

K2 Asian Fund

31 October 2022

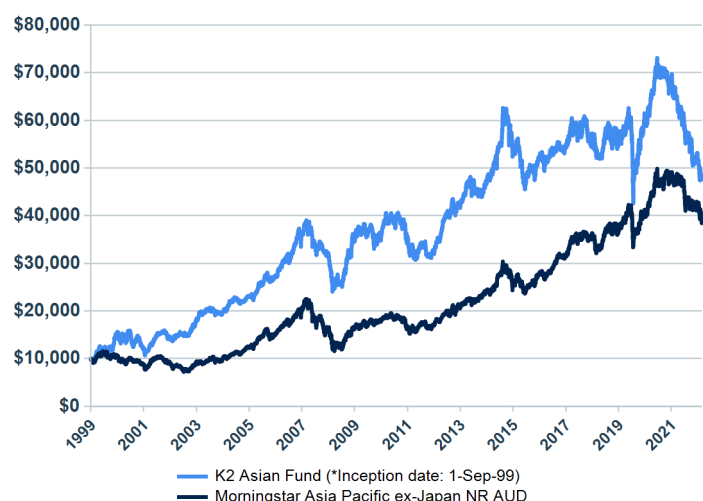


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	0.82%	149.28	7.02%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Kina Securities Ltd	7.9%	+0.6%
Macquarie Group Ltd	7.1%	+1.0%
Seven Group Holdings Ltd	5.5%	+0.7%
JPMorgan Chase & Co	5.1%	+1.1%
Judo Capital Holdings Ltd	5.0%	+0.6%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	34.6%	-8.6%
Mid Caps >=AUD\$2b < AUD\$7.5b	23.3%	+5.0%
Small Caps < AUD\$2b	23.6%	-3.2%

Month End Exposures	Current	Monthly Move
Communication Services	2.4%	+0.4%
Consumer	2.0%	-9.1%
Energy	10.3%	+2.3%
Financials	28.1%	-2.3%
Health Care	5.7%	+0.9%
Industrials/Real Estate	22.8%	+3.4%
Information Technology	4.2%	-2.3%
Materials	6.2%	+0.1%
SHORTS	-0.8%	-0.8%
Number of Positions	26	-3
Gross Equity Exposure	82.5%	-5.9%
Cash Weighting	19.1%	+7.5%
Net Equity Exposure	80.9%	-7.5%
Currency Exposure Hedged of AUD	86.9%	+1.3%

Commentary

The K2 Asian Fund returned +0.82% for the month compared to -2.94% for the index outperforming by +3.76%.

It has been undeniably a volatile year to date as markets have continued to adjust to the persistent and robust pace of tighter monetary policy from the developed economies and many South-East Asian economies while the central bank in China, the PBoC, has continued to stimulate due in part to their persistent and strict COVID lockdown response.

Locking up the second largest economy for such a long period has continued to create many pressure points for their trade partners, broader China economic activity and their consumer and business sentiment has been impacted. This is further amplified by the large and growing impairments in the China property market.

With the US Fed approaching a pause in their very aggressive rate hike cycle over the next six months there may be some additional relief for global markets. The strength of the USD compared to the Yen, Yuan, EUR and GBP has been aggressive and swift. A pause in USD strength would be supportive for risk assets going forward.

Looking forward in China, they have now settled post the recent October Party Congress Meeting which effectively delivers the new high-level bureaucrats for the next five years. There are many concerns that will need to be addressed. Coordinated fiscal and monetary stimulus, addressing their property concerns, rebuilding confidence and opening up their domestic economy to internal travel will all be positive. Ending their strict COVID response would be a very strong stimulus boost for their domestic economy. Getting there looks more problematic.

We continue to maintain underweight exposure to China and an overweight to South-East Asia, Australia and NZ. The portfolio cash position is 16% at month-end. Unlike other global funds we maintain a higher cash position for the Asian Fund.

Some of the best performing holdings for the month include Stanmore Resources, JP Morgan, Samsung and Woodside Energy.

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	0.82									-5.32	-9.11	14.81%	-0.14%	
													Incept.	381.52	287.40		
													Incept.	7.02%pa	6.02%pa	22.91%	-3.74%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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