

K2 Asian Fund

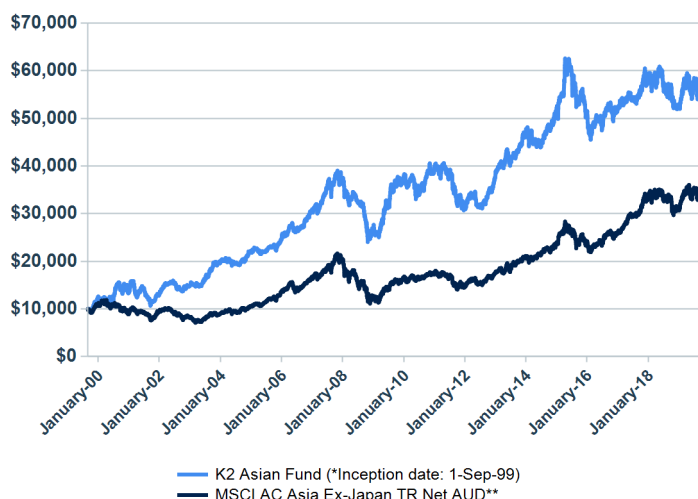
31 August 2019



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)	-3.9%	0.8%	-2.8%	2.1%	3.4%	4.8%	7.1%	8.9%	1-Sep-1999
Average Net Exposure	74.5%	75.0%	68.5%	76.0%	79.3%	83.8%	77.4%	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	7.9%	+0.3%
AIA Group Ltd	7.4%	+0.7%
Tencent Holdings Ltd	4.4%	+0.8%
Shenzhou International Group	4.1%	+0.2%
MediaTek Inc	4.0%	+0.8%

Month End Exposures	Current	Monthly Move
Communication Services	8.2%	+0.7%
Consumer	13.9%	+1.8%
Energy	7.4%	-0.1%
Financials	25.1%	-2.0%
Industrials	9.1%	+4.3%
Information Technology	8.3%	+0.5%
Materials	2.6%	+0.9%
Real Estate	1.9%	-0.1%
SHORTS	-0.7%	-0.1%
Number of Positions	30	+4
Gross Equity Exposure	77.2%	+6.1%
Cash Weighting	24.1%	-5.8%
Net Equity Exposure	75.9%	+5.8%
Currency Exposure Hedged of AUD	98.9%	+2.7%

Commentary

The K2 Asian Fund returned -3.9% for the month of August.

Asia's equity markets experienced significant declines in August as political instability and an escalating trade war between the US and China dampened investor enthusiasm for the region. Hong Kong was in the eye of the storm falling -7.4% as the people took to the streets to protest against the proposed extradition bill. As we go to print it has been announced that the bill has been withdrawn, providing a much needed reprieve for sentiment. Contagion spread across the region with Mainland China, Singapore, Taiwan and Korea all falling in sympathy to varying degrees.

The trade war tit-for-tat continues to drag on with both sides imposing additional tariffs. We maintain our view that a deal will be reached in due course from which both parties can claim victory. The alternative is simply not something that either country or leader can stomach. Meanwhile, the increased volatility provides us with the opportunity to invest in quality companies whose share prices are being unduly impacted by the macro noise.

A positive contributor to Fund performance included Taiwanese semiconductor company MediaTek. The company is well positioned to benefit from the adoption of 5G technology amongst Chinese smart phone manufactures. We believe MediaTek will continue to gain traction leading to increased market share with their 5G chipset solution as they strive to close the performance gap with their more expensive competitor.

The AUD ended the month down -2.2% versus the USD. The Fund is currently 99% hedged to the AUD providing capital protection against a falling USD. Net exposure has increased slightly to 76%. We maintain our bias towards quality companies that offer a higher degree of earnings certainty.

Fund Characteristics

FUM	AUD \$15m
Portfolio Managers	Campbell Neal, 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	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%	
2019/20	0.0	-3.9											-3.8	-2.2	24.8%	-0.9%	
													Incept	453.2	241.2		
													Incept	8.9%pa	6.3%pa	25.4%	-4.2%

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

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