

K2 Asian Fund

31 March 2022



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)	-2.69%	-7.10%	-13.23%	-16.98%	1.39%	5.41%	4.13%	8.03%

Growth of \$10,000



Commentary

The Asian Fund returned -2.69% for the month vs the index of -3.26%. The outperformance for the month is in part due to the underweight in China. The fund is also ahead of the index year-to-date (YTD) by +1.0%. Markets globally continue to adjust to the expectation of additional rate hikes from the US Fed to address the persistent inflation concerns. In addition to the higher US cash rate outlook, the long overdue start to Quantitative Tightening (QT) has begun. The US Fed ultimately aims to engineer a soft economic landing while balancing the various risks.

The positives include the current economic and earnings momentum remaining above long run historical benchmarks (although slowing), compelling equity valuations, sound corporate credit conditions, high household savings rates and the strong labour market in developed economies. The strong wealth effects create some comfort for policy makers that the tighter monetary policy can be absorbed. Further, in the early rate hike stage of the economic cycle, equity earnings (in aggregate) and commodities tend to benefit.

The risks include ongoing supply chain bottlenecks, China slowdown, increasing corporate costs, persistent inflation, quantitative tightening (QT) and the ongoing and devastating conflict in the Ukraine that appears to have no end in sight. The uncertainty for markets and the implications for energy prices are anticipated to persist. For now, these geo-political concerns will dominate headlines and therefore investor and consumer sentiment.

The slowdown in China remains a concern and the market is anticipating significant "whatever it takes" policy stimulus by the PBoC for the second largest economy. As China continues to lower rates and deliver additional social infrastructure policy initiatives, it will help limit the downside to slowing global growth from other economies that are raising cash rates.

Valuations remain attractive for the equity market in China, however, we continue to be cautious following policy uncertainties from Beijing. Additional stimulus from the PBoC in 2022 will be supportive going forward. The K2 Asian Fund continues to maintain a low weighting to China and as of March, does not have any holdings in the top 10. Our largest weightings include Macquarie Group, Kina Securities, Samsung Electronics and Techtronic Industries.

Some of the best performing holdings for the Fund this month were Stanmore Resources, Macquarie Group, BHP Group and Kina Securities. Some key underperformers in March include China Resources Beer Holding, Shenzhou International, AIA Group and Tencent Holdings.

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	6.5%	+1.0%
Kina Securities Ltd	5.8%	0.0%
Samsung Electronics Co Ltd	5.7%	-0.2%
Techtronic Industries Co Ltd	5.6%	-0.1%
Seven Group Holdings Ltd	5.2%	0.0%

Month End Exposures	Current	Monthly Move
Consumer	1.8%	-2.7%
Energy	2.3%	+2.3%
Financials	28.8%	-2.9%
Health Care	3.0%	-2.1%
Industrials/Real Estate	18.8%	-3.0%
Information Technology	8.9%	-1.1%
Materials	10.4%	+4.9%
SHORTS	-2.2%	-2.2%
Number of Positions	25	0
Gross Equity Exposure	76.3%	-12.8%
Cash Weighting	28.1%	+17.2%
Net Equity Exposure	71.9%	-17.2%
Currency Exposure Hedged of AUD	84.0%	-5.3%

Fund Characteristics

FUM	AUD \$7m
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				-18.42	-12.02	4.40%	-0.14%	
													Incept.	472.64	335.15		
													Incept.	8.03%pa	6.73%pa	23.08%	-3.90%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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