Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU

Quarterly Report March 2024

Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net)[1]	3.7	7.1	5.6	6.2	6.5	-2.7
MSCI Emerging Market Net Return Index AUD unhedged	2.3	7.1	9.2	11.0	5.4	-0.7
Active Return	1.4	0.0	-3.6	-4.9	1.0	-2.1

[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 March 2024

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 $41.7 M
Distribution frequency	Annual

Top 10 Positions

Company	Sector	%
SK Square Co Ltd	Information Tech	8.37
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	7.63
Samsung Electronics Co Ltd	Information Tech	4.68
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.60
Tencent Holdings Ltd	Comm Services	3.43
HDFC Bank Ltd	Financials Ex Prop	3.29
ANTA Sports Products Ltd	Consumer Disc	2.94
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	2.77
Kuaishou Technology	Comm Services	2.50
IDFC First Bank Ltd	Financials Ex Prop	2.35
Total		**41.56**

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.

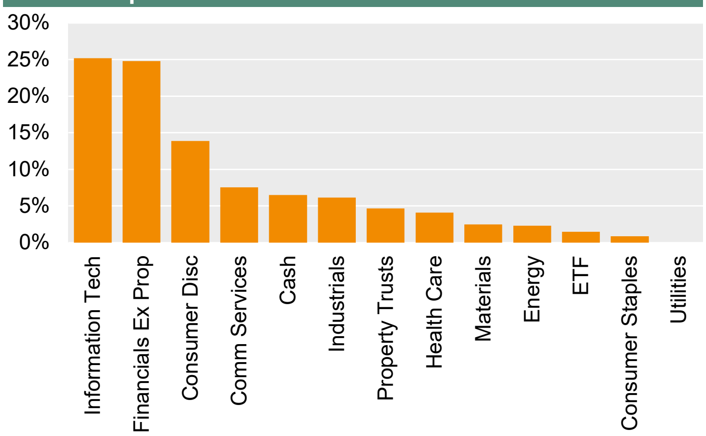
Capture growth: Ox Capital's investment approach is to identify the immense positive change taking place in Asia and other key emerging markets and to find companies that can benefit from those trends.

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.

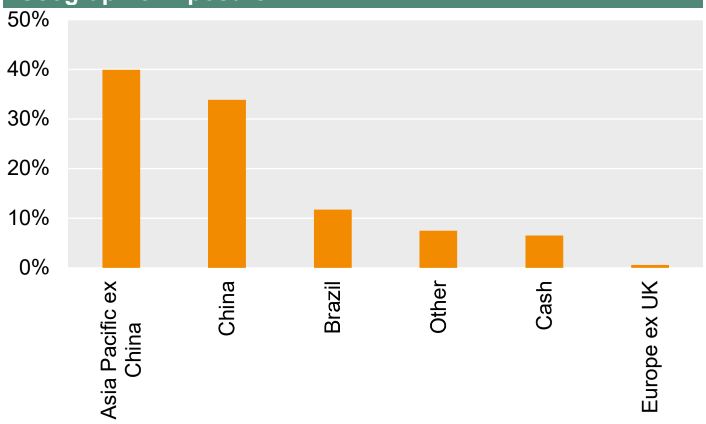
Capital protection strategies: The Fund can use derivatives such as index futures and equity swaps to help protect the portfolio from market volatility and to obtain synthetic exposure to stocks or markets.

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

Sector Exposure



Geographic Exposure



Fund Performance

In the first quarter of 2024, the Dynamic Emerging Market Fund returned 7.09%, compared to 7.07% by the MSCI Emerging Market AUD Index.

Top contributors are semiconductor related exposures driven by new AI applications & a leading Indian conglomerate (SK Square Co., Ltd. 50.19%; Taiwan Semiconductor Manufacturing Company Limited 31.37%; Reliance Industries Limited 14.96%). While the detractors are Indian Banks and a Brazil Healthcare company.

