

K2 Asian Fund

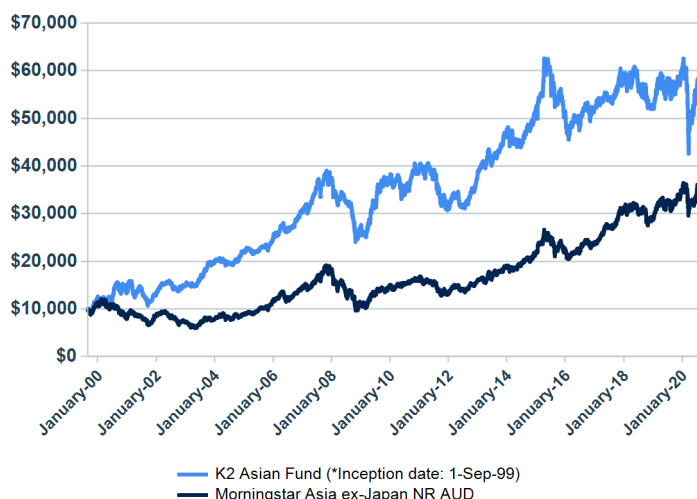
31 July 2020



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)	4.9%	11.2%	-0.7%	2.1%	0.1%	4.8%	6.3%	8.7%	1-Sep-1999
Average Net Exposure	95.5%	92.1%	87.6%	80.1%	79.9%	83.8%	78.4%	75.3%	

Growth of \$10,000



Commentary

The K2 Asian Fund returned +4.87% for the month of July.

Asian equity markets continued their post-Covid rally with broad based strength seen across the region. The falling USD, which recorded its biggest decline since September 2010, is beneficial to Asia's emerging economies and helped to drive equity markets higher. Increased participation from retail investors combined with boosted liquidity conditions from the central bank saw the mainland China index jump +10.9%.

Once again, a rising tide generally lifted all boats. Taiwan (+9.0%), India (+7.5%) and Korea (+6.7%) were the better performing countries. Hong Kong (+0.7%) significantly lagged its regional neighbours as Covid cases re-emerged and lockdowns were re-enforced.

Meanwhile, tensions between the US and China continue to simmer. We expect this to further escalate as the US election approaches. The myriad of issues in dispute including Trade, Hong Kong, TikTok, IP and the origins of Covid amongst others are being largely overlooked by markets at present but certainly represent a significant risk moving forward.

A significant positive contributor for the month included Budweiser Brewing Asia Pacific (BUD). The company's reported results comfortably exceeded expectations as sales volumes in China turned positive in May and June. We believe BUD will continue to benefit from the premiumisation of the Chinese consumer and remains a core holding for the fund.

The fund ended the month with a net exposure to equities of 96% reflecting our overall optimistic stance. As central banks continue to expand their balance sheets to fund government deficits while keeping interest rates at historic lows, risk assets such as equities will remain in high demand. The AUD ended the month up +3.67% versus the USD at 0.7143. The fund is currently 86% hedged to the AUD providing capital protection against a rising AUD.

Top 5 Stock Holdings	Current	Monthly Move
Alibaba Group Holding Ltd	10.1%	+1.1%
Tencent Holdings Ltd	7.2%	-2.0%
Techtronic Industries Co Ltd	4.5%	-0.9%
Seven Group Holdings Ltd	4.4%	0.0%
Shenzhou International Group	3.7%	-0.2%

Month End Exposures	Current	Monthly Move
Communication Services	9.7%	-2.8%
Consumer	32.1%	+9.0%
Financials	19.0%	-4.3%
Health Care	4.1%	+1.5%
Industrials	14.2%	-3.1%
Information Technology	3.6%	+0.2%
Materials	9.6%	+0.4%
Other	1.3%	-0.4%
Real Estate	2.4%	-0.3%
Number of Positions	39	+1
Gross Equity Exposure	95.9%	+0.2%
Cash Weighting	4.1%	-0.2%
Net Equity Exposure	95.9%	+0.2%
Currency Exposure Hedged of AUD	86.2%	-4.1%

Fund Characteristics

FUM	AUD \$11m
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	-13.6	6.4	1.9	4.1	-5.3	3.3	14.0%	-1.2%	
2020/21	4.9												4.9	3.9	4.5%	-0.1%	
													Incept	471.4	247.5		
													Incept	8.7%pa	6.1%pa	24.0%	-4.1%

(1) Morningstar Asia ex-Japan NR AUD

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