

Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU



Monthly Report January 2024

Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net) ¹	-3.6	-1.8	-10.9	-7.7	-3.6	-7.2
MSCI Emerging Market Net Return Index AUD unhedged	-1.6	2.5	-4.2	3.5	-4.7	-4.2
Active Return	-2.1	-4.3	-6.7	-11.2	1.0	-3.0

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 January 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 spread²	+0.25% / -0.25%
Fund FUM	AUD \$35.7 M
Distribution frequency	Annual

Top 10 Positions		
Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	7.27
SK Square Co Ltd	Information Tech	6.22
HDFC Bank Ltd	Financials Ex Prop	5.07
Samsung Electronics Co Ltd	Information Tech	4.81
Reliance Industries Ltd	Energy	3.73
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.43
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	3.13
Tencent Holdings Ltd	Comm Services	2.70
Inter & Co Inc	Financials Ex Prop	2.50
Arcos Dorados Holdings Inc	Consumer Disc	2.46
Total		41.31

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.

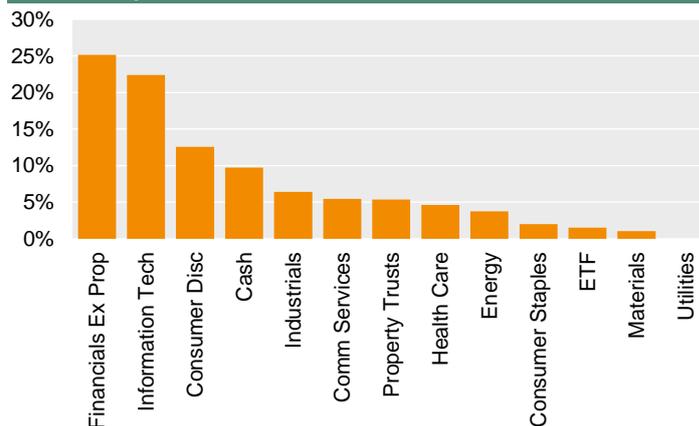
Capture growth: Ox Capital's investment approach is to identify the immense positive change taking place in Asia and other key emerging markets and to find companies that can benefit from those trends.

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.

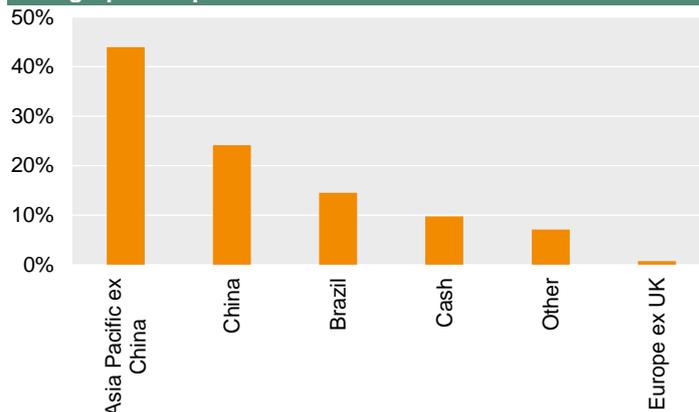
Capital protection strategies: The Fund can use derivatives such as index futures and equity swaps to help protect the portfolio from market volatility and to obtain synthetic exposure to stocks or markets.

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 month of 2024, the Dynamic Emerging Markets Fund returned -3.64%, compared to -1.57% by the MSCI Emerging Market AUD Index.

Top contributors are semiconductor related exposures driven by new AI applications & the potential smartphone shipment recovery, conglomerates, and a consumer discretionary name. (Taiwan Semiconductor Manufacturing Company Limited 5.90%; Reliance Industries Limited 10.38%; Bloomberg Resorts Corporation 13.62%). While the detractors are Chinese internet platforms & a contract development manufacturing company (CDMO) due to the continued derating. (HDFC Bank Limited -14.43%; Samsung Electronics Co., Ltd. -7.39%; Kuaishou Technology -26.16%).

Market Commentary

Macro

1.China: The Chinese economy was resilient in Q4 23, with GDP growing 5% yoy. Both industrial production and retail sales grew faster than GDP (6% and 8% yoy respectively). Despite a still soft property market, fixed asset investment held up well (3% yoy growth). Exports were a touch soft (-1%).

