

K2 Asian Fund

31 August 2024



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)	-1.07%	162.37	6.85%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	9.7%	+0.5%
JPMorgan Chase & Co	9.5%	+0.2%
Macquarie Group Ltd	9.4%	+0.3%
RIO Tinto Ltd	7.7%	-0.3%
BHP Group Ltd	7.3%	-0.2%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	59.2%	-0.2%
Mid Caps>=AUD\$2b<AUD\$7.5b	18.6%	-1.2%
Small Caps<AUD\$2b	19.7%	+5.0%

Month End Exposures	Current	Monthly Move
Consumer	5.6%	-0.1%
Energy	4.8%	-0.5%
Financials/Real Estate	43.2%	+4.5%
Health Care	5.7%	+0.2%
Industrials	15.4%	+0.8%
Information Technology	7.7%	-0.7%
Materials	15.3%	-0.6%
SHORTS	-2.0%	-0.9%
Number of Positions	24	+2
Gross Equity Exposure	99.9%	+4.5%
Cash Weighting	4.2%	-2.8%
Net Equity Exposure	95.8%	+2.8%
Currency Exposure Hedged of AUD	80.0%	+0.2%

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

Commentary

The K2 Asian Fund returned -1.07 for the month.

While there is a clear slowdown in the economic data, the key theme is an overall slower pulse and momentum. Despite this, global equity markets are holding up well in anticipation of the start of the US Fed Fund rate cut cycle and the resilience of aggregate US profits.

When the Fed begins the well flagged rate cut in their September FOMC Meeting, it will be supportive for the highly leveraged sectors and companies in the economy. The Fed stimulus will match the monetary easing that has already begun from other key global central banks including the ECB, BoE and BoC. These central banks have not had the same degree of resilience in their economies as the US. The EU region, the UK and Canadian economies have slowed more than the US and hence started to ease their interest rate settings although inflation risks do remain.

The key message for markets is that after the most aggressive interest rate hike cycle in a generation to deal with the alarming inflation risks, there is some relief coming. The synchronisation of global easing by the key global developed market (DM) central banks is now matching the ongoing stimulus from the China central bank, the PBOC. This supportive global monetary policy easing cycle is a key support for future conditions and risk asset prices.

However, there are some concerns regarding the China slowdown as their economic momentum continues to weaken further. The largest property construction collapse globally continues to be a drag for China and sentiment remains weak. The positive part of the China economy is their export sector continues to be the lowest price exporter of the key green transition energy that the world has signed up for. However, trade conflicts look set to continue this front.

There are still some key core services inflation risks and markets need to be cognisant of these risks. Hence the current easing cycle is anticipated to be a long, measured and shallow easing cycle. Despite lower cash rates from many central banks, the rate settings, while lower, will still be well above rates many investors and households have been conditioned for over the past fifteen years. The market may be pricing in too many rate cuts given the data.

There are some outliers. The BoJ are in a rare interest rate hike cycle after nearly forty years of negative cash rates. This will continue to be supportive for the Yen as it has been for the past six weeks. Also, the RBA has some stubborn and sustained core inflation following the ongoing fiscal stimulus and will need to keep the cash rate elevated until well in the first half of 2025 placing even more pressure on some Aussie households.

Within the region, investors continue to focus on south-east APAC markets. The K2 Asian Fund continues to be underweight China and maintains a focus on companies with earnings that export to China.

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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	4.35	-4.17	5.96	-1.48	-3.09	0.26	-1.34	-0.68	-5.90	4.32	11.79%	-0.59%
2023/24	4.63	-0.15	0.83	-2.88	3.67	7.00	-0.17	-1.70	2.75	-4.60	-1.72	-0.28	6.99	13.59	2.33%	-0.29%
2024/25	3.40	-1.07											2.29	0.80	5.37%	-0.74%
Incept.													423.74	409.09		
Incept.													6.85%pa	6.73%pa	21.33%	-3.51%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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