Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU

Quarterly Report June 2024

Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net)[1]	0.8	-0.2	6.8	4.4	4.2	-2.6
MSCI Emerging Market Net Return Index AUD unhedged	3.5	2.6	9.8	12.2	8.6	0.3
Active Return	-2.7	-2.8	-3.0	-7.8	-4.4	-2.9

[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 June 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 $42.2 M
Distribution frequency	Annual

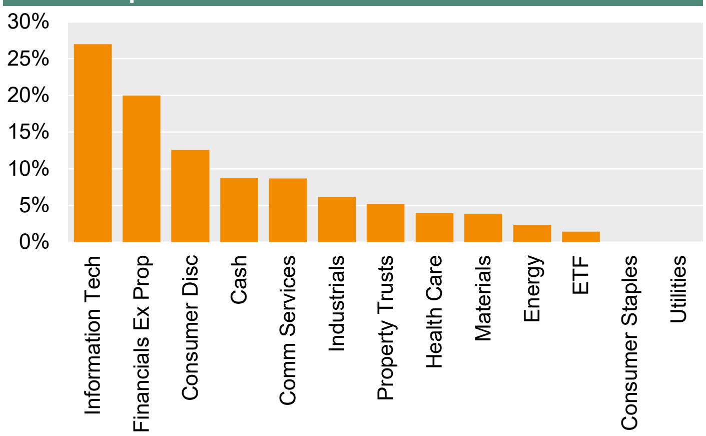
Top 10 Positions

Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	8.31
SK Square Co Ltd	Information Tech	7.99
Samsung Electronics Co Ltd	Information Tech	5.33
Tencent Holdings Ltd	Comm Services	4.98
HDFC Bank Ltd	Financials Ex Prop	3.71
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.47
Meituan Dianping	Consumer Disc	2.94
IDFC First Bank Ltd	Financials Ex Prop	2.49
Reliance Industries Ltd	Energy	2.35
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	2.19
Total		**43.76**

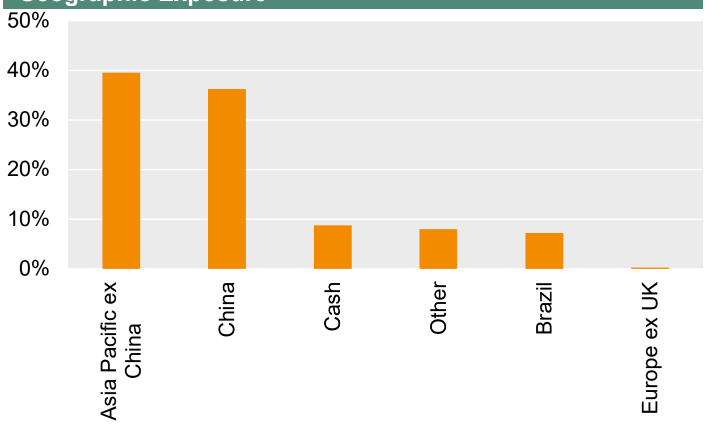
Fund Features

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 second quarter of 2024, the Dynamic Emerging Market Fund returned -0.2%, compared to 2.6% by the MSCI Emerging Market AUD Index.

Top contributors are semiconductor related exposures driven by new AI applications and a leading Chinese internet and technology company. (Taiwan Semiconductor Manufacturing Company Limited 24.01%; SK Square Co., Ltd. 26.58%; Tencent Holdings Limited 22.58%). While the detractors are an Indonesian Bank, a Brazilian Bank, and a Brazilian quick service restaurant operator.

Our Positioning

Our portfolio remained well invested with a net position of 92% at the end of June. We are overweight China, Brazil, Vietnam, and Indonesia and underweight Taiwan and India. The portfolio weightings in Taiwan and Korea (primarily AI exposed names) increased given appreciation of TSMC (+24%), SK Square (+27%) during Q2. Our view is, many markets (such as China, Indonesia, and Brazil) have pulled back to an attractive valuation range, and we believe the set up for 2H24 is prospective.

Market Commentary

China's economy continued to recover in 2Q and remains on track to grow GDP at least 5% in 2024 and we expect a gradual improvement to the economy in the second half.

The property market is showing signs of stabilisation on the back of the recent support policies including:

1) Banks extending lines of credit (US$65bn) to support property developers

2) Local governments purchasing apartments in the primary market to re-purpose for social housing and to clear inventory, and

3) Reduction of minimum downpayment ratio for property purchase in many cities (including tier 1 cities), and the nationwide removal of mortgage interest rate floors.

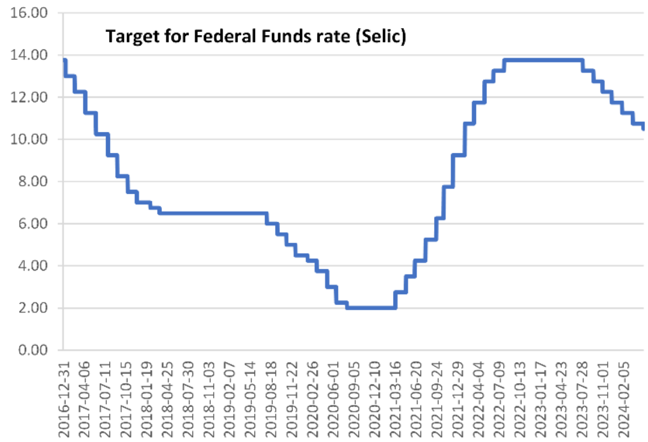
Economic indicators are trending in the right direction, such as exports and fixed asset investment, and the consumers remain resilient. Online sales continue to grow. The banking system remains healthy. Chinese banks' balance sheet health is resilient despite the big property sector adjustment.

