

K2 Asian Fund

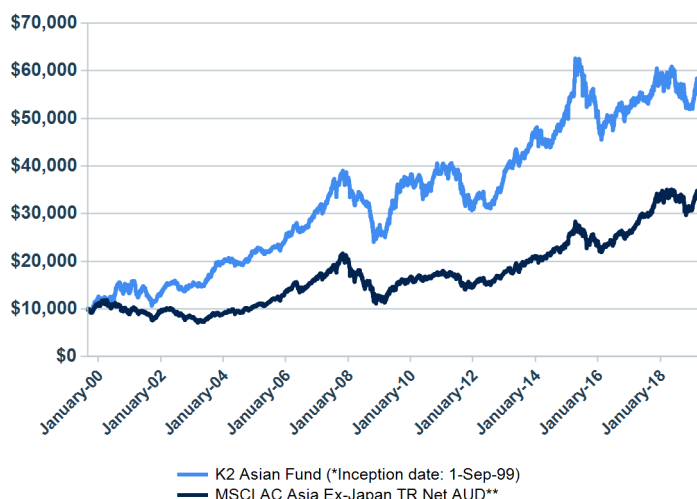
31 March 2019



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 Funds' 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)	1.3%	8.9%	0.3%	5.6%	5.1%	8.0%	7.4%	9.4%	1-Sep-1999
Average Net Exposure	77.4%	69.4%	72.8%	77.8%	80.1%	83.8%	76.7%	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
CNOOC Ltd	6.5%	+0.9%
Ping An Insurance Group	5.8%	-0.2%
Lonking Holdings Ltd	5.4%	+0.2%
AIA Group Ltd	5.2%	+0.3%
RIO Tinto Ltd	4.2%	+0.3%

Month End Exposures	Current	Monthly Move
Communication Services	4.4%	+2.4%
Consumer	14.0%	-1.4%
Energy	11.7%	+1.1%
Financials	20.7%	+0.6%
Industrials	12.5%	-0.2%
Information Technology	4.3%	-1.9%
Materials	7.3%	-0.8%
Real Estate	6.4%	+1.0%
SHORTS	-0.7%	-0.7%
Number of Positions	35	-2
Gross Equity Exposure	82.1%	+1.6%
Cash Weighting	19.4%	-0.1%
Net Equity Exposure	80.6%	+0.1%
Currency Exposure Hedged of AUD	0.5%	-0.4%

Commentary

The K2 Asian Fund returned 1.3% for the month of March.

Asian equity markets looked for direction during the month and guidance was finally delivered in the form of the China National Peoples Conference (NPC). Led by Premier Li Keqiang, fiscal policy stimulus became the tool of choice as the NPC cut VAT between 1% and 3%, targeted urban job creation of 11m new jobs and committed to further deregulation of the financial system, while setting the 2019 GDP growth target between 6.0% and 6.5%. The NPC followed trade talks with the US and areas including deregulation and the potential removal of JV structures that obstructed entry for foreign corporates was seen as a direct softening of the China stance. That said, China resolutely confirmed their "One China" policy that includes Taiwan and upped military spending, albeit at a slower clip than 2018. By month end, the MSCI AC Asia Ex-Japan TR Net AUD Index had increased 1.9%.

Specialty finance including real estate and insurance companies combined to be significant contributors for the month. The Fund's holdings in Insurance company Ping An, up +6.4% and Longfor Properties +18.7% both benefited from positive data points. The Fund's largest holding Chinese oil company CNOOC was the largest contributor, up +8.6%. The Fund's exposure to Chinese railway engineering and construction companies and those who supply rolling stock detracted from performance. The Chinese Government has allocated significant capital to increasing transport by rail and the Fund's holding in CRRC and China Railway Group have benefited from this increase in spend. However, one off restructuring costs within CRRC results knocked the sector at the end of the month. We see this as a one off in nature with the core investment thesis intact.

Reflecting our view that Asia represents an attractive investment opportunity through 2019, net exposure at the end of February rose to 81% and the Fund remains fully unhedged at the currency level.

Fund Characteristics

FUM	AUD \$18m
Portfolio Managers	Campbell Neal, Mark Newman, Nicholas Leitl, James Soutter 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				0.8	4.2	32.4%	-0.8%	
													Incept	477.1	246.8		
													Incept	9.4%pa	6.6%pa	25.6%	-4.4%

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

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