

# Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU



## Quarterly Report March 2025

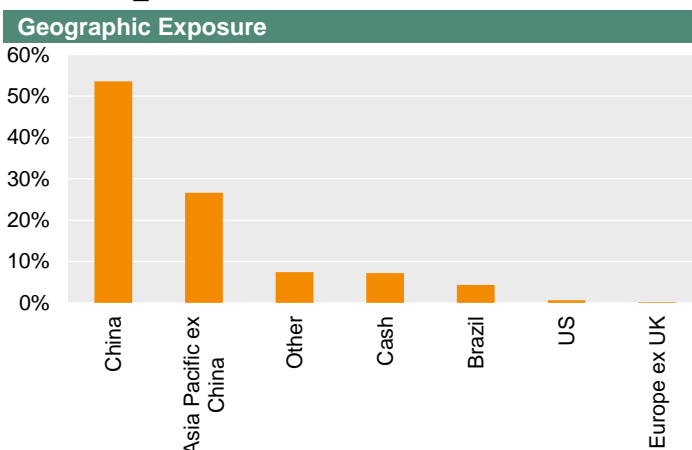
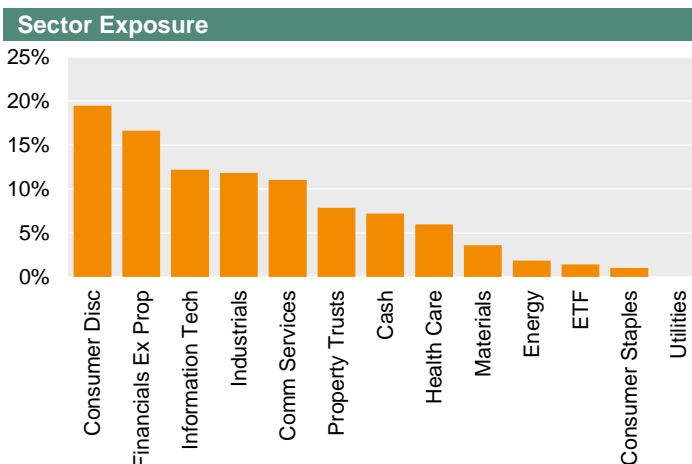
Performance	1 month %	3 months %	1 year %	2 years % p.a.	3 years % p.a.	Inception % p.a.
Fund Return (Net) <sup>1</sup>	1.2	5.7	6.7	6.5	6.6	-0.1
MSCI Emerging Market Net Return Index AUD unhedged	0.4	2.3	13.2	12.1	7.9	3.1
<b>Active Return</b>	<b>0.8</b>	<b>3.4</b>	<b>-6.4</b>	<b>-5.6</b>	<b>-1.4</b>	<b>-3.2</b>

<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, 31 March 2025

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 \$46.3 M
<b>Distribution frequency</b>	Annual

Top 10 Positions		
Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	7.37
Tencent Holdings Ltd	Comm Services	5.83
Meituan Dianping	Consumer Disc	4.48
BYD Co Ltd	Consumer Disc	4.37
Full Truck Alliance Co Ltd	Industrials	3.98
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.40
Pinduoduo Inc	Industrials	3.05
Contemporary Amperex Technology Co Ltd	Industrials	2.71
Bank Mandiri Persero Tbk PT	Financials Ex Prop	2.63
Kanzhun Ltd	Comm Services	2.39
<b>Total</b>		<b>40.22</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 the first quarter of 2025, the Dynamic Emerging Market Fund returned 5.67%, compared to 2.27% by the MSCI Emerging Market AUD Index.

Top contributors are a leading Chinese EV and hybrid vehicle manufacturer, a leading Chinese entertainment and technology company, and a Korean memory semiconductor supplier. (BYD Company Limited 47.34%; Tencent Holdings Limited 19.18%; SK hynix Inc. 9.66%). While the detractors are a Taiwanese semiconductor manufacturer, a Singaporean technology and high performance computing company, and an Indonesian lifestyle retailer.

## Our Positioning

Our portfolio remained well invested with a net position of 90% at the end of March 2025. We were overweight China, Vietnam, and Indonesia and underweight Taiwan, Korea and India. The portfolio is primarily exposed to quality companies who will benefit from rising domestic consumption in Asia and Emerging Markets. However, Taiwan and Korea are export-driven economies & the portfolio weightings in those countries are primarily AI exposed names. In our view, the market volatility has resulted in emerging markets at attractive valuation range, and we believe the set up for the rest of 2025 is prospective.

