Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU

Quarterly Report September 2022

Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net)[1]	-4.0	-4.0	0.1	-18.0	-	-17.2
MSCI Emerging Market Net Return Index AUD unhedged	-5.9	-5.4	-8.5	-19.2	-	-18.7
Active Return	1.9	1.5	8.6	1.3	-	1.4

[1] The returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowances are made for tax when calculating these figures. Past performance is not a reliable indicator of future performance. The inception date for the fund is 20 September 2021.
Source: Fidante Partners Limited, 30 September 2022

Fund Facts

Portfolio managers	Joseph Lai, Douglas Huey, Alan Zhang
Inception date	20 September 2021
Management fee	1.00% p.a.
Performance fee	15% of the Fund's daily return above the benchmark[2]
Fund objective	The Fund aims to provide an absolute return and capital growth over the long term and outperform its benchmark after costs over rolling five year periods.
Initial investment	$10,000
Minimum suggested timeframe	5 years
Buy/sell spread[2]	+0.25% / -0.25%
Fund FUM	AUD $31.1 M
Distribution frequency	Annual

Top 10 Positions

Company	Sector	%
Reliance Industries Ltd	Energy	4.35
Tencent Holdings Ltd	Comm Services	4.29
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	4.21
Shell PLC	Energy	4.14
Alibaba Group Holding Ltd	Consumer Disc	3.52
Ping An Insurance Group Co of China Ltd	Financials Ex Prop	3.19
Samsung Electronics Co Ltd	Information Tech	3.06
HDFC Bank Ltd	Financials Ex Prop	3.04
Bharti Airtel Ltd	Comm Services	3.02
Vietnam Enterprise Investments Ltd	To Be Classified	2.93
Total		**35.73**

Fund Features

Concentrated: A portfolio of 30-50 high quality, undervalued, well run companies that have the potential to generate high absolute returns over the medium to long term.

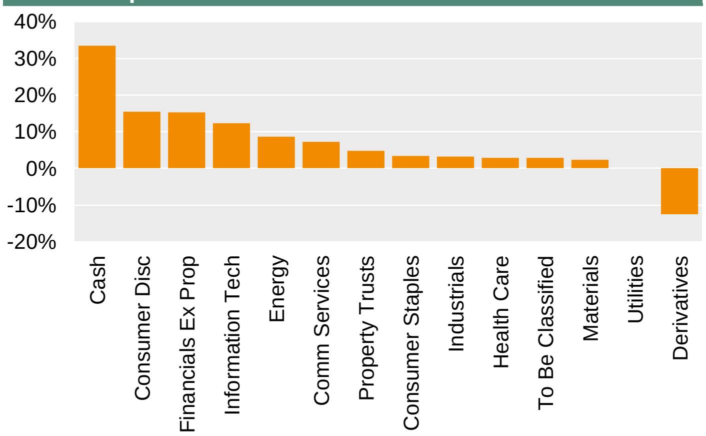
Capture growth: Ox Capital's investment approach is to identify the immense positive change taking place in Asia and other key emerging markets and to find companies that can benefit from those trends.

Macro overlay: A quantitative model provides a bird's eye view of how macro conditions impact equity markets and helps guide country and sector asset allocation.

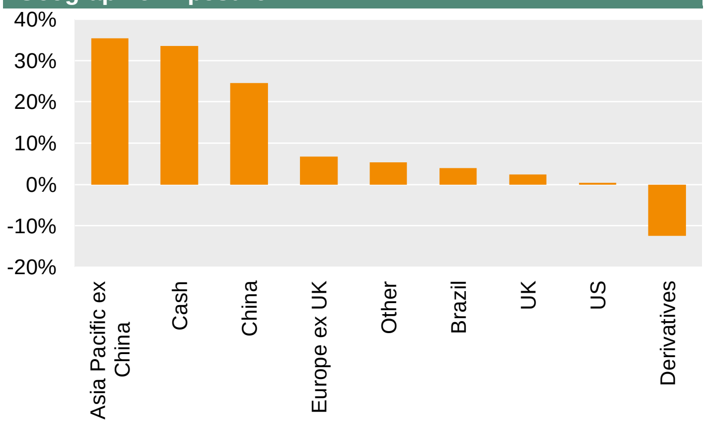
Capital protection strategies: The Fund can use derivatives such as index futures and equity swaps to help protect the portfolio from market volatility and to obtain synthetic exposure to stocks or markets.

