

# K2 Asian Fund

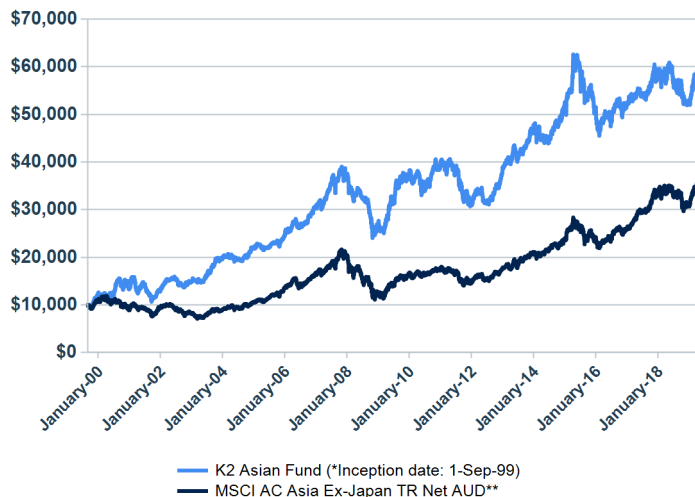
## 30 April 2019



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 Funds' mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	15 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	1.3%	8.4%	-2.3%	5.2%	5.4%	7.3%	7.5%	9.4%	1-Sep-1999
Average Net Exposure	72.5%	75.3%	71.6%	77.4%	79.9%	83.9%	76.8%	74.6%	

### Growth of \$10,000



\*\*Index performance prior to the 1-Oct-2017 is the MSCI AC Asia Pacific Ex-Japan TR Net AUD.

Top 5 Stock Holdings	Current	Monthly Move
Ping An Insurance Group	6.2%	+0.4%
Lonking Holdings Ltd	5.7%	+0.2%
AIA Group Ltd	5.4%	+0.1%
Bank Of China Ltd	4.8%	+3.7%
CNOOC Ltd	4.3%	-2.2%

Month End Exposures	Current	Monthly Move
Communication Services	5.8%	+1.4%
Consumer	16.7%	+2.7%
Energy	5.9%	-5.8%
Financials	28.7%	+8.0%
Industrials	7.2%	-5.3%
Information Technology	4.2%	-0.1%
Materials	7.0%	-0.3%
Real Estate	3.7%	-2.7%
Number of Positions	34	-1
Gross Equity Exposure	79.2%	-2.9%
Cash Weighting	20.8%	+1.4%
Net Equity Exposure	79.2%	-1.4%
Currency Exposure Hedged of AUD	6.9%	+6.4%

### Commentary

The K2 Asian Fund returned 1.3% for the month of April.

Asian equities continued their strong start to 2019 with the MSCI AC Asia ex Japan TR Net AUD Index advancing a further 2.8% in April. It was more of a mixed bag at the country level with Singapore returning 5.8% and Hong Kong advancing 2.2%, while mainland China took a breather, decreasing -0.4% after rallying 24% in the preceding three months.

A positive contributor to Fund performance included Chinese insurance major, Ping An, one of the fastest growing life insurers in Asia, which continues to benefit from an expanding Chinese middle class and the associated wealth effect. However, it is the Ping An Bank and Fintech assets which are less well known by the market and therefore provide the greatest amount of upside to the current share price. While the timing of any IPO for the non-insurance businesses remains uncertain, it still represents a significant future catalyst. Chinese car manufacturer, Guangzhou Auto, was the largest detractor for the month, following significant outperformance in the March quarter. We maintain our positive view on the stock on the back of improving industry demand, imminent new product launches, an undemanding valuation of 6.1x 2019e earnings and supported by a dividend yield of 5.5%.

The Fund remains unhedged to the AUD at the currency level. The AUD ended the month down -0.6% versus the USD, providing a tailwind to Fund performance. Net equity exposure currently sits at 79%. We remain broadly optimistic on the outlook for Asian equities driven by our belief that China's leaders will be able to successfully steer the economy towards a soft landing. Their willingness to provide fiscal stimulus when and where required supports this view. However, we are acutely aware of the potential negative impact from a strong USD, especially on the ability for Asian corporates to service USD denominated debt, and will continue to closely monitor the situation.

