

K2 Asian Fund

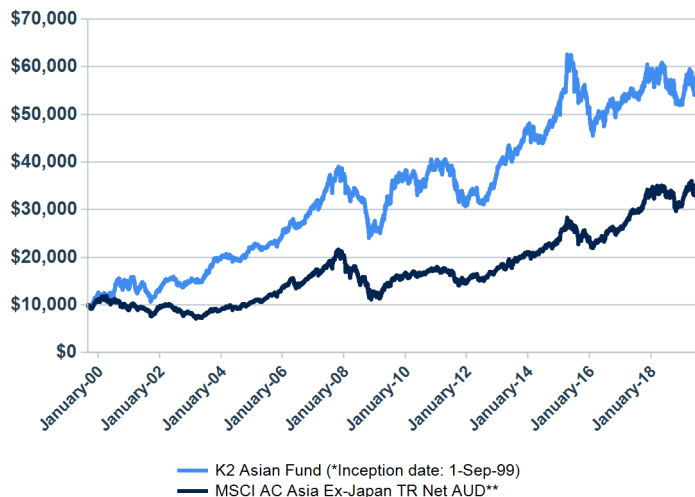
31 July 2019



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	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	15 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	0.0%	-1.6%	2.2%	4.3%	4.3%	4.9%	7.5%	9.2%	1-Sep-1999
Average Net Exposure	75.8%	77.2%	69.1%	76.5%	79.6%	83.9%	77.3%	74.6%	

Growth of \$10,000



**Index performance prior to the 1-Oct-2017 is the MSCI AC Asia Pacific Ex-Japan TR Net AUD.

Top 5 Stock Holdings	Current	Monthly Move
Ping An Insurance Group	7.6%	+0.7%
AIA Group Ltd	6.7%	+0.3%
Ind & Comm Bank Of China	4.4%	+0.1%
China Unicom Hong Kong Ltd	4.0%	+0.7%
Shenzhou International Group	3.9%	+0.4%

Month End Exposures	Current	Monthly Move
Communication Services	7.6%	+1.1%
Consumer	12.1%	-2.7%
Energy	7.5%	+2.0%
Financials	27.1%	+3.8%
Industrials	4.8%	-4.5%
Information Technology	7.8%	-0.7%
Materials	1.7%	-2.0%
Real Estate	2.0%	+0.1%
SHORTS	-0.5%	+0.5%
Number of Positions	26	-7
Gross Equity Exposure	71.2%	-4.6%
Cash Weighting	29.9%	+3.7%
Net Equity Exposure	70.1%	-3.7%
Currency Exposure Hedged of AUD	96.2%	+49.8%

Commentary

The K2 Asian Fund returned 0.02% for the month of July.

Asia's equity markets in July continued to grind higher with the MSCI AC Asia ex-Japan TR Net AUD Index gaining 0.02%. Looking under the hood however, it was a mixed bag at the local currency level. Taiwan (+0.9%) was the only major market to finish in the green while mainland China (-1.6%) and Hong Kong (-2.7%) posted declines. Korea declined by -5.0% as simmering tensions with Japan spill over into trade.

Central banks globally maintain their course of accommodative fiscal policy with the US Fed and Australia's RBA lowering interest rates by 25bps while Europe's ECB once again turned dovish. These actions will continue to provide underlying support for Asian equities, but only up to a point and provided that the expected earnings growth materialises. Meanwhile, as we go to print, trade talks between China and the US have re-escalated with no meaningful resolution in sight. Against this backdrop, we remain vigilant in our asset allocation. Net equity exposure has decreased slightly to 70% with a preference for large-cap liquid companies with visible earnings growth and reasonable valuations.

A positive contributor to Fund performance included Taiwanese listed semiconductor manufacturer Win Semiconductors. Win reported strong 2Q revenue growth most likely driven by increased demands from Chinese customers. An easing of the export ban against Huawei lifted investor sentiment, pushing the share price above our price target. We have subsequently exited the position.

The AUD ended the month down -1.98% versus the USD, providing a tailwind to Fund performance. Towards the end of July, the Fund increased its hedged position from approximately 50% to approximately 95% to protect against a falling USD.

