Ox Capital Dynamic Emerging Markets Fund

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OX CAPITAL MANAGEMENT

Quarterly Report December 2022

Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net)[1]	1.7	5.6	1.4	-1.8	-	-10.4
MSCI Emerging Market Net Return Index AUD unhedged	-2.6	4.0	-1.6	-14.3	-	-12.7
Active Return	4.3	1.6	3.1	12.5	-	2.3

[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, 31 December 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 $33.6 M
Distribution frequency	Annual

Top 10 Positions

Company	Sector	%
Tencent Holdings Ltd	Comm Services	4.34
Alibaba Group Holding Ltd	Consumer Disc	3.91
Ping An Insurance Group Co of China Ltd	Financials Ex Prop	3.23
Shell PLC	Energy	3.13
AIA Group Ltd	Financials Ex Prop	3.04
Li Ning Co Ltd	Consumer Disc	2.99
ANTA Sports Products Ltd	Consumer Disc	2.98
Vietnam Enterprise Investments Ltd	Financials Ex Prop	2.82
Meituan Dianping	Consumer Disc	2.80
JD.com Inc	Consumer Disc	2.78
Total		**32.02**

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.

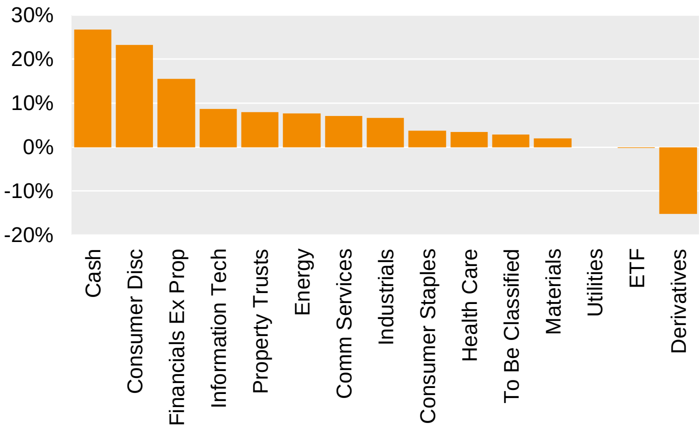
Capture growth: Ox Capital's investment approach is to identify the immense positive change taking place in Asia and other key emerging markets and to find companies that can benefit from those trends.

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.

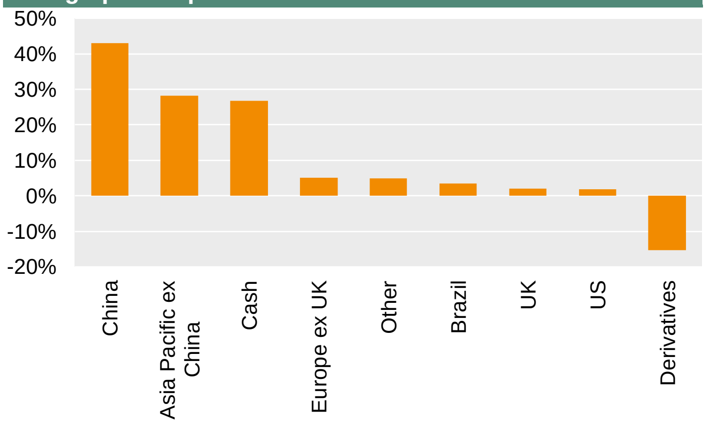
Capital protection strategies: The Fund can use derivatives such as index futures and equity swaps to help protect the portfolio from market volatility and to obtain synthetic exposure to stocks or markets.

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

Sector Exposure



Geographic Exposure



Fund Performance

In the fourth quarter of 2022, the Dynamic Emerging Market Fund returned 5.62%, compared to 4.01% by the MSCI Emerging Market AUD Index.

Top contributors are the Chinese consumer discretionary and internet companies which benefit from the withdrawal of the zero-covid policy and internet crackdown (Li Ning Co Ltd 12.73%; Tencent Music Entertainment Group 103.94%; Anta Sports Products Ltd 22.96%). While the detractors are the smaller holdings that are more prone to global slowdown and falling interest rates in China (Inter & Co Inc -27.30%; Lufax Holding Ltd-23.62%; Talos Energy Inc 13.39%).

Protections put on against a slowing global economy has contributed 53bps.

Our process of owning secular winners with risk disciplines has protected us throughout the volatile times and the portfolio is now well-placed to capture the upsides we anticipate in 2023.

