 2016 financial year presented several challenges on a domestic and international front. The most dramatic and recent of these challenges was the 23 June Brexit referendum. While global markets had contemplated the exit possibility it is fair to say they believed the actual Brexit outcome was remote. As a result of such market volatility, only one of our funds produced positive performance during the 2016 financial year and subsequently FUM and inflows declined.

K2 had a busy year launching new products that will assist investors in both Australia and overseas to easily transact and access our managed funds. The K2 Global Equities Fund (ASX: KII) and the K2 Australian Small Cap Fund (ASX: KSM) are both trading on the Australian Securities Exchange as open ended managed funds providing live pricing and the ability to buy and sell units on market with the same ease as any ASX listed security. By eliminating the lengthy application and redemption process and allowing investors to utilise their existing brokerage accounts we hope investors and advisors alike will embrace this new distribution channel.

The performance of the K2 funds and FUM as at 30 June 2016 are detailed in the table below:

K2 Funds	Financial year fund performance*	Since inception fund performance*	Since inception index performance #	FUM \$million
K2 Australian Absolute Return Fund	-3.2%	524.5%	265.9%	373.5 AUD
K2 Select International Absolute Return Fund	-10.9%	204.9%	88.0%	148.9 AUD
K2 Asian Absolute Return Fund	-17.8%	389.5%	142.1%	55.0 AUD
K2 Global High Alpha Fund	-6.4%	224.8%	92.3%	53.4 AUD
K2 Global Equities Fund (KII)	-11.2%	-11.2%	-6.5%	36.7 AUD
K2 Australian Small Cap Fund (KSM)	+9.6%	42.4%	16.2%	22.0 AUD
Total				689.7 AUD

The above information is unaudited. *Year to date figures are based on a financial year ended 30 June 2016 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 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), 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. FUM figures are pre distributions payable for 30 June 2016. The K2 Global Equities Fund commenced operations on 20 July 2015.

Continued from overleaf

K2's balance sheet remains strong with excess cash reserves and no borrowings. All expenses continued to be closely monitored and relatively stable while being in line with FUM.

A major focus at K2 continues to be the growth of funds under management and the expansion of distribution channels. We remain confident in our team of highly skilled employees who remain the foundation of our firm and we will continue to invest in and develop our skill base.