

K2 Asian Fund

30 June 2022

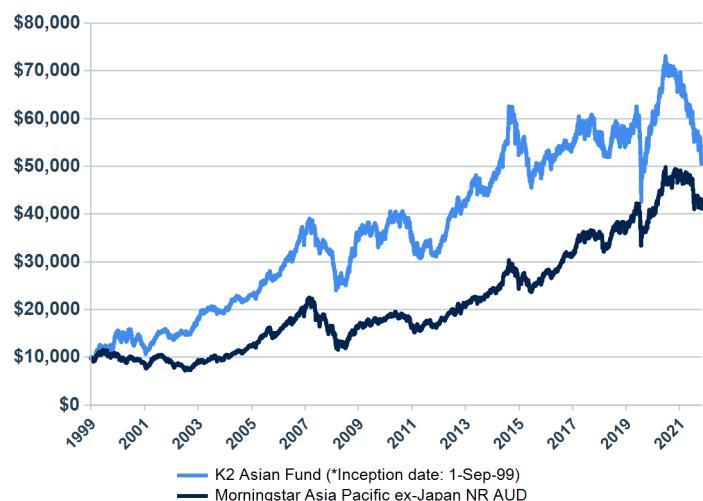


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-9.54%	157.66	7.38%

Refer below detailed performance data matrix

Growth of \$10,000



Commentary

In a volatile global equity market in June, the K2 Asian Fund returned -9.54% for the month. The first half 2022 performance in global equities was one of the worse in many decades as markets continued to adjust to the uncertainty with regard to the pace of tighter monetary policy combined with slowing economic momentum.

The US Fed has increasingly signalled to the market the need to increase rates rapidly from the historical lows seen in 2021. The heightened uncertainty for markets year-to-date remains primarily with the slowing economic pulse, rising inflation expectations and the aggressive forecasts of higher US cash rates. As the US continued to deliver tighter monetary conditions the Chinese central bank (PBoC) continued to cut rates and delivered more stimulus following the rolling lockdowns through China. We anticipate addition China stimulus following the greater than expected slowdown in economic growth so far this year. It is a unique circumstance whereby the US, Europe and many other G20 economies are raising cash rates while China continues to cut rates.

The subsequent increase in market volatility and the prospect of a US recession has weighed on sentiment within the APAC region whereby valuations have now become very compelling compared to long-run historical benchmarks. The discount to the price of future earnings has been very aggressive this year and we believe this is overdone. The downgrades to China economic growth forecasts have been severe following the regulatory driven slowdown to their corporate sector in 2021 combined with the property sector stress and the ongoing China lockdowns. This impact implies China GDP for 2022 will be in the mid 3% levels which is a notable downgrade from the 5.5% forecast for the same period just six months ago. Without doubt, additional China fiscal and monetary stimulus will be required. Further, some relaxation of global tariffs will partially assist.

Plenty of risks remain including persistently high energy prices, global trade sanctions / tariffs, inflation expectations, the ongoing supply chain disruptions, earnings slowdown and increasing corporate costs, geopolitical risks and the very low levels of both consumer and corporate sentiment. The K2 Asian Fund cash position is 16% reflecting a cautious outlook in June. Our largest weightings include Macquarie, Kina Securities, Samsung, Taiwan Semiconductors, Alibaba, Seven Group and JD.Com. Some of the best performing holdings for the Fund for the month include Alibaba, JD.Com, Reliance Worldwide and Airports of Thailand.

Top 5 Stock Holdings	Current	Monthly Move
Kina Securities Ltd	6.2%	0.0%
Macquarie Group Ltd	6.0%	-0.1%
Samsung Electronics Co Ltd	5.4%	-0.4%
Taiwan Semiconductor Manufacturing	5.0%	-0.2%
Seven Group Holdings Ltd	4.6%	-0.1%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	47.6%	+5.4%
Mid Caps >=AUD\$2b < AUD\$7.5b	15.5%	-2.2%
Small Caps < AUD\$2b	20.7%	-1.6%

Month End Exposures	Current	Monthly Move
Consumer	10.5%	+2.4%
Energy	3.7%	-0.4%
Financials	29.3%	+0.7%
Health Care	3.7%	+1.3%
Industrials/Real Estate	18.8%	+0.3%
Information Technology	10.4%	-0.6%
Materials	7.5%	-1.5%
Number of Positions	28	0
Gross Equity Exposure	83.9%	+1.5%
Cash Weighting	16.1%	-1.5%
Net Equity Exposure	83.9%	+1.5%
Currency Exposure Hedged of AUD	83.8%	-0.3%

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%	
													Incept.	408.55	326.21		
													Incept.	7.38%pa	6.56%pa	23.26%	-3.90%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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