

K2 Asian Fund

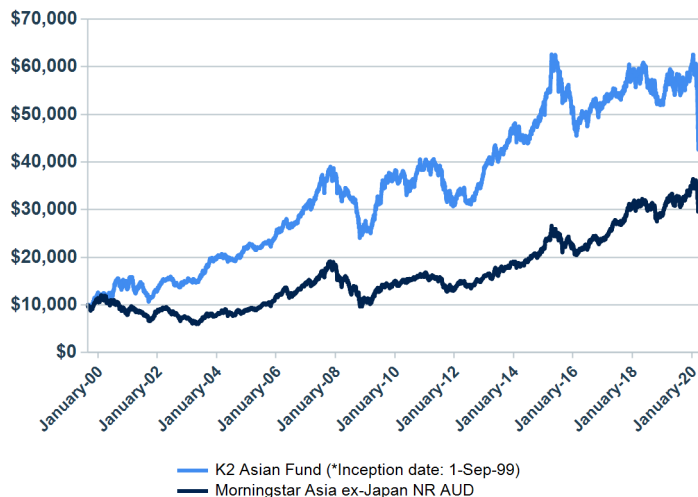
31 March 2020



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)	-13.6%	-19.6%	-16.3%	-3.3%	-3.1%	2.6%	5.4%	8.0%	1-Sep-1999
Average Net Exposure	90.3%	88.1%	82.5%	76.0%	78.9%	83.6%	77.6%	75.0%	

Growth of \$10,000



Commentary

The K2 Asian Fund returned -13.6% for the month of March.

Asian equity markets were not immune to the sharp sell-off in global equities markets as most major economies shut down on Covid-19 prevention measures. Investor concerns on the strength of corporate balance sheets to withstand the impending earnings shock caused widespread panic selling. This was further exasperated by the price of oil falling -54% to \$20.48 a barrel (WTI) rendering a vast majority of producers unprofitable. The policy response from central banks and governments has been swift with plans for massive monetary and fiscal stimulus announced.

However, not all Asian markets are equal. Hong Kong (-9.7%) and mainland China (-4.5%) fared relatively better than their regional neighbours as official infection rate data appeared to have stabilised and Chinese factories slowly return to work. As other Asian countries only just began to shut-down their markets led by India (-23.3%) and followed by Singapore (-17.6%), Indonesia (-16.8%), Thailand (16.0%), Korea (-11.7%) and all fared considerably worse.

The fund maintains its long positions in the two major resource heavyweights BHP and RIO. Both companies provide exposure to a portfolio of Tier 1 assets that generate high returns on capital and strong free cash flow. Their assets are long life with some of the lowest costs of production in the world. As a result they are able to sustain lower commodity prices throughout the cycle far better than their competitors. BHP and RIO will be major beneficiaries of China's return to work and the significant stimulus focused on infrastructure spending that is expected to follow.

The AUD ended the month down -6.34% versus the USD at 0.6102. The fund is currently fully hedged to the AUD providing capital protection against a rising AUD. Net exposure increased slightly to 91.4%.

Top 5 Stock Holdings	Current	Monthly Move
Tencent Holdings Ltd	10.4%	+2.0%
Alibaba Group Holding Ltd	10.2%	+1.4%
AIA Group Ltd	8.6%	+1.1%
Ping An Insurance Group	7.5%	+0.7%
Techtronic Industries Co Ltd	5.5%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	14.4%	+2.5%
Consumer	19.8%	-0.4%
Financials	28.0%	+2.5%
Health Care	1.9%	-1.6%
Industrials	11.7%	+0.1%
Information Technology	7.4%	+0.6%
Materials	4.9%	+0.8%
Other	1.9%	+0.3%
Real Estate	1.9%	-1.4%
SHORTS	-0.6%	+0.7%
Number of Positions	33	0
Gross Equity Exposure	92.5%	+1.6%
Cash Weighting	8.7%	-2.9%
Net Equity Exposure	91.3%	+2.9%
Currency Exposure Hedged of AUD	97.8%	+5.8%

Fund Characteristics

FUM	AUD \$10m
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				-16.0	-1.9	15.5%	-1.2%	
													Incept	383.0	218.0		
													Incept	8.0%pa	5.8%pa	25.0%	-4.3%

(1) Morningstar Asia ex-Japan NR AUD

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