Ox Capital Dynamic Emerging Markets Fund

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OX CAPITAL MANAGEMENT

Quarterly Report September 2023

Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net)[1]	-2.8	-0.9	0.5	7.2	-6.2	-6.0
MSCI Emerging Market Net Return Index AUD unhedged	-2.3	0.1	1.6	11.3	-5.2	-5.1
Active Return	-0.5	-1.0	-1.1	-4.1	-1.0	-0.9

[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 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 spread[2]	+0.25% / -0.25%
Fund FUM	AUD $36.2 M
Distribution frequency	Annual

Top 10 Positions

Company	Sector	%
SK Square Co Ltd	Information Tech	4.11
Tencent Holdings Ltd	Comm Services	3.92
ANTA Sports Products Ltd	Consumer Disc	3.78
HDFC Bank Ltd	Financials Ex Prop	3.66
Kuaishou Technology	Comm Services	3.36
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	3.31
Samsung Electronics Co Ltd	Information Tech	3.18
Reliance Industries Ltd	Energy	3.11
Meituan Dianping	Consumer Disc	3.02
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	2.89
Total		**34.34**

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.

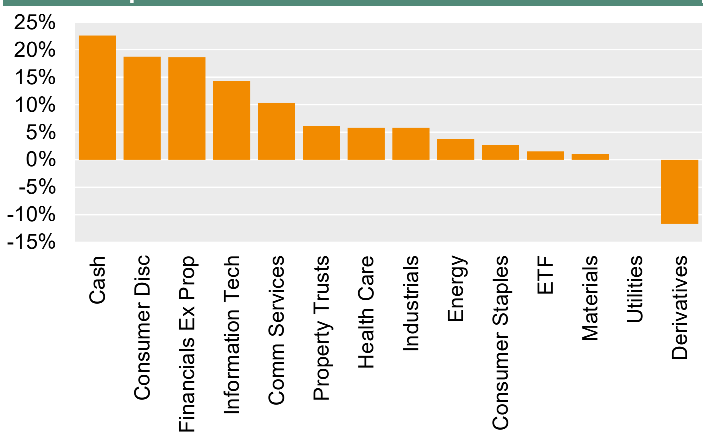
Capture growth: Ox Capital's investment approach is to identify the immense positive change taking place in Asia and other key emerging markets and to find companies that can benefit from those trends.

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.

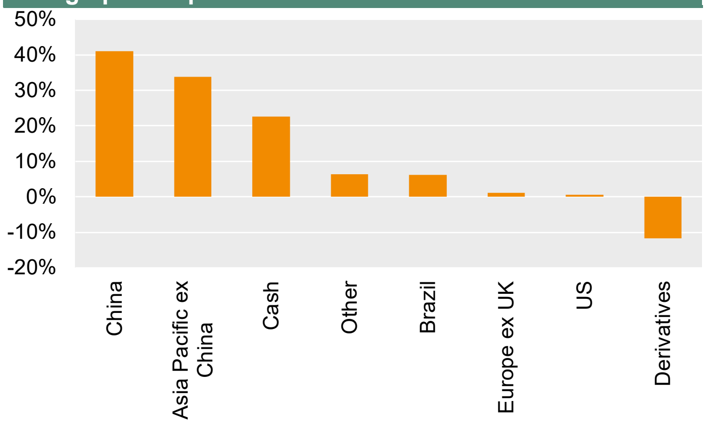
Capital protection strategies: The Fund can use derivatives such as index futures and equity swaps to help protect the portfolio from market volatility and to obtain synthetic exposure to stocks or markets.

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 third quarter of 2023, the Dynamic Emerging Markets Fund returned -0.9%, compared to 0.1% by the MSCI Emerging Market AUD Index.

Top contributors were the Chinese sportswear companies and some of the ASEAN exposures (ANTA Sports Products Ltd 10.12%; Bank Negara Indonesia Persero 12.85%; Ayala Land Inc 21.19%). While the detractors were a global food delivery company, an Indian bank and a Chinese EV battery maker (Delivery Hero SE -32.28%; Contemporary Amperex Technology -11.26%; HDFC Bank Ltd -10.29%).

The fund put on protections against the slowing global growth and made a contribution of 4bps.