## Market commentary & Outlook

The escalation and ultimately broad imposition of US tariffs marks a pivotal shift in global trade dynamics. Whether these tariffs either remain in-place or are rolled back, the impact to U.S. economic activity is likely to be significant because it is also increasingly more difficult for businesses to make decisions. Exporting nations, while affected, will bear a comparatively smaller burden. Ultimately, it will be American consumers or corporates who will feel the sharpest pain, as higher costs get passed down through to the consumer or absorbed by the corporates. However, we do acknowledge exporting countries will absorb part of the impact through lower export volumes and, in some cases, reduced prices.

Fundamentally, tariffs function as a sales tax on American consumers. A sudden and sweeping increase in this tax erodes real disposable income, fuels inflation, and weakens consumer purchasing power.

Why is the Trump administration imposing tariffs and escalating trade tensions:

- **Re-industrialize America:** The top priority is reshoring jobs to the USA across industries, especially manufacturing jobs.
- **Reduce the US deficit:** Tariffs to serve as an additional revenue stream to help narrow the budget deficit, boost revenues from abroad, and reduce its national debt.

However, the outcome may be very different from what President Trump wants to achieve.

For a country with US\$83,000 in GDP per capita, it is no longer unproductive for American workers to regress to low value manufacturing unless consumers are willing to permanently accept more expensive goods in the future, such as Christmas trees. The gap between manufacturing costs between America and many production hubs in Asia is too wide for businesses to reorient their capital allocation. In Southeast Asia, for example, factory workers earn around \$300 per month - far below even entry-level U.S. wages. Moreover, China continues to lead in areas like robotics and tightly integrated supply chains, helping

maintain its cost and production advantages despite trade barriers.

Revenue generated from the tariffs may also be short of what the administration anticipated because trade value will shrink significantly and potentially exports as many unfinished goods cannot be imported for production, which is already evident.

Chinese manufacturers, in particular, have already adapted and have little expectation of renewed access to the U.S. market. The main effect will be a drop in demand from the U.S., not structural disruption. Some other export-reliant economies may be more adversely impacted, but the shock will be spread.

Crucially, the U.S. no longer has the economic dominance needed to use tariffs as a decisive tool in trade negotiations. Its share of global consumer demand has declined. The U.S. auto market, for instance, now represents only 18% of global passenger vehicle sales, compared to China's 30%, Europe's 15%, and India's 5%. If cars are a proxy for broader consumer demand, it suggests that 82% of consumption lies outside U.S. borders - undermining its leverage.

The broader risk is a collapse in business confidence, especially within the U.S. itself. Policy unpredictability will likely discourage investment, while weakening consumer spending power and looming government spending cuts (due to fiscal constraints) could push the U.S. into a pronounced slowdown. Even a policy reversal now would likely come too late to shift sentiment - both businesses and consumers will remain wary.

## The most probable outcome

**A significant U.S. economic downturn is the most probable outcome of the escalation of US Tariffs.** While other economies will also feel the impact, the pain will be more widely dispersed. **In time, many countries will respond with monetary and fiscal stimulus.** A global "risk-off" environment is highly likely, even if the overall picture is simply slower growth rather than a full-blown crisis. **Over time, however, looser policy will benefit Asia and emerging markets, potentially positioning them as relative winners in a challenging global backdrop.**

In the longer term, countries pressured into making deals may quietly backtrack, seeking alternative partners. This dynamic ultimately favours China. Despite being encouraged to distance themselves from China, many mid-sized economies have little choice but to rely on it—whether as Plan B or even Plan A—especially when under pressure from the U.S.

Hong Kong stocks look particularly compelling right now. Southbound buying continues unabated—and with increasing intensity. Whether this is driven by government-backed flows is beside the point. The fact remains: around USD 700 billion in free float is now controlled by Southbound investors. This flow isn't going anywhere—it's here to stay and will likely keep growing.

**The evolution of the trade war dynamics is likely to lead to a sapping of the animal spirits out of commerce and spread of risk-off in other asset markets.** A positive surprise would be a sudden agreement to de-escalate trade tensions.

## De-escalation likely between USA and China

The current trade war escalation is unsustainable, particularly for the USA we believe. With uncertainty in trade policies, trade has collapsed with the announcement of the tariffs between USA and the rest of the world, not just with China. **In time, we expect both USA and China to de-escalate and settle on a lower rate of tariff. It is likely that other countries will also be saddled with higher tariffs with USA than years past.**

The de-escalation is in both China and US interests to do so. US imports a wide range of manufactured goods and equipment from China and China imports energy, agricultural and high value machineries from the USA. The global supply chains are complex and a large number of component producers from many countries contributing to even relatively simple products. A complex tariff regime from the USA will disrupt the smooth operation of the supply chain's ability to supply the USA.

