

K2 Asian Fund

30 November 2022

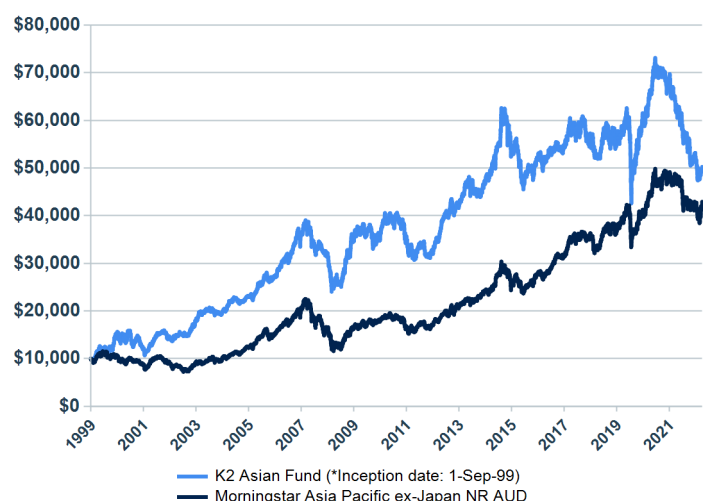


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	4.35%	155.78	7.19%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Kina Securities Ltd	7.4%	-0.5%
Macquarie Group Ltd	7.2%	+0.1%
Seven Group Holdings Ltd	6.0%	+0.5%
Judo Capital Holdings Ltd	5.7%	+0.7%
BHP Group Ltd	5.3%	+0.8%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	43.7%	+9.1%
Mid Caps >=AUD\$2b < AUD\$7.5b	18.1%	-5.1%
Small Caps < AUD\$2b	23.7%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	2.4%	0.0%
Consumer	4.5%	+2.5%
Energy	9.9%	-0.3%
Financials	30.3%	+2.2%
Health Care	4.0%	-1.7%
Industrials/Real Estate	21.2%	-1.6%
Information Technology	4.3%	+0.1%
Materials	9.1%	+2.9%
SHORTS	-1.0%	-0.3%
Number of Positions	28	+2
Gross Equity Exposure	86.8%	+4.3%
Cash Weighting	15.3%	-3.8%
Net Equity Exposure	84.7%	+3.8%
Currency Exposure Hedged of AUD	87.4%	+0.5%

Commentary

The K2 Asian Fund returned +4.35% for the month as global markets continued to rebound from recent lows. Peaking US bond yields combined with some lower inflation inputs have been positive combined with China finally reopening their economy.

The recent market rally needs to be put in context as performance year to date has been very volatile following the most aggressive US Fed interest rate hike cycle since the early 1980's impacting developed and emerging markets.

Risks will persist as there will be some lagged effects from recent rate hikes impacting the global economy well into next year. The tighter monetary policy has been effective. There have been clear signs of demand destruction in many global economies. However, the worst of the restrictive policy appears to be behind us.

The Fed commentary will remain hawkish. This will be at odds with softening signs of economic activity. The Fed simply needs to be convinced the inflation threat is addressed. Despite their commentary US bond markets are beginning to price in a 5.25%-5.5% Fed Funds Rate and the long bond yields are already starting to fall from their highs earlier this year. The cure inversion is currently suggesting that the tough Fed narrative of further rate hikes may not eventuate.

Importantly, the opening of the economy in China will be a key contribution for global growth in 2023 and positive for the broader APAC region. The best form of stimulus is simply allowing economies to reopen. This should lead to the long overdue repair of the very weak consumer and business sentiment in China following such aggressive lock down polices. There will need to be some well-coordinated and targeted fiscal and monetary policy to assist with the recovery in China. Many challenges persist, including dealing with their significant property impairment challenges and the supply chain constraints due to the extremely long lockdown.

We continue to maintain underweight exposure to China and an overweight to South-East Asia, Australia and NZ. The portfolio cash position is 15% at month-end. Some of the best performing holdings for the month include BHP, Judo Capital, JP Morgan, Macquarie and Samsung.

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								-1.19	0.72	14.98%	-0.30%	
													Incept.	402.49	329.28		
													Incept.	7.19%pa	6.47%pa	22.91%	-3.75%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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