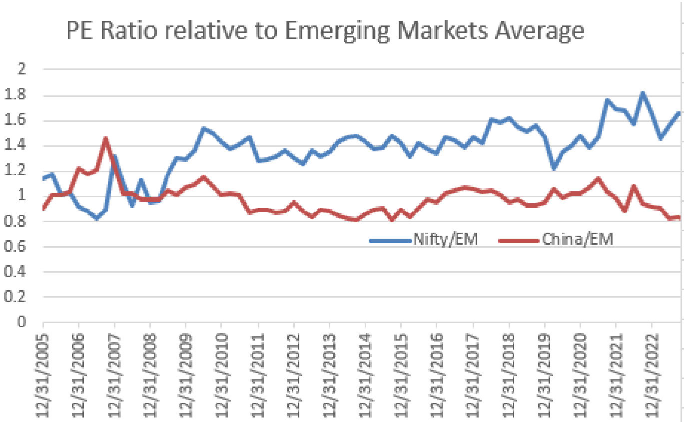
Market Commentary

The third quarter of 2023 was an eventful one. Broadly speaking, the US 10-year treasury yield and the dollar rose 73bps and 3.17%, respectively. US equities fell (S&P: -3.65%, Nasdaq: -4.12%), while Asian equity indices were showing resilience (Nifty 50: +2.34%, Ho Chi Minh: +3.03%, and Jakarta Index: +4.17%). Once again, we believe the relative performance during the quarter demonstrates the benefit of Asian economies being more conservative with stimulus measures during the COVID pandemic, which led to a less inflationary environment and subsequently more room for accommodative financial supports.

Our Positioning

The Fund is positive on equities in most of the emerging markets as a result of the favourable inflationary environment and interest rate dynamics. Further, the valuations of these markets have come down to very attractive levels. However, we are cautious on India, mainly on valuation grounds, but the long-term trajectory of India remains favourable.

Net invested position decreased to 78% as we increased portfolio protection hedging the indices in Taiwan and India. Oil price has picked up from ~$70 to over $90 in the past 3 months. Rising energy cost is generally considered a "tax" on the global economy and can be particularly problematic for the Indian economy given its heavy reliance on imported oil. As the Indian market is trading on a significant premium to other emerging markets, the fund reduced exposure in India. Our exposure in China remained over index at 40% (flat month on month).



We have taken the opportunity to add to our exposure to key Chinese names that exhibit significant upside potential and earnings resilience. **The Chinese economy is undergoing a transformation from investment to consumption. Growth structurally will be slower, but nonetheless faster than that of most other major economies**. The valuation has fallen to an extremely attractive level, and the government is stimulating to stabilize activities. Our analysis suggests that the worst of the property market fallout is likely in the rearview mirror, and we have taken the opportunity to add to names that are domestic internet, healthcare and electric vehicles champions, many of which are seeing a dramatic hockey-stick pickup in earnings with their resilient growth despite a sluggish economy.

Market Outlook

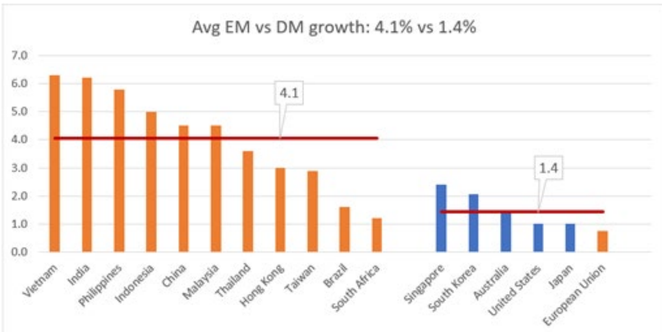
Inflation ex Food and Energy in the U.S. is moderating, and wage growth has eased. Meanwhile, several US Federal Reserve (Fed) presidents have turned more dovish through the last quarter and believe the current fed funds rate is already restrictive enough to continue taming inflation. Lorie Logan, President of the Dallas Fed, mentioned that if long term interest rates remain elevated because of term premiums, there may be less need to raise the fed fund rate. Patrick Harker, President of the Philadelphia Fed, said "Doing Nothing" is still doing a lot. Mary Daly and Raphael Bostic, Fed President of San Fransisco and Atalanta also expressed similar views.

Source: OxCap Research; Federal Reserve Bank of Atlanta; Bureau of Labour Statistics

The upside risk to inflation currently lies with the ongoing regional conflicts. Energy supply disruptions can lead to higher energy prices and inflation. We, at Ox Capital, are monitoring the developments regarding the geopolitical conflicts closely and have the necessary tools to protect investor capital amid the volatilities.

