

K2 Asian Fund

31 July 2022

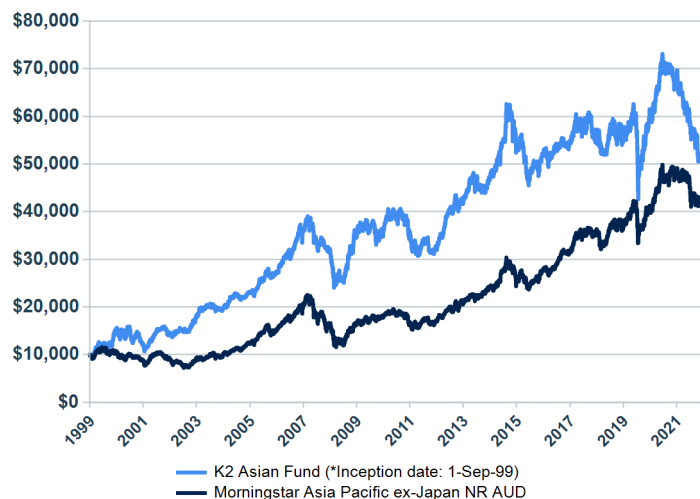


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	2.89%	162.21	7.49%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Kina Securities Ltd	6.7%	+0.4%
Macquarie Group Ltd	6.4%	+0.5%
Seven Group Holdings Ltd	4.8%	+0.2%
MA Financial Group Ltd	4.2%	+1.1%
Medibank Private Ltd	4.1%	+0.1%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	40.9%	-6.7%
Mid Caps >=AUD\$2b < AUD\$7.5b	18.9%	+3.3%
Small Caps < AUD\$2b	22.4%	+1.7%

Month End Exposures	Current	Monthly Move
Communication Services	1.8%	+1.8%
Consumer	8.9%	-1.6%
Energy	4.6%	+0.9%
Financials	30.7%	+1.4%
Health Care	4.4%	+0.7%
Industrials/Real Estate	19.4%	+0.6%
Information Technology	6.8%	-3.6%
Materials	5.5%	-2.0%
Number of Positions	28	0
Gross Equity Exposure	82.2%	-1.7%
Cash Weighting	17.8%	+1.7%
Net Equity Exposure	82.2%	-1.7%
Currency Exposure Hedged of AUD	84.8%	+1.0%

Commentary

The K2 Asian Fund returned +2.9% for the month outperforming the index by +4.9% in July. The market recovery in July followed a volatile June quarter. Some additional clarity on earnings and underlying economic conditions, combined with cheap valuations, helped to improve investor sentiment. Looking forward there will still be some uncertainty with regard to the pace of tighter monetary policy. The monthly flow of economic data will continue to help markets build a better picture of the economic and earnings momentum.

Despite the tighter monetary policy by many global central banks, the pace of earnings growth and the tight labour market remain robust. They do not exhibit recessionary levels as some other indicators suggest, such as consumer sentiment. The ongoing uncertainty for markets regarding the pace of US rate hikes will remain as markets look for some confirmation for peak inflation in the second half of the year.

The economic challenges to China persist due to their sharp housing led slowdown that has been a challenge since 2020. Further, their rolling lockdowns this year have added to the notable slowdown in broader activity. Markets will look for some fiscal led solution from Beijing combined with the already stimulatory monetary policy from the Chinese central bank (PBoC) which has already cut rates and delivered additional stimulus this year. More coordinated stimulus is required for the world's second largest economy. Further, the continued geo-political tensions between the west and China are not conducive for investor sentiment.

Broadly, valuations within the APAC region are well below historical benchmarks and continue to offer value. The region (particularly the South-East Asian region) will continue to be the beneficiary of additional capital investment in the years ahead as global trade begins to accelerate. While risks remain including inflation expectations, the ongoing supply chain disruptions, increasing corporate costs and geopolitical risks there are some notable positives. Lower energy prices, corporate credit conditions, earnings momentum, household savings ratio and a robust labour market in the developed economies are supportive.

The K2 Asian Fund cash position is 18% reflecting our cautious outlook within the APAC region. Our largest weightings include Macquarie, Kina Securities, Samsung, Taiwan Semiconductors, Alibaba, MA Financial, Airports of Thailand and JD.Com.

Fund Characteristics	
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

George Boubouras
 Head of Research
 research@k2am.com.au
 03 9691 6111

Marcela Tirado
 Client Services
 invest@k2am.com.au
 03 9691 6111

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	-9.54	-27.55	-13.82	8.53%	-0.14%	
2022/23	2.89												2.89	-1.96	19.05%	0.00%	
													Incept.	423.23	317.88		
													Incept.	7.49%pa	6.44%pa	23.08%	-3.73%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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