

K2 Asian Fund

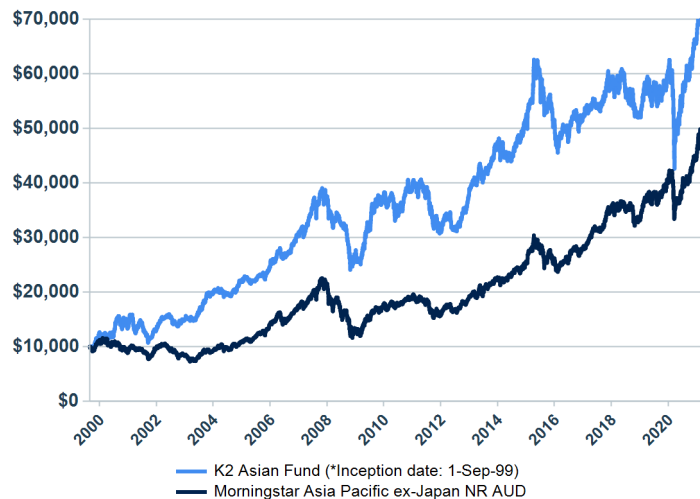
28 February 2021



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)	1.4%	9.5%	1-Sep-1999
Average Net Exposure	95.4%	75.8%	

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Tencent Holdings Ltd	5.5%	-1.7%
Summerset Group Holdings Ltd	5.0%	+0.2%
Kina Securities Ltd	4.9%	+0.5%
Samsung Electronics Co Ltd	4.4%	-0.1%
Alibaba Group Holding Ltd	4.2%	+1.6%

Month End Exposures	Current	Monthly Move
Communication Services	8.5%	-1.6%
Consumer	23.5%	+0.5%
Financials	26.5%	-0.6%
Health Care	6.8%	+0.0%
Industrials	12.4%	-1.3%
Information Technology	4.4%	-0.1%
Materials	8.9%	+0.8%
Other	1.4%	0.0%
Real Estate	2.1%	0.0%
Number of Positions	35	-1
Gross Equity Exposure	94.5%	-3.9%
Cash Weighting	5.5%	+0.9%
Net Equity Exposure	94.5%	-0.9%
Currency Exposure Hedged of AUD	80.6%	-0.1%

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Commentary

The strong returns continued in February. The K2 Asian Fund returned +1.4% for the month and has now returned +28.4% this financial year to be +6.5% ahead of the benchmark (BM). Since the cycle lows in the March correction the fund is up +64% outperforming the BM by +25%. 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 March economic cycle reset.

Asian equity markets jumped out of the blocks in February before falling away over the second half of the month in what was almost a mirror image of January albeit for different reasons. On this occasion, rising bond yields, which are especially bad for growth stocks, catapulted higher, putting pressure on equity valuations. In the US, 10 year bond yields peaked at over 1.5%, a level not seen for over 12-months. While still low by historical standards the equity market rotation away from Growth at Any Price has started.

Not surprisingly, under this scenario, the more Value orientated Asian markets performed well. India (+6.6%) was the standout performer while Hong Kong (+2.5%) and Taiwan (+5.4%) also performed well. Tech heavy Korea (+1.2%) lagged on a relative basis.

In a blow to sentiment, on Feb 24th the HK Government announced a 30% increase in stamp duty on stock trades to 13bps, the first hike since 1993. While we don't expect this to have any impact on longer term market performance it didn't help calm the nerves of already jittery investors.

A positive contributor to fund performance included Macau casino operator Galaxy Entertainment Group. Macau casino stocks benefitted from a relaxing of quarantine requirements and widening of its vaccination roll-out program to all residents, providing a much needed boost to the recovery hopes for the city's gaming sector.

The AUD consolidated its gains, advancing +0.81% for the month as commodity prices continued to rally. Copper, nickel, aluminium, oil and iron ore all surged as investors embraced a more reflationary environment aided by the global vaccine rollout. It is expected that large global fiscal stimulus programs will drive further commodity intensive infrastructure. The fund is currently 80.6% hedged to the AUD providing capital protection against a rising AUD.

The fund's net exposure currently sits at 94.5%. The fund remains fully invested as we position the portfolio to benefit from a more inflationary and higher bond yield environment. Central banks globally continue to emphasise their willingness to keep the money flowing. Against this backdrop, equities are the asset class of choice.

Fund Characteristics

FUM	AUD \$11m
Portfolio Managers	Campbell Neal, David Popenbeek, 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	2.7	4.0	1.4					28.4	21.9	3.4%	-0.2%
Incept													599.4	367.0		
Incept													9.5%pa	7.4%pa	23.9%	-4.1%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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