

K2 Asian Fund

31 December 2022

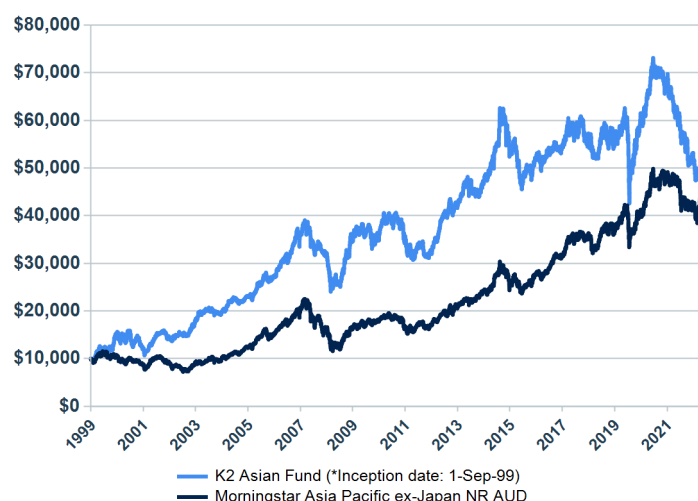


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-4.17%	149.28	6.97%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	7.1%	-0.2%
Kina Securities Ltd	7.0%	-0.4%
Seven Group Holdings Ltd	6.3%	+0.3%
Judo Capital Holdings Ltd	5.7%	+0.0%
BHP Group Ltd	5.5%	+0.3%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	42.1%	-1.6%
Mid Caps >=AUD\$2b < AUD\$7.5b	14.7%	-3.5%
Small Caps < AUD\$2b	28.2%	+4.5%

Month End Exposures	Current	Monthly Move
Communication Services	2.5%	+0.1%
Consumer	4.5%	+0.0%
Energy	12.4%	+2.4%
Financials	29.8%	-0.5%
Health Care	3.0%	-1.0%
Industrials/Real Estate	19.4%	-1.8%
Information Technology	4.2%	-0.2%
Materials	9.5%	+0.4%
Number of Positions	25	-3
Gross Equity Exposure	85.2%	-1.6%
Cash Weighting	14.8%	-0.5%
Net Equity Exposure	85.2%	+0.5%
Currency Exposure Hedged of AUD	88.0%	+0.6%

Commentary

The K2 Asian Fund returned -4.17% for the month. Markets were broadly weaker in December following strong gains from the one-year lows in October.

A combination of compelling valuations combined with the prospect that US cash rates will not rise as high as initially anticipated by bond markets were key drivers for the risk on sentiment to help drive equity markets higher from September to early December. Further, consistent early signs of lower inflation inputs from PMI surveys indicated that the worst of inflation is now behind us. We view 2023 as a less volatile year compared to the previous year. There appears to be more predictability with regard to monetary policy and the slowdown in economic conditions and earnings has been priced in. There will be challenges however the US labour market, households and corporates remain in reasonable condition despite the rapid rise of the Fed Funds target rate to 4.25%-4.5%.

There is a degree of resilience to the world's largest economy which will position their economy well to deal with the earnings and economic downgrades later this year. Looking through 2023 we believe current valuations remain reasonable. A Fed Funds target rate of 5%-5.25% is our core view with a low in the earnings cycle in the September quarter.

The opening up of the China economy following years of persistent lockdowns will be a net positive for global growth this year. The pathway for the second largest economy coming back online will not be a smooth transition however it will be a good contribution to global trade and economic activity as global growth conditions slow. Markets also anticipate some additional fiscal and monetary policy stimulus in China this year. This will be supportive for South-East Asian economies and European based companies that are beneficiaries of global trade.

While the China stimulus is at odds with other economies, this desynchronisation in policy will ultimately cushion the downside of global growth given the tighter policy settings for other key economies such as the US, Europe and the UK.

We continue to maintain underweight exposure to China and an overweight to South-East Asia, Australia and NZ. The portfolio cash position is around 14%.

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							-5.32	-0.89	14.98%	-0.38%	
													Incept.	381.52	322.40		
													Incept.	6.97%pa	6.37%pa	22.91%	-3.75%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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