Ox Capital Dynamic Emerging Markets Fund

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OX CAPITAL MANAGEMENT

Quarterly Report December 2024

Performance	1 month %	3 months %	1 year %	2 years % p.a.	3 years % p.a.	Inception % p.a.
Fund Return (Net)[1]	2.0	-2.7	8.2	4.1	2.1	-1.8
MSCI Emerging Market Net Return Index AUD unhedged	5.1	3.1	18.5	13.7	3.5	2.6
Active Return	-3.0	-5.8	-10.3	-9.6	-1.4	-4.4

[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 December 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 $43.9 M
Distribution frequency	Annual

Top 10 Positions

Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	9.36
SK Hynix Inc	Information Tech	5.19
Tencent Holdings Ltd	Comm Services	4.43
Meituan Dianping	Consumer Disc	3.86
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.70
Bank Mandiri Persero Tbk PT	Financials Ex Prop	3.15
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	3.06
BYD Co Ltd	Consumer Disc	3.03
Contemporary Amperex Technology Co Ltd	Industrials	3.01
NHN Corp	Comm Services	2.54
Total		**41.32**

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.

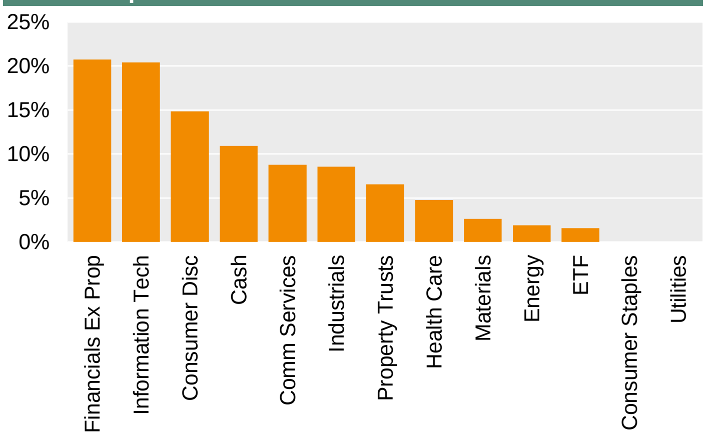
Capture growth: Ox Capital's investment approach is to identify the immense positive change taking place in Asia and other key emerging markets and to find companies that can benefit from those trends.

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.

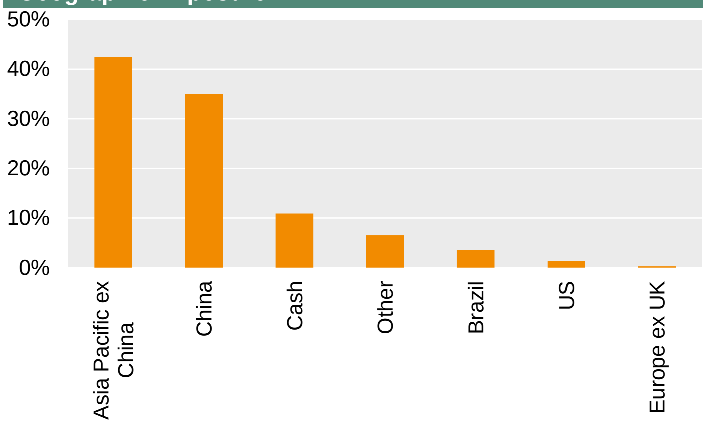
Capital protection strategies: The Fund can use derivatives such as index futures and equity swaps to help protect the portfolio from market volatility and to obtain synthetic exposure to stocks or markets.

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 fourth quarter of 2024, the Dynamic Emerging Market Fund returned -2.7%, compared to 3.1% by the MSCI Emerging Market AUD Index.
The top contributors include a leading Taiwanese semiconductor manufacturer, a leading global technology services provider, and a leading Chinese battery manufacturer (Taiwan Semiconductor Manufacturing Company Limited: 12.33%; Bitdeer Technologies Group: 176.76%; Contemporary Amperex Technology Co., Limited: 5.60%). The detractors include Indonesian banks and a Korean technology conglomerate.

Our Positioning

Our portfolio remained well invested with a net position of 91% at the end of December 2024. We were overweight China, Vietnam, and Indonesia and underweight Taiwan and India. The portfolio weightings in Taiwan and Korea (primarily AI exposed names) increased given appreciation of TSMC and SK Hynix during the quarter. Our view is, many emerging markets have pulled back to an attractive valuation range, and we believe the set up for 1H25 is prospective

Market Commentary

The quarter was marked by two significant events: the return of President Trump in the United States and policy pivot in China to support economic growth. These developments are expected to impact global economies and financial markets in the coming quarters.

The US

President Trump's "America First" policy aims to strong-arm and extract concessions from middle-power countries which are probably seen as more pliable, and thus far, does not appear to discriminate between friend or competitors. Recent press reports suggest that countries like Canada, Mexico, Greenland, and Panama are in the crosshair.