Experienced team: A team of experienced and passionate emerging market investors strongly aligned with clients' investment objectives.

Sector Exposure



Geographic Exposure



Fund Performance

During the 3rd quarter of the calendar year, Ox Capital's Dynamic Emerging Market Fund outperformed by 1.45% (MSCI Emerging Market Index: -5.42%) thanks to our hedges and Indian exposures.

Our top contributors are Indian exposures (Bharti Airtel Ltd +15.04%; IDFC First Bank Ltd +16.49%; HDFC Bank Ltd +6.35%) as the country's long term growth prospect has so far made its assets more resilient than other parts of the world. Detractors are China internet (Tencent Holdings -24.98%; Alibaba Group Holdings -30.57%) as the zero-covid policy is still weighing on the economy.

Our view of a slowing US outlook is now unfolding but Earnings Per Share has yet to be revised down meaningfully. Hence, hedges continued to be in place and contributed an additional 80bps to outperformance.

The first three quarters of 2022 have been challenging for global and emerging market equities, but by sticking to our process, Ox Capital has significantly outperformed the benchmark and peers year-to-date. Our process is simply as follows:

Find emerging leaders in growth themes. Apply risk management with strict discipline.

Market Commentary

Amid market volatilities, we at Ox are hard at working to discover quality businesses with secular growth themes with an awareness of the top-down risks.

The thematics that have worked well thus far are ideas relating to the new Asian tiger economies of Indonesia, Vietnam and India that are undergoing a breath-taking process of industrialisation, like their neighbours before them.

Thanks to significant economic reforms, investment in infrastructure and a low-cost labour force, these economies are becoming increasingly important to the global supply chain and expanding the already large middle class. As a result, they are more shielded from the slowdown in the global economy and are demonstrating their resilience.

Both domestic and international companies are taking advantage of this secular shift as they build factories and diversifying their supply chains, the so-called China + 1. The dynamics of rising consumption, construction and exports are inexorable drivers for economic development.

Indonesia is a rapidly industrialising economy that benefits from being the epicentre of the Electric Vehicle battery supply chain. In the coming 3-5 years, Indonesia will be responsible for almost the entire incremental battery grade nickel, an essential metal for the EV battery. This has attracted booming investments from local and foreign businesses to build an ecosystem of battery value chains. As an energy exporter, Indonesia also benefits from higher energy prices.On the consumer side, an internet revolution is taking place as smartphone usage has gone from 10% to 90% of its 300m population over the last decade. This has brought forth disruptive changes and enabled new industries in e-commerce, ride-sharing and internet gaming and fintechs.

Vietnam is emerging as a manufacturing powerhouse that is going from strength to strength. Besides the low wages and land costs, Vietnamese authorities have put in first class infrastructures like ports, roads and bridges to make Vietnam a fitted country as a major manufacturing hub. Ongoing economic reforms have driven the Vietnamese economy to grow at 7% a year for 3 decades! At a time when the world is gripped by the prospect of deglobalisation, exports will grow at double digits in the coming years and empower Vietnam to continue climbing the technology ladder, from producing simple textile products to the more complex electronics goods!

India is a huge domestically focussed economy that is starting to fulfill its potential. Its 1.4 billion population will enable the biggest the middle-class expansion in the world. Known for its prowess in the export of services (Tata Consultancy, Infosys, etc), economic reforms are transpiring to give rise to its manufacturing sector. Infrastructure and ease of doing business have improved out of sight. Similar to other Asian economies before it, India offers Incentives to attract foreign and local corporations to build factories to manufacture for their huge domestic and export markets. Smartphones, solar panels and wind turbines are great examples. India is now on the cusp of a large capital expenditure cycle. The last such investment cycle occurred more than a decade ago, the aftermath of which was a banking system saddled with bad debt. Today, the banks have cleaned up their balance sheet, and are able to lend money again! With the trinity of consumption, investment and exports firing simultaneously, credit growth is picking up momentum! On top of this, the internet industry will revolutionise various industries and enable online commerce, ride-sharing, internet gaming, fintechs. These are made possible because 170m smartphones are sold in India each year and growing, not mention to the fact that current penetration is only 500m! Economic reforms and political stability have reduced the risks of investing in India. Despite the external volatility, India remains predominantly a domestically focused economy that is well insulated from adverse global events.

