

Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU



Monthly Report April 2023

Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net) ¹	0.1	-3.4	10.1	5.0	-	-7.8
MSCI Emerging Market Net Return Index AUD unhedged	0.2	1.6	12.6	0.5	-	-7.2
Active Return	-0.1	-4.9	-2.5	4.5	-	-0.6

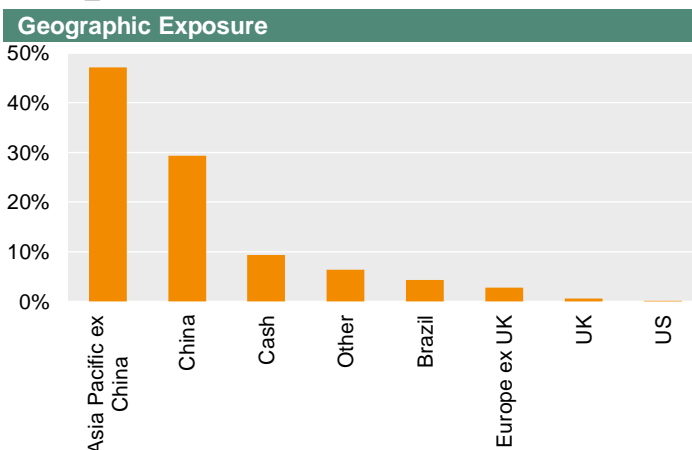
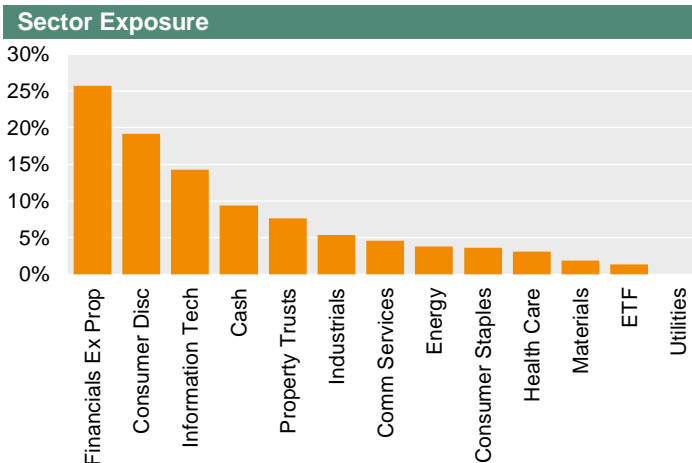
¹ The returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowances are made for tax when calculating these figures. Past performance is not a reliable indicator of future performance. The inception date for the fund is 20 September 2021.

Source: Fidante Partners Limited, 30 April 2023

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 spread²	+0.25% / -0.25%
Fund FUM	AUD \$34.5 M
Distribution frequency	Annual

Top 10 Positions		
Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	4.99
Tencent Holdings Ltd	Comm Services	4.28
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	3.91
Reliance Industries Ltd	Energy	3.50
ANTA Sports Products Ltd	Consumer Disc	3.46
IDFC First Bank Ltd	Financials Ex Prop	3.41
Ping An Insurance Group Co of China Ltd	Financials Ex Prop	3.21
HDFC Bank Ltd	Financials Ex Prop	3.21
Samsung Electronics Co Ltd	Information Tech	2.97
Meituan Dianping	Consumer Disc	2.94
Total		35.87

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.



Fund Performance Commentary

In April 2023, the Dynamic Emerging Market Fund returned 0.13%, compared to 0.20% by the MSCI Emerging Market AUD Index.

Top contributors are the Vietnamese property companies as the government eased credit policies, as well as Chinese and Indian financials banks as profits continue to see strong growth (Nam Long Investment Corp 24.63%; Ping An Insurance Group Co of 13.60%; IDFC First Bank Ltd 11.63%). While the detractors are the Chinese exposures as the markets worry the recovery from COVID reopening is not immediately followed by a business upcycle in China (ANTA Sports Products Ltd -15.09%; Tencent Holdings Ltd -10.73%; Alibaba Group Holding Ltd -17.12%).

