

K2 Asian Fund

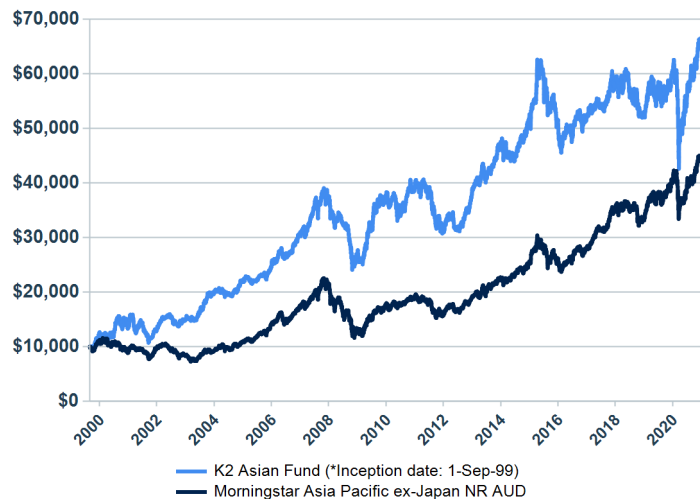
31 December 2020



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	Inception (%pa)	Inception Date
Performance (Net of Fees)	2.7%	9.3%	1-Sep-1999
Average Net Exposure	96.9%	75.7%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Tencent Holdings Ltd	6.1%	-0.5%
Summerset Group Holdings Ltd	5.1%	+0.6%
Seven Group Holdings Ltd	4.8%	+0.1%
Samsung Electronics Co Ltd	4.7%	+0.6%
Techtronic Industries Co Ltd	4.3%	+0.1%

Month End Exposures	Current	Monthly Move
Communication Services	9.0%	+2.5%
Consumer	25.7%	-1.7%
Financials	20.6%	-4.8%
Health Care	7.0%	+0.5%
Industrials	15.3%	+2.6%
Information Technology	4.7%	+0.6%
Materials	8.3%	+0.6%
Other	1.4%	0.0%
Real Estate	3.9%	-0.1%
Number of Positions	37	+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	75.3%	-1.6%

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Commentary

The strong returns continued in December. The K2 Asian Fund returned +2.7% for the month and has now returned +21.7% this financial year to be +5.0% ahead of the benchmark (BM). Since the cycle lows in the March correction the fund is up +56% outperforming the BM by +22.4%. The combination of good stock selection, investing cash early in the recovery and accumulation of the AUD at lower levels have all contributed to the strong performance vs benchmark since the severe March correction.

Asian equity markets continued their strong performance through December in line with their global peers. US equities finished the year at record highs as investor embraced further fiscal stimulus from Washington. 2020 was a year main street would like to forget but for global investors it was extremely rewarding as even lower interest rates, additional quantitative easing and enormous amounts of fiscal stimulus provided overwhelming support for equities with Asia also reaping the benefits.

As we go to print the Democrats appear to have gained control of the US Senate giving them a clean sweep. On one hand this will likely lead to increased taxes and regulation while on the other hand significant fiscal spending is expected. The exponential increase in money supply has provided rocket fuel for asset prices. Since mid-March 2020 the Federal Reserve US Money Supply (M2) has risen by +20% which correlates to approximately 41 S&P 500 points for every US\$100bn.

Gains were broad based across all major countries. Korea (+10.9%) was the standout performer followed by India (+7.8%) then Taiwan (+7.4%). Hong Kong (+3.4%) and mainland China (+2.4%) were the relative laggards, dragged down by the announcement of an investigation into monopolistic behaviour by Alibaba and the associated negative spill over effect.

Recently increased weightings to the Financials sector has continued to benefit the portfolio. Major positive contributors within the sector include Summerset Group Holdings (NZ) (+18%) and AIA Group (HK) (+12%). The fund also benefited from its long term core Resource holdings with large gains recorded for the month from Fortescue Metals Group (+29%), Rio Tinto Group (+12%) and BHP Group (+11%) driven by the strong rise in iron ore which rallied 30% in December.

The Fund's net exposure currently sits at 96%. The fund remains optimistically positioned as we continue to position the portfolio to benefit from a more reflationary environment as central banks continue unabated

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

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	4.5	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	-8.4	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	-1.9	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	-15.3	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	24.1	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	19.4	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	27.7	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	28.9	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	-16.7	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	-6.2	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	17.3	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	2.8	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	-9.4	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	22.9	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	13.2	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	22.1	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	-6.6	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	19.2	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	13.0	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	7.1	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	1.4	14.0%	-1.2%
2020/21	4.9	6.2	-1.4	1.8	6.0	2.7							21.7	16.7	3.0%	-0.1%
Incept													563.4	347.2		
Incept													9.3%pa	7.3%pa	23.9%	-4.1%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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