Interestingly, reports on upcoming actions on China have been surprisingly limited in scope. The only concrete proposed as of now is an incremental 10% tariff on Chinese exports. Besides this, snippets from the US suggest the Trump government is re-thinking how it approaches China. Surprising but consistent with this line of thinking includes the invitation to senior Chinese leadership to attend the U.S. Presidential inauguration, and discussions on potential collaborations to “solve all the world’s problems” including stopping the war in Ukraine.

There is potential for the China-US relation to evolve from that of intense competition on multiple fronts to one that is more balanced. Given the significant pressure between the China and US over the last 6-7 years, further escalation yields little economic or strategic benefits to either side. The optimal strategy is to rebalance, and if this can happen, implications to the rest of the world will be significant.

The concept of co-operation in some areas while still competitive in others between these superpowers offers a way for US and China to achieve their respective economic and strategic goals. For example, China can offer technical know-how in a number of manufacturing sectors, and the US can reduce pressure on the Chinese economy by moderating certain sanctions, export restrictions and confrontations on various fronts. While not a consensus perspective at the moment, any easing of the tension will be a boon to Chinese assets valuations which are depressed and offer good valuation support in any case.

China

Meanwhile in China, economic policy has pivoted to become more growth oriented. The phrase "property is for living, not speculation" is no longer emphasized, indicating a desire to stabilize property prices. Recent policy changes have led to price increases in major cities after recent property price correction. Monetary policy has shifted from prudence to “moderately loose”, and fiscal policy for the new year is expected to relax further.

It is notable that a “moderately loose” monetary policy stance was last adopted post the global financial crisis in 2009! At this stage, a large-scale one-shot bazooka fiscal stimulus like that post the GFC remains unlikely, the relatively low indebtedness of the Chinese Central Government and the lack of inflation provide ample room for incremental spending.

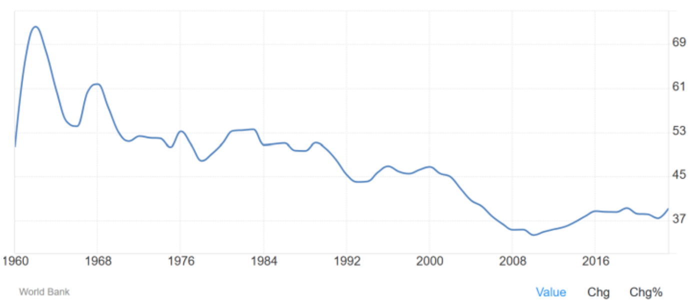
Media reports often highlight the negative impact of tariffs on the Chinese economy. Our view is that while there may be impacts on employment at the margin if tariffs are broad and steep, it is worthwhile to remember that the Chinese economy has developed many alternative export destinations since the first round of trade protectionist policies. For instance, BYD, one of the portfolio companies, is nearly doubling its overseas EV shipments to almost 500k units without selling to the US market. Similar bottom-up examples can be found in various industries, and it is prudent to believe the impact of potential tariff hikes can be mitigated.

Over the last decade, Chinese companies' technological advancements have changed the composition of its exports, so much so that in some categories, other countries simply can no longer compete with Chinese product on quality and cost. China has become the centre of global supply chain of many key components and high value products. It is going to be highly costly to shift away from China’s supply chain.

Further, despite the headlines, exports to USA only make up 15% of China’s exports these days and exports only make up 20% of GDP. The Chinese economy is not just about exports, as consumption and investment are bigger parts of the economy! So direct exports to the US is only equivalent of 2-3% of China’s GDP (20% x 15% = 3%!).

The real challenge for China lies in boosting domestic consumption, which has been declining as a share of the economy and under-indexes relative to other countries over recent decades of remarkable economic development. The reason is high savings rate. If the Chinese consumers can deploy some of the savings to consumption, the consumption-to-GDP ratio can be lifted, making the economy even more domestically driven. Credible reasons cited include limited social safety nets, education, housing, and wealth disparity, and addressing these issues can drive long-term growth and economic sustainability.

Title: Consumption as a % of GDP



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The USD

The strong USD has posed challenges for emerging markets, but the continued USD strength is likely to be the base case. Remember, it was only a few months ago that USD was expected to decline with the backdrop of a slowing US economy, rate cuts and the ever-increasing US federal debt, not to mention trillions of existing short-term debt expiring and need to be rolled in the next 18 months! Now, the consensus appears to be the polar opposite because of expectation of greater inflation and economic growth post the US election!

The expectation of tariff hikes may be inflationary initially, but tariffs reduce decision making for businesses and the second order effect is a slower economic growth globally. Slowing economic growth post tariff increase was certainly a concern during the first Trump term. Interest rate cuts was needed to stabilise growth!

Other "policies" of the new Trump government will have conflicting impacts on the economy. Cutting federal government spending sounds great in theory but hard to implement and will be a headwind on economic growth and employment. Many vested interests will fight any controversial proposals, eroding confidence in the new government. Extending individual and corporate tax cuts will add to the growing deficits. It is prudent to recognize these disinflationary factors alongside many inflationary forces.

