

# K2 Asian Fund

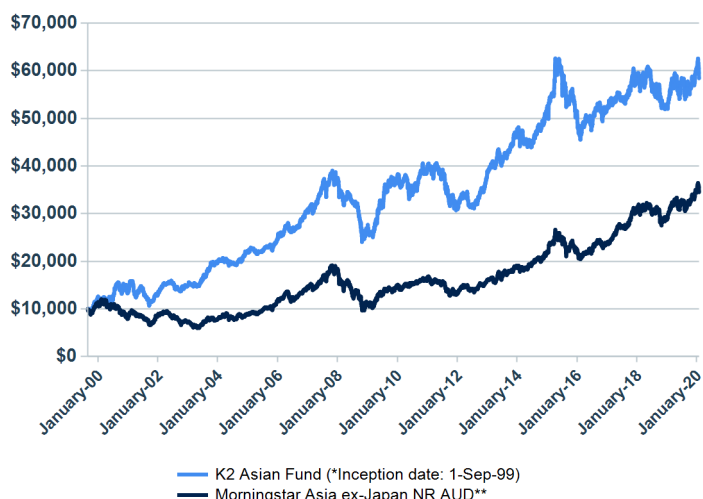
## 31 January 2020



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)	-2.7%	2.2%	8.3%	3.2%	1.6%	5.0%	6.6%	9.0%	1-Sep-1999
Average Net Exposure	89.6%	92.5%	80.7%	76.0%	78.9%	83.6%	77.5%	74.9%	

### Growth of \$10,000



### Commentary

The K2 Asian Fund returned -2.7% for January.

Asian equity markets began the new year in strong fashion as investors revelled in the clean air of a Brexit resolution, signing of a phase 1 trade deal between the US and China and accommodative central bank policies. However, by month end, all positive gains had evaporated with the onset and uncertainty surrounding the coronavirus. While we expect (and hope) for an imminent resolution and have full faith in the swift response of authorities to contain the spread of the virus, we appreciate that markets don't like uncertainty and will respond accordingly.

With mainland China markets closed in the last week of January for Chinese New Year, Hong Kong (-6.7%) bore the brunt of the selling. Other markets including Taiwan (-4.2%), Korea (-3.6%), Singapore (-2.1%) and India (-1.7%) also declined but to a lesser extent.

Stocks that made larger negative contributions to Fund performance included those more directly related to travel and tourism as China moved into lockdown mode in an effort to contain the spread of the virus. These positions have since been liquidated with a view to repurchase when the crisis shows signs of abating.

The AUD ended the month down -4.7% versus the USD at 0.6692.

The Fund is currently 92% hedged to the AUD providing capital protection against a rising AUD. Net exposure has decreased to 78% as we take a more cautious approach given the uncertainties surrounding the spread of the coronavirus and its potential economic impact. Longer term however, we see the Chinese government providing the necessary fiscal stimulus to re-invigorate the economy providing significant benefit to China and the rest of the world.

Top 5 Stock Holdings	Current	Monthly Move
Alibaba Group Holding Ltd	7.7%	+0.5%
Tencent Holdings Ltd	7.2%	+0.6%
AIA Group Ltd	6.7%	+0.3%
Ping An Insurance Group	6.2%	+0.4%
Techtronic Industries Co Ltd	4.8%	+0.4%

Month End Exposures	Current	Monthly Move
Communication Services	9.8%	-1.6%
Consumer	17.3%	+0.4%
Energy	1.2%	-3.1%
Financials	24.1%	-1.9%
Health Care	3.7%	+0.9%
Industrials	10.9%	-0.2%
Information Technology	6.4%	-1.2%
Materials	4.1%	+0.2%
Other	1.4%	0.0%
Real Estate	3.1%	-0.9%
SHORTS	-3.7%	-2.5%
Number of Positions	35	-5
Gross Equity Exposure	85.6%	-9.8%
Cash Weighting	21.8%	+14.9%
Net Equity Exposure	78.2%	-14.9%
Currency Exposure Hedged of AUD	92.3%	+2.0%

### Fund Characteristics

FUM	AUD \$13m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen 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	3.6	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	-17.9	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	-3.1	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	-19.3	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	25.2	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	15.8	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	29.0	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	29.3	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	-17.9	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	-1.4	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	18.7	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	0.0	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	-9.9	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	23.3	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	12.3	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	27.7	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	-8.6	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	20.0	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	12.9	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	6.1	30.2%	-0.7%	
2019/20	0.0	-3.9	1.2	2.0	1.0	4.1	-2.7						1.5	6.4	16.3%	-1.2%	
													Incept	484.1	244.9		
													Incept	9.0%pa	6.3%pa	25.0%	-4.3%

(1) Morningstar Asia ex-Japan NR AUD

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