Market Commentary

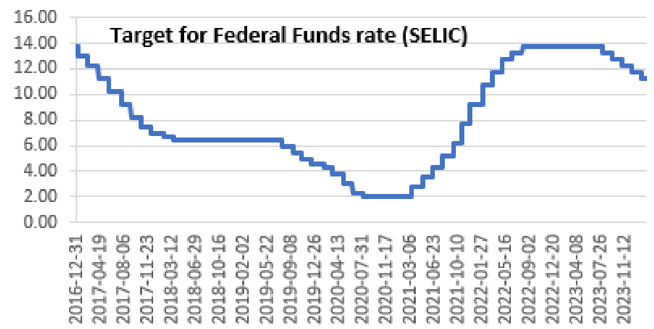
China's recovery continues to be led by consumption. For example, domestic tourism revenue during the Qing Ming holiday (which takes place on the 15th day after the spring equinox traditionally to honouring ancestors), exceeded 2019 level by ~13%.

More generally, the Chinese regulators are firmly on an easing mode, with more policies implemented to spur consumption. The Ministry of Commerce announced upgrade programs to encourage purchase of smarter, greener, and more premium home appliances. It also lowered auto loans downpayment ratios to encourage purchase of cars, enabling credit worthy consumers to drive away paying only insurance and registration fees!

The stock market is another focus for the regulator. While they have little appetite to re-inflate the property boom, a great deal of effort is being made to improve the longer-term prospect of the stock market, which has traditionally been seen by punters as an “ATM for corporates”. Recently, the regulators have issued a new plan called the "9-point guideline", with significantly greater focus on minority shareholders protection, and encouragement of longer-term capital such as mutual and index funds to participate in the market. The aim is to improve investors' confidence and these plans have thus far been well-received.

Brazil remains highly prospective for long-term investors. Fiscal and monetary policies reforms have led to a much more stable currency. Brazil will also benefit from a recovery of commodities prices as it is a major exporter of soybean, oil, iron ore, and meat. Interest rates continues to decline. In late March, the Central Bank of Brazil cut its interest rates (SELIC) by 0.5% to 10.75%, the sixth reduction from its peak of 13.75%.

At Ox, we believe it is critical for investors to gain exposure to the region and **we are positioned in the key interest rate-sensitive and quality stocks which are set to benefit.**



Source: Banco Central Do Brasil

Vietnam’s economy continues to execute, and the outlook looks highly prospective. GDP growth is expected to accelerate to above 6% growth in 2024. Notably, the economy grew almost 6% in the first quarter of 2024, helped by a high level of foreign companies investing in the economy, growing their manufacturing capacity. Retail sales increased 9% from a year ago in March and tourism rebounded strongly with international arrivals reached 1.6M in March 2024 (vs. 895K a year ago). **We expect the economy to accelerate in 2H.**

Vietnam is the **warehouse to the world** and is riding the wave of current global supply chain reconfiguration, boosting its GDP growth through wider manufacturing capacity and enhanced productivity, propelling an increasingly urbanised society. We believe this backdrop provides a foundation for alpha generating opportunities.

Corporate governance reforms are a key focus in South Korea and China to improve minority shareholders protection and improve valuations. For example, in South Korea, the government recently announced guidelines for its corporate value-up program, similar to Japan’s reforms in 2023. Notably, Korea’s initiatives will focus on three pillars:

1) putting in incentives for listed companies to voluntarily prepare, implement and communicate their corporate value-up initiatives,
2) aiding investors in assessing a company’s initiatives for shareholder value enhancement plans to make informed investment decisions, and
3) establishing a dedicated support systems to implement the corporate value up programs.

Although voluntary, the Government will provide tax incentives along with corporate benefits to improve shareholder value which could drive adoption.

Our Positioning

outlook of emerging economies equities remains positive thanks to generally decelerating inflationary pressure and continued interest rate cuts by the various emerging market central banks. Valuations are at attractive levels for many quality names with sustainable long-term growth, and we are laser-focussed on opportunities that are on offer.

Our net invested position increased to 94% over the quarter. We booked profits in India and Brazil, both of which have done well, added to China given the stabilisation of economic activities and attractive valuations. Besides China, we remain overweight Vietnam, Indonesia, and Brazil.

