

# Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU



## Monthly Report November 2024

Performance	1 month %	3 months %	1 year %	2 years % p.a.	3 years % p.a.	Inception % p.a.
Fund Return (Net) <sup>1</sup>	-4.7	1.6	4.4	3.9	-1.3	-2.5
MSCI Emerging Market Net Return Index AUD unhedged	-3.1	2.4	13.9	9.5	1.6	1.1
<b>Active Return</b>	-1.6	-0.8	-9.5	-5.6	-2.8	-3.6

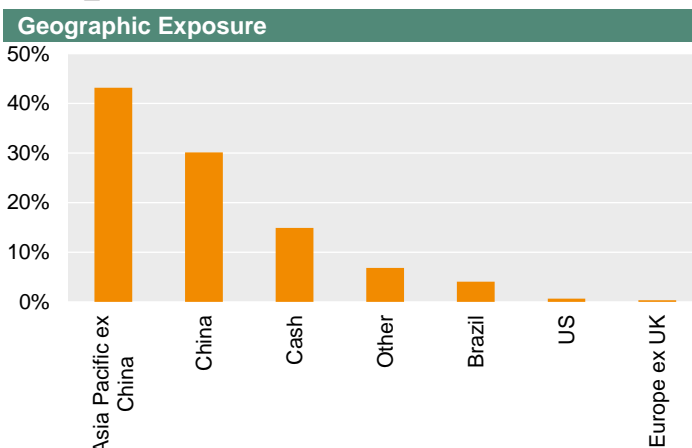
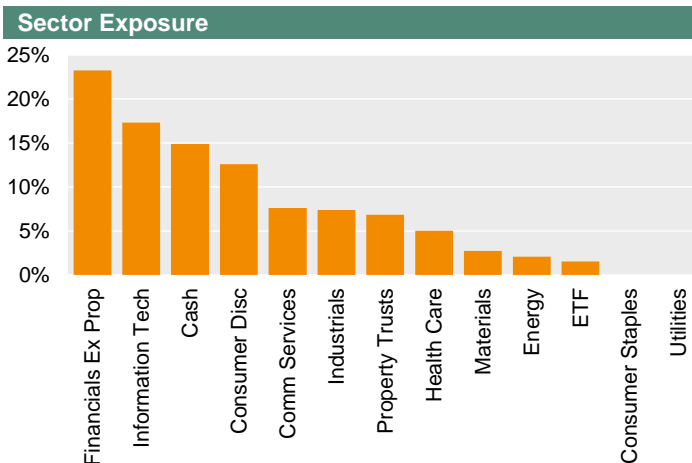
<sup>1</sup> The returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowances are made for tax when calculating these figures. Past performance is not a reliable indicator of future performance. The inception date for the fund is 20 September 2021.

Source: Fidante Partners Limited, 30 November 2024

Fund Facts	
<b>Portfolio managers</b>	Joseph Lai, Douglas Huey, Alan Zhang
<b>Inception date</b>	20 September 2021
<b>Management fee</b>	1.00% p.a.
<b>Performance fee</b>	15% of the Fund's daily return above the benchmark <sup>2</sup>
<b>Fund objective</b>	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.
<b>Initial investment</b>	\$10,000
<b>Minimum suggested timeframe</b>	5 years
<b>Buy/sell spread<sup>2</sup></b>	+0.25% / -0.25%
<b>Fund FUM</b>	AUD \$41.3 M
<b>Distribution frequency</b>	Annual

Top 10 Positions		
Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	8.50
SK Hynix Inc	Information Tech	4.66
Tencent Holdings Ltd	Comm Services	4.26
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	4.15
Bank Mandiri Persero Tbk PT	Financials Ex Prop	3.97
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.56
Contemporary Amperex Technology Co Ltd	Industrials	3.01
BYD Co Ltd	Consumer Disc	2.91
NHN Corp	Comm Services	2.81
Samsung Electronics Co Ltd	Information Tech	2.37
<b>Total</b>		<b>40.21</b>

Fund Features
<b>Concentrated:</b> 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.
<b>Capture growth:</b> 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.
<b>Macro overlay:</b> A quantitative model provides a bird's eye view of how macro conditions impact equity markets and helps guide country and sector asset allocation.
<b>Capital protection strategies:</b> 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.
<b>Experienced team:</b> A team of experienced and passionate emerging market investors strongly aligned with clients' investment objectives.



## Fund Performance

In November 2024, the Dynamic Emerging Market Fund returned -4.7%, compared to -3.1% by the MSCI Emerging Market AUD Index.

The top contributors were a South Korean internet conglomerate, a leading Chinese digital freight platform, and a Chinese medical technology company. (NAVER Corporation 21.47%; Full Truck Alliance Co. Ltd. 11.84%; AK Medical Holdings Limited 11.90%). The detractors included a South Korean semiconductor supplier, a Chinese online retailer, and a Taiwanese multinational semiconductor manufacturer.

