

K2 Asian Fund

31 October 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)	0.42%	166.37	6.90%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	9.9%	0.0%
SGH Ltd	9.7%	-0.3%
RIO Tinto Ltd	8.1%	-0.7%
BHP Group Ltd	7.6%	+7.6%
Summerset Group Holdings Ltd	6.0%	+0.2%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	48.0%	-7.0%
Mid Caps>=AUD\$2b<AUD\$7.5b	14.2%	+0.1%
Small Caps<AUD\$2b	15.8%	-4.9%

Month End Exposures	Current	Monthly Move
Financials/Real Estate	36.5%	-5.1%
Health Care	6.0%	+0.2%
Industrials	15.5%	-0.3%
Information Technology	2.1%	+0.2%
Materials	18.2%	-0.9%
SHORTS	-4.3%	-4.3%
Number of Positions	20	-1
Gross Equity Exposure	82.5%	-7.5%
Cash Weighting	26.0%	+16.0%
Net Equity Exposure	74.0%	-16.0%
Currency Exposure Hedged of AUD	80.3%	-0.6%

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 +0.42% for the month.

Following a record year of elections globally and the uncertainty that it creates for markets, we move towards year-end with the US Election finally behind us. The Republican clean sweep of the Senate, House, Electoral College (President) and popular vote adds some predictability for markets on what to expect over the next four years. More predictability generally implies lower volatility.

Some of the key Trump policies will be supportive for equity markets and has led to lower equity market volatility (VIX Index) post the Election results. The combination of lower corporate tax rates, less regulation, lower government spending plus a focus on energy independence and lower input costs for corporate America is supportive for growing aggregate earnings. US equity markets have benefited in the past with lower corporate tax policies supporting investor sentiment.

The uncertainty for markets will be the unfunded liabilities of the tax cuts, the magnitude of the upcoming tariffs and the impact on tradable good prices. This has put some pressure on long bond yields and resulting in some additional steepening of the yield curve in anticipation of the tax cut stimulus. Unlike the lower equity market volatility, bond market volatility will remain elevated for now. Hence equity markets are enjoying the tailwind of the anticipated Trump policies and bond markets remain cautious.

The various scenarios regarding the degree of tariffs are unpredictable. It is true they are inflationary; however, this would be partially offset with a strengthening USD. Tariffs with China have now been in place since the first Trump term and continued under the Biden administration. This is an example of a rare common policy alignment as the US economy has adjusted with the current tariff regime.

The success of the Chinese export sector despite the higher tariffs and trade tensions with the US over the past eight years will be tested. Given the success of China's export sector, the additional tariffs will add additional headwinds for the second largest economy that is going through significant domestic economic challenges following their property construction collapse.

Despite the uncertainty regarding global trade and geo-political tension, investors would be wise to not take the Trump rhetoric literally, but definitely take him seriously.

The US Fed has scope to continue to lower cash rates however this will be measured and the cash rate cut cycle a shallow one. The 25bps Fed rate cut post the US Election was already priced into markets and the current 4.5%-4.75%. A more normalised 3.75%-4.0% remains a realistic low in the current cycle. Globally, other key economies, particularly in the EU and the UK will require additional interest rate cut stimulus if core inflation measures allow.

Within the region, investors continue to focus on south-east APAC markets. The K2 Asian Fund continues to be underweight China.

George Boubouras
Managing Director (MD)
Research, Investments & Advisory
research@k2am.com.au

Marcela Tirado
Head of Relationship Management
& Corporate Services
invest@k2am.com.au

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	2.04	0.42									4.81	6.35	8.79%	-1.14%	
													Incept.	436.64	437.11		
													Incept.	6.90%pa	6.91%pa	21.46%	-3.52%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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