Fund Characteristics

FUM	AUD \$15m
Portfolio Managers	Campbell Neal, Nicholas Leitl and Tony Sutton
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			-0.6	4.3	9.2	10.8	-4.3	-3.4	4.1	-1.1	0.2	-1.0	18.6	7.2	35.2%	-13.8%	
2000/01	19.4	8.3	-5.3	-1.0	-3.2	-2.3	16.5	-2.0	-16.4	5.4	5.4	-2.0	19.2	-12.2	16.2%	-18.5%	
2001/02	-9.1	-6.9	-4.9	2.3	10.3	1.1	8.7	4.4	2.4	1.8	1.7	-1.5	8.6	-3.6	35.5%	-12.0%	
2002/03	-7.2	0.5	-2.8	3.6	3.6	-0.5	2.4	-0.5	-1.8	0.1	3.7	4.4	4.9	-14.1	41.2%	-13.0%	
2003/04	4.4	6.5	4.4	5.2	-0.3	0.9	1.5	0.8	-1.8	-0.7	-0.2	0.0	22.4	23.1	38.0%	-5.3%	
2004/05	-1.2	1.3	2.2	0.9	6.8	2.2	1.1	1.3	-3.0	-2.4	2.0	1.0	12.5	19.7	30.2%	-2.6%	
2005/06	3.4	0.2	1.9	-3.6	5.2	3.8	5.2	-1.0	5.0	2.3	-3.2	0.2	20.7	26.1	24.4%	-3.9%	
2006/07	0.2	2.0	2.4	2.9	3.4	2.7	1.2	0.3	0.6	3.0	5.5	4.0	31.9	26.8	31.1%	-1.4%	
2007/08	3.5	-0.2	2.7	4.0	-2.6	-1.2	-8.6	-0.4	-3.7	3.1	-0.1	-3.8	-7.6	-16.0	46.6%	-5.0%	
2008/09	-1.6	0.2	-10.8	-10.4	-0.7	5.2	-3.3	-1.4	4.8	8.0	10.3	0.9	-1.2	-7.7	49.5%	-4.0%	
2009/10	10.5	-2.6	4.7	0.9	-0.3	3.5	-4.7	0.0	3.8	-0.5	-7.4	-0.5	6.4	15.9	12.0%	-1.7%	
2010/11	4.4	-2.1	7.6	2.5	-0.8	2.1	0.5	-1.0	1.7	1.2	-1.8	-2.4	12.1	2.2	12.1%	-2.4%	
2011/12	-2.0	-5.4	-9.0	3.7	-6.2	-1.8	4.9	5.1	-0.9	1.2	-6.9	-1.0	-17.8	-8.9	20.1%	-2.1%	
2012/13	1.2	0.7	4.9	3.9	2.0	6.0	4.3	2.1	0.0	3.2	2.4	-3.6	30.2	22.5	6.9%	-0.1%	
2013/14	2.4	0.1	2.1	3.6	4.9	0.9	-1.6	0.9	-3.7	-0.2	0.4	-2.3	7.4	14.0	8.8%	0.0%	
2014/15	5.4	0.5	2.8	1.4	2.5	3.6	4.1	2.2	2.6	7.5	2.4	-4.2	34.9	21.9	12.9%	-0.1%	
2015/16	-4.5	-4.5	-1.4	3.4	-4.2	-2.9	-7.2	-1.6	4.0	2.5	0.2	-2.8	-17.8	-7.4	18.7%	0.0%	
2016/17	3.7	2.5	1.2	-3.3	1.6	0.2	2.7	-0.6	1.0	2.0	0.9	-2.3	9.9	21.3	20.6%	-0.4%	
2017/18	-0.1	2.2	0.5	4.5	1.4	-1.6	1.4	-0.2	-1.3	4.0	-0.2	-4.1	6.5	13.4	18.5%	-1.1%	
2018/19	-1.6	1.0	-0.1	-7.3	-1.1	1.6	1.8	5.6	1.3	1.3	-6.1	4.8	0.5	4.8	30.2%	-0.7%	
2019/20	0.0												0.0	0.0	24.2%	-0.9%	
													Incept	475.4	248.8		
													Incept	9.2%pa	6.5%pa	25.4%	-4.2%

(1) MSCI AC Asia Ex-Japan TR Net AUD

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