

# K2 Asian Fund

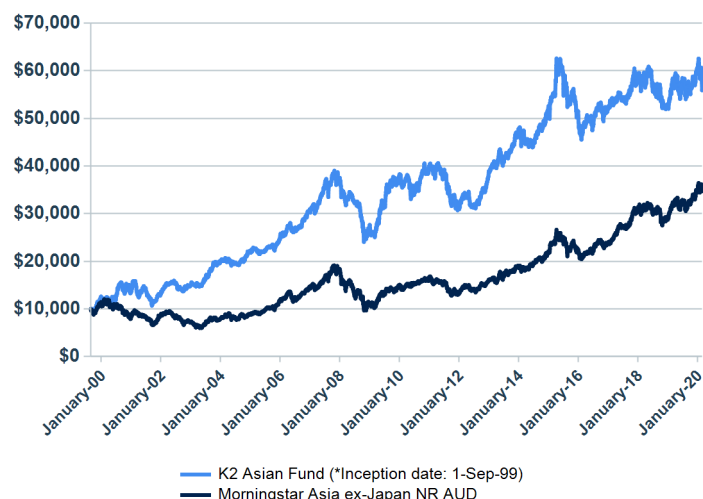
## 29 February 2020



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	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	15 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	-4.3%	-3.2%	-1.9%	1.9%	0.3%	4.5%	6.2%	8.8%	1-Sep-1999
Average Net Exposure	84.2%	89.8%	81.4%	75.9%	78.8%	83.6%	77.5%	74.9%	

### Growth of \$10,000



### Commentary

The K2 Asian Fund returned -4.3% for February.

Asian equity markets began the month in recovery mode as the impacts of the coronavirus appeared to be contained and the completion of another successful US reporting season lifted all boats.

However, after about three weeks of general complacency investors suddenly realised that the coronavirus could seriously impact global growth. As factories began to close and China effectively shut down, earnings downgrades quickly followed. Equity markets went into a tailspin. By month end, all positive gains had evaporated plus considerably more in some cases. As we go to print the response from central banks has been somewhat emphatic led by the US Federal Reserve's 50 basis point emergency cut to official interest rates.

Hong Kong (-0.7%) fared relatively better than their regional neighbours as it bore the brunt of the initial sell off in late January. Thailand (-11.5%) was hardest hit while other markets including Indonesia (-8.2%), Korea (-6.2%) and India (-6.4%) also fell sharply.

One of the few positive contributors to fund performance included China Tower Corporation which is expected to be a significant beneficiary of China's 5G deployment. The stock benefitted from the regulator publicly urging the major Telcos to accelerate their 5G construction plans, providing investors with higher degree of earnings certainty.

The AUD ended the month down -2.6% versus the USD at 0.6515. The fund is currently 92% hedged to the AUD providing capital protection against a rising AUD. Net exposure has increased slightly to 88%.

During periods of increased market volatility and uncertainty we maintain our vigilant investment approach with a focus on high quality companies that are undervalued relative to their future prospects.

Top 5 Stock Holdings	Current	Monthly Move
Alibaba Group Holding Ltd	8.8%	+1.1%
Tencent Holdings Ltd	8.4%	+1.2%
AIA Group Ltd	7.5%	+0.8%
Ping An Insurance Group	6.8%	+0.6%
Techtronic Industries Co Ltd	5.4%	+0.6%

Month End Exposures	Current	Monthly Move
Communication Services	11.9%	+2.0%
Consumer	20.2%	+2.9%
Energy	1.0%	-0.1%
Financials	25.5%	+1.4%
Health Care	3.5%	-0.1%
Industrials	11.7%	+0.7%
Information Technology	6.8%	+0.4%
Materials	4.1%	0.0%
Other	1.6%	+0.2%
Real Estate	3.3%	+0.3%
SHORTS	-1.2%	+2.5%
Number of Positions	33	-2
Gross Equity Exposure	90.9%	+5.2%
Cash Weighting	11.6%	-10.2%
Net Equity Exposure	88.4%	+10.2%
Currency Exposure Hedged of AUD	92.0%	-0.3%

