

K2 Asian Fund

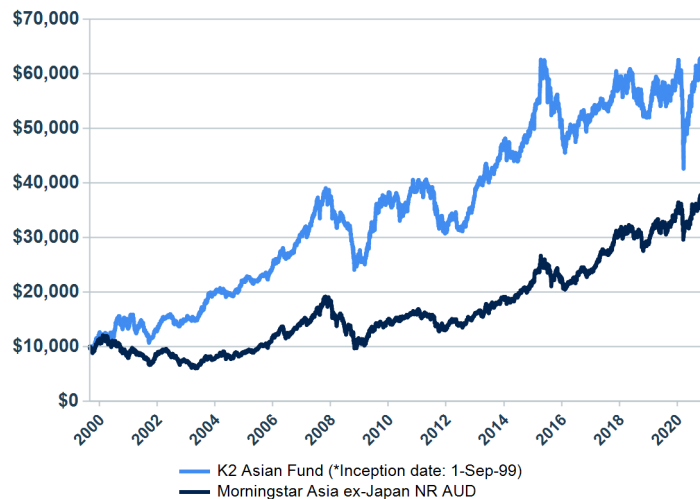
31 October 2020



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	Inception (%pa)	Inception Date
Performance (Net of Fees)	1.8%	8.9%	1-Sep-1999
Average Net Exposure	97.1%	75.5%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Tencent Holdings Ltd	8.6%	+1.5%
Alibaba Group Holding Ltd	6.2%	-3.9%
Techtronic Industries Co Ltd	5.9%	+0.6%
Shenzhou International Group	5.5%	+0.6%
Summerset Group Holdings Ltd	4.6%	+1.0%

Month End Exposures	Current	Monthly Move
Communication Services	8.6%	+1.5%
Consumer	30.1%	+0.4%
Financials	23.0%	+3.9%
Health Care	6.5%	+1.2%
Industrials	14.1%	-3.3%
Information Technology	3.8%	+0.0%
Materials	7.5%	-0.5%
Other	1.5%	+0.1%
Real Estate	2.4%	+0.6%
Number of Positions	36	0
Gross Equity Exposure	97.4%	+0.9%
Cash Weighting	2.6%	-2.9%
Net Equity Exposure	97.4%	+2.9%
Currency Exposure Hedged of AUD	77.9%	-4.0%

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Commentary

The K2 Asian Fund returned +1.8% for the month of October and has now returned +11.7% this financial year. Since the March lows the fund is up a very strong +43% outperforming the benchmark by +19.4%. The combination of good stock selection, investing cash early in the recovery and accumulation of the AUD at lower levels have contributed to the strong performance vs benchmark since the March correction.

Asian equity markets enjoyed a mixed performance in October following a strong start to the month. The final week of October saw global investor sentiment deteriorate on a number of fronts, from which Asia was not immune, including the political stalemate in the US over the amount, timing and dispersion of additional stimulus, increased Covid cases and the potential for future lockdowns.

On the positive side India (+3.5%) and Hong Kong (+2.8%) were among the better performing markets while Thailand (-3.4%), Korea (-2.6%) and Singapore (-1.7%) finished the month in negative territory.

As we go to print one week into November, it appears Biden will win the US election in what many commentators are describing as a goldilocks scenario for equity markets. A divided government where the Senate remains a Republican majority and the House stays in control of the Democrats provides a beneficial environment for equities as it did two years ago, until Covid struck.

Meanwhile in China, with less than 51 hours before what was expected to be the largest IPO in history, the Shanghai Stock Exchange suspended the listing of ANT Group, citing changes in the regulatory environment.

A significant positive contributor for the month included New Zealand aged care provider Summerset Group (SUM). One of the leading operators and developers of retirement villages in New Zealand SUM delivered strong sales of occupancy rights in the 3Q; +36% on last year. Residential property conditions continue to be supportive of future growth.

The fund ended the month with a net exposure to equities of 97% reflecting our unchanged overall optimistic stance. Once the election dust settles, fiscal stimulus will be high on the agenda to propel economic momentum. In addition, central banks will continue to do the bulk of the heavy lifting by expanding their balance sheets and keeping interest rates at historic lows. In this environment equities are the asset class of choice. The AUD ended the month down -1.99% versus the USD at 0.7028. The fund is currently 78% hedged to the AUD providing capital protection.

Fund Characteristics

FUM	AUD \$10m
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

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	-4.3	-13.6	6.4	1.9	4.1	-5.3	3.3	14.0%	-1.2%
2020/21	4.9	6.2	-1.4	1.8									11.7	10.9	3.1%	-0.2%
												Incept	508.9	271.0		
												Incept	8.9%pa	6.4%pa	23.9%	-4.1%

(1) Morningstar Asia ex-Japan NR AUD

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