

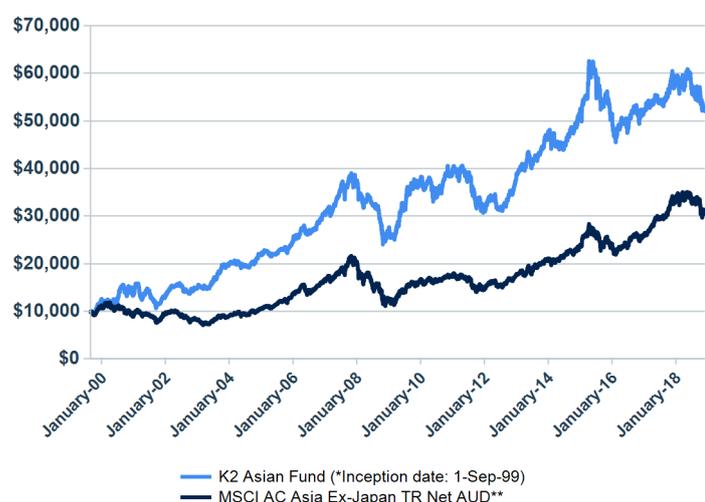
K2 Asian Fund

30 November 2018



	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)	-1.1%	-8.4%	-10.9%	-0.6%	2.2%	7.4%	6.7%	9.0%	1-Sep-1999
Average Net Exposure	55.9%	65.9%	81.9%	79.6%	82.5%	83.4%	76.7%	74.8%	

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
AIA Group Ltd	5.7%	-1.8%
CNOOC Ltd	5.0%	-0.1%
Ping An Insurance Group	4.8%	+1.0%
SK Telecom	2.7%	+0.2%
China Railway Group	2.5%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	2.7%	+0.2%
Consumer	4.2%	+1.1%
Energy	7.8%	-0.8%
Financials	15.1%	-3.5%
Industrials	8.8%	+2.4%
Information Technology	2.0%	0.0%
Materials	6.3%	-3.0%
Real Estate	2.2%	+1.2%
SHORTS	-0.9%	+0.4%
Number of Positions	27	+4
Gross Equity Exposure	50.1%	-2.7%
Cash Weighting	51.7%	+1.9%
Net Equity Exposure	48.3%	-1.9%
Currency Exposure Hedged of AUD	41.6%	-0.8%

Commentary

The K2 Asian Absolute Return Fund returned -1.1% for the month of November.

Post precipitous falls in October, Asian equity markets regained some but far from all of their lost ground in November rising 2.2%, as markets looked for direction in the face of trade wars, higher interest rates in the US and mixed corporate earnings reports. With the Asian market moving higher, the main gains were made by the Fund's long positions and its partial hedging back to the Australian dollar.

Aiding performance on the long side, the Fund's position in AIA Insurance was the largest contributor. Value was also added by power-tool manufacturer Techtronic and cement company BBMG. Elsewhere in Asia, Korea's SK Telecom rose 8% helping performance. Long positions that detracted were either oil related or based in Australia. Mining companies Alumina Ltd and Rio Tinto weighed on the Fund's performance as did oil companies PTT from Thailand and PetroChina as the oil price (WTI) fell 22% over the month and over 36% from its recent peak. With markets rising the Fund's short positions detracted from performance. The two main culprits being tech heavyweight Tencent and semiconductor company SMIC. The short in Tencent has been covered, but we see further downside in SMIC which has already fallen 43% since we initiated the short position.

The Fund's net equity exposure ended the month at 48% as we continue to watch economic and earnings events. A more cautious approach is warranted as global economic growth decelerates, however we are cognisant that any resolution in the trade war will be taken positively by Asian markets. China fiscal stimulus remains a likely outcome in 2019 as a further catalyst.

The Fund currently holds near a 40% hedged position to offset against any bounce in the Australian Dollar.

Fund Characteristics

FUM	AUD \$23m
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 stocks
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	1.36%
Buy/Sell	Daily Application/Redemption
Performance Fee	15.38% of the amount by which the NAV per unit exceeds the High Water Mark once the fund achieves its hurdle

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