The recent USD strength and inflationary impulse in the US has made US products and wages expensive compared to the rest of the world. The decreasing competitiveness argues for a weaker USD, which can be triggered if signs of slowing US economic growth emerges.

Overall, a mix of domestic and international uncertainties is expected. Given the tough stance US has taken against China in the past 8 years, and the recent utterances from the incoming government, re-examination of relationship between the two countries is likely. The persistent large federal government debt and the uncertainties in implementation of new government policies are likely to temper expectations of continue USD strength, especially given its significant appreciation to date.

Industry focus – The Future of Mobility: How Autonomous Driving Will Reshape OEMs, Ride-Hailing, and AD Providers

The future landscape of ride-hailing (RH) companies, Auto OEMs, and autonomous driving (AD) providers is poised for significant transformation as technological advancements lower traditional barriers such as taxi medallion costs and regulatory requirements.

We believe three potential industry scenarios are emerging and outline how the competitive landscape may unfold.

- **Scenario 1**: If car manufacturers (OEMs) develop autonomous driving (AD) systems first, they'll become the main suppliers to fleet owners and ride-hailing companies. This reduces the need for independent AD providers, as OEMs could include AD systems and other services like insurance in their vehicles. In this case, OEMs and ride-hailing companies will dominate the market, with OEMs holding a slight edge due to their experience in scaling operations.
- **Scenario 2**: If AD providers develop the technology first, OEMs can still collaborate with them while continuing their own research. In this case, all three—AD providers, OEMs, and ride-hailing companies—will coexist. Partnerships with OEMs may be the best long-term strategy for AD providers, and multiple AD solutions are likely to emerge.
- **Scenario 3**: If ride-hailing companies develop their own AD systems, they could dictate terms to OEMs, potentially lowering vehicle production costs. This would lead to increased competition among OEMs, with ride-hailing companies pushing for hardware upgrades and reducing pricing power for manufacturers.

In this evolving ecosystem, fleet providers could emerge as dominant players, offering a range of vehicle types with minimal reliance on human Labor. The operational costs of autonomous vehicles will primarily include insurance, fuel or electricity, depreciation, and maintenance, with an additional cost component from AD system providers recouping their R&D investments. While consumer car ownership is expected to decline, discretionary demand may offset some of this shift, and AD-ready vehicles will likely become the new standard for both fleet and personal use. OEMs, despite financial constraints and long production cycles, are unlikely to be disrupted entirely by ride-hailing or AD providers but must adapt quickly to stay relevant in the automated future.

Each of these scenarios above carries different implications for market dynamics and timing will play a crucial role in determining which players gain the upper hand, with OEMs and RH companies likely to enjoy a temporary economic moat before full market saturation occurs as they are more scalable.

Notably, **OEMs and ride hailing companies will be the beneficiaries of Autonomous driving technology** in our view in the long term. However, the financial viability of deploying fully autonomous fleets presents substantial challenges.

- The capital expenditure required to roll out an AD-enabled national fleet is immense, with estimates suggesting over $440 billion investment for the U.S. alone using high-end vehicles like Waymo's Jaguar I-Pace.
- Even with cost-efficient alternatives, such as Chinese-made vehicles, the upfront capital and ongoing replacement costs could prove prohibitive, yielding only modest returns on invested capital (ROIC).
- This raises concerns over whether AD providers, particularly those reliant on external funding, can sustain long-term investment without partnerships with OEMs or RH platforms. While the ride-hailing market continues to grow, labour cost savings from automation may not be sufficient to justify the scale of investment required. This ultimately leads to further consolidation of the ride hailing industry.

Ultimately, **OEMs have a strong incentive to develop their own AD capabilities to drive an upgrade cycle and capture a greater share of the mobility profit pool**, potentially squeezing out standalone AD providers who struggle to achieve profitability and scale independently.

In conclusion, while the development of full autonomous driving systems presents immense opportunities, it also introduces significant financial and strategic challenges. Thus, **OEMs, with their manufacturing expertise and potential to integrate AD technology as a standard feature, are well-positioned to capture a substantial share of the market, particularly if they establish partnerships with RH companies**. As the market matures, partnerships and strategic collaborations will be crucial to navigating the competitive landscape, ensuring sustainable growth, and unlocking the full potential of autonomous transportation.

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 December 2024)

Exposure analysis	
Position	**% of net invested capital**
Long securities (including derivatives)	90.69
Cash	9.31
Gross equity exposure	90.69
Net equity exposure	90.69

Liquidity profile

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

In summary, 100% of the Fund's assets can be liquidated within 10 days.

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

Maturity profile

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

Derivative counterparties engaged

The derivative counterparties engaged for the period 1 October 2024 to 31 December 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 December 2024, the Fund is long exposure of 90.69% and short exposure of /formatnumber(/multiply(/abs($Short$),100),0.00)%. The gross equity exposure of the Fund is /formatnumber(/multiply(/abs($GrossEE$),100),0.00)% and net equity exposure of the Fund is /formatnumber(/multiply(/abs($NetEE$),100),0.00)%.

For further information, please contact:

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