### Fund Characteristics

FUM	AUD \$12m
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

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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			-0.6	4.3	9.2	10.8	-4.3	-3.4	4.1	-1.1	0.2	-1.0	18.6	3.6	35.2%	-13.8%	
2000/01	19.4	8.3	-5.3	-1.0	-3.2	-2.3	16.5	-2.0	-16.4	5.4	5.4	-2.0	19.2	-17.9	16.2%	-18.5%	
2001/02	-9.1	-6.9	-4.9	2.3	10.3	1.1	8.7	4.4	2.4	1.8	1.7	-1.5	8.6	-3.1	35.5%	-12.0%	
2002/03	-7.2	0.5	-2.8	3.6	3.6	-0.5	2.4	-0.5	-1.8	0.1	3.7	4.4	4.9	-19.3	41.2%	-13.0%	
2003/04	4.4	6.5	4.4	5.2	-0.3	0.9	1.5	0.8	-1.8	-0.7	-0.2	0.0	22.4	25.2	38.0%	-5.3%	
2004/05	-1.2	1.3	2.2	0.9	6.8	2.2	1.1	1.3	-3.0	-2.4	2.0	1.0	12.5	15.8	30.2%	-2.6%	
2005/06	3.4	0.2	1.9	-3.6	5.2	3.8	5.2	-1.0	5.0	2.3	-3.2	0.2	20.7	29.0	24.4%	-3.9%	
2006/07	0.2	2.0	2.4	2.9	3.4	2.7	1.2	0.3	0.6	3.0	5.5	4.0	31.9	29.3	31.1%	-1.4%	
2007/08	3.5	-0.2	2.7	4.0	-2.6	-1.2	-8.6	-0.4	-3.7	3.1	-0.1	-3.8	-7.6	-17.9	46.6%	-5.0%	
2008/09	-1.6	0.2	-10.8	-10.4	-0.7	5.2	-3.3	-1.4	4.8	8.0	10.3	0.9	-1.2	-1.4	49.5%	-4.0%	
2009/10	10.5	-2.6	4.7	0.9	-0.3	3.5	-4.7	0.0	3.8	-0.5	-7.4	-0.5	6.4	18.7	12.0%	-1.7%	
2010/11	4.4	-2.1	7.6	2.5	-0.8	2.1	0.5	-1.0	1.7	1.2	-1.8	-2.4	12.1	0.0	12.1%	-2.4%	
2011/12	-2.0	-5.4	-9.0	3.7	-6.2	-1.8	4.9	5.1	-0.9	1.2	-6.9	-1.0	-17.8	-9.9	20.1%	-2.1%	
2012/13	1.2	0.7	4.9	3.9	2.0	6.0	4.3	2.1	0.0	3.2	2.4	-3.6	30.2	23.3	6.9%	-0.1%	
2013/14	2.4	0.1	2.1	3.6	4.9	0.9	-1.6	0.9	-3.7	-0.2	0.4	-2.3	7.4	12.3	8.8%	0.0%	
2014/15	5.4	0.5	2.8	1.4	2.5	3.6	4.1	2.2	2.6	7.5	2.4	-4.2	34.9	27.7	12.9%	-0.1%	
2015/16	-4.5	-4.5	-1.4	3.4	-4.2	-2.9	-7.2	-1.6	4.0	2.5	0.2	-2.8	-17.8	-8.6	18.7%	0.0%	
2016/17	3.7	2.5	1.2	-3.3	1.6	0.2	2.7	-0.6	1.0	2.0	0.9	-2.3	9.9	20.0	20.6%	-0.4%	
2017/18	-0.1	2.2	0.5	4.5	1.4	-1.6	1.4	-0.2	-1.3	4.0	-0.2	-4.1	6.5	12.9	18.5%	-1.1%	
2018/19	-1.6	1.0	-0.1	-7.3	-1.1	1.6	1.8	5.6	1.3	1.3	-6.1	4.8	0.5	6.1	30.2%	-0.7%	
2019/20	0.0	-3.9	1.2	2.0	1.0	4.1	-2.7	-4.3					-2.8	7.1	16.2%	-1.3%	
													Incept	458.9	247.1		
													Incept	8.8%pa	6.3%pa	25.0%	-4.3%

(1) Morningstar Asia ex-Japan NR AUD

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