

# K2 Asian Fund

## 30 April 2023

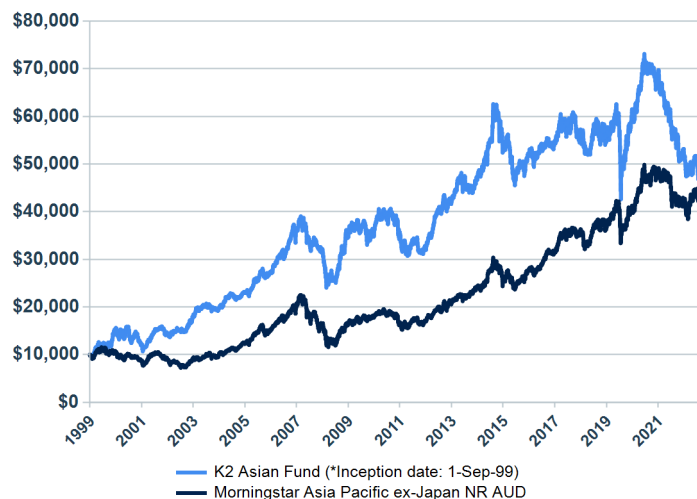


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	0.26%	151.41	6.93%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
BHP Group Ltd	7.5%	-0.5%
Macquarie Group Ltd	7.2%	+0.2%
Seven Group Holdings Ltd	7.1%	+0.2%
Kina Securities Ltd	6.7%	-0.2%
RIO Tinto Ltd	6.6%	-0.5%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	46.6%	+1.1%
Mid Caps >=AUD\$2b < AUD\$7.5b	15.6%	-2.1%
Small Caps < AUD\$2b	29.1%	-2.2%

Month End Exposures	Current	Monthly Move
Communication Services	2.4%	+0.1%
Consumer	6.7%	+0.3%
Energy	8.6%	+1.0%
Financials/Real Estate	21.9%	-4.1%
Health Care	5.3%	-0.3%
Industrials	17.3%	+1.1%
Information Technology	4.8%	+0.0%
Materials	24.4%	-1.3%
Number of Positions	24	-2
Gross Equity Exposure	91.5%	-3.3%
Cash Weighting	8.5%	+3.3%
Net Equity Exposure	91.5%	-3.3%
Currency Exposure Hedged of AUD	87.2%	0.0%

### Commentary

The K2 Asian Fund returned +0.26% for the month to be +1.43% year-to-date. Market conditions within the APAC region continue to remain mixed which has been reflected in the uneven nature of partial economic indicators and the differences in the policy response. The global backdrop year-to-date can be summed up as resilient vs previous expectations for a deep economic recession. While conditions are slowing, aggregate corporate earnings have not slowed as much as anticipated. Companies are trying to protect their margins and prepare for the upcoming economic recession. To date the slow down is not as severe as expectations six months ago.

Consensus expectations for the downside to earnings for 2023 have improved but will still be negative (circa minus 8-10% range) for 2023. This is off a higher corporate earnings base in 2022 and also reflects the ability for the corporate sector to pass on higher prices to date to consumers. The tight labour market has helped. There are plenty of challenges ahead, particularly the stubborn services inflation which will imply monetary policy will remain restrictive. Higher rates for longer combined with ongoing quantitative tightening will lead to additional contraction ahead, particularly the price credit market. Looking through the second half 2023 contraction, markets are pricing in the 2024 recovery profile. The challenges will continue to be the policy response to address inflation.

The second largest economy, China has a different set of challenges. The PBoC has been cutting rates for well over 18-months and they do not have the same inflation concerns as many other key developed markets. However, they are dealing with a notable slowdown in economic activity compared to expectations and the consequences of their property sector correction. Never-the-less, the ongoing opening of their economy will continue to assist cushion the downside risks to global growth as their economy increasingly relies on domestic demand as a larger contribution to growth. The largest beneficiary of the extended China lockdown policy in recent years is the re direction of global investment into the South-east Asia region and also the Japanese equity market.

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. The portfolio cash position is just above 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	0.26			-3.96	3.98	12.89%	-0.59%	
													Incept.	388.39	343.16		
													Incept.	6.93%pa	6.49%pa	22.83%	-3.76%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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