It is perhaps underappreciated that AI model training requires fast memory chips. Memory stocks in fact make up two of our top five positions. We also introduced exposure to mining/metal stocks into our portfolio. Demand for copper is likely to further grow given the ramping up of spending on electric power grid to support the new AI driven data centres, electric vehicles and renewable energy installations. Given the lack of investment in mine development, the base metals market is likely going to tighten. Improving base metal prices carry positive implications for the LATAM region, a key producer of commodities enabling this megatrend.

Market Outlook

1. Despite higher inflationary numbers out of the US, inflation rate is set to come down gradually over 2024. The bond market has reacted to higher inflationary numbers by shifting long term rates higher, which has a tightening impact on the economy, cooling economic activities and bringing inflation down. This should enable the rate cut cycle by Asian Central Banks, whose economies are generally not seeing any inflationary problems.

2. **Most CPI components are no longer inflationary.** The remaining inflationary force lies in core services which are mostly fuelled by the costs of shelter and auto insurance. Real time rental costs appears to have weakened already, which tends to lead official CPI, while auto insurance appears wage driven (eg. auto repair) and labour cost is showing signs of a downtrend.

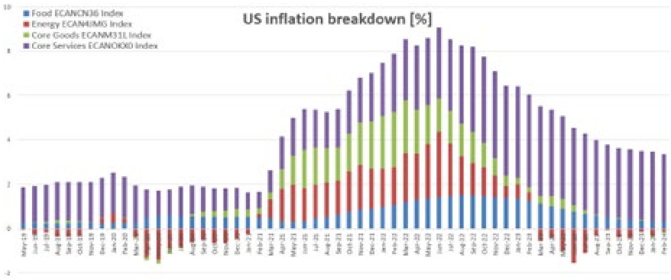
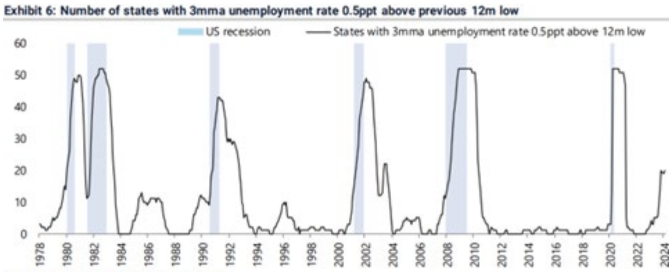
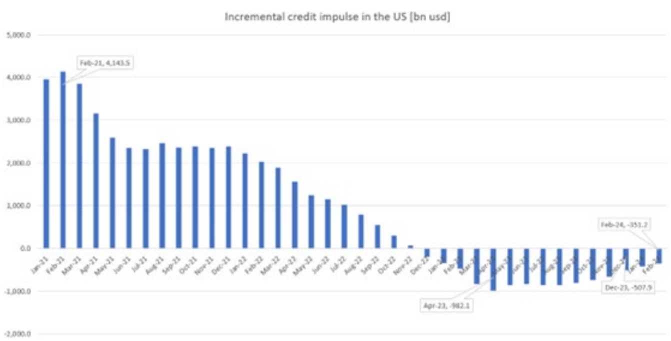


Exhibit 6: Number of states with 3mma unemployment rate 0.5ppt above previous 12m low



Source: Bureau of Labor Statistics, Jefferies

3. The **Fed Reserve appears to have already started relaxing monetary policy** (via loosening of financial conditions, moderating slowdown of the credit impulse, and started discussing the slowdown in balance sheet tapering). These may explain the somewhat unexpected resilience of the US economy.

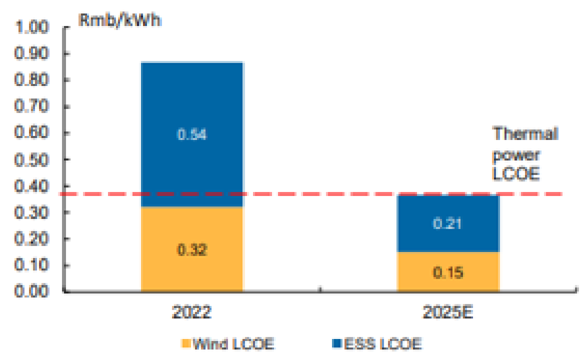


4. In **China**, the latest reporting season shed light on the improving confidence of the economy as earnings were resilient. The below are a few examples:

