

K2 Asian Fund

31 October 2023

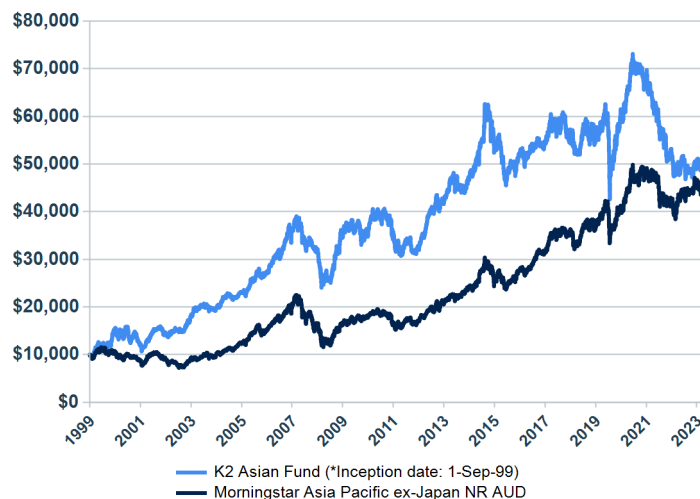


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-2.88%	151.78	6.79%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	8.5%	-0.7%
BHP Group Ltd-Spon ADR	7.6%	+7.6%
Kina Securities Ltd	7.1%	+0.0%
RIO Tinto Plc-Spon ADR	7.0%	+7.0%
Macquarie Group Ltd	6.5%	-0.1%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	47.5%	+0.1%
Mid Caps >=AUD\$2b < AUD\$7.5b	22.6%	-0.5%
Small Caps < AUD\$2b	27.0%	+5.7%

Month End Exposures	Current	Monthly Move
Communication Services	3.1%	+0.2%
Consumer	5.0%	-0.8%
Energy	12.9%	-0.3%
Financials/Real Estate	30.5%	+6.7%
Health Care	1.7%	-0.2%
Industrials	14.0%	-0.7%
Information Technology	5.2%	+0.1%
Materials	24.9%	+0.3%
Number of Positions	24	0
Gross Equity Exposure	97.3%	+5.3%
Cash Weighting	2.7%	-5.3%
Net Equity Exposure	97.3%	+5.3%
Currency Exposure Hedged of AUD	84.9%	-0.9%

Commentary

The K2 Asian Fund returned -2.88% for the month and is now +2.3% for the current fiscal year-to-date (FYTD) vs the index of -1.85% (outperforming the index by +4.16% FYTD). The fund has maintained an underweight to China and an overweight to South-East Asia Pacific region.

The consistent theme for a number of years are the many challenges for the China economy. The recovery has consistently under delivered compared to expectations and it is clear that the sharp collapse in their building construction sector continues to weigh on their property sector debt burden impacting consumer and business confidence.

The positive news is that China has maintained accommodative monetary policy and continue to keep their official rates remain low. Unlike the bulk of the developed world which has the opposite higher and restrictive interest rate settings, the central bank in China (PBoC) continues to stimulate. Combined with some additional targeted stimulus the aim is to try and turn around confidence.

The existing stimulatory policy will underpin China growth to around 5% for 2023 (IMF forecasts). This will help underpin global growth however the recovery profile from China is well below expectation and is on a slower growth profile in the years ahead. The high property debt burden and low confidence is set to persist for many years. The low inflation and weak domestic demand growth rate reflects this.

To address the many headwinds Beijing continues to reach out to expand their alignment with the BRIC economies and increasingly the west. This has been very public in recent months with the rotation of many EU member countries visiting China on official visits, followed by the US and Australia and other countries in the South-Pacific. For investors, the beneficiaries of the China slowdown and property sector concerns continues to be Japan, India and the South-east Asia region (including Australia).

The K2 Asian Fund has maintained an underweight exposure to China and an overweight to South-East Asia Pacific region. A focus on companies with earnings that export to China continues to be our preferred investment strategy.

Fund Characteristics	
Portfolio Managers	Campbell Neal, David Poppenbeek and Bill Laister
Strategy	Asian (excluding Japan) Equities
Objectives	To deliver consistent absolute returns over the investment cycle with a focus on capital protection during periods of market declines
Return Target	+10% pa over the long term
Number of Stocks	Up to 80
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.36%
Buy/Sell	Daily Application/Redemption
Performance Fee	15.38% pa of the amount by which the NAV per unit exceeds the High Water Mark once the fund achieves its hurdle

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K2 Asian Fund Net Monthly Returns in AUD

