

K2 Asian Fund

30 September 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)	2.04%	165.68	6.91%

Refer below detailed performance data matrix

Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	10.0%	+0.6%
Seven Group Holdings Ltd	9.9%	+0.2%
RIO Tinto Ltd	8.8%	+1.1%
JPMorgan Chase & Co	8.6%	-0.9%
BHP Group Ltd-Spon Adr	8.1%	+8.1%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps>=AUD\$7.5b	55.0%	-4.3%
Mid Caps>=AUD\$2b<AUD\$7.5b	14.1%	-4.6%
Small Caps<AUD\$2b	20.7%	+1.0%

Month End Exposures	Current	Monthly Move
Consumer	5.8%	+0.2%
Financials/Real Estate	41.6%	-1.6%
Health Care	5.8%	+0.1%
Industrials	15.8%	+0.4%
Information Technology	1.8%	-5.9%
Materials	19.1%	+3.8%
Number of Positions	21	-3
Gross Equity Exposure	90.0%	-9.9%
Cash Weighting	10.0%	+5.8%
Net Equity Exposure	90.0%	-5.8%
Currency Exposure Hedged of AUD	80.9%	+1.0%

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 +2.04% for the month to be +4.38% for the September quarter.

The ongoing global theme of resilient economic data in many key developed markets continues to be supportive for equity valuations and risk assets in general. When you include the synchronisation of lower cash rates by many central banks, it is another positive driver for the economy.

The lower cash rates by The Fed, ECB, BoE, BoC and PBoC will eventually lead to global economic upgrades over the next year which is supportive for earnings and credit conditions. There are many moving parts and nuances to the broader economic cycle, however, it is a very rare outcome for economies to avoid a recession following such aggressive monetary policy. The 11 Fed Fund rate hikes from early 2022 through to late 2023 from a zero target to a 5.25%-5.5% target was historically aggressive. The recent 50bps rate cut in September is the beginning of a shallow easing cycle ahead given the resilience of key economic data.

The magnitude and degree of monetary tightening were significant given many policy makers were behind the curve when it came to dealing with accelerating inflation. The combination of government spending and other fiscal initiatives helped to support parts of the economy as the private sector dealt with the demand destruction from the rapidly rising funding costs.

The lower inflation pulse over the past year has allowed many of the more aggressive central banks to begin the more accommodative monetary policy and cut cash rates. The resilience of the broader economy however implies that rates will not get to the levels many were conditioned for over the past 15-years.

China remains a concern for investors as the second largest economy continues to deal with the aftermath of the largest property construction collapse globally. The most recent policies of beginning to finally target wealth effects at the household level are positive. The lower rate environment in recent years has not been able to address the many issues with regards to negative wealth effects from property which has led to weak consumer and business sentiment.

More aggressive and targeted policies to improve household wealth and disposable income will eventually increase domestic demand. China has been reluctant to help household spending becoming a larger part of their economy. They are beginning to understand that improving household expenditure will complement their export sector, which is one of the most effective and efficient globally.

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	2.04										4.38	5.68	6.19%	-0.84%	
													Incept.	434.42	433.74		
													Incept.	6.91%pa	6.90%pa	21.36%	-3.51%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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