

K2 Asian Fund

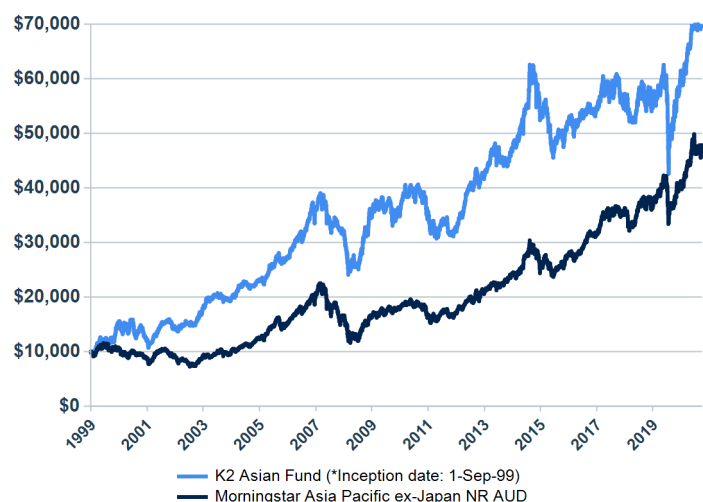
31 May 2021



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	3 Months	6 Months	1 Year	5 Years (%pa)	10 Years (%pa)	15 Years (%pa)	Inception (%pa)
Performance (Net of Fees)	0.55%	0.89%	9.29%	34.74%	6.99%	6.01%	6.70%	9.40%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Ryman Healthcare Ltd	5.1%	+1.3%
Tencent Holdings Ltd	4.9%	-0.1%
Techtronic Industries Co Ltd	4.8%	+0.0%
Seven Group Holdings Ltd	4.6%	-0.4%
Ping An Insurance Group	4.5%	+2.0%

Month End Exposures	Current	Monthly Move
Communication Services	4.9%	-3.0%
Consumer	22.6%	-4.9%
Financials	27.5%	+1.5%
Health Care	5.1%	-1.3%
Industrials/Real Estate	15.2%	-0.1%
Information Technology	6.8%	+2.3%
Materials	7.7%	+0.1%
Number of Positions	30	-5
Gross Equity Exposure	91.2%	-5.2%
Cash Weighting	8.8%	+5.2%
Net Equity Exposure	91.2%	-5.2%
Currency Exposure Hedged of AUD	80.5%	-0.9%

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Commentary

The K2 Asian Fund returned +0.55% for the month and has now returned +34.74% over the past year to be +4.9% ahead of the benchmark (BM). The Asian Pacific region has recovered strongly from the pandemic induced March 2020 cycle reset. 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 markets were broadly stronger in May as the rotation to cyclicals gained further steam. Central banks are doubling and tripling down on their belief that any inflation will be transitory and therefore monetary policy must remain accommodative. Any hint of tapering will no doubt send equities into a tailspin and we closely watch the bond market for any hints which are so far behaving very orderly.

When Vladimir Lenin wrote in 1917, "there are decades when nothing happens; and there are weeks when decades happen" he obviously could not foresee the impact Covid would have on global economies. The acceleration of on-line penetration has been well documented with big tech being major beneficiaries. Longer-term, the race to net zero emissions, which will take decades to ultimately play out, has made significant strides over the last 12 months. We liken these underlying thematic to shifting tectonic plates with minor tremors to be expected along the journey. However, we maintain focus on long-term value creation and prudent stock selection, as a rising tide will not necessarily lift all boats.

In spite of exponentially rising Covid cases, India (+6.5%) was the best performing market closely followed by mainland China (+4.9%). Tech heavy Taiwan (-2.9%) lagged. With Malaysia and Vietnam moving into periods of strict lockdowns we maintain a close watch for any impact on equity prices and contagion throughout the region.

The portfolio remains well positioned to benefit from the resumption of global travel and further economic re-openings. From Galaxy Entertainment as Macau visitation numbers increase to Travelsky Technology who provide travel distribution systems for China's airline and tourism industries.

The AUD gained +0.29% to 0.7738. The fund is currently 80% hedged to the AUD providing capital protection against a rising AUD.

The fund remains fully invested as governments shift towards fuelling optimism as they increase infrastructure and other fiscal spending.

Fund Characteristics

FUM	AUD \$11m
Portfolio Managers	Campbell Neal, David Poppenbeek, 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			-0.55	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		29.49	24.73	3.35%	-0.18%	
													Incept.	605.60	378.04		
													Incept.	9.40%pa	7.46%pa	23.92%	-4.07%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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