

K2 Asian Fund

31 March 2024

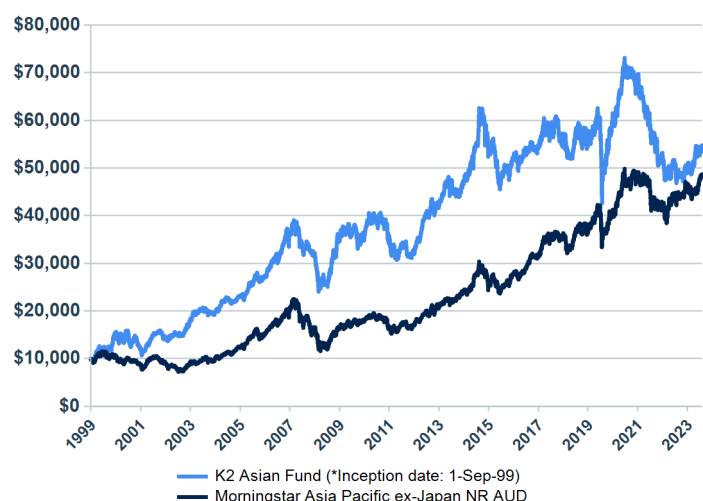


The K2 Asian Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect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

	1 Month	Unit Price	Inception (%pa)
Performance (Net of Fees)	2.75%	169.75	7.16%

Refer below detailed performance data matrix

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	9.0%	+0.3%
JPMorgan Chase & Co	8.3%	+0.4%
Macquarie Group Ltd	8.2%	+0.0%
RIO Tinto Ltd	7.9%	-0.3%
BHP Group Ltd	7.5%	-0.1%

Market Capitalisation Coverage	Current	Monthly Move
Large Caps >=AUD\$7.5b	58.9%	+0.8%
Mid Caps >=AUD\$2b < AUD\$7.5b	34.9%	+6.4%
Small Caps < AUD\$2b	13.3%	-5.2%

Month End Exposures	Current	Monthly Move
Communication Services	4.0%	-0.1%
Consumer	7.9%	+0.3%
Energy	6.0%	-2.6%
Financials/Real Estate	43.3%	+8.2%
Health Care	4.6%	+1.1%
Industrials	14.4%	-1.3%
Information Technology	6.4%	+0.5%
Materials	20.9%	-4.1%
SHORTS	-1.4%	-1.4%
Number of Positions	27	+2
Gross Equity Exposure	108.7%	+3.4%
Cash Weighting	-6.0%	-0.7%
Net Equity Exposure	106.0%	+0.7%
Currency Exposure Hedged of AUD	80.7%	-0.4%

Commentary

The K2 Asian Fund returned +2.75% for the month (+0.9% ahead of index) to be up +14.4% for the current fiscal year-to-date (FYTD), ahead of the index by +5.0%. The strong performance over the past year partly reflects the underweight to China.

Global economic conditions remain reasonable despite challenges including geo-political headlines. There is an unevenness of data by region and across sectors however economic conditions are resilient vs expectations. Despite the strong performance of equities, credit and residential housing in the US, the strong wealth effects have not transitioned into strong household and business sentiment. However, corporate America and households remain more confident compared to other key economies. The restrictive Fed Funds rate has been at odds with the resilient economic momentum and expanding profits. The US labour market remains tight reflecting the stimulatory US fiscal spend and strong migration. This has also put pressure on core US CPI as the past three months has seen a re-acceleration. There is some nuance to the way the Fed will interpret the data. While inflation is broadly slowing the recent re-acceleration and strong employment suggest it is difficult to make the case for US rate cuts anytime soon. Higher for longer rates can be absorbed in part by the stronger performing economy. The interpretation of appropriate valuations will therefore dictate the degree of market volatility.

The second largest economy, China continues to go down the path of stimulatory monetary policy to deal with the property construction collapse. The signs of deflation give the PBoC plenty of scope deliver more accommodative interest rate settings, unlike other key developed economies. The PBoC have also been accumulating larger gold reserves over the past year and the trend looks to continue. Beijing has been reluctant to stimulate domestic China household spending and continues to influence policy to focus on their exports. The potential for China "dump" lower price exports (i.e. EV vehicles plus other renewables) will create additional trade tensions with the US.

Given the risks of investing within China and despite the cheaper valuations, investors will continue to look at Japan and south-east APAC region which offer more policy certainty. The K2 Asian Fund continues to be underweight in China. A focus on companies with earnings that export to China is the 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	-2.88	3.67	7.00	-0.17	-1.70	2.75				14.42	9.44	2.74%	-0.31%	
													Incept.	447.55	386.57		
													Incept.	7.16%pa	6.65%pa	21.98%	-3.62%

(1) Morningstar Asia Pacific ex-Japan NR AUD

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