

K2 Asian Fund

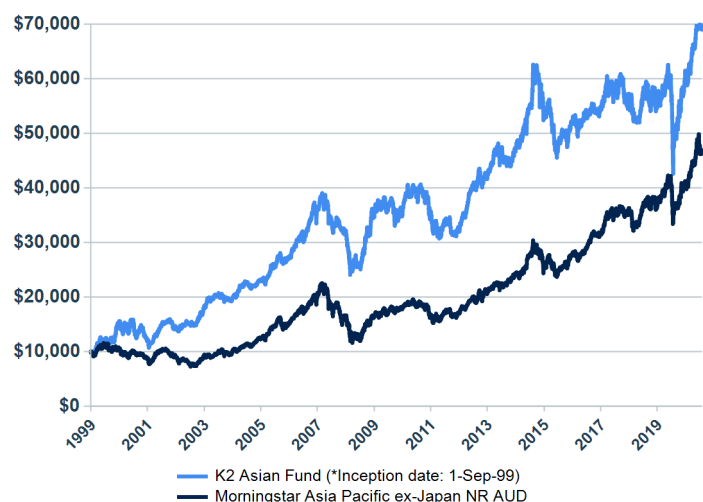
31 March 2021



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	3 Months	6 Months	1 Year	5 Years (%pa)	10 Years (%pa)	15 Years (%pa)	Inception (%pa)
Performance (Net of Fees)	-1.37%	3.98%	15.32%	42.81%	7.08%	5.71%	6.47%	9.36%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Tencent Holdings Ltd	5.0%	-0.6%
Summerset Group Holdings Ltd	4.7%	-0.3%
Techtronic Industries Co Ltd	4.6%	+0.6%
Samsung Electronics Co Ltd	4.5%	+0.1%
Topsports International Hold	4.4%	+1.2%

Month End Exposures	Current	Monthly Move
Communication Services	8.1%	-0.5%
Consumer	30.4%	+6.9%
Financials	24.7%	-1.8%
Health Care	6.6%	-0.2%
Industrials	12.4%	0.0%
Information Technology	6.5%	+2.1%
Materials	7.3%	-1.6%
Other	1.3%	0.0%
Real Estate	2.0%	0.0%
Number of Positions	38	+3
Gross Equity Exposure	99.2%	+4.7%
Cash Weighting	0.8%	-4.7%
Net Equity Exposure	99.2%	+4.7%
Currency Exposure Hedged of AUD	81.6%	+1.0%

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Commentary

The K2 Asian Fund returned -1.37% for the month and has now returned +26.6% this financial year to be +4.9% ahead of the benchmark (BM). The fund has also performed strongly over the past year to be +42.8% outperforming the BM by +12.6%. 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 economic cycle reset.

Asian equity markets experienced mixed returns in March in contrast with their broadly stronger performing developed market peers. While rising bond yields saw more value orientated markets in Europe outperform this did not extend to China and HK as the political backlash against Big Tech and delayed COVID re-openings weighed on investor sentiment. Despite central banks globally being at pains to reinforce their message of looser for longer monetary policy inflation concerns persist. However, by allowing 10+ year bond yields to run they are effectively tightening without tightening. While official US inflation numbers might still be palatable if it were calculated today using 1990 methodology the number would be closer to 5% (source: shadowstats.com)

Peeking under the bonnet, March served up a healthy dose of "Madness" for investors to navigate. Not to be confused with the college basketball tournament which is currently being decided between Gonzaga and Baylor as we go to print. If we needed a reminder about the effects of over-leverage, Archegos certainly provided it and we remain wary of whether this might be a canary in a coal mine event. And, a ship was stuck in the Suez Canal for 6 days wreaking havoc with global trade.

Singapore (+7.3%) was a better performing market driven by their larger financials exposure aided by rising bond yields. Taiwan (+3.0%) and Korea (+1.6%) also performed well while Hong Kong (-2.1%) and mainland China (-1.9%) lagged.

A positive contributor to fund performance included power tool manufacturer Techtronic Industries. The company reported FY2020 results early in the month which exceeded elevated expectations. With US big box hardware retail giant Home Depot representing approximately 50% of Techtronic revenue, they are benefitting from the US consumers insatiable appetite for DIY home improvement. The AUD ceded part of the recent strong gains, declining -1.15% for the month to 0.7617. The fund is currently 82% hedged to the AUD providing capital protection against a rising AUD. The fund remains fully invested and positioned to benefit from a higher inflationary environment fuelled by central bank largesse and enormous government spending programs. Against this backdrop, equities are the asset class of choice.

Fund Characteristics

FUM	AUD \$11m
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			-0.55	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				26.59	21.69	3.31%	-0.22%	
													Incept.	589.80	366.38		
													Incept.	9.36%pa	7.40%pa	23.92%	-4.07%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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