

K2 Asian Fund

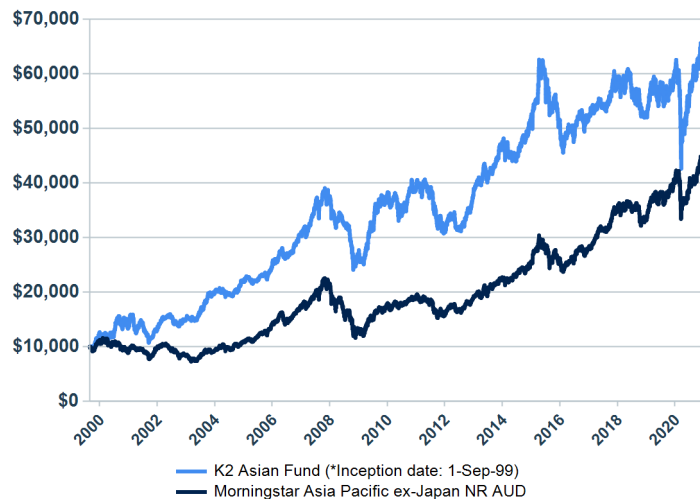
30 November 2020



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)	6.0%	9.2%	1-Sep-1999
Average Net Exposure	97.3%	75.6%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Tencent Holdings Ltd	6.6%	-2.1%
Seven Group Holdings Ltd	4.7%	+0.1%
Summerset Group Holdings Ltd	4.5%	-0.1%
AIA Group Ltd	4.5%	+0.2%
Techtronic Industries Co Ltd	4.2%	-1.7%

Month End Exposures	Current	Monthly Move
Communication Services	6.6%	-2.1%
Consumer	27.4%	-2.6%
Financials	25.4%	+2.4%
Health Care	6.5%	-0.1%
Industrials	12.7%	-1.4%
Information Technology	4.1%	+0.3%
Materials	7.6%	+0.2%
Other	1.4%	0.0%
Real Estate	4.0%	+1.6%
Number of Positions	36	0
Gross Equity Exposure	95.7%	-1.7%
Cash Weighting	4.3%	+1.7%
Net Equity Exposure	95.7%	-1.7%
Currency Exposure Hedged of AUD	76.9%	-1.0%

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Commentary

The strong returns continued in November. The K2 Asian Fund returned +6.0% for the month and has now returned +18.5% this financial year to be +3.9% ahead of the benchmark (BM). Since the cycle lows in the March correction the fund is up +52% outperforming the BM by +20.6%. 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 advanced strongly in November, broadly in line with their global peers as positive news flow from multiple vaccine candidates invigorated investors. Looking under the hood, more Value orientated and Cyclical stocks, which will benefit as economies re-open, significantly outperformed their Growth counterparts. We expect this rotation to continue as investors slowly reposition their portfolios.

The US political environment, a prior cause of market angst, particularly in terms of Chinese trade relations, has taken a back seat. Despite on-going court challenges it now appears only a formality that the election will be officially called in Biden's favour. However, with government remaining divided, Biden's platform of tax hikes, increased regulation and healthcare reform is now likely to be blocked. This is Nirvana for markets from which Asia will also reap the benefits.

A significant positive contributor for the month included Emerging market focused bank Standard Chartered. While overall banking conditions still remain challenging in the very short term, the company will benefit from increased global economic activity as vaccines are rolled out. Additional tailwinds in November included a falling USD and rising bond yields.

The fund ended the month with a net exposure to equities of 96% reflecting our unchanged overall optimistic stance. Central banks have committed to keeping interest rates at historic lows and its now up to Governments to provide the necessary fiscal stimulus to maintain economic momentum. In this environment equities are the asset class of choice.

The AUD ended the month up +4.68% versus the USD at 0.7357. The fund is currently 77% hedged to the AUD providing capital protection against a rising AUD.

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								18.5	14.6	3.0%	-0.1%
												Incept	545.6	339.2		
												Incept	9.2%pa	7.2%pa	23.9%	-4.1%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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