

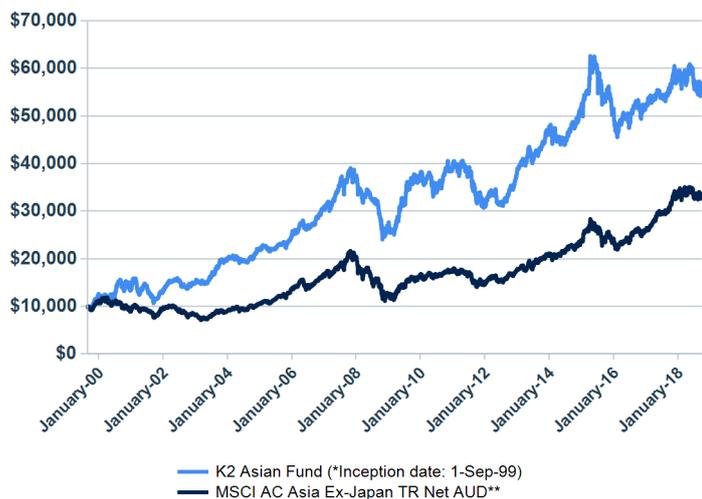
K2 Asian Fund

30 September 2018



	1 mth	3 mths	1yr	3yrs (%pa)	5yrs (%pa)	10yrs (%pa)	15yrs (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	-0.1%	-0.7%	3.0%	2.0%	5.7%	7.1%	7.7%	9.5%	1-Sep-1999
Average Net Exposure	76.5%	80.8%	85.1%	81.0%	83.7%	83.0%	76.8%	75.0%	

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
CNOOC Ltd	9.2%	+2.6%
AIA Group Ltd	7.7%	+1.7%
Techtronic Industries Co Ltd	5.3%	+1.2%
BHP Billiton Limited	4.7%	+1.1%
DBS Group Holdings Ltd	4.2%	+1.0%

Month End Exposures	Current	Monthly Move
Consumer	11.0%	-5.5%
Energy	13.0%	+2.7%
Financials	22.3%	-3.4%
Industrials	6.6%	+2.5%
Information Technology	4.2%	-4.9%
Materials	14.7%	+3.6%
Real Estate	2.4%	-0.9%
Telecommunication Services	2.4%	+0.6%
Utilities	2.0%	+2.0%
SHORTS	-0.4%	0.0%
Number of Positions	27	-11
Gross Equity Exposure	79.0%	-4.6%
Cash Weighting	21.8%	+4.7%
Net Equity Exposure	78.2%	-4.7%
Currency Exposure Hedged of AUD	41.5%	-10.6%

Commentary

The K2 Asian Absolute Return Fund returned -0.1% for the month of September while Asian markets returned -1.4%.

Asian markets moved wildly over the month, with the most significant decline being India, falling -6.4%, while Hong Kong was near flat at -0.4%. Markets that pushed higher included Singapore +1.4% and Thailand +2.0%. These returns masked the intra-month volatility as emerging markets sold off in the face of the trade war between China and the US. The clarification by the US of the 10% tariff, rising to 25% gave markets clarity and a point from which they based a recovery.

The largest contributors to performance included CNOOC, the Chinese oil company which rose 11.7% buoyed by rising oil prices and China Taiping Insurance, which bounced 17.3% off the intra-month lows as investors re-focused on positive fundamentals.

Macau casino stocks remained under pressure as gamblers shied away and Typhoon Mangkhut caused a 33 hour shut down, with the Fund's holding in Melco International Development the greatest detractor.

At the end of September, the Fund had a net exposure to equity markets of 78.2% with lingering concerns over geopolitical rhetoric and softer earnings tempering our enthusiasm, however greater clarity on trade tariffs is a positive for the Asian region.

The Fund had benefited from its unhedged position due to weakness in the Australian dollar over the last quarter; with these gains and the AUD hitting a key resistance level of 72c, the Fund now holds a near 50% hedged position to protect gains made and offset any bounce in the Australian Dollar.

Fund Characteristics	
FUM	AUD \$26m
Portfolio Managers	Campbell Neal, Mark Newman, Nicholas Leiti, 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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