### Fund Characteristics

FUM	AUD \$19m
Portfolio Managers	Campbell Neal, Mark Newman, Nicholas Leitl and Tony Sutton
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			-0.6	4.3	9.2	10.8	-4.3	-3.4	4.1	-1.1	0.2	-1.0	18.6	7.2	35.2%	-13.8%	
2000/01	19.4	8.3	-5.3	-1.0	-3.2	-2.3	16.5	-2.0	-16.4	5.4	5.4	-2.0	19.2	-12.2	16.2%	-18.5%	
2001/02	-9.1	-6.9	-4.9	2.3	10.3	1.1	8.7	4.4	2.4	1.8	1.7	-1.5	8.6	-3.6	35.5%	-12.0%	
2002/03	-7.2	0.5	-2.8	3.6	3.6	-0.5	2.4	-0.5	-1.8	0.1	3.7	4.4	4.9	-14.1	41.2%	-13.0%	
2003/04	4.4	6.5	4.4	5.2	-0.3	0.9	1.5	0.8	-1.8	-0.7	-0.2	0.0	22.4	23.1	38.0%	-5.3%	
2004/05	-1.2	1.3	2.2	0.9	6.8	2.2	1.1	1.3	-3.0	-2.4	2.0	1.0	12.5	19.7	30.2%	-2.6%	
2005/06	3.4	0.2	1.9	-3.6	5.2	3.8	5.2	-1.0	5.0	2.3	-3.2	0.2	20.7	26.1	24.4%	-3.9%	
2006/07	0.2	2.0	2.4	2.9	3.4	2.7	1.2	0.3	0.6	3.0	5.5	4.0	31.9	26.8	31.1%	-1.4%	
2007/08	3.5	-0.2	2.7	4.0	-2.6	-1.2	-8.6	-0.4	-3.7	3.1	-0.1	-3.8	-7.6	-16.0	46.6%	-5.0%	
2008/09	-1.6	0.2	-10.8	-10.4	-0.7	5.2	-3.3	-1.4	4.8	8.0	10.3	0.9	-1.2	-7.7	49.5%	-4.0%	
2009/10	10.5	-2.6	4.7	0.9	-0.3	3.5	-4.7	0.0	3.8	-0.5	-7.4	-0.5	6.4	15.9	12.0%	-1.7%	
2010/11	4.4	-2.1	7.6	2.5	-0.8	2.1	0.5	-1.0	1.7	1.2	-1.8	-2.4	12.1	2.2	12.1%	-2.4%	
2011/12	-2.0	-5.4	-9.0	3.7	-6.2	-1.8	4.9	5.1	-0.9	1.2	-6.9	-1.0	-17.8	-8.9	20.1%	-2.1%	
2012/13	1.2	0.7	4.9	3.9	2.0	6.0	4.3	2.1	0.0	3.2	2.4	-3.6	30.2	22.5	6.9%	-0.1%	
2013/14	2.4	0.1	2.1	3.6	4.9	0.9	-1.6	0.9	-3.7	-0.2	0.4	-2.3	7.4	14.0	8.8%	0.0%	
2014/15	5.4	0.5	2.8	1.4	2.5	3.6	4.1	2.2	2.6	7.5	2.4	-4.2	34.9	21.9	12.9%	-0.1%	
2015/16	-4.5	-4.5	-1.4	3.4	-4.2	-2.9	-7.2	-1.6	4.0	2.5	0.2	-2.8	-17.8	-7.4	18.7%	0.0%	
2016/17	3.7	2.5	1.2	-3.3	1.6	0.2	2.7	-0.6	1.0	2.0	0.9	-2.3	9.9	21.3	20.6%	-0.4%	
2017/18	-0.1	2.2	0.5	4.5	1.4	-1.6	1.4	-0.2	-1.3	4.0	-0.2	-4.1	6.5	13.4	18.5%	-1.1%	
2018/19	-1.6	1.0	-0.1	-7.3	-1.1	1.6	1.8	5.6	1.3	1.3			2.1	7.2	32.0%	-0.8%	
													Incept	484.6	256.7		
													Incept	9.4%pa	6.7%pa	25.5%	-4.4%

(1) MSCI AC Asia Ex-Japan TR Net AUD

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