

K2 Asian Fund

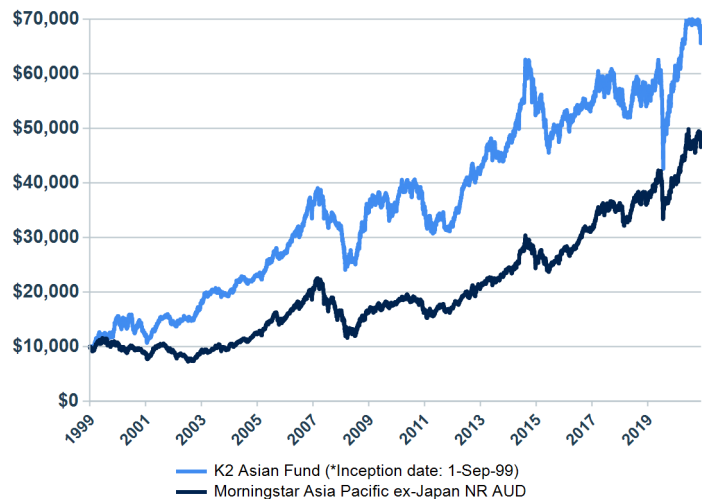
31 July 2021



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)	-4.54%	-4.51%	-2.84%	17.26%	5.70%	5.93%	6.31%	9.07%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	6.1%	+1.2%
Ryman Healthcare Ltd	5.8%	+0.6%
Techtronic Industries Co Ltd	5.0%	+0.2%
Samsung Electronics Co Ltd	4.9%	+0.2%
Kina Securities Ltd	4.7%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	4.5%	-0.5%
Consumer	22.6%	-1.1%
Financials	29.3%	-0.1%
Health Care	5.8%	+0.6%
Industrials/Real Estate	18.6%	+0.9%
Information Technology	8.8%	+0.9%
Materials	8.7%	+0.6%
Number of Positions	32	0
Gross Equity Exposure	99.5%	+1.4%
Cash Weighting	0.5%	-1.4%
Net Equity Exposure	99.5%	+1.4%
Currency Exposure Hedged of AUD	84.3%	+3.6%

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Commentary

The K2 Asian Fund returned -4.5% for the month and has now returned +17.3% over the past year.

Asian equity markets languished in July, lagging their global peers as Chinese regulators expand their reach beyond mega-cap technology companies. DIDI, China's version of UBER, along with private education providers felt the full force of authorities concerns leaving investors to speculate who their next target might be. When combined with China's more orthodox approach to monetary policy, markets in the region remain on high alert. We continue to monitor the situation carefully with a view to acquiring high quality companies at attractive prices that have suffered collateral damage.

Another strong US reporting season did little to alleviate Asian investor concerns. Despite 88% of companies beating on earnings, forward guidance commentary was more muted, if provided at all, dampening performance to a small degree. Reassuringly, the US Federal Reserve confirmed their position of no imminent tapering, further signalling their long-term support for markets and the economy. The ongoing debate around inflation appears to be shifting towards the FED's transitory corner as they attempt to define the meaning of the word. US 10yr bond yields closed the month down -24 basis points at 1.22%, potentially telling us that growth might be scarcer in the medium term. We believe it is more of a technical bounce dominated by offshore buyers who are attracted to yields greater than zero.

Hong Kong (-9.9%) led the region lower, bearing the brunt of China's regulatory crackdown. Mainland China (-5.4%) followed closely behind while Korea (-2.9%) and Taiwan (-2.9%) relatively outperformed.

The AUD fell -2.04% to 0.7344. The fund is currently 84% hedged to the AUD providing capital protection against a rising AUD.

The fund remains fully invested and positioned more towards the ongoing cyclical recovery with a focus on identifying companies exposed to improving economic activity. Equities will continue to benefit from the willingness of major central banks to maintain their accommodative stance and governments desire to increase fiscal spending.

Fund Characteristics

FUM	AUD \$10m
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%	
2021/22	-4.54												-4.54	-3.93	0.93%	0.00%	
													Incept.	570.09	375.14		
													Incept.	9.07%pa	7.37%pa	22.93%	-3.89%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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