- Anta, the leading sportswear maker in China, had strong sales growth of 18% in 2H 23. Net income rose 37% yoy. Importantly, it is expecting solid growth in 2024.
- Kuaishou, one of two leading short video (TikTok-like) platforms, is seeing an inflection up in profitability. Half of the population of China watch videos on Kuaishou. Sales grew 15% from the year prior in Q4, EBITDA profit increased over 200% yoy. In 2024, Kuaishou is expected to grow EBITDA profit by 70% from a year ago. Kuaishou is trading at 12X PE in 2024.
- CATL, the leading EV battery maker in the world was resilient. In 2023, its EV battery shipment increased 35% yoy. It is the No.1 EV battery maker in China (45% market share). It also increased its market share globally (from 23% to 28%). In 2024, we expect CATL to take market share. CATL is trading at 18X PE in 2024 and 13-14X PE in 2025.

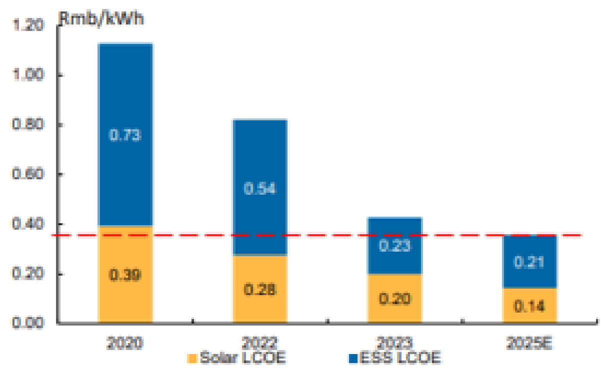
5. Some sources are estimating that wind and solar energy, even with the extra capital investment of batteries, will reach grid parity by 2025 in China. To put it another way, wind and solar energy can be cost effective against the base load of coal in another 12-18 months! As this spreads to the rest of the world, implications to base metals like copper, aluminium and nickel can be dramatic.

Figure 28 - Wind + storage to reach grid parity by 2025E



Source: Wood Mackenzie, Macquarie Research, January 2024

Figure 29 - Solar + storage to reach grid parity by 2025E



Source: Wood Mackenzie, Macquarie Research, January 2024

Lastly, the new generation of AI datacenters require far more copper than traditional datacenters. Yet, considering copper supply is already tightening, the surge of AI data centers spending can bring an incremental demand surprise.

Conclusion: **The beneficiaries of declining US rates and inflation is emerging markets.** The eventual decline of long yields globally will lead to re-rating of rate-sensitive assets as long as earnings stay resilient. This scenario combined with a potentially weaker outlook for the US Dollar would benefit emerging economies equities significantly. We are seeing many opportunities across EMs to invest in quality companies, with sustainable growth at attractive valuations that are set to benefit in the current macro-economic outlook. In China, the government is focused on executing longer-term. There is also a greater sense of urgency to bolster growth (consumption) and ameliorate risks (properties and related sectors). The expectation from the regulators is a gradual recovery in 2024 that accelerates in the 2H. We own leading businesses that are aligned with the country's long-term vision, as they are available on extremely attractive valuations.

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 March 2024)

Exposure analysis	
Position	**% of net invested capital**
Long securities (including derivatives)	93.50
Cash	6.50
Gross equity exposure	93.50
Net equity exposure	93.50

Liquidity profile

The table below demonstrates the liquidity profile of the Fund as at 31 March 2024.

In summary, 93% of the Fund's assets can be liquidated within 10 days.

Time to liquidate	% of assets
Within 1-10 days	93%
>10 to 21 days	96%
> 21 days	97%

Maturity profile

As at 31 March 2024, the Fund does not have any material liabilities.

Derivative counterparties engaged

The derivative counterparties engaged for the period 1 January 2024 to 31 March 2024 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 31 March 2024, the Fund is long exposure of 93.50% and short exposure of 0.00%. The gross equity exposure of the Fund is 93.50% and net equity exposure of the Fund is 93.50%.

For further information, please contact:

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