

K2 Asian Fund

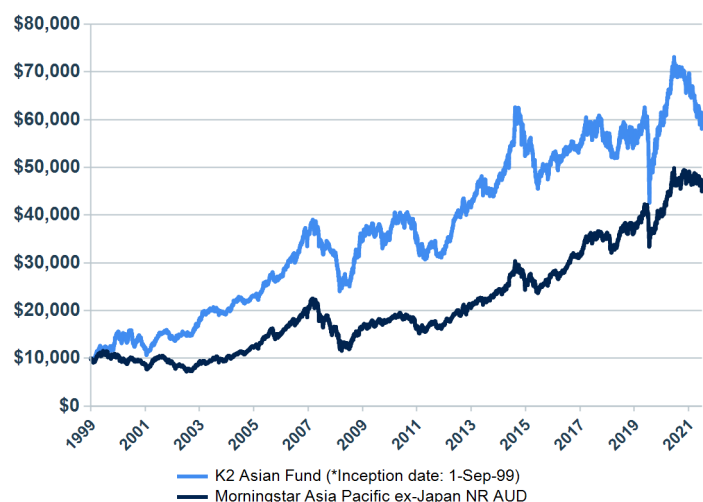
28 February 2022



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)	-1.05%	-5.02%	-14.48%	-15.86%	2.15%	5.60%	4.36%	8.20%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Samsung Electronics Co Ltd	5.9%	-0.2%
Kina Securities Ltd	5.8%	+0.4%
Techtronic Industries Co Ltd	5.7%	0.0%
Macquarie Group Ltd	5.5%	0.0%
Seven Group Holdings Ltd	5.2%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	5.2%	-0.8%
Consumer	7.8%	-5.2%
Financials	31.7%	-0.5%
Health Care	5.1%	+0.1%
Industrials/Real Estate	21.8%	-0.5%
Information Technology	10.1%	-0.3%
Materials	5.5%	+0.2%
Number of Positions	25	-4
Gross Equity Exposure	89.1%	-7.1%
Cash Weighting	10.9%	+7.1%
Net Equity Exposure	89.1%	-7.1%
Currency Exposure Hedged of AUD	89.2%	+1.2%

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Commentary

The Asian Fund returned -1.1% for the month vs the index of -3.61%. The +2.56% outperformance is in part due to the underweight in China. The fund is also ahead of the index year-to-date (YTD) by +0.48%.

Global equity markets continued to remain volatile during the month. The market is adjusting to the upcoming interest rate rise in March by the US Federal Reserve (FED), the beginning of the long overdue quantitative tightening (QT) by The Fed, the ongoing inflation concerns and of course the disturbing and unfortunate events in eastern Europe following the invasion of the Ukraine by Russia. The uncertainty for markets and the implications for energy prices are anticipated to persist. For now, these geo-political concerns will dominate headlines and therefore investor and consumer sentiment.

Despite these concerns the economic backdrop ahead of the interest rate rises from The Fed and other key central banks is one of strong aggregate corporate conditions and strong credit conditions for developed market equities. Further, the household savings ratio remains strong in developed economies following two years of persistent fiscal and monetary stimulus. These wealth effects are a strong potential tailwind.

Also, the global growth momentum, while slowing, remains robust vs long run historical averages. In late January, the International Monetary Fund (IMF) forecast for 2022 global growth was downgraded to 4.4% from 4.9% in anticipation of slowing conditions ahead of tighter fiscal and monetary policy ahead. Further, the central bank in China, the PBoC, began to stimulate their economy earlier this year due to the sharp slowdown in 2021 following various policy pivots from Beijing across their economy adversely impacting the Chinese property market. While it is rare to have the second largest economy stimulating when The Fed is tightening, this will ultimately limit the downside to China GDP and therefore helps limit further large global downgrades in 2022.

While valuations look attractive for the equity market in China, we remain cautious given the notable changes to policy from Beijing. The Fund has the lowest weighting to China for many years and does not have any holdings in the top 10. Our largest weightings include Samsung Electronics, Kina Securities, Techtronic Industries and Macquarie Group.

Some of the best performing holdings for the Fund this month were BHP Group (BHP), Kina Securities and Bendigo and Adelaide Bank. Some of the key underperformers include Alibaba, Shenzhou International and JP Morgan Chase.

Fund Characteristics

FUM	AUD \$7m
Portfolio Managers	Campbell Neal, David Poppenbeek, Tony Sutton 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

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					-16.17	-9.05	1.65%	0.00%	
													Incept.	488.45	349.80		
													Incept.	8.20%pa	6.91%pa	22.96%	-3.89%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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