

K2 Asian Fund

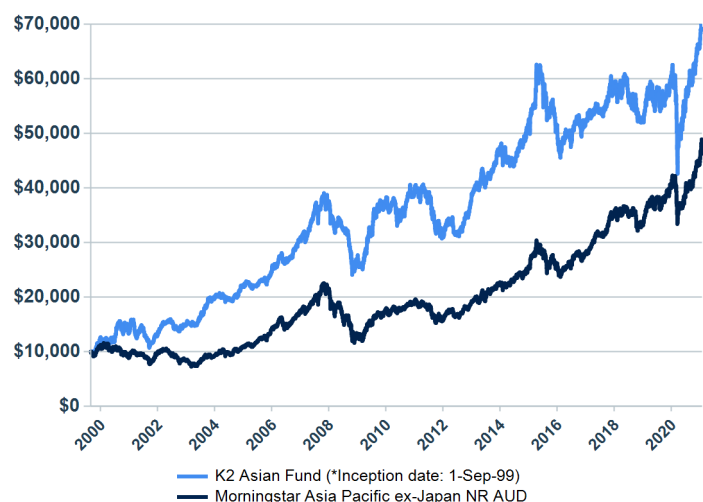
31 January 2021



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	Inception (%pa)	Inception Date
Performance (Net of Fees)	4.0%	9.4%	1-Sep-1999
Average Net Exposure	95.2%	75.8%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Tencent Holdings Ltd	7.2%	+1.1%
Summerset Group Holdings Ltd	4.8%	-0.3%
Samsung Electronics Co Ltd	4.5%	-0.2%
Techtronic Industries Co Ltd	4.5%	+0.1%
Kina Securities Ltd	4.4%	+0.4%

Month End Exposures	Current	Monthly Move
Communication Services	10.2%	+1.2%
Consumer	23.0%	-2.7%
Financials	27.1%	+6.5%
Health Care	6.7%	-0.3%
Industrials	13.8%	-1.5%
Information Technology	4.5%	-0.2%
Materials	8.1%	-0.2%
Other	1.4%	+0.0%
Real Estate	2.1%	-1.8%
SHORTS	-1.5%	-1.5%
Number of Positions	36	-1
Gross Equity Exposure	98.4%	+2.6%
Cash Weighting	4.6%	+0.4%
Net Equity Exposure	95.4%	-0.4%
Currency Exposure Hedged of AUD	80.7%	+5.4%

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Commentary

The strong returns continued in January. The K2 Asian Fund returned +4.0% for the month and has now returned +26.6% this financial year to be +5.9% ahead of the benchmark (BM). Since the cycle lows in the March correction the fund is up +62% outperforming the BM by +24%. The combination of good stock selection, investing cash early in the recovery and accumulation of the AUD at lower levels have all contributed to the strong performance vs benchmark since the severe March correction.

Asian equity markets were the standout performers in January, continuing their strong returns from the final quarter of 2020. After jumping out of the blocks global markets hit the skids late in the month as the great short squeeze unfolded. Otherwise dormant companies including GameStop, AMC Entertainment and BlackBerry reached stratospheric heights forcing hedge funds who are short these names to de-leverage and thus drag down the overall market. However, as we go to print in early February, normality is slowly returning.

We are over half way into Q4 US reporting season with results so far in aggregate proving very encouraging. The major banks have benefited from increased trading and corporate activity while Netflix posted significantly better than expected subscriber growth, re-focusing investor attention on Big Tech in the process.

Gains were broad based across all major countries. Hong Kong (+3.9%), Korea (+3.6%) and Taiwan (+2.8%) were the leading performers while mainland China (+0.3%) was the relative laggard.

A positive contributor to fund performance included heavy vehicle manufacturer Weichai Power. The company is benefiting from a partnership with Ballard Power to supply hydrogen fuel cell technologies for commercial applications in the Chinese market. With and increasing global awareness of renewable energy along with strict government mandated emission reduction targets, Weichai well placed to deliver superior earnings growth over the next decade.

The AUD consolidated recent strong gains, declining -0.65% for the month. The fund is currently 81% hedged to the AUD providing capital protection against a rising AUD.

The fund's net exposure currently sits at 95%. The fund remains close to fully invested as we position the portfolio to benefit from a more reflationary environment. Central banks globally have dug in their heels, showing no signs of deviating from their accommodative stance. Combined with another flood of money by way of fiscal stimulus the question is, where will the money go? Against this backdrop, equities are the asset class of choice.

