

# K2 Asian Fund

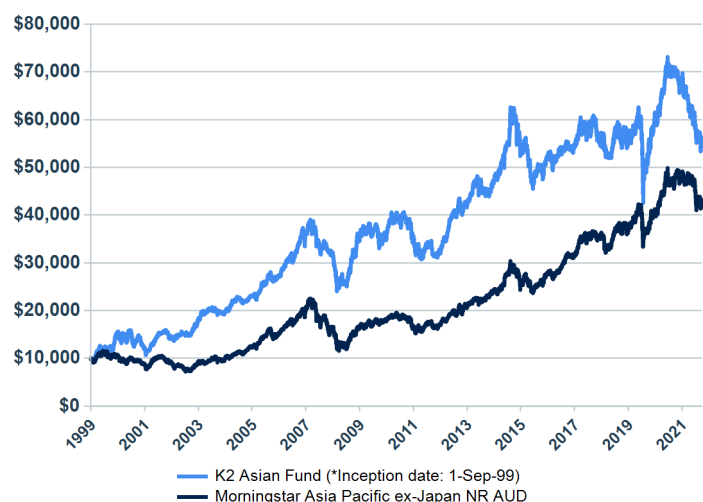
## 31 May 2022



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)	-1.94%	-4.46%	-9.26%	-20.32%	0.42%	5.84%	3.43%	7.89%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Kina Securities Ltd	6.3%	+0.2%
Macquarie Group Ltd	6.1%	-0.6%
Samsung Electronics Co Ltd	5.8%	+0.1%
Taiwan Semiconductor Manufacturing	5.2%	+0.3%
Seven Group Holdings Ltd	4.7%	-0.2%

Month End Exposures	Current	Monthly Move
Communication Services	0.6%	+0.6%
Consumer	8.0%	-0.6%
Energy	4.1%	+1.0%
Financials	28.7%	+1.7%
Health Care	2.4%	+2.4%
Industrials/Real Estate	18.5%	+5.3%
Information Technology	11.0%	+0.5%
Materials	9.0%	-1.1%
Number of Positions	28	+4
Gross Equity Exposure	82.4%	+7.3%
Cash Weighting	17.6%	-7.3%
Net Equity Exposure	82.4%	+7.3%
Currency Exposure Hedged of AUD	84.0%	+0.0%

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### Commentary

The K2 Asian Fund returned -1.94% for the month. Global market volatility continued for the month. Uncertainty for global markets year-to-date remain primarily with rising inflation expectations and the need to raise US cash rates more aggressively vs market expectation. The Feds communication is important for guidance for markets, and it has become very clear in recent months that they need to address the risk of core inflation getting out of hand whereby becoming a policy dilemma.

The uncertain economic outlook remains for China as economic activity continues to slow following the rolling recent lockdowns, however, it is notable that they are one of the few large economies that are cutting interest rates. The stimulatory policy settings in China remain a positive backdrop for a recovery in activity towards year-end and should be supportive for the APAC region. Unlike the policy settings in China, the US economic slowdown is driven by tighter policy settings. The Fed is on track to continue to raise the Fed Funds Rate at each of the FOMC Meetings this year with markets anticipating cash rates rising to above 3%. This will assist in creating the required slack in the economy and help address the stubborn inflation concerns. However, it will also lead to the market beginning to price in the start of the next rate cut cycle. Early 2024 looks possible.

Adjusting to higher nominal cash rates from the near zero levels is a painful transition, however, it will assist investors navigate the cycle going forward. The prospect of the US Fed engineering a soft economic landing is diminishing but still remains a viable chance.

There are some positives which include additional China central bank (PBoC) stimulus, bottoming of China earnings momentum, compelling equity valuations in the APAC region, solid aggregate corporate credit conditions, high household savings rates and a robust labour market. The risks include inflation expectations, the ongoing supply chain bottlenecks from the China lockdowns, increasing corporate costs, persistent high energy prices, quantitative tightening (QT) from the US, geopolitical risks and the very low levels of both consumer and corporate sentiment going forward.

The K2 Asian Fund has continued to remain underweight China over the past year. Valuations however are looking very compelling particularly if there is any relaxation of global trade sanctions. The largest weightings include Macquarie Group, Samsung, Taiwan Semiconductor, BHP, Kina Securities and JP Morgan. Some of the best performing holdings for the Fund this month were Woodside Energy, Stanmore Resources, Taiwan Semiconductors, JP Morgan and Judo Capital.

### 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

## 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	0.12	-1.94		-19.91	-12.72	7.92%	-0.15%	
													Incept.	462.19	331.65		
													Incept.	7.89%pa	6.64%pa	23.23%	-3.90%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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