

K2 Asian Fund

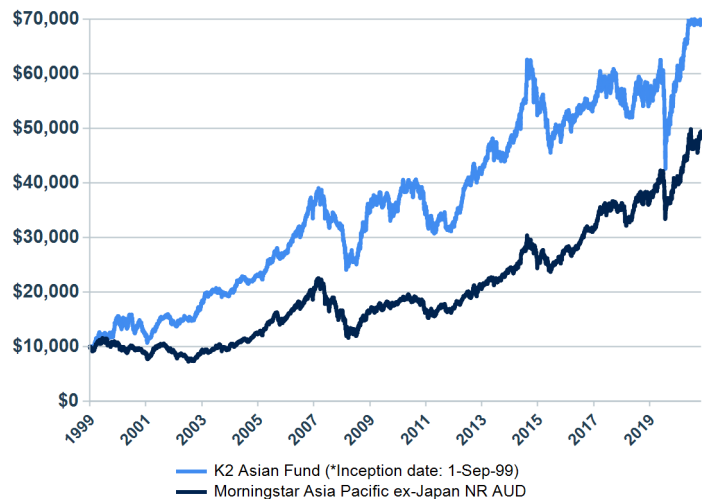
30 June 2021



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)	-0.52%	1.76%	5.82%	28.82%	7.48%	6.21%	6.65%	9.34%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Ryman Healthcare Ltd	5.2%	+0.2%
Tencent Holdings Ltd	4.9%	+0.1%
Seven Group Holdings Ltd	4.9%	+0.3%
Techtronic Industries Co Ltd	4.9%	+0.1%
Alibaba Group Holding Ltd	4.7%	+3.8%

Month End Exposures	Current	Monthly Move
Communication Services	4.9%	+0.1%
Consumer	23.6%	+1.0%
Financials	29.4%	+1.9%
Health Care	5.2%	+0.2%
Industrials/Real Estate	17.7%	+2.5%
Information Technology	7.9%	+1.1%
Materials	8.0%	+0.3%
Number of Positions	32	+2
Gross Equity Exposure	98.1%	+7.0%
Cash Weighting	1.9%	-7.0%
Net Equity Exposure	98.1%	+7.0%
Currency Exposure Hedged of AUD	80.7%	+0.2%

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Commentary

The K2 Asian Fund returned -0.5% for the month and +28.8% over the past year. The strong return for the fund over the past year reflects the recovery within the Asia Pacific region from the pandemic induced March 2020 cycle reset. There have been multiple contributing factors to the strong 2021 fiscal year performance. This includes a 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.

Asian equity markets experienced mixed returns in June as investors digested the latest musing from the US Federal Reserve and their potential impacts on asset allocation. A tiny shift in rhetoric to indicate that interest rates may increase sooner than expected was enough to send bond yields down and the USD up as perceived less risky assets benefited. Helping to calm investor nerves, Chairman Powell in his speech to congress emphatically stated that rates will not be raised pre-emptively with any increase only happening when there is evidence of actual inflation. The case for transitory inflation largely driven by supply disruptions gained momentum as key food and materials prices such as lumber (-58%), corn (-7%) and Soybeans (-13%) have all declined from their May highs.

Peeking under the hood, Technology stocks regained their ascendancy while a flattening yield curve lead to Financials selling off. Meanwhile in Asia, Chinese markets continue to underperform their global peers. In stark contrast to the US, China appears to have the fiscal and monetary brakes on in their efforts to control inflation and credit excesses. Such an orthodox approach provides little inspiration for equities with the local CSI 300 Index flat year to date compared to an increase of +14.4% for the S&P 500 Index.

A significant positive contributor to fund performance included Chinese sportswear retailer TopSports International. As Nike's 2nd biggest strategic retail partner globally, TopSports is well positioned to benefit from Nike brand's share expansion in China post-Covid. Nike's Q4 FY2021 results announcement confirmed sequential sales improvements following the Xinjiang Cotton incident with "month-to-date retail sales trends approaching prior year levels." Currently trading on an FY2022 forecast PE of 20.0x with 2021-2024 expected EPS growth of 18% p.a., TopSports remains a core holding for the fund.

The AUD fell -3.11% to 0.497. The fund is currently 80% hedged to the AUD providing capital protection against a rising AUD. The fund remains fully invested. With central banks steadfastly anchored at close to zero and governments ready to unleash a flood of fiscal spending, we believe equities continue to be the asset class of choice.

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	-0.52	28.82	29.05	3.44%	-0.16%	
													Incept.	601.96	394.58		
													Incept.	9.34%pa	7.60%pa	23.93%	-4.07%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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