

# K2 Asian Fund

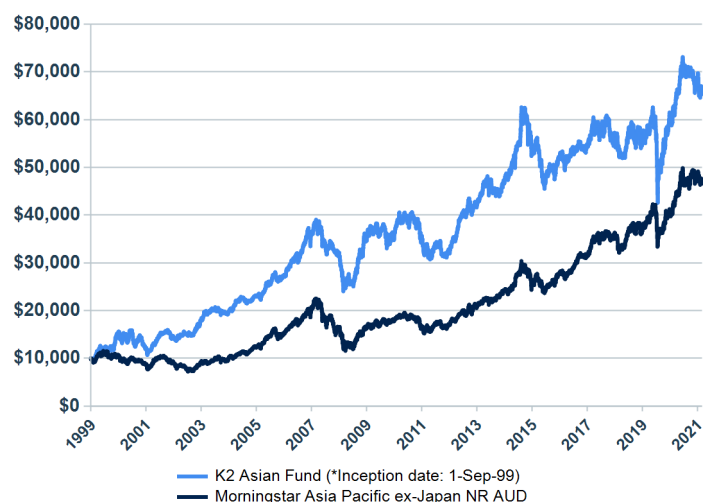
## 31 October 2021



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	6 Months	1 Year	5 Years (%pa)	10 Years (%pa)	15 Years (%pa)	Inception (%pa)
Performance (Net of Fees)	-0.97%	-2.47%	-6.87%	7.33%	5.12%	6.87%	5.62%	8.84%

### Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Ryman Healthcare Ltd	6.6%	+0.0%
Shenzhou International Group	5.8%	+0.1%
Macquarie Group Ltd	5.3%	+0.7%
Tencent Holdings Ltd	5.1%	+0.3%
Samsung Electronics Co Ltd	5.0%	-0.2%

Month End Exposures	Current	Monthly Move
Communication Services	5.1%	+0.3%
Consumer	22.6%	+1.4%
Financials	29.4%	-0.7%
Health Care	6.6%	+0.0%
Industrials/Real Estate	19.8%	-0.9%
Information Technology	8.8%	-0.3%
Materials	3.8%	+0.0%
Number of Positions	29	0
Gross Equity Exposure	97.9%	-0.2%
Cash Weighting	2.1%	+0.2%
Net Equity Exposure	97.9%	-0.2%
Currency Exposure Hedged of AUD	82.9%	-0.7%

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### Commentary

The K2 Asian Fund returned -0.97% for the month and is up +7.33% over the past year. Over the past 22 years the fund has delivered +8.84% p.a. return.

Asian equity markets experienced mixed returns in October. Hong Kong (+3.3%) and Singapore (3.6%) outperformed while Mainland China (-0.6%) and Korea (-3.2%) lagged.

After a volatile start to the month investor focus turned to US reporting season which in aggregate exceeded expectations once again. The market obsession with inflation shows no signs of abating as the world slowly becomes more comfortable with its persistence. This had led to an increase in yields on shorter-term bonds to reflect the potential for interest rate hikes starting in 2022. What impact this will have on future economic growth remains unknown however as the world continues to emerge from its Covid induced hibernation we expect consumer sentiment, buoyed by record levels of household savings, to remain elevated.

The wildcard is China. Despite local equity markets having stabilised, the threat of further regulation still exists. In addition, to the goal of achieving common prosperity and the associated casualties, it would appear that the Chinese authorities are orchestrating a slowdown with the intention of reducing pollution in preparation for the Beijing winter Olympics in February next year. Much like Russia and Sochi, with the eyes of the world looking on there is no room for error. Once completed and the torch officially handed over to Italy, the necessary clean air (pardon the pun) should exist for a swift re-acceleration of economic activity.

Positive contributors to fund performance included technology giants Tencent and Alibaba. Both companies have suffered of late as part of China's regulatory reset. However with government attention slowly shifting to other sectors investors are forming the view that news flow from here is more likely to be incrementally positive. Trading on a 1-year forward PE of 23x for Tencent and 17x for Alibaba both companies represent exceptional value when compared to their global peers.

The AUD posted a strong recovery following recent declines, gaining +4.2% to close the month at 0.7518. The fund is currently 84% hedged to the AUD providing capital protection against a rising AUD.

The fund remains fully invested and is well positioned for the ongoing cyclical recovery.

### Fund Characteristics

FUM	AUD \$8m
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

## 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									-6.90	-5.73	1.50%	0.00%
													Incept.	553.54	366.25	
													Incept.	8.84%pa	7.19%pa	22.95%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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