

K2 Asian Fund

29 February 2024

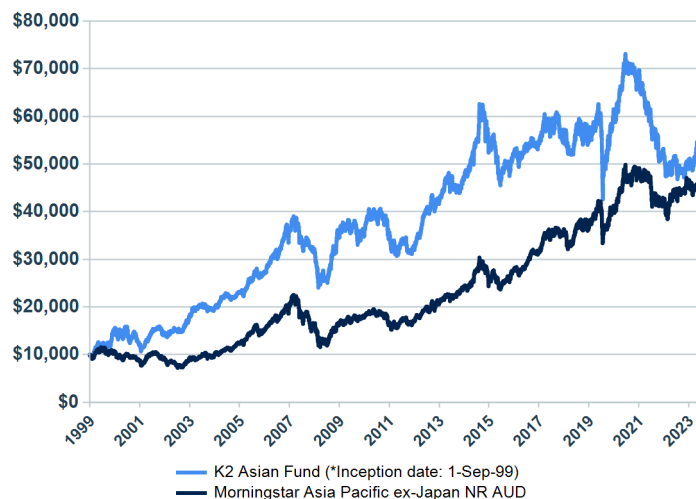


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-1.70%	165.21	7.07%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	8.7%	+1.3%
RIO Tinto Ltd	8.2%	+0.2%
Macquarie Group Ltd	8.2%	+0.9%
JPMorgan Chase & Co	7.9%	+1.2%
BHP Group Ltd	7.6%	-2.4%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	58.1%	+4.1%
Mid Caps >=AUD\$2b<AUD\$7.5b	28.5%	-1.6%
Small Caps <AUD\$2b	18.4%	+1.3%

Month End Exposures	Current	Monthly Move
Communication Services	4.1%	+0.6%
Consumer	7.6%	-0.5%
Energy	8.6%	-2.2%
Financials/Real Estate	35.1%	+7.5%
Health Care	3.5%	-3.1%
Industrials	15.6%	+2.5%
Information Technology	5.8%	+0.7%
Materials	24.9%	-1.6%
Number of Positions	25	-1
Gross Equity Exposure	105.3%	+3.9%
Cash Weighting	-5.3%	-3.9%
Net Equity Exposure	105.3%	+3.9%
Currency Exposure Hedged of AUD	81.1%	-1.3%

Commentary

The K2 Asian Fund returned -1.70% for the month and is up +11.4% for the current fiscal year-to-date (FYTD). The stronger performance over the past year partly reflects the underweight to China which has experienced notable economic challenges and an overweight to the South-East Asia Pacific region which offers some relative certainty compared to China.

Looking at the headline numbers, economic momentum for China continues to indicate a reasonably robust 4.6% GDP target for 2024 (IMF), however this is below the growth rate we have been conditioned to expect in recent decades. Further, this forecast does not highlight the many structural challenges ahead. Policy uncertainty persists for the second largest economy and we anticipate the risks that China growth may be downgraded if the additional stimulus that is anticipated is not aggressive enough.

The outlook for China remains problematic for investors. Both consumer and business sentiment remain weak as their economy continues to recover from the significant property sector construction collapse. With such low confidence levels, concerns at the household or corporate level, tends to build. As a result, household savings tend to rise leading to lower consumption and corporate investment is trimmed.

The best-case scenario is that China economic activity is growing at a slower pace compared to the past twenty years leading into the 2020 pandemic crisis. Beijing will need to engineer a solution regarding long-term structural headwinds such as the aging demographics and attracting investment capital. They also need to resolve the short-term issues and how to solve their property debt issues.

The solution for China is to drive aggressive and coordinated fiscal and monetary policy stimulus that can help build some confidence. The policy mix over the past few years has continued to be a missed opportunity. Within the region, investors will continue to look at Japan and south-east APAC region which offer relatively more policy certainty and upside.

The K2 Asian Fund has maintained an underweight exposure to China and an overweight to South-East Asia Pacific region since 2021. 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	3.67	7.00	-0.17	-1.70					11.36	7.44	3.52%	-0.23%
Incept.													432.90	377.71		
Incept.													7.07%pa	6.59%pa	22.01%	-3.62%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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