

# K2 Asian Fund

## 31 December 2023

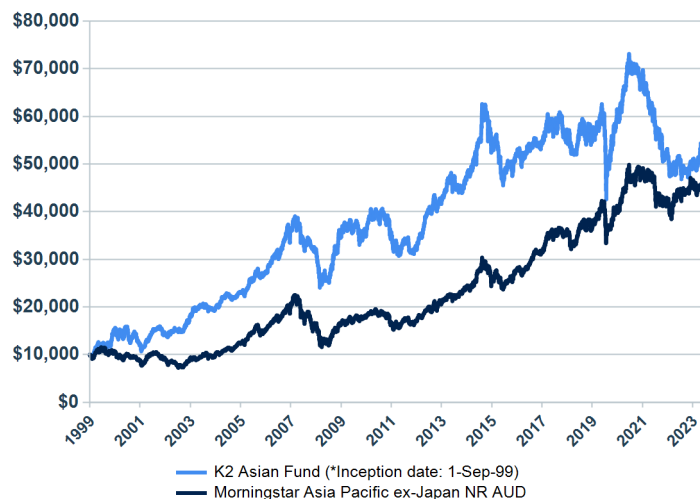


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	7.00%	168.36	7.20%

Refer below detailed performance data matrix

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
RIO Tinto Ltd	8.2%	+7.1%
BHP Group Ltd	7.9%	+4.8%
Seven Group Holdings Ltd	7.6%	-2.4%
Macquarie Group Ltd	7.0%	+0.1%
JPMorgan Chase & Co	6.3%	0.0%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	50.2%	-7.1%
Mid Caps >=AUD\$2b < AUD\$7.5b	29.4%	+2.8%
Small Caps < AUD\$2b	17.2%	-2.5%

Month End Exposures	Current	Monthly Move
Communication Services	3.3%	+0.0%
Consumer	7.7%	+2.1%
Energy	10.7%	-0.8%
Financials/Real Estate	26.7%	-3.1%
Health Care	5.2%	+2.0%
Industrials	13.1%	-2.3%
Information Technology	5.6%	-0.1%
Materials	24.7%	-3.3%
Number of Positions	24	-5
Gross Equity Exposure	97.1%	-7.4%
Cash Weighting	2.9%	+6.2%
Net Equity Exposure	97.1%	-6.2%
Currency Exposure Hedged of AUD	82.0%	-0.7%

### Commentary

The strong performance continued. The K2 Asian Fund returned +7.00% for the month and is now +13.5% for the current fiscal year-to-date (FYTD) and +12.78% over the past year. Outperforming the index by +5.18% (month) +10.55% (FYTD) and +4.44% (annual). The fund has consistently maintained an underweight to China and an overweight to South-East Asia Pacific region over the past two years.

The resilience of developed economies as we head into 2024 has continued to reinforce that a soft landing remains the most probable global outcome. Profits continue to expand in the US but at a slower pace and credit conditions remain reasonable. Headline inflation continues to fall however there is some stubbornness with regard to some services inflation making the 2% policy target a little more complicated.

Despite the unevenness in growth by region and sector, aggregate conditions remain reasonable. The ability to cut rates in the US, EU, UK and parts of SE Asia will continue to be supportive for risk assets. The market volatility will be a function of changing rate cut expectations and long bond yield movements.

For China, their economic challenges continue, impacting their domestic household and global investor sentiment. Key policy challenges persist and some ongoing monetary policy stimulus by the PBoC combined with much more targeted fiscal stimulus will be required for some time to address their many challenges.

We anticipate the accommodative and stimulatory policy will confirm circa 5% growth for China in 2023 and a slowdown towards 4% in 2024. Attracting global capital for investment will continue to be a priority for Beijing.

The K2 Asian Fund has maintained an underweight exposure to China and an overweight to South-East Asia Pacific region since 2021. A focus on companies with earnings that export to China continues to be our preferred investment strategy.

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**  
 Managing Director (MD)  
 Research, Investments & Advisory  
[research@k2am.com.au](mailto:research@k2am.com.au)

**Marcela Tirado**  
 Head of Relationship Management  
 & Corporate Services  
[invest@k2am.com.au](mailto: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							13.48	2.93	5.02%	-0.31%
Incept.													443.06	357.63		
Incept.													7.20%pa	6.45%pa	22.07%	-3.62%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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