Market Commentary

The 4th quarter in 2022 was an eventful quarter and the global markets experienced significant volatility. In October, the Hang Seng index fell to April 2009 low post China's leadership transition before recovering in dramatic fashion. In November, global leaders gathered in Indonesia and communicated concerns over economic slowdown and inflationary pressure. In December, the Japanese Central Bank moderately tightened its monetary policy by allowing for a higher longer term bond yield. The Fund was able to manoeuvre through the turbulence.

After China's leadership transition in October, the Fund pivoted, adding significant exposures to quality leaders in China after being selective and light in most of the year.

Throughout the first nine months of 2022, the Fund's positioning favoured India and Indonesia, which were resilient outperformers in a difficult global market. From November onwards, the Chinese authorities signalled a series of loosening of its policies. As the Hong Kong market was deeply undervalued after a precipitous decline just a month prior, the market rebounded in a dramatic fashion. We managed to protect the portfolio most of the year and captured the recent upside.

It was obvious to us that the decelerating economic dynamics in China were likely to come to an end with the **loosening of monetary policies and loosening of regulatory policies**. In December, the China Economic Working Conference, an annual Government meeting that sets the economic policies for the coming year, put economic growth as the key policy priority for 2023. Coming out of the meeting, the key economic policy statement was changed to "significantly boosting market confidence", from "preventing disorderly expansion of capital" back in December 2020.

Key takeaways are:

1. The GDP growth target is likely to be greater than 5% for 2023, supported by bank lending growth and tax cuts.
2. More friendly policies are forthcoming to support the property sector as the sector is recognised as "core to the economy".
3. Regulatory tightening that impacted private companies in recent years will loosen, particularly policies which impacted internet companies.

We believe that the fundamentals of the Chinese economy are set to inflect positively in 2023. The opening up recovery in the first quarter 2023 and the reversal of tightening policies will drive a significant improvement in business economic activities. There is in excess of USD1 trillion of excess household savings built up during the Covid lockdown that can be deployed when consumers are allowed to visit shopping malls again. A strong rebound in spending is typical in most other economies that have experienced similar re-openings. We believe the peaking Covid and loosening of a raft of economic policies will be powerful drivers for economic recovery that is under-appreciated by most investors at this point.

Another positive for Chinese equities during the quarter was the announcement by the U.S. Accounting Oversight Board. It was able to access full audits of accounts of US-listed Chinese stocks. This marked the first time that Chinese authorities allowed access for complete inspections as as per U.S. requirements, effectively removing the de-listing risk for the Chinese ADRs. This had been an issue over the last two years.

Market Outlook

While most of 2022 had been about mitigating risks and upgrading the portfolio, 2023 is likely to be herald the inflection in emerging market equities.

Emerging market equities have not been popular for a long time and underperformed that of developed markets over the last decade. However, this is not the norm. In fact, **over many decades, emerging market outperformed developed market as a result of its superior real growth.**

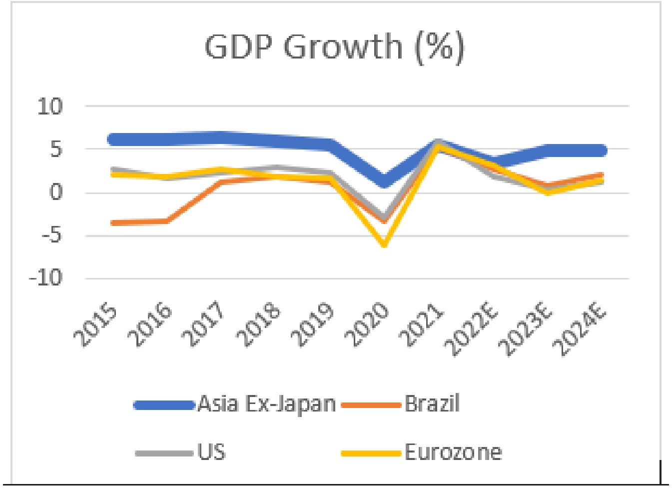
Post the global financial crisis, conditions heavily favoured developed markets. A combination of slow economic growth and deflationary pressure allowed a decade of loose monetary policy to drive long duration asset prices higher. This typically favours developed markets equities.

