

K2 Asian Fund

31 May 2023

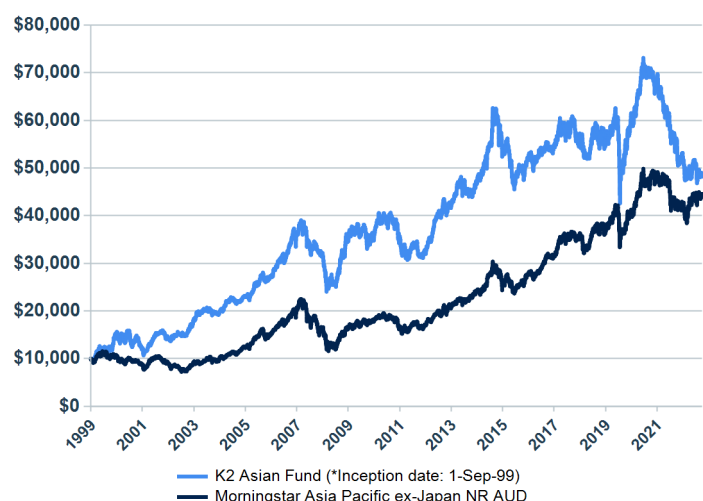


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-1.34%	149.38	6.84%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
BHP Group Ltd	7.1%	-0.3%
Seven Group Holdings Ltd	7.1%	0.0%
Kina Securities Ltd	6.9%	+0.3%
Macquarie Group Ltd	6.8%	-0.4%
RIO Tinto Ltd	6.4%	-0.2%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	46.4%	-0.1%
Mid Caps >=AUD\$2b < AUD\$7.5b	20.3%	+4.7%
Small Caps < AUD\$2b	29.1%	0.0%

Month End Exposures	Current	Monthly Move
Communication Services	2.7%	+0.3%
Consumer	6.2%	-0.5%
Energy	11.5%	+2.8%
Financials/Real Estate	21.7%	-0.2%
Health Care	6.1%	+0.8%
Industrials	17.4%	+0.1%
Information Technology	5.5%	+0.7%
Materials	25.0%	+0.6%
Number of Positions	26	+2
Gross Equity Exposure	96.0%	+4.6%
Cash Weighting	4.0%	-4.6%
Net Equity Exposure	96.0%	+4.6%
Currency Exposure Hedged of AUD	85.8%	-1.4%

Commentary

The K2 Asian Fund returned -1.34% for the month to be flat (+0.1%) year-to-date (YTD) in a volatile market.

The investment outlook with the APAC region continues to exhibit some unevenness across economic momentum and the earnings outlook. The largest surprise has been the slowdown within China, the second largest economy, so soon after a very robust reopening. The slowdown in the various partial economic indicators for China has been a surprise given the previous strong tailwind associated with their reopening trade from last year.

Within the South-East APAC region, it is a little different as there is some resilience to economic momentum despite the tighter monetary conditions. There is a clear global slowdown underway which is the clear result of restrictive monetary conditions within many economies as they address the stubborn, but falling, inflationary conditions.

Despite the slowing momentum, corporate earnings have not slowed as much as anticipated and have surprised expectations. This resilience in corporate margins (aggregate) imply that the slowdown ahead will not be as bad as previously thought. Markets are simply looking through this slowdown, or shallow recession in some regions, and pricing the recovery in 2024 and beyond.

The key challenge within our region will be the outlook for China. Unlike other key economies they have been cutting rates and do not have a severe inflation problem. Despite the PBoC cutting rates for well over 18-months, the slowdown in activity is concerning. Once Beijing adjust their policy mix and get through their property market correction and address the very soft business and consumer sentiment, they will be better placed to drive more sustainable but lower economic growth rate.

The largest beneficiary of the slowdown in China economic momentum following their extended lockdown policy is the re allocation of investment towards the South-east Asia region (including Australia) and Japan.

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 continues to be our preferred investment strategy. The portfolio cash position is 4%.

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	-1.34		-5.25	4.06	12.21%	-0.64%
												Incept.	381.84	343.50		
												Incept.	6.84%pa	6.47%pa	22.80%	-3.76%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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