

K2 Asian Fund

31 January 2024

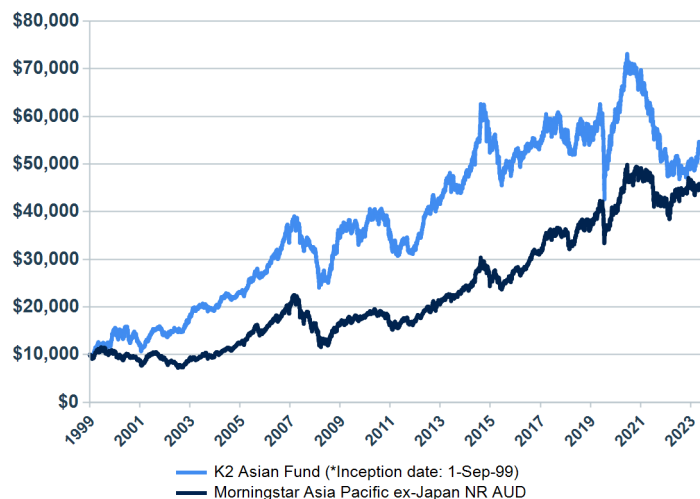


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-0.17%	168.07	7.17%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
BHP Group Ltd	9.9%	+2.0%
RIO Tinto Ltd	8.1%	-0.2%
Seven Group Holdings Ltd	7.4%	-0.2%
Macquarie Group Ltd	7.3%	+0.3%
JPMorgan Chase & Co	6.7%	+0.4%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	54.0%	+3.8%
Mid Caps >=AUD\$2b < AUD\$7.5b	30.0%	+0.6%
Small Caps < AUD\$2b	17.1%	-0.1%

Month End Exposures	Current	Monthly Move
Communication Services	3.5%	+0.1%
Consumer	8.1%	+0.4%
Energy	10.8%	+0.1%
Financials/Real Estate	27.6%	+0.9%
Health Care	6.6%	+1.4%
Industrials	13.1%	0.0%
Information Technology	5.2%	-0.4%
Materials	26.6%	+1.9%
Number of Positions	26	+2
Gross Equity Exposure	101.4%	+4.3%
Cash Weighting	-1.4%	-4.3%
Net Equity Exposure	101.4%	+4.3%
Currency Exposure Hedged of AUD	82.4%	+0.5%

Commentary

The K2 Asian Fund was broadly flat for the month and is now +13.3% for the current fiscal year-to-date (FYTD) outperforming the index by +11.54% (FYTD). The strong performance over the past year reflects the underweight to China and an overweight to the South-East Asia Pacific region.

Within the Asia Pacific region there continues to be unevenness with regard to economic activity that is reflecting the divergence policy challenges. The economic issues that persist in China are significant as they try to navigate the multiple headwinds for their economy following the collapse of parts of their property sector. The negative impact for their economy will be ongoing as their government and the central bank (PBoC) continue to try to solve with even more targeted stimulus.

The economic data reinforce the weaker activity and falling prices approaching a deflationary inflation scenario. This is at odds to the western developed economies. Domestic demand and the broader economic momentum remain subdued (vs expectation) for China as the weak household and business sentiment confirm. In addition to the subdued confidence, global investor sentiment continues to avoid long term investment in China and continue to prefer Japan or South-east Asia.

Key policy challenges persist and more monetary policy stimulus, with some additional liquidity support by the PBoC, combined with additional targeted fiscal stimulus will be required to address the many challenges ahead for China. The stimulus needs to be at historic levels to counter the persistent weak investor confidence. Attracting investor capital will remain a key objective for Beijing and the expanding BRICs economic membership on 1 January this year is a positive.

Given the China risks, investors will continue to focus on the upside benefits of Japan and south-east APAC region that have more tailwinds and supportive economic and earnings upside.

The K2 Asian Fund has maintained an underweight exposure to China and an overweight to South-East Asia Pacific region since 2021. A focus on companies with earnings that export to China continues to be our preferred investment strategy.

