

# K2 Asian Fund

## 31 March 2023

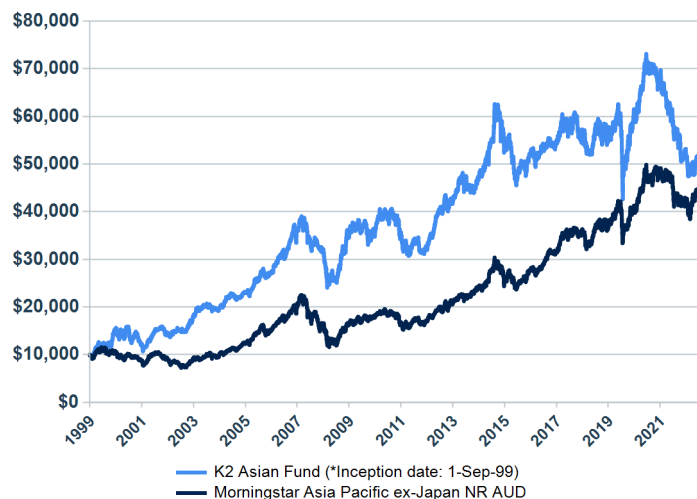


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-3.09%	151.01	6.94%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
BHP Group Ltd	8.0%	+2.7%
RIO Tinto Ltd	7.1%	+3.4%
Seven Group Holdings Ltd	7.0%	0.0%
Macquarie Group Ltd	7.0%	-0.7%
Kina Securities Ltd	6.8%	-0.1%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	45.5%	+4.4%
Mid Caps >=AUD\$2b < AUD\$7.5b	17.7%	-0.7%
Small Caps < AUD\$2b	31.3%	-2.3%

Month End Exposures	Current	Monthly Move
Communication Services	2.3%	+0.1%
Consumer	6.4%	+0.3%
Energy	7.7%	-0.2%
Financials/Real Estate	26.1%	-7.3%
Health Care	5.6%	-1.7%
Industrials	16.2%	+0.3%
Information Technology	4.8%	+0.6%
Materials	25.7%	+9.3%
Number of Positions	26	-6
Gross Equity Exposure	94.8%	-1.4%
Cash Weighting	5.2%	-4.1%
Net Equity Exposure	94.8%	+4.1%
Currency Exposure Hedged of AUD	87.2%	-0.4%

### Commentary

The K2 Asian Fund returned -3.09% for the month to be +1.16% for the March quarter. The volatility for markets accelerated notably in the quarter with a high-profile US bank default and the ongoing concerns for the US regional banking sector following the aggressive Fed tightening cycle.

The March banking crisis resulted in some very large casualties for different and unique circumstances. The events were led by SVB which had a notable unhedged position by borrowing short (taking deposits) and lending long (investing in high rated US long bonds).

The SVB failure was a unique vanilla unhedged position that regulators, combined with many market analysts who covered the bank, did not flag. Once the bank run began, leading to a record \$42 billion in the last day before regulators stepped in, it then became part of history as the second largest bank failure in US history. The US regulators, to their credit, were swift in coming in, guaranteeing depositors their full amount (beyond the 250k guarantee) knowing they had the long bond treasuries as collateral.

Signature Bank was another unique version of SVB. However, the demise of Credit Suisse was nothing short of historic. While the bank was well capitalised, had one of the largest and successful Private Bank networks globally with a very long 167-year pedigree, it was their persistent underperformance over many years that led to the forced merger with their competitor UBS. Both Credit Suisse and UBS have a very large footprint in the APAC region and this merger will be closely monitored by regulators in the region.

For China, the ongoing opening of their economy will assist cushion the downside risks to global growth as their economy increasingly relies on domestic demand as a larger contribution to growth. China has also benefited from the stimulatory central bank policy which is at odds to all other key global economies who are dealing with tighter monetary conditions.

We continue to maintain underweight exposure to China and an overweight to South-East Asia, Australia and NZ. A focus on earnings that export to China has been our preferred strategy for the China reopening trade. BHP, Rio, Stanmore Resources and Samsung feature as some of our larger holdings. The portfolio cash position is around 5%.

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	-3.09				-4.22	3.80	13.78%	-0.66%	
													Incept.	387.10	342.41		
													Incept.	6.94%pa	6.51%pa	22.86%	-3.76%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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