

# K2 Asian Fund

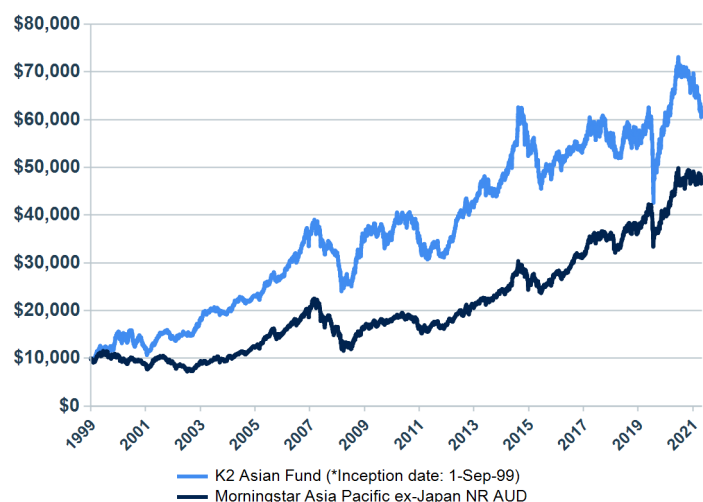
## 31 December 2021



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)	-0.51%	-6.60%	-12.19%	-7.08%	3.53%	7.12%	4.78%	8.48%

### Growth of \$10,000



### Commentary

The K2 Asian Fund returned -0.51% for December. Over the long term the fund has delivered +8.48% p.a. over 22 years (after all fees).

Asian equity markets experienced mixed returns in December. Korea (+4.9%) and Taiwan (+4.5%) were the standout performers while Hong Kong (-0.3%) continues to struggle. Ongoing regulatory uncertainty in Hong Kong is forcing investors to remain on the sidelines. To put the underperformance into perspective the Hang Seng Index has returned -14.1% for the 2021 calendar year. This compares to +26.9% for the S&P500.

More generally, investors were forced to grapple with the potential impact of Omicron and a hawkish pivot from the US Federal Reserve Bank. The market is now pricing three interest rate rises in the US over the course of 2022. With regards to Omicron, initially it was a fear of the unknown causing most angst, but as additional data gradually becomes available that fear is slowly subsiding.

We applaud the Fed for no longer using the word "transitory". Even Zimbabwe's hyperinflation of the 2000's could have been argued as transitory - it just peaked at a very high level. Today, however, if the participation rate remains stubbornly low, significant wage growth is certain to follow. While a large part of this might be catch up for the last 10 years it will be very difficult to put the inflation genie back in the bottle, even for the Fed. Meanwhile, Christmas festivities weren't immune from labour shortages and supply chain disruptions. Anecdotally, there was a genuine lack of Santa's and the price of a tree doubled.

The AUD recovered some lost ground, increasing +2.3% to close the month at 0.7263. The fund is currently 88% hedged, providing capital protection against a rising AUD.

The fund remains fully invested with a focus on high quality companies and is well positioned for the ongoing cyclical recovery.

Top 5 Stock Holdings	Current	Monthly Move
Samsung Electronics Co Ltd	6.2%	+0.6%
Ryman Healthcare Ltd	6.0%	+0.0%
Macquarie Group Ltd	6.0%	+0.4%
Tencent Holdings Ltd	5.4%	0.0%
Kina Securities Ltd	5.3%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	5.4%	0.0%
Consumer	20.5%	-1.9%
Financials	31.9%	+0.8%
Health Care	6.0%	+0.0%
Industrials/Real Estate	20.7%	+1.2%
Information Technology	9.8%	+0.3%
Materials	4.6%	+0.4%
Number of Positions	30	+1
Gross Equity Exposure	100.8%	+0.8%
Cash Weighting	-0.8%	-0.8%
Net Equity Exposure	100.8%	+0.8%
Currency Exposure Hedged of AUD	86.9%	+0.5%

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### 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	-5.20	-0.51							-12.19	-4.26	0.99%	0.00%	
													Incept.	516.38	373.52		
													Incept.	8.48%pa	7.21%pa	22.93%	-3.89%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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