

K2 Asian Fund

30 September 2022

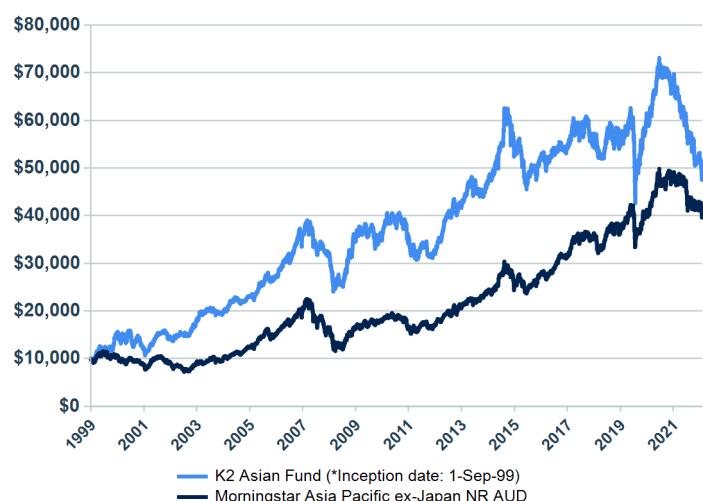


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-8.68%	148.06	7.01%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Kina Securities Ltd	7.3%	+0.3%
Macquarie Group Ltd	6.1%	-0.2%
Seven Group Holdings Ltd	4.8%	+0.1%
BHP Group Ltd	4.4%	+0.3%
Judo Capital Holdings Ltd	4.4%	+0.6%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	43.1%	+3.6%
Mid Caps >=AUD\$2b < AUD\$7.5b	18.2%	-2.5%
Small Caps < AUD\$2b	26.8%	+1.0%

Month End Exposures	Current	Monthly Move
Communication Services	2.0%	+0.1%
Consumer	11.1%	-0.2%
Energy	8.0%	+0.2%
Financials	30.4%	+0.9%
Health Care	4.8%	+0.3%
Industrials/Real Estate	19.4%	+0.4%
Information Technology	6.5%	-0.1%
Materials	6.1%	+0.5%
Number of Positions	29	0
Gross Equity Exposure	88.4%	+2.0%
Cash Weighting	11.6%	-2.0%
Net Equity Exposure	88.4%	+2.0%
Currency Exposure Hedged of AUD	85.6%	+1.3%

Commentary

The K2 Asian Fund returned -8.68% for the month in another volatile month. Global equity markets have had a difficult year and markets remain volatile and the uncertainty persists.

The US Fed increased the Fed Funds rate by a further 75 basis points at the FOMC Meeting in late September. This now takes the rate to a restrictive 3%-3.25% target (lower and upper band). Interestingly the pace of US rate hikes in the current cycle have now increased at a faster pace compared to the previous aggressive rate hike periods of 1994 (Greenspan) and 1983 (Volker) periods.

The commentary from the Fed Chair and various other committee members on US monetary policy, have continued to reinforce their hawkish comments. This is a clear challenge for investor sentiment. Their aim is to slow down the pace of activity to deliver the required demand destruction with the aim of addressing inflation risks. The pace of the slowdown year-to-date has been painful and felt by the market performance including defensive asset classes such as fixed income.

Inflation risks look set to persist despite the view that peak inflation is behind us. Getting core inflation back towards the 2%-3% targets in many western economies remains a challenge. Pricing in rate cuts remains pre-mature and the record low "near zero" rate settings of the recent past will not return anytime soon.

The China slowdown has been the key stand out over the past year. The downgrades have been both larger and quicker than the market contemplated. The central bank in China, The PBoC, continues to lower rates to stimulate however there needs to be a fiscal stimulus program to contemplate the accommodate monetary policy. The best opportunity to get the Chinese economy accelerating looks to be post the October Party Congress Meeting which will deliver some much needed certainty to their five-year economic plan combined with opening up their domestic economy from their lockdown strategy.

The portfolio cash position is 11.5% at month-end compared to 18% 3-months ago. Unlike other global funds we maintain a higher cash position for the Asian Fund. Some of the best performing holdings for the September quarter include Summerset, Kina Securities, Stanmore Resources and Airports of Thailand.

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

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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	0.12	-1.94	-9.54	-27.55	-13.82	8.53%	-0.14%	
2022/23	2.89	-0.04	-8.68										-6.09	-6.35	16.17%	-0.02%	
													Incept.	377.58	299.14		
													Incept.	7.01%pa	6.18%pa	22.96%	-3.73%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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