

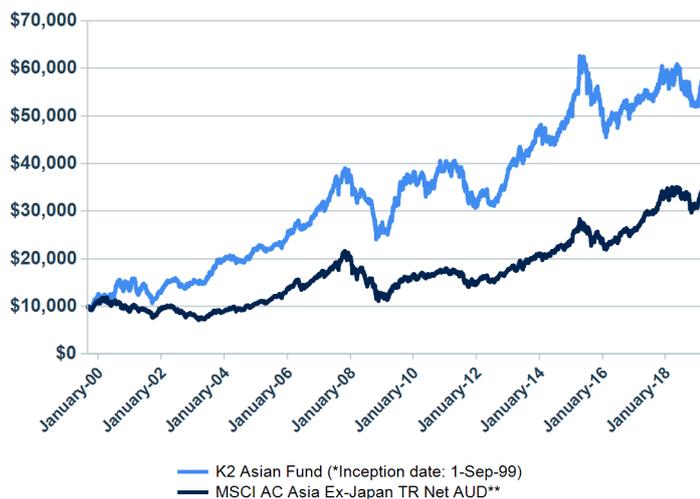
# K2 Asian Fund

## 28 February 2019



	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)	5.6%	9.3%	-2.2%	6.6%	4.0%	8.3%	7.1%	9.3%	1-Sep-1999
Average Net Exposure	75.6%	55.4%	73.5%	77.8%	80.4%	83.6%	76.6%	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	6.0%	+1.3%
CNOOC Ltd	5.6%	+0.2%
Lonking Holdings Ltd	5.3%	+0.0%
AIA Group Ltd	4.9%	+0.5%
RIO Tinto Ltd	3.9%	+0.3%

Month End Exposures	Current	Monthly Move
Communication Services	2.0%	+0.0%
Consumer	15.5%	+3.4%
Energy	10.6%	-1.2%
Financials	20.1%	+4.1%
Industrials	12.8%	+1.1%
Information Technology	6.2%	+0.3%
Materials	8.1%	+3.2%
Real Estate	5.3%	-2.2%
Number of Positions	37	+2
Gross Equity Exposure	80.5%	+8.3%
Cash Weighting	19.5%	-9.2%
Net Equity Exposure	80.5%	+9.2%
Currency Exposure Hedged of AUD	0.9%	0.0%

### Commentary

The K2 Asian Absolute Return Fund returned 5.6% for the month of February while the MSCI AC Asia Ex-Japan TR Net AUD Index returned 4.6%.

Asian equity markets continued their strong performance since bottoming out in December. Trade talks between Presidents Trump and Xi came to the fore and markets responded positively to the progress as Trump postponed further tariff increases based on the high level talks between the two nations. Further buoying markets is the expectation that China will apply further fiscal stimulus during 2019. The Chinese economy has slowed over the last 12 months and the Chinese Government is keen to arrest the rate of decline. Post the two month rally, Asian equities remain inexpensive, with Hong Kong trading at a discount to its long run average P/E multiple. The combination of these influences led us to increase the net equity exposure of the Fund as clouds slowly dissipate.

Significant contributors included the Fund's holdings in Insurance heavyweights AIA and Ping An, up 11.4% and 8.9% respectively with positive data points on value of new business and benefitting from rising asset values from their investments. In technology, Lenovo reported better than expected results as its mobile and PC sales beat expectations, sending the stock up 24.0% during the month.

Detractors were few and far between with markets being strong, the largest detractor came from the Fund's resource exposure, Whitehaven Coal, that suffered as China was rumoured to place an embargo on Australian thermal coal. The stock declined -11.1% for the month.

The Fund remains fully unhedged at the currency level. Reflecting our view that Asia represents an attractive investment opportunity through 2019. Net exposure at the end of month was 81% after having increased from 71% at the end of January.

### Fund Characteristics

FUM	AUD \$20m
Portfolio Managers	Campbell Neal, Mark Newman, Nicholas Leiti, James Soutter 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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