

K2 Asian Fund

28 February 2023

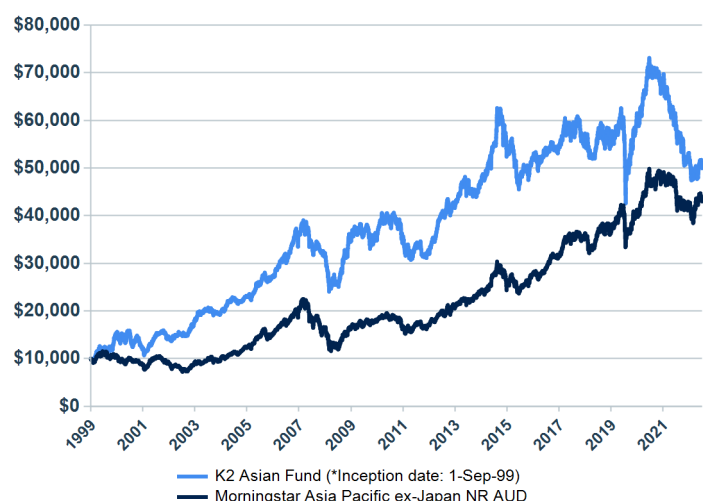


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-1.48%	155.83	7.11%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	7.7%	+0.1%
Seven Group Holdings Ltd	7.0%	+0.5%
Kina Securities Ltd	6.9%	+0.3%
JPMorgan Chase & Co	5.3%	+0.4%
BHP Group Ltd	5.2%	-0.5%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	41.1%	-0.1%
Mid Caps >=AUD\$2b < AUD\$7.5b	18.4%	-5.1%
Small Caps < AUD\$2b	33.6%	+7.8%

Month End Exposures	Current	Monthly Move
Communication Services	2.2%	-0.3%
Consumer	6.1%	-0.6%
Energy	13.1%	+0.2%
Financials	27.5%	-0.3%
Health Care	7.3%	+3.3%
Industrials/Real Estate	21.9%	+1.1%
Information Technology	4.2%	-0.1%
Materials	11.1%	-0.8%
SHORTS	-2.8%	-1.2%
Number of Positions	32	+1
Gross Equity Exposure	96.2%	+3.7%
Cash Weighting	9.4%	-1.4%
Net Equity Exposure	90.6%	+1.4%
Currency Exposure Hedged of AUD	87.6%	+0.4%

Commentary

The K2 Asian Fund returned -1.48% for the month outperforming the index by +0.53%. Following recent strong performance, global markets consolidated as investors continue to digest the weekly global data flow for signs of improved inflation signals to better understand the interest rate outlook.

Economies in the west continue to navigate the stubbornly high inflation outlook. Good signs continue via various data points that reinforce "goods" inflation continues to fall. However, the services portion of inflation remains too high for central bank policy makers. The tight labour market has effectively supported the services side of the economy and as a consequence, wage indicators have remained elevated and a concern for policy makers.

Given the higher for longer inflation outlook, central bankers - led by The Fed - will continue to remain hawkish with their commentary. The alternative of tolerating higher inflation is very sub optimal for investors, the corporate sector and households. A delayed response to inflation implies a much higher unemployment rate, contracting economic conditions and negative earnings and credit conditions.

Economic conditions within China are on a different trajectory compared to other key economies. While the China re opening narrative has been mixed, the economic momentum continues to improve in aggregate. China domestic demand will continue to be a larger portion of China GDP. Further, the inflation rate in China is notably lower compared to most of the world allowing their central bank - The PBoC - to remain supportive and stimulatory. Concerns in China remain with regard to the property correction and finding a reasonable resolution. This includes some government and PBoC support for funding. The aim is to improve bad and doubtful debt provisions and attract additional funding to try and improve investor sentiment. While Beijing has worked to improve internal capital flow, the key concern is the ability for China to attract long term global capital. While some short term investments are occurring, many global pension funds continue to lower their duration investments on mainland China. This has further supported the South-East Asian region as a notably alternative for investors.

We continue to maintain underweight exposure to China and an overweight to South-East Asia, Australia and NZ.

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	-1.48					-1.16	0.82	14.79%	-0.61%
													Incept.	402.65	329.70	
													Incept.	7.11%pa	6.40%pa	22.91%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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