

K2 Asian Fund

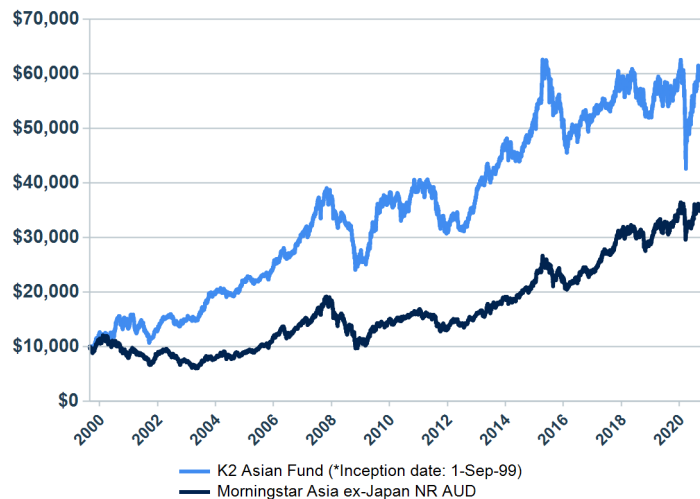
30 September 2020



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)	-1.4%	8.9%	1-Sep-1999
Average Net Exposure	97.9%	75.4%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Alibaba Group Holding Ltd	10.1%	+0.1%
Tencent Holdings Ltd	7.1%	+0.1%
Techtronic Industries Co Ltd	5.3%	+0.1%
Shenzhou International Group	4.8%	+0.1%
Seven Group Holdings Ltd	4.7%	-0.2%

Month End Exposures	Current	Monthly Move
Communication Services	7.1%	-2.4%
Consumer	29.7%	+0.9%
Financials	19.2%	+0.9%
Health Care	5.4%	+0.4%
Industrials	17.4%	+0.7%
Information Technology	3.8%	+0.5%
Materials	7.9%	-1.4%
Other	1.3%	+0.1%
Real Estate	1.8%	-1.9%
Utilities	1.9%	-0.1%
SHORTS	-1.0%	-0.5%
Number of Positions	36	-3
Gross Equity Exposure	96.5%	-1.9%
Cash Weighting	5.5%	+2.8%
Net Equity Exposure	94.5%	-2.8%
Currency Exposure Hedged of AUD	81.9%	-0.4%

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Commentary

The K2 Asian Fund returned -1.4% for the month of September. The fund has performed strongly over the past 6 months and has returned +24% since 31 March, significantly outperforming the benchmark return of +11%. The combination of good stock selection, accumulating the AUD at lower levels and investing available excess cash early in the new cycle that began in March following the unprecedented coordinated policy stimulus, have all contributed to the very strong excess return of +13% vs benchmark for investors in the past 6 months.

Asian equity markets were not immune from the increased volatility that afflicted their global peers, posting their first monthly loss in local currency terms since the March rout. Investor sentiment deteriorated as the political stalemate in the US over the amount of additional stimulus continued. Ultimately we expect an agreement to be reached as the gap between the two parties gradually narrows. It is now widely expected that a definitive result for the US election might not be known until weeks or possibly months after November 3rd due to the disproportionately large number of postal votes and recounts that might have to take place. Markets will not like this uncertainty and Asia will be caught in any downdraft. Most markets finished the month deep in negative territory including Indonesia (-7.0%), Hong Kong (-6.8%), Thailand (-5.6%), Mainland China (-5.2%), while only Korea (+0.1%) was spared.

A significant positive contributor to fund performance included Chinese sportswear retailer Topsports International. The shares rallied following a positive read through from Nike's Q1 FY2021 results announcement where management highlighted that Greater China sales grew by 8% year-on-year and that retail traffic has almost recovered to prior year's level. As Nike's 2nd biggest strategic retail partner globally, Topsports is well positioned to benefit from Nike brand's share expansion in China post-Covid. Currently trading on an FY2022 forecast PE of 19.0x with 2021-2023 expected EPS growth of 23% p.a., Topsports remains a core holding for the fund.

The fund ended the month with a net exposure to equities of 95% reflecting our overall unchanged optimistic stance.

The AUD ended the month down -2.96% versus the USD at 0.7171. The fund is currently 82% hedged to the AUD providing capital protection against a rising AUD.

Fund Characteristics

FUM	AUD \$11m
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										9.8	5.7	3.1%	-0.1%
Incept													498.2	253.5		
Incept													8.9%pa	6.2%pa	23.9%	-4.1%

(1) Morningstar Asia ex-Japan NR AUD

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