

K2 Asian Fund

31 January 2023

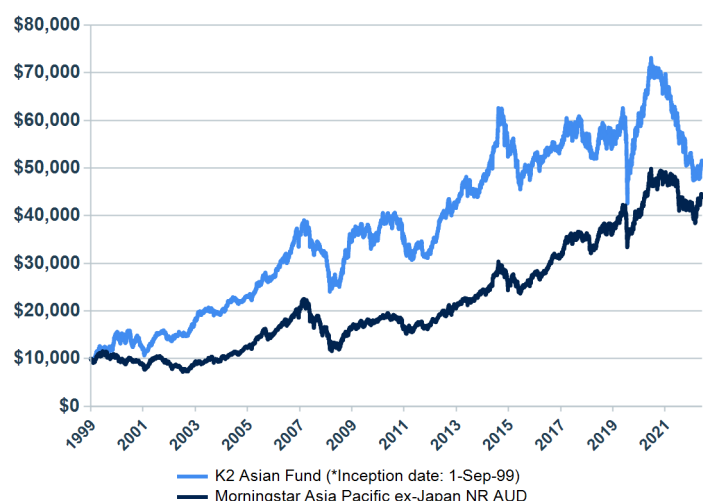


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	5.96%	158.17	7.21%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	7.6%	+0.5%
Kina Securities Ltd	6.6%	-0.4%
Seven Group Holdings Ltd	6.5%	+0.2%
BHP Group Ltd	5.7%	+0.2%
Stanmore Resources Ltd	5.0%	+0.5%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	41.2%	-0.9%
Mid Caps >=AUD\$2b < AUD\$7.5b	23.6%	+8.9%
Small Caps < AUD\$2b	25.8%	-2.3%

Month End Exposures	Current	Monthly Move
Communication Services	2.5%	+0.1%
Consumer	6.8%	+2.3%
Energy	12.8%	+0.5%
Financials	27.8%	-2.1%
Health Care	4.0%	+1.0%
Industrials/Real Estate	20.7%	+1.3%
Information Technology	4.3%	+0.2%
Materials	12.0%	+2.4%
SHORTS	-1.6%	-1.6%
Number of Positions	31	+6
Gross Equity Exposure	92.5%	+7.3%
Cash Weighting	10.7%	-4.0%
Net Equity Exposure	89.3%	+4.0%
Currency Exposure Hedged of AUD	87.3%	-0.7%

Commentary

The K2 Asian Fund returned 5.96% for the month outperforming the index by +2.15% in January.

The equity market rally reflects markets are more comfortable that the downside risks in 2023 will not be as bad as previously thought. The key economic data updates in recent months have continued to show evidence of improving economic conditions versus previous expectations of a hard recession. The improvement in expectation is reinforced by the resilience of key developed market economies despite the tightening in monetary policy. Hence the market volatility has subsequently fallen.

In particular, the resilient labour market conditions and the continued lower inflation inputs from recent highs have been key drivers in the recent rally. The higher cash rates are creating the required demand destruction and economic pain that the central banks have been targeting which has led to the lower inflation prints. Although it is notable that the services inflation is stubbornly high the goods inflation is falling.

The repricing of the downside risks has also been evident in the better earnings outlook in the US (aggregate) downside. Credit conditions have also remained in good condition despite the slowdown and impairments remain at near cycle lows. While there is more tightening to come from global central banks they are slowing the pace of rate hikes as we approach peak cash rate cycle. In anticipation, long bond yields continue to fall maintaining the yield inversion.

The continued fast track opening of the China economy following years of persistent lockdowns will be a net positive for global growth this year. There is targeted stimulatory policy and the internal economic activity in itself will be a key economic driver for the worlds second largest economy. The recovery of the China economy will also benefit key EU based economies companies that are correlated. Also, the targeted support for their housing sector from funding rates to developer support has gone a long way to assist in improvement of sentiment. Importantly, South-East Asian economies and companies are beneficiaries of global trade.

We continue to maintain underweight exposure to China and an overweight to South-East Asia, Australia and NZ. The portfolio cash position is around 10%.

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						0.32	2.88	15.40%	-0.38%	
													Incept.	410.19	338.51		
													Incept.	7.21%pa	6.52%pa	22.93%	-3.75%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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