Our process of owning the emerging leaders with risk disciplines has protected us throughout the volatile times and are capturing the upside we anticipated in 2023.

Market Commentary

1.China: The recovery and reopening across China and HK remains on track.

Retail exuberance in HK is back, particularly in the luxury scene (see photo).



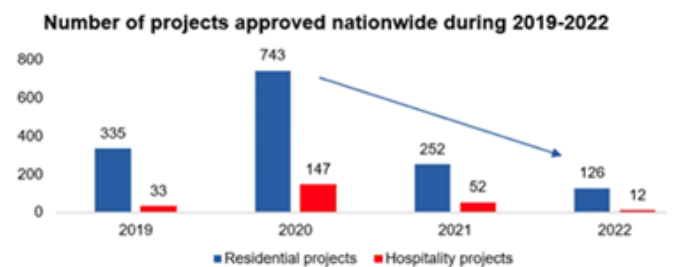
"I took the above photo last night, on a rainy Thursday 9pm and there were more than 50 people still queuing up to go into LV outside of Harbour City. There were also queues outside of Moncler, Gucci, Dior, Van Cleef and many other stores...and it's a normal Thursday night. It has been more than 4 years since we've really seen the mainland Chinese really coming back to HK and last night smells exactly like the pre 2019 crowd and a lot of the premium shopping malls in HK are buzzing, even well ahead of the golden week holidays next weekend onwards, and of course Harbour City + Times Square are always their favourite malls in HK." A HK Properties Analyst.

2.Faced with slowing export demand and domestic economic slowdown, the Vietnamese authorities started to vigorously support the properties market after 2 years of property reforms that grounded activities to a halt.

- 3rd April: New regulations to spur on completions for real estate developers (Decree 10).
- 3rd April: Vietnam policy interest rates cut (State Bank of Vietnam)

- 10th April: VAT reductions to support household budgets and business expenditure (Ministry of Finance)
- 23rd April: Banks permitted to restructure loan repayment terms (Circular 2)
- 23rd April: Banks permitted to rollover corporate bonds issued within the last 12 months (Circular 3)
- 25th April: Prime Minister instructs relevant government ministries to "use up all the State's tools to share and support" the real estate and financial markets.

We own Nam Long Corporation, one of the highest quality developers in Vietnam. They are the best placed in Vietnam to supply affordable housing to meet the huge unmet demand. A flurry of approvals came through after 24 months of hiatus due to regulatory crackdowns by the government. The property market is extremely undersupplied.



Project	Date	Approval
Can Tho	07-Feb-2023	Land Allocation
Nguyen Son	12-April-2023	Construction Permit
Southgate	19-April-2023	Sale Permit
Izumi	19-April-2023	Sale Permit

3.US lending standard tightening is great for EM equities

It is well-known that rising interest rates have led to substantial unrealized losses for regional US banks. This has led to a dramatic tightening of lending standards in the US which is believed to be leading to a peak of US interest rates and weakening of the USD. This is actually hugely beneficial to emerging markets equities!



US Dollar Index showing weakness

Without the strong USD holding them back, EM assets will become increasingly attractive given the endogenous growth opportunities available in the coming years.

Portfolio news

1.Portfolio changes: We reduced our cyclical exposures to companies such as Shell and Zijin Mining, further protecting the portfolio against the global slow down scenario. We added to key

franchises across Asia, predominately in India, such as Reliance (India internet), HDFC Bank (premier Indian bank), HDFC Life (premier Indian life insurer) and re-introduced InterGlobe (dominant Indian airline set to benefit from weak oil price), whilst in Singapore we added to Jardine Matheson.

- Net invested position remained steady between March and April (85-90%).
- Reduced weighting of China/HK from 39% to 31% following the re-opening rally. Taking profits in name like Venustech (up 80% since we bought the position).
- Increased exposure in India from 11% to 18%. The Indian economy is heavily driven by domestic forces. This aligns with our portfolio repositioning during April considering regional geopolitical uncertainty.

