

K2 Asian Fund

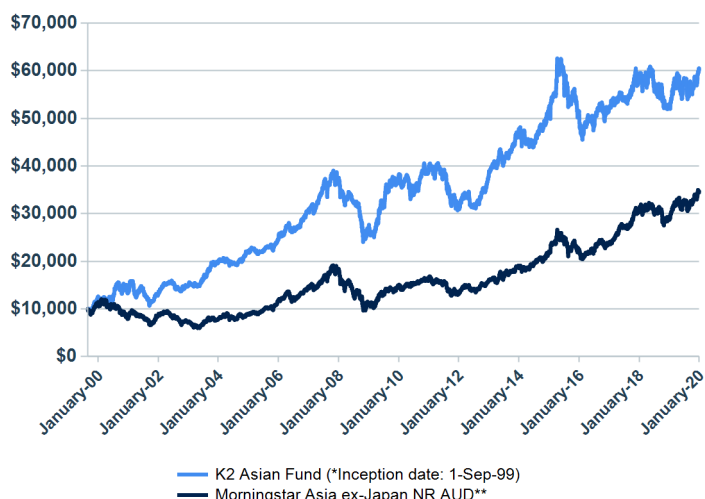
31 December 2019



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)	4.1%	7.2%	13.4%	5.0%	3.0%	4.7%	6.9%	9.2%	1-Sep-1999
Average Net Exposure	95.1%	89.6%	77.9%	75.9%	79.0%	83.6%	77.5%	74.8%	

Growth of \$10,000



Commentary

The K2 Asian Fund returned 4.1% for the month of December.

Asian Equity markets posted strong gains in December as the global macro backdrop continued to show signs of improvement. Of most significance, a trade deal between China and the US appears to have been agreed in principal providing investors with increased confidence. In addition, the Hong Kong protests, which have had a material impact on the territory's GDP, seem to be more subdued. Having been stuck in the eye of the storm, it's no surprise that Hong Kong (+7.0%) was the best performing Asian market. Other markets including Mainland China (+6.2%), Korea (+5.3%), Taiwan (+4.4%), India (+1.1%) and Singapore (+0.9%) also fared well.

A positive contributor to fund performance included Macau casino operator, Galaxy Entertainment. With President Xi making a visit to the region during the month and delivering "gifts" in the form of favourable policy announcements, sentiment towards the sector increased significantly. While the policy changes are unlikely to have much short-term impact, the longer-term benefits and clear support for Macau from the mainland have the potential to meaningfully improve returns. We continue to view the sector favourably with Galaxy remaining our preferred pick due to their strong development pipeline.

The AUD ended the month up +3.86% versus the USD at 0.7024. The fund is currently 95% hedged to the AUD providing capital protection against a rising AUD. Net exposure has remained steady at 93%. As 2019 draws to a close investors are clearly buoyed by the clear skies however experience tells us that when things are too good to be true.

We remain as vigilant as ever.

Top 5 Stock Holdings	Current	Monthly Move
Alibaba Group Holding Ltd	7.2%	+0.0%
Tencent Holdings Ltd	6.6%	+0.5%
AIA Group Ltd	6.4%	0.0%
Ping An Insurance Group	5.8%	-0.1%
Shenzhou International Group	4.7%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	11.4%	+0.6%
Consumer	21.7%	+0.1%
Energy	4.2%	-0.4%
Financials	26.0%	-0.4%
Health Care	2.7%	-1.0%
Industrials	11.2%	-2.8%
Information Technology	7.6%	+0.0%
Materials	4.0%	+0.0%
Other	1.4%	+0.3%
Real Estate	4.0%	+0.8%
SHORTS	-1.2%	+0.0%
Number of Positions	40	-1
Gross Equity Exposure	95.5%	-2.8%
Cash Weighting	6.9%	+2.7%
Net Equity Exposure	93.1%	-2.7%
Currency Exposure Hedged of AUD	90.3%	-4.3%

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							4.4	6.2	17.3%	-1.0%	
													Incept	500.5	244.0		
													Incept	9.2%pa	6.3%pa	25.1%	-4.2%

(1) Morningstar Asia ex-Japan NR AUD

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