

K2 Asian Fund

30 September 2023

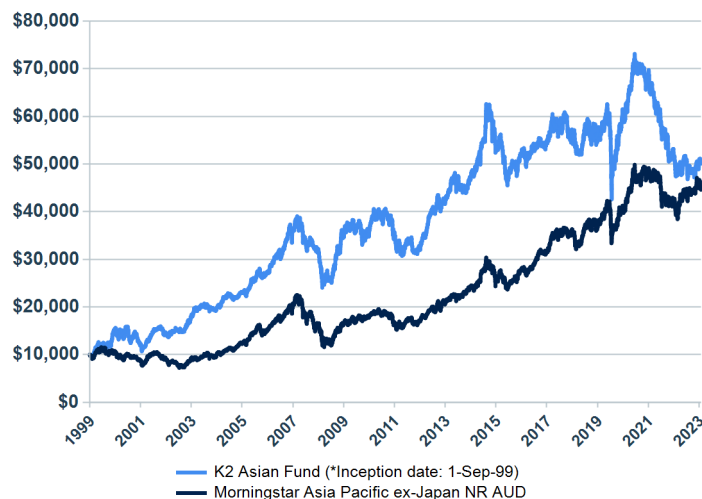


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	0.83%	156.28	6.95%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	9.2%	+1.0%
BHP Group Ltd	7.3%	-0.1%
Kina Securities Ltd	7.1%	-0.4%
RIO Tinto Ltd	6.6%	+0.0%
Macquarie Group Ltd	6.5%	-0.4%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	47.4%	-1.7%
Mid Caps >=AUD\$2b < AUD\$7.5b	23.1%	-1.0%
Small Caps < AUD\$2b	21.3%	-1.7%

Month End Exposures	Current	Monthly Move
Communication Services	2.9%	-0.1%
Consumer	5.8%	-2.3%
Energy	13.2%	+0.5%
Financials/Real Estate	23.8%	-0.9%
Health Care	1.9%	-3.4%
Industrials	14.7%	+0.8%
Information Technology	5.0%	+0.0%
Materials	24.6%	+1.0%
Number of Positions	24	-2
Gross Equity Exposure	92.0%	-4.4%
Cash Weighting	8.0%	+4.4%
Net Equity Exposure	92.0%	-4.4%
Currency Exposure Hedged of AUD	85.8%	+0.7%

Commentary

The K2 Asian Fund returned +0.83% for the month outperforming the index by +2.94%. The fund is now up +5.3% over the past three months. Maintaining an underweight to China has been positive for the fund.

The economic theme within the APAC Region over the past two years is the consistent weaker economic momentum for mainland China. The key challenge for the second largest economy is dealing with the consequences of the very sharp and depressed property construction sector. The impact on other key partial economic indicators has also been severe. This is clearly evident in the weak consumer and business sentiment. The high debt levels within the property sector are also notable headwinds and a challenge for Beijing as they look to deliver another stimulus package to help drive domestic demand.

Given the challenges from the property sector in China, it is no surprise that monetary policy has been accommodative while other economies have been raising interest rates. The central bank, the PBoC has been stimulating their economy. While this has helped cushion the downside many challenges remain. In particular, the regulatory over reach by Beijing in 2021 has been a negative for global investors who remain underweight. Further, the large debt ratios and property construction sector headwinds have combined to hold back the China recovery.

While a weaker China economy tends to be linked with weaker resource sector, that correlation has been a little different year to date. Energy prices, bulk commodities and key metals have broadly held up or have not been as weak as anticipated. This is in part due to other economies globally holding up economically compared to expectation. Also, the energy sector is at the beginning of the long transition for western economies. The lower investment within the sector, combined with ongoing global demand plus potential supply shocks have all underpinned oil prices this year. The beneficiaries of the China slowdown within the region continues to be Japan, India and the South-east Asia region (including Australia).

The K2 Asian Fund has maintained an underweight exposure to China and an overweight to South-East Asia Pacific region. A focus on earnings that export to China continues to be our preferred investment strategy.

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										5.34	0.62	5.73%	0.00%
Incept.													404.10	347.38		
Incept.													6.95%pa	6.42%pa	22.10%	-3.61%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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