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD	Fin YTD Index (1)	Average Cash	Average Short	
1999/00			-0.55	4.28	9.21	10.82	-4.26	-3.40	4.12	-1.07	0.21	-1.03	18.59	4.45	35.23%	-13.83%	
2000/01	19.41	8.29	-5.29	-0.99	-3.15	-2.32	16.53	-1.96	-16.41	5.38	5.37	-2.02	19.17	-8.44	16.17%	-18.46%	
2001/02	-9.11	-6.94	-4.93	2.26	10.31	1.07	8.68	4.40	2.42	1.76	1.68	-1.51	8.58	-1.93	35.54%	-11.97%	
2002/03	-7.19	0.47	-2.84	3.56	3.55	-0.49	2.38	-0.55	-1.77	0.08	3.74	4.43	4.86	-15.33	41.25%	-13.04%	
2003/04	4.43	6.54	4.42	5.22	-0.33	0.86	1.54	0.84	-1.81	-0.71	-0.20	-0.05	22.37	24.06	38.03%	-5.30%	
2004/05	-1.23	1.34	2.18	0.90	6.81	2.23	1.07	1.29	-3.05	-2.36	2.02	0.96	12.48	19.44	30.24%	-2.62%	
2005/06	3.43	0.21	1.87	-3.62	5.16	3.78	5.25	-0.95	5.04	2.33	-3.25	0.24	20.67	27.67	24.43%	-3.88%	
2006/07	0.19	2.00	2.41	2.92	3.39	2.73	1.16	0.33	0.59	2.99	5.47	3.98	31.93	28.88	31.06%	-1.35%	
2007/08	3.51	-0.19	2.71	3.98	-2.56	-1.16	-8.59	-0.36	-3.66	3.11	-0.07	-3.80	-7.58	-16.72	46.58%	-4.98%	
2008/09	-1.61	0.25	-10.76	-10.40	-0.67	5.17	-3.32	-1.41	4.80	8.03	10.26	0.85	-1.15	-6.23	49.48%	-3.99%	
2009/10	10.46	-2.58	4.70	0.90	-0.30	3.52	-4.67	-0.04	3.76	-0.46	-7.44	-0.49	6.37	17.31	12.03%	-1.70%	
2010/11	4.36	-2.11	7.61	2.52	-0.78	2.06	0.53	-1.01	1.72	1.20	-1.79	-2.36	12.13	2.75	12.14%	-2.43%	
2011/12	-1.98	-5.41	-8.97	3.67	-6.16	-1.81	4.86	5.08	-0.91	1.21	-6.90	-0.95	-17.85	-9.36	20.10%	-2.08%	
2012/13	1.21	0.73	4.90	3.90	2.00	6.00	4.30	2.11	-0.04	3.21	2.38	-3.61	30.23	22.88	6.86%	-0.14%	
2013/14	2.40	0.08	2.15	3.60	4.91	0.93	-1.63	0.89	-3.74	-0.21	0.36	-2.26	7.39	13.18	8.82%	0.00%	
2014/15	5.40	0.48	2.80	1.36	2.46	3.58	4.12	2.23	2.64	7.51	2.38	-4.23	34.88	22.15	12.90%	-0.08%	
2015/16	-4.46	-4.54	-1.35	3.40	-4.19	-2.86	-7.18	-1.56	4.04	2.48	0.24	-2.76	-17.78	-6.59	18.72%	0.00%	
2016/17	3.75	2.48	1.23	-3.34	1.59	0.17	2.65	-0.56	1.02	2.03	0.95	-2.30	9.86	19.17	20.63%	-0.44%	
2017/18	-0.07	2.20	0.54	4.48	1.44	-1.57	1.39	-0.18	-1.30	3.97	-0.22	-4.08	6.48	13.00	18.53%	-1.15%	
2018/19	-1.65	1.04	-0.07	-7.32	-1.07	1.61	1.84	5.64	1.25	1.31	-6.13	4.83	0.47	7.07	30.20%	-0.69%	
2019/20	0.02	-3.87	1.23	2.03	1.02	4.06	-2.74	-4.31	-13.58	6.44	1.86	4.05	-5.28	1.39	14.03%	-1.16%	
2020/21	4.87	6.19	-1.42	1.80	6.03	2.75	3.97	1.41	-1.37	1.73	0.55	-0.52	28.82	29.05	3.44%	-0.16%	
2021/22	-4.54	2.69	-4.09	-0.97	-5.20	-0.51	-3.52	-1.05	-2.69	0.12	-1.94	-9.54	-27.55	-13.82	8.53%	-0.14%	
2022/23	2.89	-0.04	-8.68	0.82	4.35	-4.17	5.96	-1.48	-3.09	0.26	-1.34	-0.68	-5.90	4.32	11.79%	-0.59%	
2023/24	4.63	-0.15	0.83	-2.88									2.31	-1.85	5.93%	0.00%	
													Incept.	389.58	336.37		
													Incept.	6.79%pa	6.29%pa	22.11%	-3.61%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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