Lastly, China has been successful in developing other export markets in recent years and the government stands ready to support the domestic economy. The Chinese economy will be able to withstand pressure from USA. The current situation offers a rare opportunity for the Chinese government to re-balance the economy, away from manufacturing and construction to boosting domestic consumption and restore consumer confidence.

### **The USD weakness**

The US Dollar (USD) has been weak so far in 2025. Despite conventional belief that tariffs would boost the USD, it has been decelerating. Notably, this suggests less proclivity for investors to embrace the USD perhaps as a safe-haven asset and potential concerns over US fiscal sustainability are rising.

Tariffs reduce decision making abilities for management teams / businesses and the second order effect is a slower economic growth globally. Recall that slowing economic growth post tariff increases was certainly a concern during Trump's first term. Interest rate cuts were needed to stabilise growth!

Notably, a weak USD tends to be a tailwind for Asia & Emerging Markets. As the dollar loses momentum, capital is likely to flow into emerging markets, offering a tailwind for equities in the region.



Source: Trading View

### **Industry focus – Chinese Innovation leapfrogs the world**

The recent introduction of the Chinese AI model DeepSeek made waves during the quarter with the release of its latest version (R1), which stunned the AI community. DeepSeek's performance stands on par with competitor models, but with a significant advantage—its cost is far lower for end users and software developers. We believe this exemplifies the technological advancements that Chinese companies have achieved in recent years.

Beyond DeepSeek, there are numerous technological advancements that may not be immediately apparent to consumers. These include developments in robotics, electric vehicles, batteries, renewable energy such as solar and wind, and nuclear energy. These breakthroughs were not state-mandated—they're the result of fierce domestic competition. Rapid product cycles have weeded out weaker players, allowing stronger firms to scale and dominate globally.

Notably, China's massive manufacturing edge—now ~33% of global output, more than the G7 combined—is powered by its vast talent pool, cheap infrastructure, and abundant capital. With a huge local market, Chinese entrepreneurs can build at scale and innovate quickly. DeepSeek is a prime example: a homegrown, cost-efficient AI tool born out of this ecosystem. Robotics may be next in line, following the success of Chinese EVs.

China's pivot away from a bloated construction sector toward advanced manufacturing is nearly complete. While real estate has shrunk by ~70% from peak, new sectors are gaining traction. The focus on quality is paying off—Chinese firms are grabbing market share domestically and could soon do the same globally.

At Ox Capital, we own a number of innovative businesses in China that we believe will become global champions. We firmly believe we own companies that are going to disrupt industries rather than those that will be disrupted. Given valuations remain attractive, we believe it is a great time to invest in quality franchises with profitable, sustainable growth.

### **Stock Highlight:**

**Trip.Com** (ticker: TCOM) is a leading online travel agency ("OTA") in China and it is expanding globally. TCOM achieved its growth by ultimately being user centric. The company aims to provide the most price competitive offering for quality services.

Recently, cross border travelling between China and the rest of the world is becoming a new and structural profit driver. The government is expanding visa free inbound programs to a growing list of nations to encourage visitors.

In fact, China's visa-free entries surged in 2024, with ~29 million foreign nationals entering the country, up 86% YoY, with 60% of them taking advantage of visa-free policies. The top inbound markets included Hong Kong, Xi'an, Beijing, and Shanghai being the most popular destinations. Shanghai, in particular, has become a favorite among South Korean tourists. **Notably, inbound travel revenue is expected to double in 2025 as travel picks up.**

The company continues to capture market share in outbound travel, growing 30-40 percentage points faster than the industry, while inbound travel now contributes 15% of revenue and is expanding rapidly.

## 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 2025)

Exposure analysis	
Position	% of net invested capital
Long securities (including derivatives)	92.78
Cash	7.22
Gross equity exposure	92.78
Net equity exposure	92.78

## Liquidity profile

The table below demonstrates the liquidity profile of the Fund as at 31 March 2025.

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 March 2025, the Fund does not have any material liabilities.

## Derivative counterparties engaged

The derivative counterparties engaged for the period 1 January 2025 to 31 March 2025 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 2025, the Fund is long exposure of 92.78% and short exposure of 0.00%. The gross equity exposure of the Fund 92.78% and net equity exposure of the Fund is 92.78%.

## For further information, please contact:

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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](http://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. 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.