

# K2 Asian Fund

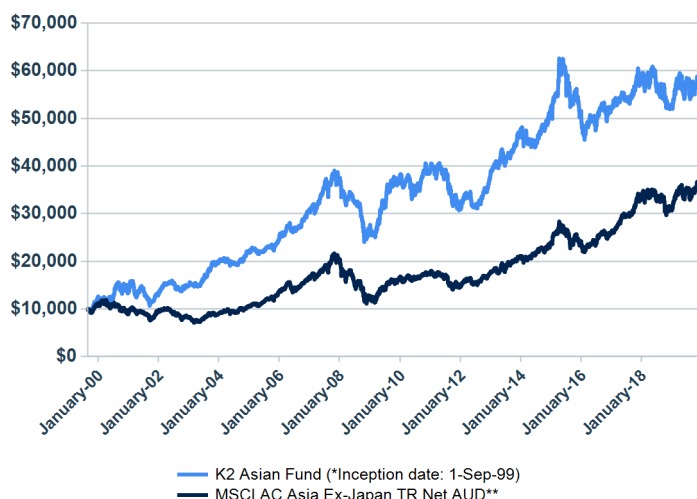
## 30 November 2019



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)	1.0%	4.3%	10.7%	3.7%	2.9%	4.7%	6.7%	9.0%	1-Sep-1999
Average Net Exposure	92.7%	83.7%	72.9%	75.8%	78.9%	83.6%	77.4%	74.7%	

### 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
Alibaba Group Holding Ltd	7.2%	+1.3%
AIA Group Ltd	6.5%	-1.6%
Tencent Holdings Ltd	6.1%	+0.5%
Ping An Insurance Group	5.9%	+0.2%
Shenzhou International Group	4.5%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	10.8%	+1.9%
Consumer	21.6%	+2.3%
Energy	4.6%	+0.3%
Financials	26.4%	+0.1%
Health Care	3.7%	+0.8%
Industrials	14.0%	-0.4%
Information Technology	7.6%	+3.3%
Materials	3.9%	+0.2%
Other	1.1%	+0.0%
Real Estate	3.3%	+0.0%
SHORTS	-1.2%	+0.2%
Number of Positions	41	+2
Gross Equity Exposure	98.2%	+8.3%
Cash Weighting	4.2%	-8.7%
Net Equity Exposure	95.8%	+8.7%
Currency Exposure Hedged of AUD	94.6%	+4.1%

### Commentary

The K2 Asian Fund returned 1.0% for November.

Asian Equity markets delivered a mixed bag in November. Ongoing troubles in Hong Kong combined with the persistent struggles between the US and China to reach a phase 1 trade deal weighed on investor sentiment. With regards to the latter, we view it as a matter of when not if but as always the devil will be in the detail. Hong Kong (-2.1%) bore the brunt of the declines while Taiwan (+1.2%), Korea (+0.2%), Singapore (-1.1%) and China (-2.0%) fared better. Encouragingly, China recorded a November manufacturing PMI that showed expansion for the first time in 7 months, signalling a recovery in activity. Global PMI's for November also expanded and have now risen for four consecutive months. All eyes will now be on 15 December as markets await the Trump administration's decision on whether to impose an additional tranche of tariffs on the remaining Chinese imports or as we suspect, delay them into 2020 post the holiday spending season.

Positive contributors to Fund performance included NZ listed retirement and aged care living companies Metlifecare (+21%) and Summerset Group (+17%). Metlifecare is one of NZ's largest providers of healthcare services for the elderly. We have been attracted to the ageing demographics of the NZ population with those aged over 75 forecasted to double by 2035. Short-term conditions had seen Metlifecare trade on historically low earnings multiples and at a significant discount to book value. The company announced on 20 November that they had received a "non-binding preliminary expression of interest from a credible third party to acquire the company." We believe the company remains undervalued and based on a history of the average control premium for successful takeovers in NZ considerable upside remains.

The AUD decreased -1.8% versus the USD with the Fund currently 95% hedged to the AUD providing capital protection against a rising AUD. Net exposure increased to 96%.

### 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	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	1.2	2.0	1.0								0.3	3.8	19.8%	-0.9%	
													Incept	477.1	262.1		
													Incept	9.0%pa	6.6%pa	25.2%	-4.2%

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

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