

K2 Asian Fund

31 May 2024

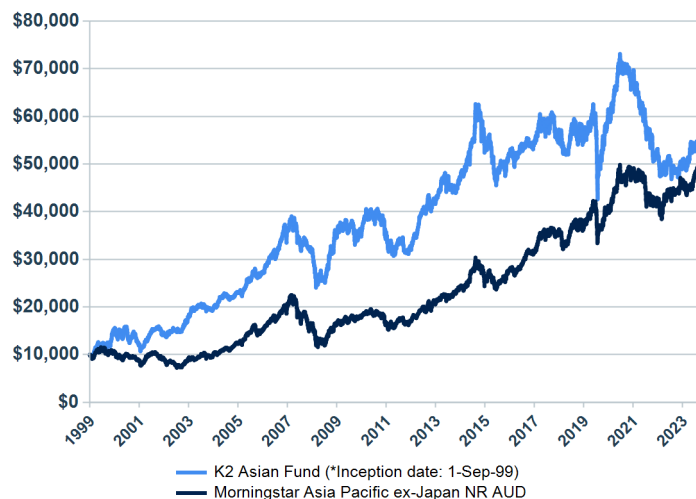


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	-1.72%	159.17	6.83%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	9.3%	+0.4%
RIO Tinto Ltd	9.0%	+0.0%
JPMorgan Chase & Co	8.8%	+0.4%
Macquarie Group Ltd	8.4%	+0.3%
BHP Group Ltd	8.0%	+0.4%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	54.5%	+4.4%
Mid Caps >=AUD\$2b < AUD\$7.5b	21.1%	-17.4%
Small Caps < AUD\$2b	15.1%	+1.5%

Month End Exposures	Current	Monthly Move
Consumer	6.3%	-0.7%
Energy	5.8%	+0.2%
Financials/Real Estate	36.3%	-5.6%
Health Care	4.8%	-0.2%
Industrials	14.6%	+0.4%
Information Technology	5.8%	-0.4%
Materials	17.3%	-5.2%
Number of Positions	20	-4
Gross Equity Exposure	91.0%	-11.5%
Cash Weighting	9.0%	+11.5%
Net Equity Exposure	91.0%	-11.5%
Currency Exposure Hedged of AUD	82.1%	+1.2%

Commentary

The K2 Asian Fund returned -1.72% for the month to be up +7.3% for the current fiscal year-to-date (FYTD).

The recent rates cuts from the European Central Bank (ECB) and the Bank of Canada (BoC) are a welcomed sign for markets and supportive for the soft-landing scenario that central banks globally have been working to engineer. However, some context as always is important. Those anticipating a series of rapid rate cuts from these two central banks will be disappointed. They are simply at the start of what is expected to be a prolonged period of higher cash rates compared to the previous cycle as rates are lowered in a measured pace over the coming few years.

Unlike the EU region, more hawkish rhetoric continues to be the theme in the US. The Fed continues to deal with the robust aggregate economic conditions led by government spending, accelerated relocation of global manufacturing away from China towards the NAFTA region, the persistent tight labour market and stubborn core inflation. This makes it difficult for The Fed to make the case for lower cash rates anytime soon. Pleasingly, a growing economy (although uneven and mixed) can absorb the higher bond yields to a point as US earnings (aggregate) continue to expand but at a slower pace.

The second largest economy, China continues to go down the path of targeted policies and additional stimulatory monetary policy to deal with the property sector concerns. More targeted stimulus will be required as sentiment remains weak. The focus for China continues to be their export sector and the lower prices which are amplify trade tensions with the US.

Domestically, a hawkish RBA is the theme. While we still believe the next rate move will be lower over the next 12-months, it is very clear that the RBA needs to navigate the inflationary impact of the fiscal stimulus (federal and state), robust ongoing labour market, reasonable aggregate conditions and ongoing stubborn core inflation. When you include the 1 July tax cuts and global conditions holding up well, it is very difficult for the RBA to justify removing restrictive monetary policy and places pressure to hike rates. Within the region investors continue to focus on Japan and south-east APAC markets. The K2 Asian Fund continues to be underweight China but has a focus on companies with earnings that export to China.

