

K2 Asian Fund

31 August 2023

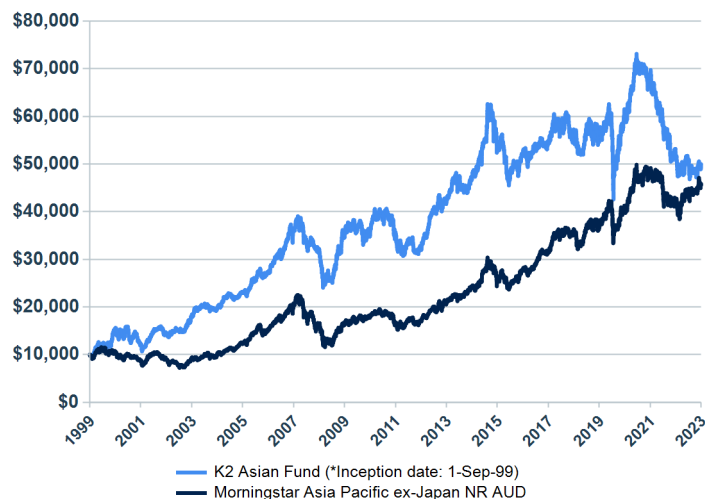


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-0.15%	155.00	6.94%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	8.3%	+0.5%
Kina Securities Ltd	7.5%	+0.3%
BHP Group Ltd	7.4%	-0.2%
Macquarie Group Ltd	6.9%	+0.1%
RIO Tinto Ltd	6.6%	-0.2%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	49.0%	-3.0%
Mid Caps >=AUD\$2b < AUD\$7.5b	24.1%	+0.6%
Small Caps < AUD\$2b	23.0%	+3.7%

Month End Exposures	Current	Monthly Move
Communication Services	3.1%	+0.4%
Consumer	8.1%	+2.0%
Energy	12.6%	+0.1%
Financials/Real Estate	24.7%	+1.7%
Health Care	5.3%	-0.1%
Industrials	13.9%	+1.2%
Information Technology	5.0%	-0.2%
Materials	23.6%	-3.9%
Number of Positions	26	0
Gross Equity Exposure	96.4%	+1.4%
Cash Weighting	3.6%	-1.4%
Net Equity Exposure	96.4%	+1.4%
Currency Exposure Hedged of AUD	85.1%	+0.7%

Commentary

The K2 Asian Fund returned -0.15% for the month. The weaker economic data pulse in China continued to weigh on market sentiment. This has been a consistent feature as the regular economic data flow reinforces the softer momentum for the second largest economy compared to expectations. Further, high government debt levels and concerns with the property market are key structural headwinds for Beijing. Hence the soft consumer and business sentiment creates additional challenges for policy makers to turn things around.

The policy response has been targeted and active with limited effect to date. The central bank in China, the PBoC has been persistent with their monetary stimulus over the past two years. While it is clear they are not too keen to go down the quantitative easing pathway, their stimulus is measured and pragmatic given the very large levels of debt within their property sector and municipal / local government level.

On the positive side, the recent weekly data flow in China indicates some consolidation of the run of weak partial economic indicators. While there is limited upside to the data flow by year-end, the worst looks to be behind for now as recent stimulus measures are expected to cushion the downside. Economic revisions to China GDP will continue to be revised from the mid 5% levels earlier this year to just under 5%. The lower inflation data coming out of China is positive for other key global economies.

The recent announcement regarding the expanding BRIC economic members lead by China may be a positive longer-term alignment for additional free trade agreement and therefore economic activity. However, in the shorter-term China will continue to rely increasingly on their domestic demand which will require additional stimulatory policy support. Further, the case for global investors to increase their exposure to longer duration investments remain limited. An underweight exposure will continue to remain for many developed market investors. Some scope for short term tactical positions

The beneficiaries of the China slowdown within the region continues to be Japan, India and the South-east Asia region (including Australia). We continue to maintain underweight exposure to China and an overweight to South-East Asia Pacific. A focus on earnings that export to China continues to be our preferred investment strategy.

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	-0.68	-5.90	4.32	11.79%	-0.59%
2023/24	4.63	-0.15											4.48	2.79	6.58%	0.00%
Incept.													399.97	357.03		
Incept.													6.94%pa	6.54%pa	22.13%	-3.61%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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