Lastly, the government has made it clear it will support the equity market and the Central Bank will maintain a "supportive" monetary policy. A great deal of effort is being made by the regulator to improve the Chinese equity market 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.

Chinese businesses in the fund are seeing earnings growth. **Our investment process of selecting companies that are of quality, with sustainable & profitable growth, and attractive valuation** naturally draws us to the strong franchises. For examples, Tencent Music Entertainment, before the 60% YTD returns, was trading on merely 15x NTM PE while the company was growing its profits by 40% per year with high degree of certainty and longevity. Another great example is Trip.com. Even after the 35% YTD returns, the company is trading on 15x NTM PE while Trip.com is growing its profit by more than 30% by riding the structural trend of cross border tourism. The portfolio is made up of quality franchises such as these.

Brazil remains highly prospective for long-term investors, but near-term interest rate remains elevated. In late June, the Central Bank of Brazil kept its official interest rate (SELIC) unchanged at 10.50%, after seven consecutive reductions from its peak of 13.75%. The higher for longer interest rate narrative has driven the derating over the quarter. Brazil is one of the most interest rate sensitive markets in the world. We believe there is much room for rate cuts in Brazil as US starts its rate cut cycle. As interest rate declines, Brazil will benefit from a recovery of commodities as it is a major exporter including soybean, oil, iron ore, and meat.

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 gain momentum, and the outlook looks highly prospective. GDP growth in 2Q24 was 6.9%, well above 1Q24 at 5.9%. PMI, a conventional gauge of economic activity, rose sharply in June to 54.7 (up from 50.3 in May). Growth has been supported by foreign companies investing in the economy, growing their manufacturing capacity. New business recorded sharpest increase since March 2021. **We expect the economy to accelerate in 2H.**

Vietnam is the **manufacturing powerhouse 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.

The Third Plenum: In China, the authorities are holding the third plenum meeting (the third plenary session of a five-year term starting in 2022) conducted over a four-day period. The meeting often sets long term policy, reforms, and economy strategy for sustainable growth. The agenda is likely to focus on 1) Economic reforms and high-quality development & modernisation 2) support for the private sector 3) measure to attract and boost foreign investment and 4) fiscal policy reforms.

There has been speculation of potential consumption tax reforms to be announced at the third plenum. The current consumption tax code applies to 15 consumption sectors[1] - this includes: such as tobacco, alcohol, premium fireworks, sedans, golf balls and golf equipment, luxury watches, yachts, cosmetics, jewellery, etc.

Consumption tax reform may widen the range of taxable sectors and a greater proportion of the proceeds are retained by the Local Governments vs the Central Government. This can effectively help the Local Governments to reduce reliance on land sales for revenues.

This is important, as this shift can encourage Local Governments to implement policies to encourage consumption rather than manufacturing, as they will directly benefit from greater tax revenues raised locally.

Exhibit 5: Breakdown of total tax revenue in China (data for 2023)

Consumption tax revenue accounts for 9% of total tax revenue

	Share	Growth
Value added tax (VAT)*	38.3%	42.3%
Corporate income tax (CIT)	22.7%	-5.9%
VAT& consumption tax on imports	10.8%	-2.6%
Consumption tax*	**8.9%**	**-3.5%**
Individual income tax	8.2%	-1.0%
Tariffs	1.4%	-9.4%
Others	9.8%	-10.2%
Total	100%	8.7%

Source: Ministry of Finance

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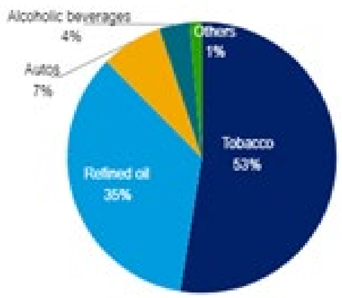
Exhibit 6: Composition of consumption tax revenue by product (% data for 2019)

Biggest contribution to overall consumption tax revenue came from tobacco sales



Source: State Administration of Taxation

[1]Sectors include: tobacco, alcohol, premium fireworks, sedans, golf balls and golf equipment, luxury watches, yachts, cosmetics, jewellery, etc

Market Outlook

1. Given the higher for longer scenario in the US, the bond market has reacted to higher inflationary numbers by shifting long term rates higher. This appears to have cooled economic activities and brought inflation down. This should enable the rate cut cycle by Asian Central Banks, whose economies are not seeing inflationary issues.

2. **EM benefits from a declining US rate and weaker USD.** The US federal funds rate has peaked and the US is likely to cut rates as inflation moderates. Emerging markets have historically performed well when the US cuts interest rate. 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.

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 June 2024)

Exposure analysis	
Position	**% of net invested capital**
Long securities (including derivatives)	91.23
Cash	8.77
Gross equity exposure	91.23
Net equity exposure	91.23

Maturity profile

As at 30 June 2024, the Fund does not have any material liabilities.

Derivative counterparties engaged

The derivative counterparties engaged for the period 31 March 2024 to 30 June 2024 are provided in the table below.

Derivatives counterparty
UBS AG, Australia Branch

Liquidity profile

The table below demonstrates the liquidity profile of the Fund as at 30 June 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%

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 June 2024, the Fund is long exposure of 91.23% and short exposure of 0.00%. The gross equity exposure of the Fund is 91.23% and net equity exposure of the Fund is 91.23%.

For further information, please contact:

Fidante Partners Investor Services | **p:** 1300 721 637 | **e:** info@fidante.com.au | **w:** www.fidante.com.au