Fund Characteristics

FUM	AUD \$11m
Portfolio Managers	Campbell Neal, David Popenbeek, Josh Kitchen and Tony Sutton
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

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			-0.6	4.3	9.2	10.8	-4.3	-3.4	4.1	-1.1	0.2	-1.0	18.6	4.5	35.2%	-13.8%
2000/01	19.4	8.3	-5.3	-1.0	-3.2	-2.3	16.5	-2.0	-16.4	5.4	5.4	-2.0	19.2	-8.4	16.2%	-18.5%
2001/02	-9.1	-6.9	-4.9	2.3	10.3	1.1	8.7	4.4	2.4	1.8	1.7	-1.5	8.6	-1.9	35.5%	-12.0%
2002/03	-7.2	0.5	-2.8	3.6	3.6	-0.5	2.4	-0.5	-1.8	0.1	3.7	4.4	4.9	-15.3	41.2%	-13.0%
2003/04	4.4	6.5	4.4	5.2	-0.3	0.9	1.5	0.8	-1.8	-0.7	-0.2	0.0	22.4	24.1	38.0%	-5.3%
2004/05	-1.2	1.3	2.2	0.9	6.8	2.2	1.1	1.3	-3.0	-2.4	2.0	1.0	12.5	19.4	30.2%	-2.6%
2005/06	3.4	0.2	1.9	-3.6	5.2	3.8	5.2	-1.0	5.0	2.3	-3.2	0.2	20.7	27.7	24.4%	-3.9%
2006/07	0.2	2.0	2.4	2.9	3.4	2.7	1.2	0.3	0.6	3.0	5.5	4.0	31.9	28.9	31.1%	-1.4%
2007/08	3.5	-0.2	2.7	4.0	-2.6	-1.2	-8.6	-0.4	-3.7	3.1	-0.1	-3.8	-7.6	-16.7	46.6%	-5.0%
2008/09	-1.6	0.2	-10.8	-10.4	-0.7	5.2	-3.3	-1.4	4.8	8.0	10.3	0.9	-1.2	-6.2	49.5%	-4.0%
2009/10	10.5	-2.6	4.7	0.9	-0.3	3.5	-4.7	0.0	3.8	-0.5	-7.4	-0.5	6.4	17.3	12.0%	-1.7%
2010/11	4.4	-2.1	7.6	2.5	-0.8	2.1	0.5	-1.0	1.7	1.2	-1.8	-2.4	12.1	2.8	12.1%	-2.4%
2011/12	-2.0	-5.4	-9.0	3.7	-6.2	-1.8	4.9	5.1	-0.9	1.2	-6.9	-1.0	-17.8	-9.4	20.1%	-2.1%
2012/13	1.2	0.7	4.9	3.9	2.0	6.0	4.3	2.1	0.0	3.2	2.4	-3.6	30.2	22.9	6.9%	-0.1%
2013/14	2.4	0.1	2.1	3.6	4.9	0.9	-1.6	0.9	-3.7	-0.2	0.4	-2.3	7.4	13.2	8.8%	0.0%
2014/15	5.4	0.5	2.8	1.4	2.5	3.6	4.1	2.2	2.6	7.5	2.4	-4.2	34.9	22.1	12.9%	-0.1%
2015/16	-4.5	-4.5	-1.4	3.4	-4.2	-2.9	-7.2	-1.6	4.0	2.5	0.2	-2.8	-17.8	-6.6	18.7%	0.0%
2016/17	3.7	2.5	1.2	-3.3	1.6	0.2	2.7	-0.6	1.0	2.0	0.9	-2.3	9.9	19.2	20.6%	-0.4%
2017/18	-0.1	2.2	0.5	4.5	1.4	-1.6	1.4	-0.2	-1.3	4.0	-0.2	-4.1	6.5	13.0	18.5%	-1.1%
2018/19	-1.6	1.0	-0.1	-7.3	-1.1	1.6	1.8	5.6	1.3	1.3	-6.1	4.8	0.5	7.1	30.2%	-0.7%
2019/20	0.0	-3.9	1.2	2.0	1.0	4.1	-2.7	-4.3	-13.6	6.4	1.9	4.1	-5.3	1.4	14.0%	-1.2%
2020/21	4.9	6.2	-1.4	1.8	6.0	2.7	4.0						26.6	20.7	3.3%	-0.3%
Incept													589.7	362.6		
Incept													9.4%pa	7.4%pa	23.9%	-4.1%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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