

K2 Asian Fund

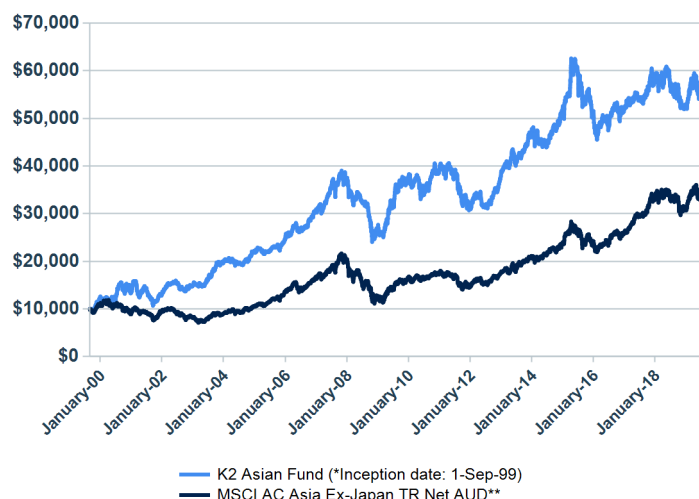
30 June 2019



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 Fund's 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)	4.8%	-0.3%	0.5%	5.5%	5.4%	6.0%	7.4%	9.2%	1-Sep-1999
Average Net Exposure	74.7%	76.5%	69.8%	76.9%	79.8%	83.9%	77.1%	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	6.9%	+0.5%
AIA Group Ltd	6.4%	+0.8%
Lonking Holdings Ltd	5.0%	0.0%
Ind & Comm Bank Of China	4.3%	+2.0%
Shenzhou International Group	3.5%	+0.5%

Month End Exposures	Current	Monthly Move
Communication Services	6.4%	+0.3%
Consumer	16.0%	-1.5%
Energy	5.6%	+0.0%
Financials	23.3%	-6.4%
Industrials	9.3%	+2.4%
Information Technology	8.5%	+3.3%
Materials	3.7%	-4.1%
Real Estate	1.9%	+0.1%
SHORTS	-1.0%	-1.0%
Number of Positions	33	-1
Gross Equity Exposure	75.7%	-4.9%
Cash Weighting	26.2%	+6.9%
Net Equity Exposure	73.8%	-6.9%
Currency Exposure Hedged of AUD	46.4%	+43.4%

Commentary

The K2 Asian Fund returned 4.8% for the month of June.

Asia's equity markets in June wasted very little time recovering the majority of heavy losses experienced in May with the MSCI AC Asia ex Japan TR Net AUD Index gaining 5.2%. As hopes of a resolution to the seemingly never-ending trade war gathered momentum at the G20 summit in Osaka, the biggest beneficiaries were markets in Hong Kong increasing 6.1%, Singapore increasing 6.5% and Korea increasing 4.4%. While we expect the headlines to be encouraging, of course, we believe any outcome will be somewhat superficial, unless a definitive agreement on IP transfer is reached. In addition, the willingness of central banks globally, from the US to Europe and even Australia, to essentially do whatever it takes to keep the gravy train moving provided the sufficient impetus to reinvestors.

A positive contributor to Fund performance included Hong Kong listed apparel manufacturer Shenzhou International. Shenzhou is a best-in-class vertically integrated player with key customers including UniQlo, Nike, Adidas and Puma. By restricting capacity growth to 15% p.a., Shenzhou is able to consistently maintain a gross profit margin greater than 30%. Currently, the company is in the process of adding a new major plant in Vietnam, which will serve to lower overall costs through cheaper labour and provide diversification from China to protect customers from any potential tariff impacts.

The Fund has moved to an approximate 50% hedged position at the currency level to provide protection against a falling USD. With the Federal Reserve now only just starting the easing cycle, we expect USD weakness to persist. Net equity exposure has reduced slightly to 74%. We remain broadly optimistic on the outlook for Asian equities, supported by an eventual resolution to the trade war and our belief that China's leaders will continue to use every arrow in their quiver to support the domestic economy as and when required.

Fund Characteristics

FUM	AUD \$17m
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	-6.1	4.8	0.5	4.8	30.2%	-0.7%	
													Incept	475.3	248.7		
													Incept	9.2%pa	6.5%pa	25.4%	-4.4%

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

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