

# K2 Asian Fund

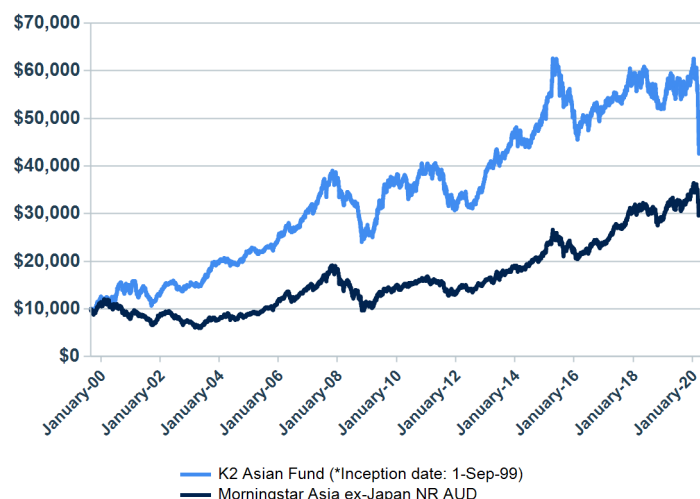
## 30 April 2020



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)	6.4%	-12.0%	-12.1%	-1.9%	-3.3%	3.3%	6.0%	8.2%	1-Sep-1999
Average Net Exposure	90.5%	88.4%	83.9%	76.8%	79.1%	83.6%	77.8%	75.1%	

### Growth of \$10,000



### Commentary

The K2 Asian Fund returned +6.44% for the month of April.

Asian equity markets bounced off their March lows as investors began to look through the economic carnage inflicted by Covid-19. With most Asian countries in the process of slowly relaxing restrictions, investor focus has shifted to the timing and shape of recovery. Concern over corporate solvency is slowly dissipating as company's moved swiftly to strengthen balance sheets and increase liquidity. Expectations are high for the amount and scope of stimulus measures China will announce to re-invigorate their economy. There will be clear winners from this, particularly in the resource and consumer discretionary sectors where we maintain significant exposure. Any escalation of the US-China trade war and threatened imposition of additional tariffs represent a significant risk to Asian markets going forward. We will continue to closely monitor the situation as the blame game erupts within the US government.

Within Asian markets a rising tide did lift all boats. Tech heavy Taiwan (+13.2%) and Korea (+11.0%) were the better performing countries as their supply chains returned to normal production. Hong Kong (+4.4%) and mainland China (+4.0%) also fared well.

Positive contributors for the month included Tencent and Techtronic Industries, where both companies continue to benefit from their recession resilient business models.

The fund ended the month with a net exposure to equities of 92%. In Asia, we take the view that Covid-19 has largely been dealt with, albeit at different stages for different countries, and governments are dealing proactively with the economic fallout. While the full extent of the damage is still largely unknown, the recovery in Asia is very much underway especially when compared to global more developed peers.

The AUD ended the month up +6.92% versus the USD at 0.6524. The fund is currently close to fully hedged to the AUD providing capital protection against a rising AUD.

Top 5 Stock Holdings	Current	Monthly Move
Tencent Holdings Ltd	10.1%	-0.2%
Alibaba Group Holding Ltd	9.5%	-0.7%
AIA Group Ltd	7.9%	-0.7%
Ping An Insurance Group	7.0%	-0.5%
Techtronic Industries Co Ltd	5.7%	+0.2%

Month End Exposures	Current	Monthly Move
Communication Services	13.7%	-0.7%
Consumer	19.7%	-0.1%
Financials	28.8%	+0.7%
Health Care	2.0%	+0.1%
Industrials	12.5%	+0.8%
Information Technology	6.8%	-0.6%
Materials	5.4%	+0.5%
Other	1.8%	-0.1%
Real Estate	4.7%	+2.7%
SHORTS	-3.5%	-2.9%
Number of Positions	35	+2
Gross Equity Exposure	98.8%	+6.3%
Cash Weighting	8.2%	-0.4%
Net Equity Exposure	91.8%	+0.4%
Currency Exposure Hedged of AUD	93.7%	-4.1%

### 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	6.4			-10.6	0.5	14.9%	-1.3%	
													Incept	414.1	225.7		
													Incept	8.2%pa	5.9%pa	24.9%	-4.3%

(1) Morningstar Asia ex-Japan NR AUD

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