2.HDFC Life: HDFC Life in India is a good example of a structurally growing company in a rising economy.

- HDFC Life grew premiums by 27% from a year ago in 2022. In Q4 22, some of its products such as term life (a protection product) and non-participation (a saving product) grew a large 50% and 160% respectively.
- We believe HDFC Life will be able to grow its premiums by 15-20% CAGR in coming years.
- The stock is attractively valued at 2.5X price/embedded value. Regulatory change lead to temporary disruption to share price, however, we believe HDFC Life will come out of these reforms stronger.

Figure 3. HDFC Life is trading at troughs P/EV



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Source: Company Reports and Citi Research Estimates

3.Meituan and Anta update: How do we judge the quality of a business? Watch how a business performs in a tough environment. Meituan is the dominant food delivery platform in China. Anta is the largest domestic sportswear company in China. Clearly, COVID lockdown has negatively impacted many companies, yet:

- In Q4 22, Meituan grew 21% year on year (yoy) and in 2022, its peak daily order was 60M. Meituan is confident in reaching peak daily delivery of 100M by 2025 .
- Anta managed to grow 4% yoy in 2H22. In its core footwear division, it grew 10% yoy. In contrast, Nike grew 1% in China in Q4 22. Anta took market share from international players.
- There are exciting growth opportunities within China that are domestic consumption demand driven.

Two of Our Stocks

Ox Capital seeks to identify long term growth winners with high degree of valuation discipline.

1.Jardine Matheson

Members of Jardine Matheson Group:



Thematic: Consumption in Asia will benefit from continued recovery of demand in the near term, post pandemic and a rising middle class in the longer-term.

Leadership: Jardine Matheson is a leading pan Asia conglomerate with a portfolio of top tier assets in Asia. Its retail property and office portfolio in Hong Kong is widely regarded as best-in-class. It will benefit greatly from COVID re-opening in Hong Kong, as office and retail rent remain 10-15% lower than 2019/2020 levels still. Additionally, its new investment property projects at central locations in Hong Kong and Shanghai, are expected to deliver decent incremental earnings into the future, and their groceries and healthcare retail business will continue to see normalisation of earnings from reopening. Jardine Cycle is especially well positioned in the fast-growing ASEAN region where it owns the dominant car maker in Indonesia (Astra) and a significant stake in Thaco, a leading car maker in Vietnam. Its Mandarin Oriental hotel chain will also benefit as travel resumes in the region.

Valuation: Jardine Matheson is an attractively valued quality franchise well positioned to benefit from the growing middle class in Asia. In 2023, Jardine Matheson is valued at **8X PE, 0.3X book**, with a **30% discount to net asset value** and offering a **dividend yield of 4.5%**. We believe Jardine Matheson is a safe port of call in a turbulent world.

2.Bank Negara Indonesia



Jo and Kate visited BNI offices in Jakarta in November 2022.

Thematic: Large state-owned banks taking share from smaller private players in a structurally growing, low debt-GDP economy

Leadership: Bank Negara Indonesia (BNI) is emerging as the leading corporate and trade finance bank in Indonesia, with arguably the best management amongst the leading Big-4 SOE banks. Acutely focused on optimising asset quality and profitability of the bank, in line with the governments strategic priority for a strong and healthy Indonesian banking system, BNI

benefits from one of the lowest funding costs in the industry, enabling them to service the leading, low-risk corporates of Indonesia. BNI has and can continue to outperform in this period of global financial uncertainty, as high-quality Indonesian corporates and BNI's operations are relatively insulated from much of the outside developed world. Supportive of BNI's ability to minimise credit and business risk, Ox's recent meeting with BNI's CFO and close access to BNI management has confirmed their continued focus on upgrading their human capital and talent

management system, essential to high performance banking operations.

Valuation: Trading at an attractive **1.1x price to book** and **dividend yield of 5%**, the BNI opportunity allows Ox access to long term growth in the Indonesian economy, while minimising credit or business risks.

At Ox, we own future champions and only add to them when valuation becomes attractive!

For further information, please contact:

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