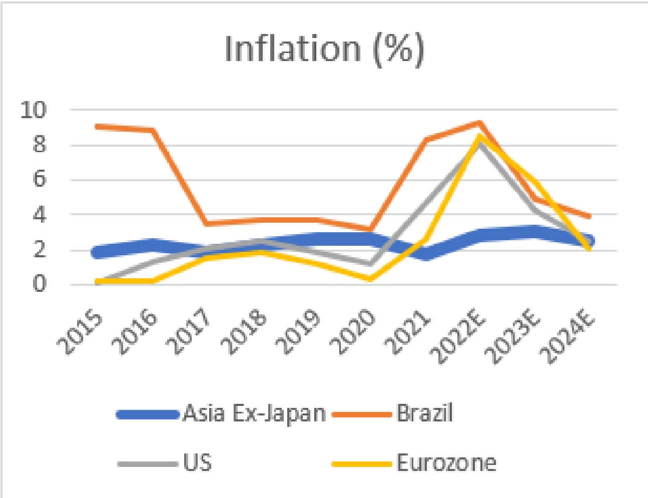
The coming decade will be very different. Global growth will likely remain sluggish and inflation trend higher. In this new macro environment, assets with low starting valuations and real growth will perform well. Emerging markets currently have many stocks which fit these criteria.

Tailwinds favouring EM

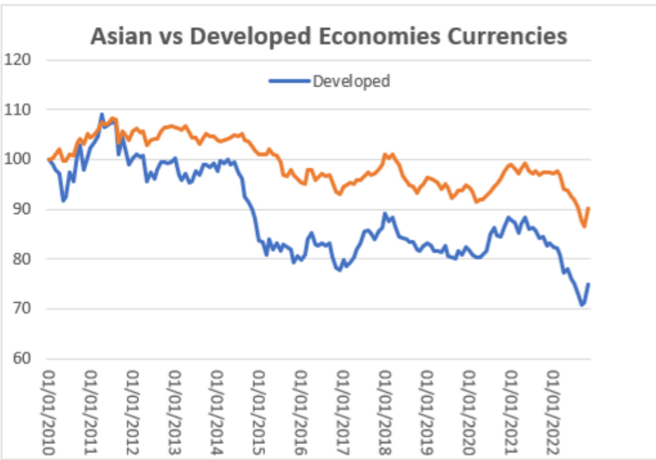
Manageable inflation: Emerging economies are enjoying faster economic growth and are accustomed to inflationary pressures. The vast majority of emerging economies have not overly stimulated their economies during the pandemic period and inflationary pressure is muted compared to that of developed economies.

Real growth: Emerging economies offer strong endogenous growth compared to developed markets. Low inflation and interest rates have enabled developed economies to amass debt to propel growth. In a higher interest rate and inflationary environment, the capacity to add debt to spur growth will be very limited. In contrast, many emerging economies are going to experience strong real growth driven by rising industrialisation and urbanisation, not by debt-fuelled asset bubbles. For example, Vietnam, India and Indonesia are enjoying tremendous economic momentum driven by strong fundamentals across their export sectors, through investments in infrastructure and manufacturing capacity, and a fast-rising middle class. These inexorable forces are delivering resilient growth even in a sluggish global environment.





The US Dollar: Rising US interest rates and the US Dollar have been holding back the valuations of emerging market's assets in 2022. With the peaking of the US Dollar, emerging economies will benefit greatly. Further, the outperformance of Asian currencies is reflecting these economies' superior balance sheet and economic strength!



Attractive valuations: Emerging market valuation is very attractive. Starting valuation is a strong predictor of future return. Point-to-point, the index level is almost exactly where it was 10 years ago, despite these economies having grown solidly over this time period. Emerging markets will likely be a favoured prospective asset class as they deliver real growth, and strong balance sheets, at low valuations.

The China Factor: Chinese equities have been especially weak over the last two years. This is a result of tightening policies unleashed on financial, property, internet sectors as well as Covid induced lockdowns. These factors are reversing as the authorities in China switch their focus back to economic growth. Tightening is over and policies to stabilise the economy will come through in earnest starting 2023.

Headwinds for EM

Headwinds for EM are limited. Individual economies or companies may see slower growth due to a weak external demand environment, or idiosyncratic country specific reasons. India may lag in performance due to its already expensive valuations. However, the majority of emerging market stocks we think are prospective are attractively valued. We are optimistic about their upside potential in the coming three to five years.

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 31 December 2022)

Exposure analysis	
Position	**% of net invested capital**
Long securities (including derivatives)	88.74
Short securities (including derivatives)	-15.48
Cash	26.74
Gross equity exposure	104.21
Net equity exposure	73.26

Liquidity profile

The table below demonstrates the liquidity profile of the Fund as at 31 December 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 31 December 2022, the Fund does not have any material liabilities.

Derivative counterparties engaged

The derivative counterparties engaged for the period 1 October 2022 to 31 December 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 31 December 2022, the Fund is long exposure of 88.74% and short exposure of 15.48%. The gross equity exposure of the Fund is 104.21% and net equity exposure of the Fund is 73.26%.

For further information, please contact:

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