## Market Commentary

### Macro

**China:** We are seeing early signs of confidence returning in China since the policy pivot.

- Regarding properties, a lot of adjustment have already taken place, as properties sold is back to 2009/2010 levels! Following the policy pivot, property sales in October and November picked up. Further – more, policies are more forthcoming, including destocking efforts from the government to absorb inventories and housing vouchers for urban renovations to support new home purchase.

Figure 2: Over 10M24, GFA sold totalled 777mm sqm and sales value totalled Rmb7.69tn, implying ASP of Rmb9,962/sqm



Figure 4: Domestic GFA sold fell 1.6% YoY in October (vs. -11% YoY in September), and declined 15.8% YoY in 10M24 (vs. -17.1% in 9M24)



- October data points following the pivot indicate improvement in consumer sentiment. October passenger car sales increased 11% yoy (vs. 4.5% increase in Sept). The Unemployment rate also improved slightly month-on-month (from 5.1% to 5%).

**Korea:** According to the latest consumer sentiment survey, the domestic economy in Korea is steady. There will be upside in the stock market as the local economy improves.

Figure 1: Korea consumer sentiment index

100 = long-term average from 2003 to 2023



Source: BoK and J.P. Morgan

**Vietnam:** Reported strong GDP growth in Q3 (7.4% real). Exports grew 16% yoy.

- The property market is recovering – with condo primary prices in Ho Chi Minh City increased 8% yoy. Prices in Hanoi (Capital City of Vietnam) increased by 26% yoy.

**India:** More signs of slowing momentum amongst consumers in India. Credit card spending increased 13% yoy in October (vs. 18% growth in 1H 24). Credit costs are also rising for credit card companies.

- Rising unsold properties reaching highest level since 2019. Gold and jewellery sales declined yoy in 1H 24.

### Portfolio News/Portfolio Changes

1. The portfolio remained under-invested at the end of November, with the net invested position below 90%.

- Overweight: China, Indonesia, and Vietnam.
- Underweight: Taiwan, Korea, and India.
- USD strengthened relative to other currencies post US election. Several EM stock markets pulled back subsequently, and we are adding to our positions in these markets.
- We reduced our overweight positions in China after recent outperformance. At the end of November, the portfolio was slightly overweight China.
- Despite the rising US stock market, we don't see a "plain sailing" environment for DM equities in 2025. The incoming US government is pursuing conflicting goals – low inflation and policies that are inflationary such as import tariffs, extradition of illegal migrants, tax cuts and lower interest rate.

2. **KE Holdings (Beike)** – The leading real estate platform in China reported strong momentum in October. Existing home sales on its platform increased 70% yoy and 30% month-on-month.

- Noticeably, transaction volumes in Beijing, Shanghai, Shenzhen increased 120%, 120% and 250% respectively. Tier 2/3 cities saw transaction volume increase of >60% yoy.
- Existing home prices increased by 0.3% month-on-month in October, marking the first increase since early 2023.
- This is indicative that the Chinese economy is finding its footing.

3. **Chinese internet:** Q3 reporting season was solid overall. Trip.com and Full Truck Alliance reported especially strong results. Trip.com reported net profit growth of 20% month-on-month and 22% yoy. FTA reported net profit growth of >50% in Q3 24. The e-commerce names saw slowing momentum in Q3 but reported pick up in activities in Oct/Nov thus far.

- The Chinese internet companies are expected to post solid net profit growth in 2025. Valuation are at a steep discount to the internet companies in the USA, despite comparable, if not better, profit growth momentum in 2025.

4. **AI:** Nvidia reported strong Q3 results, with its AI/data centre sales growing by >110% yoy. Importantly, demand for its new Blackwell system is expected to exceed supply for quite some time. 2025 is shaping up to be another solid growth year for Nvidia, with consensus forecasting >40% in sales growth.

- We are hearing that Hynix has sold out its HBM chips for 2025 and is targeting very strong sales growth of over 60% in 2025.

Fig.5: Comp Table

Companies	Ticker	Price (local)	Non-GAAP NP growth (yoy%)			Current PE (x)		
			2024E	2025E	2026E	2024E	2025E	2026E
Online Games								
Alibaba (FY 25-27)	BABA US	85.58	4%	11%	10%	15.0	9.0	8.7
	JD US	35.38	23%	6%	8%	9.2	8.4	7.5
Pinduoduo	PDD US	104.09	84%	21%	21%	9.7	8.1	6.8
Tencent	700 HK	400.60	38%	11%	11%	16.4	14.9	13.9
Baidu	BIDU US	81.63	-8%	4%	9%	8.0	7.8	7.5
Kuaishou	1024 HK	44.35	71%	28%	24%	14.8	9.1	7.6
Meta	META US	563.09	51%	11%	12%	24.4	21.8	19.1
Google	GOOG US	169.24	35%	10%	12%	21.6	19.2	17.6
Microsoft	MSFT US	412.87	11%	15%	16%	31.6	27.4	25.4
Netflix	NFLX US	897.48	60%	19%	18%	41.8	34.8	29.7
Market Cap Weighted PE						26.0	22.8	19.7

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