

Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU



Monthly Report May 2023

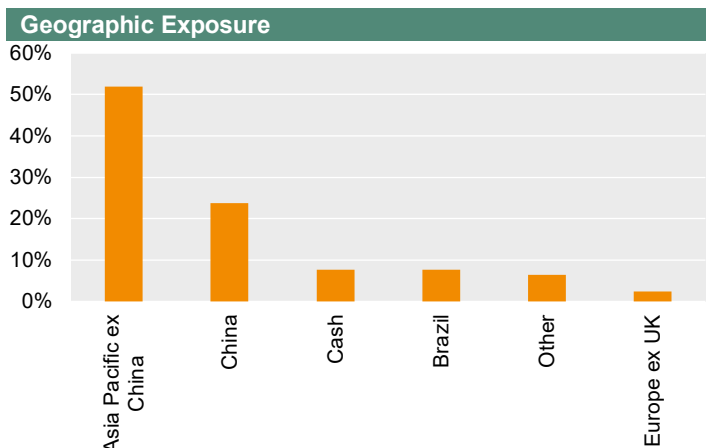
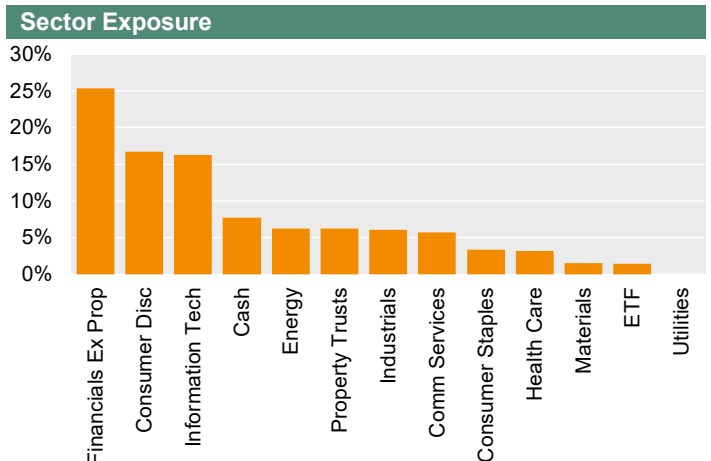
Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net) ¹	0.3	1.3	3.1	7.4	-	-7.2
MSCI Emerging Market Net Return Index AUD unhedged	0.4	4.4	3.1	1.4	-	-6.6
Active Return	-0.1	-3.0	-0.1	6.0	-	-0.6

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, 31 May 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 \$34.7 M
Distribution frequency	Annual

Top 10 Positions		
Company	Sector	%
Reliance Industries Ltd	Energy	6.27
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	5.14
HDFC Bank Ltd	Financials Ex Prop	4.54
Samsung Electronics Co Ltd	Information Tech	4.16
Tencent Holdings Ltd	Comm Services	3.92
SK Square Co Ltd	Information Tech	3.73
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	3.73
HDFC Life Insurance Co Ltd	Financials Ex Prop	3.25
ANTA Sports Products Ltd	Consumer Disc	2.93
Ping An Insurance Group Co of China Ltd	Financials Ex Prop	2.89
Total		40.56

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 Summary

In May 2023, the Dynamic Emerging Market Fund returned 0.3%, compared to 0.4% by the MSCI Emerging Market AUD Index.

Top contributors are the AI beneficiaries such as chip and memory makers, as well as banks in rapidly growing regions like India (Taiwan Semiconductor Manufacturing Co Ltd 11.16%; IDFC First Bank Ltd 16.60%; Samsung Electronics Co Ltd 9.01%). While the detractors are the Chinese equities as the market has worries over recovery sustainability (Zijin Mining Group Co Ltd -16.68%; Tencent Holdings Ltd -9.81%; ANTA Sports Products Ltd -17.41%).

Slower growth is now a known risk however the pressure to hike rates further has eased. We therefore did not put on shorts.

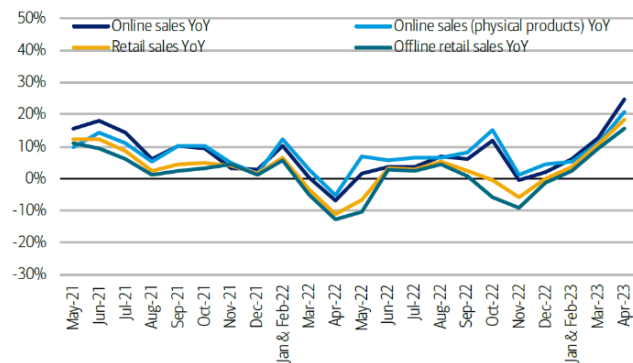
Our process of owning emerging leaders with risk disciplines has protected us throughout the volatile times and we view that the recent pull back grants opportunities to provide capital gains for investors.

Market Commentary

China: The Chinese market has pulled back from its highs in January. Investors are concerned if the Chinese economy can maintain its momentum as the authorities did not implement aggressive stimulative policies exiting the COVID lockdown. Based on our on-the-ground research, the Chinese economy is on a gradual recovery path. China reported retail sales growth of 18% year on year (yoy) in April and GDP growth will be steady in 2023 (\approx 5%). After having trimmed our exposures in recent months, we believe the recent sell-off is an opportunity to get into strong future leaders!