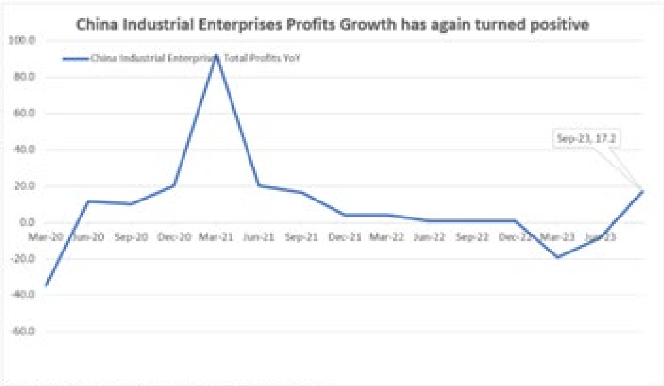
When rate hikes either plateau or cease, it will be especially favourable for emerging market equities with profitable growth prospects. Emerging countries constitute the bulk of global growth, contributing to 60% of global GDP, but is under appreciated by global investors. Clearly, emerging markets are much more than just China, as includes markets like India, Southeast Asia, South America etc.

We are predominantly focused on the bright spots in emerging markets such as India, Indonesia and Vietnam. These economies are undergoing a gargantuan economic transformation that drove China's rise 15 years ago.



Source: OxCap Research, Bloomberg

The Chinese story continues to playout. The bad news we hear about China is a result of a structural transformation from investment to consumption. The recovery is nonetheless progressing gradually, industrial profits are growing again at 17.2%, and retail sales re-accelerated to 5.5% in Q3 from the Q2 lull after the spending rush post COVID reopening.



Source: OxCap Research; National Bureau of Statistics of China

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Geopolitics outlook is improving. Although not widely reported in the press, there has been official visits by US official to Beijing. These include senior White House officials such as Secretary of the Treasury Janet Yellen, Secretary of Commerce Gina Raimondo, Secretary of State Anthony Blinken. In recent weeks, the majority leader of the US Senate, Chuck Schumer, led a delegation to visit Shanghai and China which culminated in a meeting with President Xi. These meetings are expected to pave the way for President Xi and President Biden to meet in the APEC Meeting later in the year in San Francisco. China and US have launched financial & economic working groups on multiple fronts to ease tensions. Although long-term strategic competition between the two nations remains, a more orderly and sensible approach will likely be taken going forward.

The property market recovery in China has been weak, but it appears to be stabilizing given the flurry of loosening measures on home purchase restrictions and lower mortgage rates. Given the higher level of urbanization these days in China (around 65%) the property development industry will play a less significant role in the Chinese economy over the long term.

With endogenous growth drivers, the **India**, **Brazil**, **Vietnam** and **Indonesia** economies are growing robustly. India continues to deliver economic reforms, benefiting from economic reforms of the last decade. Brazil has weathered the storm of peaking interest rate of almost 14% and has started to allow the rates to fall as inflation has eased off to around 5%. Vietnam is benefiting from export demand turning positive recently, and Indonesia continues to develop as a result of economic development thanks to investment in its infrastructure and growth in consumption. We are positioned in the leading businesses in growing industries that can take advantage of their respective environments.

The base case for China is that of continual policy easing. We have seen a similar playbook post the GFC in USA and Europe in the past decade. In hindsight, it was a great time to own the quality growth businesses like Google and Amazon when the US market was valued at mouth-watering, inexpensive valuation in 2009. We believe similar remarkable opportunities are available in China right now!

In the portfolio, we are selective and focused on structural growers that will prosper even in a property market slowdown, those are the leading consumer companies and advanced manufacturing which can gain market shares globally.

Ox is well-positioned to continue its track record of delivering robust returns in the ever-evolving Asian and Emerging Markets landscape. The valuations of the markets are extremely attractive, and we believe the time is now, and the dynamic process will protect capital during volatile periods.

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 2023)

Exposure analysis	
Position	**% of net invested capital**
Long securities (including derivatives)	89.04
Short securities (including derivatives)	-11.64
Cash	22.60
Gross equity exposure	100.68
Net equity exposure	77.40

Liquidity profile

The table below demonstrates the liquidity profile of the Fund as at 30 September 2023.

In summary, 98% of the Fund's assets can be liquidated within 10 days.

Time to liquidate	% of assets
Within 1-10 days	97.81%
>10 to 21 days	100%
> 21 days	100%

Maturity profile

As at 30 September 2023, the Fund does not have any material liabilities.

Derivative counterparties engaged

The derivative counterparties engaged for the period 1 July 2023 to 30 September 2023 are provided in the table below.

Derivatives counterparty
UBS AG, Australia Branch

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 2023, the Fund is long exposure of 89.04% and short exposure of 11.64%. The gross equity exposure of the Fund is 100.68% and net equity exposure of the Fund is 77.40%.

For further information, please contact:

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