Fund Characteristics

Portfolio Managers	Campbell Neal, David Poppenbeek and Bill Laister
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			-0.55	4.28	9.21	10.82	-4.26	-3.40	4.12	-1.07	0.21	-1.03	18.59	4.45	35.23%	-13.83%
2000/01	19.41	8.29	-5.29	-0.99	-3.15	-2.32	16.53	-1.96	-16.41	5.38	5.37	-2.02	19.17	-8.44	16.17%	-18.46%
2001/02	-9.11	-6.94	-4.93	2.26	10.31	1.07	8.68	4.40	2.42	1.76	1.68	-1.51	8.58	-1.93	35.54%	-11.97%
2002/03	-7.19	0.47	-2.84	3.56	3.55	-0.49	2.38	-0.55	-1.77	0.08	3.74	4.43	4.86	-15.33	41.25%	-13.04%
2003/04	4.43	6.54	4.42	5.22	-0.33	0.86	1.54	0.84	-1.81	-0.71	-0.20	-0.05	22.37	24.06	38.03%	-5.30%
2004/05	-1.23	1.34	2.18	0.90	6.81	2.23	1.07	1.29	-3.05	-2.36	2.02	0.96	12.48	19.44	30.24%	-2.62%
2005/06	3.43	0.21	1.87	-3.62	5.16	3.78	5.25	-0.95	5.04	2.33	-3.25	0.24	20.67	27.67	24.43%	-3.88%
2006/07	0.19	2.00	2.41	2.92	3.39	2.73	1.16	0.33	0.59	2.99	5.47	3.98	31.93	28.88	31.06%	-1.35%
2007/08	3.51	-0.19	2.71	3.98	-2.56	-1.16	-8.59	-0.36	-3.66	3.11	-0.07	-3.80	-7.58	-16.72	46.58%	-4.98%
2008/09	-1.61	0.25	-10.76	-10.40	-0.67	5.17	-3.32	-1.41	4.80	8.03	10.26	0.85	-1.15	-6.23	49.48%	-3.99%
2009/10	10.46	-2.58	4.70	0.90	-0.30	3.52	-4.67	-0.04	3.76	-0.46	-7.44	-0.49	6.37	17.31	12.03%	-1.70%
2010/11	4.36	-2.11	7.61	2.52	-0.78	2.06	0.53	-1.01	1.72	1.20	-1.79	-2.36	12.13	2.75	12.14%	-2.43%
2011/12	-1.98	-5.41	-8.97	3.67	-6.16	-1.81	4.86	5.08	-0.91	1.21	-6.90	-0.95	-17.85	-9.36	20.10%	-2.08%
2012/13	1.21	0.73	4.90	3.90	2.00	6.00	4.30	2.11	-0.04	3.21	2.38	-3.61	30.23	22.88	6.86%	-0.14%
2013/14	2.40	0.08	2.15	3.60	4.91	0.93	-1.63	0.89	-3.74	-0.21	0.36	-2.26	7.39	13.18	8.82%	0.00%
2014/15	5.40	0.48	2.80	1.36	2.46	3.58	4.12	2.23	2.64	7.51	2.38	-4.23	34.88	22.15	12.90%	-0.08%
2015/16	-4.46	-4.54	-1.35	3.40	-4.19	-2.86	-7.18	-1.56	4.04	2.48	0.24	-2.76	-17.78	-6.59	18.72%	0.00%
2016/17	3.75	2.48	1.23	-3.34	1.59	0.17	2.65	-0.56	1.02	2.03	0.95	-2.30	9.86	19.17	20.63%	-0.44%
2017/18	-0.07	2.20	0.54	4.48	1.44	-1.57	1.39	-0.18	-1.30	3.97	-0.22	-4.08	6.48	13.00	18.53%	-1.15%
2018/19	-1.65	1.04	-0.07	-7.32	-1.07	1.61	1.84	5.64	1.25	1.31	-6.13	4.83	0.47	7.07	30.20%	-0.69%
2019/20	0.02	-3.87	1.23	2.03	1.02	4.06	-2.74	-4.31	-13.58	6.44	1.86	4.05	-5.28	1.39	14.03%	-1.16%
2020/21	4.87	6.19	-1.42	1.80	6.03	2.75	3.97	1.41	-1.37	1.73	0.55	-0.52	28.82	29.05	3.44%	-0.16%
2021/22	-4.54	2.69	-4.09	-0.97	-5.20	-0.51	-3.52	-1.05	-2.69	0.12	-1.94	-9.54	-27.55	-13.82	8.53%	-0.14%
2022/23	2.89	-0.04	-8.68	0.82	4.35	-4.17	5.96	-1.48	-3.09	0.26	-1.34	-0.68	-5.90	4.32	11.79%	-0.59%
2023/24	4.63	-0.15	0.83	-2.88	3.67	7.00	-0.17	-1.70	2.75	-4.60	-1.72		7.29	10.13	1.77%	-0.32%
												Incept.	413.42	389.67		
												Incept.	6.83%pa	6.63%pa	21.94%	-3.62%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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