Another thematic that has worked is **energy** which is an essential to economic growth. As developing economies (which make up more than half of the world's population), are growing rapidly, long term demand for energy is stronger than ever.

Low energy prices and environmental concerns have severely disincentivised investment in exploration and field development for oil and gas. More recently, the Russian-Ukrainian conflict further constrained supply of gas to Europe, heightening natural gas prices.

We have chosen to own the best quality energy companies who are contributing to the secular waves of energy transition and decarbonisation, spending a large proportion of their earnings into renewables and paying out the rest in dividends. While sluggish economic growth globally of late has dampened energy prices in general, and we have reduced our exposures accordingly, the long-term outlook is undeniably positive.

Disciplined risk management is an important part of our process. Our proprietary MOAT model provides us with a bird's-eye view of the major economies and it flashed warning signs at the end of 2021.

MOAT indicated a high likelihood of slowing US GDP outlook and high inflation as stimulus spending in the US was on the wane. Such an outlook and the unbridled enthusiasm in the markets concerned us. We hedged the portfolio towards the end of 2021 which cost us a little, but eventually proved fruitful in protecting the downside in 2022.

Negative semiconductor positioning also protected the portfolio against the downside. In 2022, the frontloaded demand for smartphones and PCs that were funded by stimulus checks started to roll off. Sales slowed and inventories piled up! The stock market was alarmingly sanguine about the sector despite a rapidly deteriorating outlook!

In essence, we have been excited about the stocks in our universe which are attractively valued with strong growth trajectories. Using our proprietary framework, we have been able to think differently and protect the portfolio when risk-reward was not favourable.

From a risk management perspective, invested positions started off light at the beginning of the quarter prior to the volatility in recent weeks, and we are ready to swiftly deploy at the right valuation as we are extremely optimistic in the long-term prospects of our ideas.

At Ox, we focus on identifying emerging leaders in growth themes, while employing disciplined risk management to protect the downside.

Market Outlook

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ASIC Periodic Reporting Requirements

The Ox Capital Dynamic Emerging Markets Fund (Fund) is classified as a hedge fund in accordance with the Australian Securities and Investments Commission Regulatory Guide 240 *Hedge funds: Improving disclosure.* We are required to provide this additional information to you on a quarterly basis.

Asset Allocation (as at 30 September 2022)

Exposure analysis	
Position	**% of net invested capital**
Long securities (including derivatives)	78.82
Free cash	21.18
Short securities (including derivatives)	-12.48
Restricted cash	12.48
Net equity exposure	66.34

Liquidity profile

The table below demonstrates the liquidity profile of the Fund as at 30 September 2022.

In summary, 100% of the Fund's assets can be liquidated within 10 days.

Time to liquidate	% of assets
Within 1-10 days	100%
>10 to 21 days	0%
> 21 days	0%

Maturity profile

As at 30 September 2022, the Fund does not have any material liabilities.

Derivative counterparties engaged

The derivative counterparties engaged for the period 1 July 2022 to 30 September 2022 are provided in the table below.

Derivatives counterparty
Citigroup Global Markets Limited
Citibank, N.A

Leverage

Ox Capital may use leverage to increase the exposure of the Fund to investment markets. Leverage will generally be obtained through the use of derivative instruments. Although the maximum allowable leverage permitted in the Fund is 150% of the Fund's NAV, the Fund's positions in long securities and derivatives and overall net equity exposure will generally not exceed 100% of the Fund's NAV. The Fund must provide collateral to secure its obligations under the relevant agreements.

As at 30 September 2022, the Fund is long exposure of 78.82% and short exposure of 12.48%. The gross equity exposure of the Fund is 78.82% and net equity exposure of the Fund is 66.34%.

For further information, please contact:

Fidante Partners Investor Services | **p:** 13 51 53 | **e:** info@fidante.com.au | **w:** www.fidante.com.au

This material has been prepared by Ox Capital Management ABN 60 648 887 914 AFSL 533828 (OxCapital), the investment manager of the Ox Capital Dynamic Emerging Markets Fund ARSN 649 969 264 (**Fund**). Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (**Fidante Partners**) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. OxCapital and Fidante Partners have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, OxCapital and Fidante Partners may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.