

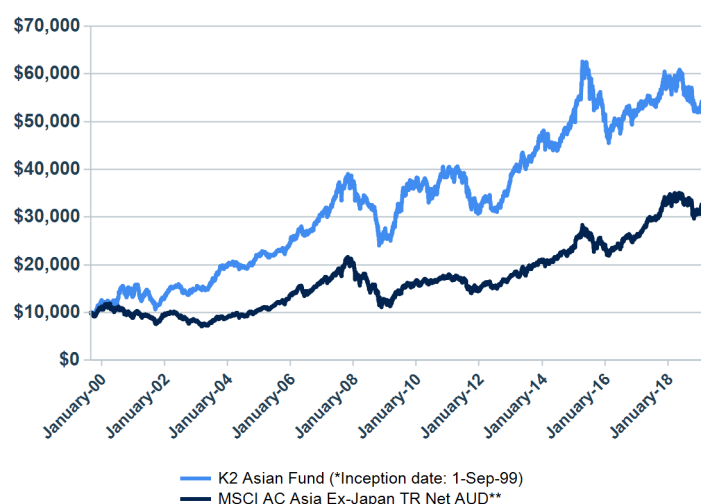
K2 Asian Fund

31 January 2019



	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)	1.8%	2.4%	-7.6%	4.1%	3.0%	7.6%	6.8%	9.1%	1-Sep-1999
Average Net Exposure	55.7%	49.4%	74.3%	77.7%	80.7%	83.4%	76.6%	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
CNOOC Ltd	5.4%	+0.2%
Lonking Holdings Ltd	5.3%	+4.1%
Ping An Insurance Group	4.7%	+1.4%
AIA Group Ltd	4.4%	+0.2%
Samsung Electronics Co Ltd	3.9%	+1.5%

Month End Exposures	Current	Monthly Move
Communication Services	2.0%	-0.6%
Consumer	12.1%	+9.5%
Energy	11.8%	+4.4%
Financials	16.0%	+5.2%
Industrials	10.7%	+4.9%
Information Technology	5.9%	+2.3%
Materials	4.8%	+0.4%
Other	1.0%	+1.0%
Real Estate	7.6%	+6.0%
SHORTS	-0.5%	+3.0%
Number of Positions	35	+14
Gross Equity Exposure	72.2%	+30.0%
Cash Weighting	28.7%	-36.1%
Net Equity Exposure	71.3%	+36.1%
Currency Exposure Hedged of AUD	0.9%	+1.6%

Commentary

The K2 Asian Absolute Return Fund returned 1.8% for the month of January while the MSCI AC Asia Ex-Japan TR Net AUD Index returned 3.6%.

Asian equities bounced back from December's heavy losses during the month. Sharp gains were driven by a significant change in policy guidance from the US Federal Reserve, which saw them swing from "hawkish" to "dovish" on further interest rate rises. Conciliatory talks on trade between US and China also buoyed investor sentiment. Furthermore, Asian equities are presently cheap, with Hong Kong trading at a discount to its long run average P/E multiple. The combination of these influences led us to increase the net equity exposure of the Fund, as the dark clouds slowly dissipate.

Positive contributors included Hong Kong listed Lonking Holdings, which benefited from favourable Chinese domestic policy aimed at accelerating infrastructure investment. Global technology powerhouse Samsung Electronics rose 20%, as large inflows into Asian equities propelled stocks higher. Chinese oil company CNOOC and Insurance companies Ping An and AIA also outperformed the market. Guangzhou Auto Group, also listed in Hong Kong, was aided by stimulus measures announced for the Chinese Auto makers. The largest detractor, outside of currency, was collectively the Fund's short positions and a number of these were exited during the month. Short positions in Tencent, SMIC and Haier all detracted, as they rose with the market.

The Fund remains fully unhedged to the AUD. Strong gains made in December were reversed in January as the AUD rallied 3.3% against the USD, with investors starting to price in no additional US interest rate rises in 2019. Our unhedged currency position detracted -178 basis points representing the major detractor on January's performance. Reflecting our view that Asia represents an attractive investment opportunity throughout 2019, net exposure at the end of January was 71%, increasing from 35% at the end of December.

Fund Characteristics

FUM	AUD \$19m
Portfolio Managers	Campbell Neal, Mark Newman, Nicholas Leitl, James Soutter 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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