

K2 Asian Fund

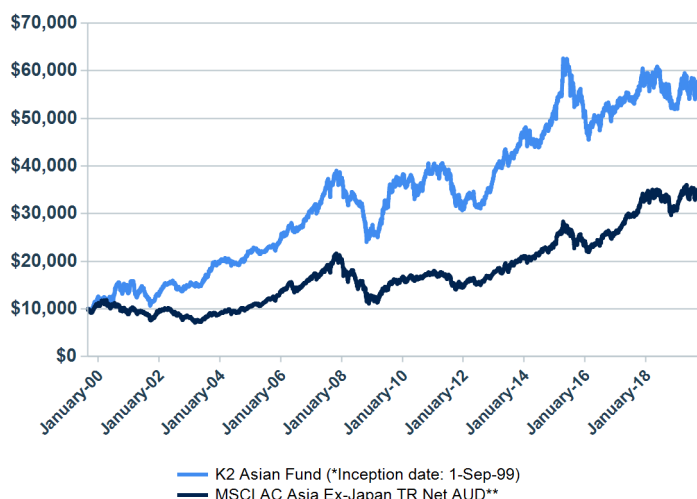
30 September 2019



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)	1.2%	-2.7%	-1.5%	2.1%	3.1%	4.4%	7.1%	9.0%	1-Sep-1999
Average Net Exposure	77.4%	75.9%	68.6%	75.6%	79.1%	83.7%	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	8.2%	+0.3%
AIA Group Ltd	7.5%	+0.1%
Tencent Holdings Ltd	4.6%	+0.3%
Alibaba Group Holding Ltd	4.6%	+1.0%
Shenzhou International Group	4.2%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	7.8%	-0.5%
Consumer	12.4%	-1.6%
Energy	4.1%	-3.3%
Financials	29.9%	+4.7%
Health Care	1.6%	+1.6%
Industrials	12.4%	+3.4%
Information Technology	2.5%	-5.8%
Materials	2.9%	+0.4%
Real Estate	3.0%	+1.2%
SHORTS	-0.6%	+0.1%
Number of Positions	33	+3
Gross Equity Exposure	77.2%	+0.0%
Cash Weighting	23.9%	-0.2%
Net Equity Exposure	76.1%	+0.2%
Currency Exposure Hedged of AUD	93.1%	-5.8%

Commentary

The K2 Asian Fund returned 1.2% for September.

Despite a challenging macroeconomic backdrop, Asian equity markets demonstrated remarkable resilience in September to grind higher as the MSCI AC Asia Ex-Japan TR Net AUD Index increased 1.6%. India (+4.1%) rallied strongly following the unexpected announcement of a cut in the headline corporate tax rate to 22% from 30% for domestic companies in a bid to revive the economy. Hong Kong (+1.4%) remains in the eye of the storm as the protests continue. Hopefully, we will see an easing of tensions upon the conclusion of China's 70th-anniversary celebrations in early October. Other markets across the region all ended the month broadly higher, including Korea (+4.8%), Taiwan (+2.0%), Mainland China (+0.7%) and Singapore (+0.4%).

We believe that a trade deal will be done in due course and it is this stalemate that is the root cause of recent weak economic data globally. We feel the market is not yet pricing a potential positive outcome and the stage is set for equity markets to reach new highs as we move into the calendar year 2020. Meanwhile, the increased volatility provides us with the opportunity to invest in quality companies whose share prices are being unduly impacted by the constantly evolving macro events.

A positive contributor to Fund performance included China Unicom, a Chinese telecommunications company. The share price made significant gains following the announcement of a 5G network sharing agreement with China Telecom. As this formed a significant part of our investment thesis, we subsequently exited the position.

The AUD ended the month up +0.22% versus the USD, with the Fund currently 93% hedged to the AUD providing capital protection against a rising AUD. Net exposure of the Fund remained consistent with the prior month at 76%. We maintain our bias towards quality companies and specifically seek to identify those that offer a higher degree of earnings certainty while trading at reasonable valuations.

Fund Characteristics

FUM	AUD \$14m
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										-2.7	-0.6	24.1%	-0.7%	
													Incept	460.0	246.5		
													Incept	9.0%pa	6.4%pa	25.4%	-4.2%

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

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