

K2 Asian Fund

31 July 2023

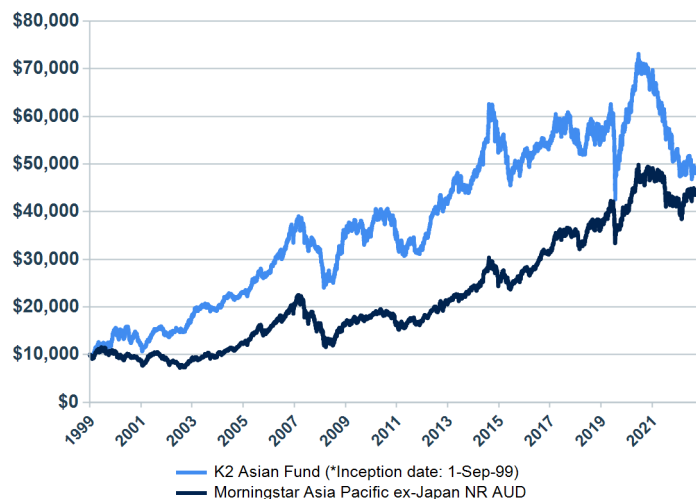


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	4.63%	155.23	6.97%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	7.7%	+0.1%
BHP Group Ltd	7.6%	-0.2%
Kina Securities Ltd	7.2%	+0.2%
Macquarie Group Ltd	6.8%	-0.4%
RIO Tinto Ltd	6.8%	-0.2%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	52.0%	+3.2%
Mid Caps >=AUD\$2b < AUD\$7.5b	23.4%	+0.6%
Small Caps < AUD\$2b	19.3%	-1.1%

Month End Exposures	Current	Monthly Move
Communication Services	2.6%	-0.1%
Consumer	6.1%	+2.4%
Energy	12.5%	+1.0%
Financials/Real Estate	23.0%	+0.5%
Health Care	5.4%	+0.1%
Industrials	12.7%	-2.0%
Information Technology	5.2%	-0.3%
Materials	27.5%	+1.3%
Number of Positions	26	+1
Gross Equity Exposure	95.0%	+2.8%
Cash Weighting	5.0%	-2.8%
Net Equity Exposure	95.0%	+2.8%
Currency Exposure Hedged of AUD	84.4%	-0.8%

Commentary

The K2 Asian Fund returned 4.63% for the month to outperform the index. The strong monthly performance of the fund has been the result of the underweight to China and overweight to SE Asia, the Pacific and other global regions. Some of the best sector and stock contributors to the monthly performance have been the energy sector that includes Beach Energy (BPT), Karoon Energy (KAR) and Woodside (WPL). Other good performing sectors included financials, Kina Securities (KSL) and JP Morgan (JPM). Also, exposure to the NZ aged care and residential sector, Winton Land (WTN) and Summerset Group (SNZ).

Increasingly markets globally are becoming more comfortable with a soft economic landing scenario. The regular economic data flow from key leading developed economies reinforces the resilience of aggregate economic, credit conditions and earnings. The strong labour market conditions in the US have been supportive despite the most aggressive tightening cycle for a generation from the Fed. Further, the consumer and business sentiment indicators appear to be holding up in the US compared to other economies such as the EU region, the UK and Australia. Key global central banks, particularly the Fed are well placed to engineer a soft landing which implies that rates will stay higher for longer.

China continues to disappoint with ongoing weaker than expected economic data as conditions for households and corporations in China remain challenging. There are early signs of some consolidation within the China property sector that has witnessed a severe correction. Ultimately the central bank in China, the PBoC will need to continue their stimulus program, become a little more innovative with their policy and try to turn around investor and consumer confidence in mainland China. On the positive side, the lower inflation data coming out of China is positive for other key global economies. Within the broader APAC region, Japan, India and the South-east Asia region (including Australia) will continue attract investors as China works through their much needed economic stimulus and reforms.

We continue to maintain underweight exposure to China and an overweight to South-East Asia and Australia. A focus on earnings that export to China continues to be our preferred investment strategy as they look at additional stimulus going forward. The portfolio cash position is marginally lower at 5.1%.

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												4.63	4.43	7.23%	0.00%
Incept.													400.71	364.31		
Incept.													6.97%pa	6.63%pa	22.16%	-3.61%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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