Exhibit 1: China monthly retail sales trends

April retail sales increased 18.4%YoY and online retail sales increased 24.7% YoY

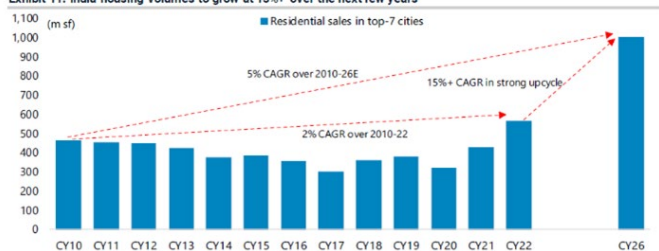


Source: NBS, BofA Global Research

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India: Having been lacklustre over the past decade, India's housing market and capital investment cycle are picking up and will be sustainable drivers for the economy over coming few years.

Exhibit 11: India housing volumes to grow at 15%+ over the next few years



Source: Propequity, Jefferies

Exhibit 17: India private sector new project announcements



We structure our portfolio by incorporating the macro and geopolitical realities, which creates uncertainties but also opportunities. Geopolitical tension between the two superpowers will continue to wax and wane in the future, but it is important to note that many emerging economies (India, Brazil, Vietnam, Indonesia for instance) are benefiting as being relatively non-partisan, many are enjoying favourable trade deals and reshoring opportunities offered by both sides!

Appreciating this dynamic, **we are able to identify and own future leaders with strong sustainable growth trends ahead of the market.**

1. Net invested position remained steady between Apr-May (85-90%) given the **very attractive valuations** generally across emerging markets.

2. Exposure in **India** increased from 18% to 22%. The domestically driven Indian economy is relatively shielded from the global slowdown.

Reliance Industries became our top position. Reliance is rapidly transforming the digital retail landscape in India. In addition, it is looking to harness the power of AI across its different divisions. The portfolio also increased weightings in different stocks in India such as HDFC Life, HDFC Bank, and InterGlobe.

Demand for semiconductors is rising due to the need of corporates to invest in AI capabilities, and we have increased our positions in this space also: TSMC, Samsung and SK.

InterGlobe is the leading airline in India (>50% market share), its stock went up 18% for the month. The competitive landscape in India is improving. One of its competitors (Go First) suspended operation and filed for insolvency proceedings.

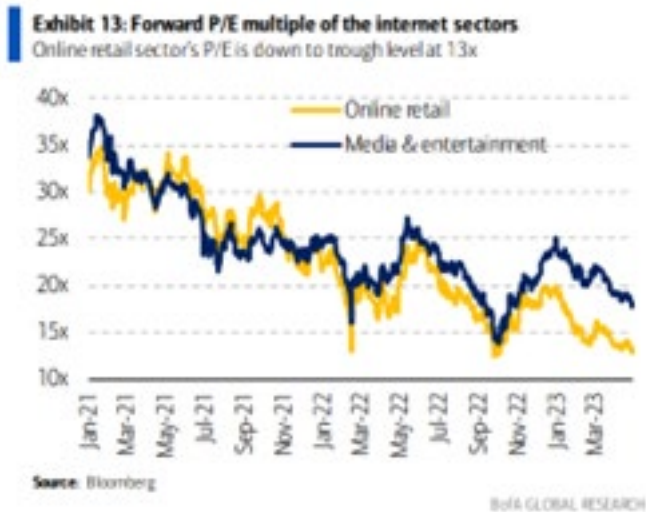
3. **Brazil** weighting was increased given the rapid decline in the country's inflation rate (4.1%) which will increase the likelihood and pace of interest rate cut (13.75%)! We own strong growing companies like the McDonalds franchise, fast growing fintechs and leading financial companies that have proven business models and accumulated significant customer base that will benefit disproportionately with forthcoming rate cuts.

Maintained a relatively light weighting in China/HK by fading the re-opening hype. External pressure on China creates greater uncertainties, but significantly benefits specific sectors (domestic technological leaders like Electric Vehicle (EV) component makers and semi-conductor equipment producers, nationalistic domestic sporting brands, dominant internet companies that can invest in AI). Our focus is to own great businesses in specific themes that can sustainably grow given the extremely attractive valuation.

The Chinese internet leaders all reported healthy results through strong cost control in Q1. In Q1 23, **Alibaba** reported net profit growth of 38% yoy. Tencent reported net profit growth of 27% yoy. Following the recent pull back and general lukewarm investors' positioning (some stocks have even fallen back to COVID lockdown level), we are looking to selectively add to our positions

in China. Valuation in the Chinese internet sector has become highly attractive in our view.

We own a number of EV suppliers, including **CATL** (the leading China and global battery maker), **Han's Laser** (the leading laser equipment maker in China, whose equipment is widely used in battery manufacturing lines in China), **Shenzhen Inovance** (the leading industrial automation company in China and supplies EV motors for domestic players), and last but not least, **Zhejiang Shuanghuan** (which supplies 70% of the Chinese EV market including Tesla with EV Motor gears). Our recent trip to China indicated that almost 50% of cars on the roads in cities like Shenzhen and Shanghai are EVs or hybrids already! **The Chinese EV component manufacturers are leading the world in cost and quality.**



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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.