Fund Characteristics	
Portfolio Managers	Campbell Neal, David Poppenbeek and Bill Laister
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			-0.55	4.28	9.21	10.82	-4.26	-3.40	4.12	-1.07	0.21	-1.03	18.59	4.45	35.23%	-13.83%
2000/01	19.41	8.29	-5.29	-0.99	-3.15	-2.32	16.53	-1.96	-16.41	5.38	5.37	-2.02	19.17	-8.44	16.17%	-18.46%
2001/02	-9.11	-6.94	-4.93	2.26	10.31	1.07	8.68	4.40	2.42	1.76	1.68	-1.51	8.58	-1.93	35.54%	-11.97%
2002/03	-7.19	0.47	-2.84	3.56	3.55	-0.49	2.38	-0.55	-1.77	0.08	3.74	4.43	4.86	-15.33	41.25%	-13.04%
2003/04	4.43	6.54	4.42	5.22	-0.33	0.86	1.54	0.84	-1.81	-0.71	-0.20	-0.05	22.37	24.06	38.03%	-5.30%
2004/05	-1.23	1.34	2.18	0.90	6.81	2.23	1.07	1.29	-3.05	-2.36	2.02	0.96	12.48	19.44	30.24%	-2.62%
2005/06	3.43	0.21	1.87	-3.62	5.16	3.78	5.25	-0.95	5.04	2.33	-3.25	0.24	20.67	27.67	24.43%	-3.88%
2006/07	0.19	2.00	2.41	2.92	3.39	2.73	1.16	0.33	0.59	2.99	5.47	3.98	31.93	28.88	31.06%	-1.35%
2007/08	3.51	-0.19	2.71	3.98	-2.56	-1.16	-8.59	-0.36	-3.66	3.11	-0.07	-3.80	-7.58	-16.72	46.58%	-4.98%
2008/09	-1.61	0.25	-10.76	-10.40	-0.67	5.17	-3.32	-1.41	4.80	8.03	10.26	0.85	-1.15	-6.23	49.48%	-3.99%
2009/10	10.46	-2.58	4.70	0.90	-0.30	3.52	-4.67	-0.04	3.76	-0.46	-7.44	-0.49	6.37	17.31	12.03%	-1.70%
2010/11	4.36	-2.11	7.61	2.52	-0.78	2.06	0.53	-1.01	1.72	1.20	-1.79	-2.36	12.13	2.75	12.14%	-2.43%
2011/12	-1.98	-5.41	-8.97	3.67	-6.16	-1.81	4.86	5.08	-0.91	1.21	-6.90	-0.95	-17.85	-9.36	20.10%	-2.08%
2012/13	1.21	0.73	4.90	3.90	2.00	6.00	4.30	2.11	-0.04	3.21	2.38	-3.61	30.23	22.88	6.86%	-0.14%
2013/14	2.40	0.08	2.15	3.60	4.91	0.93	-1.63	0.89	-3.74	-0.21	0.36	-2.26	7.39	13.18	8.82%	0.00%
2014/15	5.40	0.48	2.80	1.36	2.46	3.58	4.12	2.23	2.64	7.51	2.38	-4.23	34.88	22.15	12.90%	-0.08%
2015/16	-4.46	-4.54	-1.35	3.40	-4.19	-2.86	-7.18	-1.56	4.04	2.48	0.24	-2.76	-17.78	-6.59	18.72%	0.00%
2016/17	3.75	2.48	1.23	-3.34	1.59	0.17	2.65	-0.56	1.02	2.03	0.95	-2.30	9.86	19.17	20.63%	-0.44%
2017/18	-0.07	2.20	0.54	4.48	1.44	-1.57	1.39	-0.18	-1.30	3.97	-0.22	-4.08	6.48	13.00	18.53%	-1.15%
2018/19	-1.65	1.04	-0.07	-7.32	-1.07	1.61	1.84	5.64	1.25	1.31	-6.13	4.83	0.47	7.07	30.20%	-0.69%
2019/20	0.02	-3.87	1.23	2.03	1.02	4.06	-2.74	-4.31	-13.58	6.44	1.86	4.05	-5.28	1.39	14.03%	-1.16%
2020/21	4.87	6.19	-1.42	1.80	6.03	2.75	3.97	1.41	-1.37	1.73	0.55	-0.52	28.82	29.05	3.44%	-0.16%
2021/22	-4.54	2.69	-4.09	-0.97	-5.20	-0.51	-3.52	-1.05	-2.69	0.12	-1.94	-9.54	-27.55	-13.82	8.53%	-0.14%
2022/23	2.89	-0.04	-8.68	0.82	4.35	-4.17	5.96	-1.48	-3.09	0.26	-1.34	-0.68	-5.90	4.32	11.79%	-0.59%
2023/24	4.63	-0.15	0.83	-2.88	3.67	7.00	-0.17						13.29	1.75	4.46%	-0.26%
Incept.													442.13	352.39		
Incept.													7.17%pa	6.38%pa	22.05%	-3.62%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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