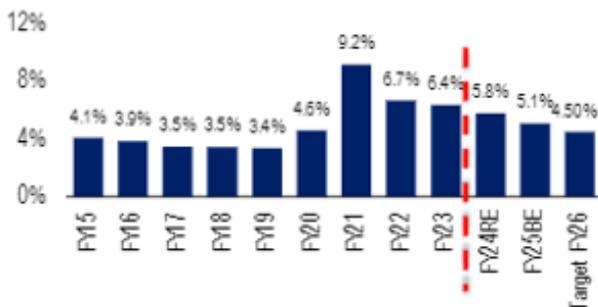
- The Chinese government is targeting close to 5% GDP growth in 2024.
- Budget deficit will be kept to 3%, but government retains the discretion for special bond issuances to support the economy if required.

2.Korea: The Korean government is looking to push for better corporate governance amongst listed companies, increasing shareholder return focus.

- Positive implications for our positions in Korea such as SK Square and Samsung Electronics.

3.India: The interim budget for India was positive. The budget deficit is expected to improve from 5.8% to 5.1% in FY25 (CY24). Sensible policies are being pursued. Uneconomical (but politically driven) subsidies are being reduced. More importantly, the government is pursuing a pro-growth stance by investing heavily in infrastructure (25% of govt expenses).

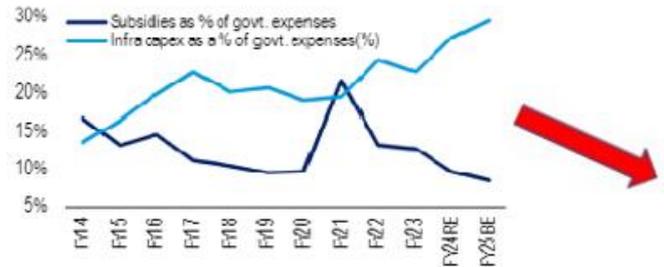
Exhibit 3: Fiscal deficit (as % of GDP)
As anticipated, the govt. continued its fiscal consolidation pathway: 5.8%/ 5.1% of GDP in FY24RE/ FY25BE



Source: India Budget Documents, BofA Global Research

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Exhibit 6: Share of capex and subsidies in total budget spends
Subsidies as a share of govt. expenditure has halved to 8.6% (16.8% in FY14) (Capex share doubled to 30% vs 14% in FY14)



Source: India Budget Documents, BofA Global Research

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4.Brazil: The Central Bank cut rates by 50bps to 11.25%. The Central Bank is forecasting inflation of 3.5% and 3.2% in 2024 and 2025 respectively.

- The Central Bank is expected to cut rates several times through 2024.

Portfolio News/Portfolio changes

1.The portfolio remained well invested through Jan 24 at ≈91%.

- Overweight: Indonesia, Vietnam, and Brazil.
- Underweight: India and Taiwan.
- Our exposure in China is around index weight, reduced from December and we added to our Brazil positions.
- Overall, the portfolio underperformed the benchmark by 2%. HDFC Bank came under pressure post results. It accelerated the acquisition of deposits and net interest margin was held to flat, instead of expanding. In our view, the franchise remains strong. Wuxi Biologics came under pressure following the introduction of the Biosecure bill in USA. We have substantially reduced our position.

2.China: January was a difficult month for the Hong Kong and China market. Many stocks, including the A-shares, pulled back over 20% within the month. However, we believe the set up for prospective return is good.

- Our base case is the Chinese economy will expand ~4.5-5% in 2024. Considering the sharp pull back, investors are pricing in a recessionary environment in China.
- It is critical to position in companies that will win in the coming years. Earnings momentum remains intact for these companies. Some examples of upwards earnings revisions of our stocks:

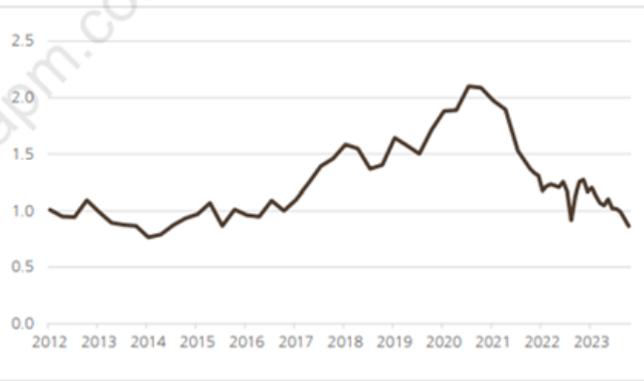




Source: Bloomberg

- Investors' positioning is very light in China already. The Chinese government is changing its stance to be supportive of the stock market. The "National Team" has stepped in to buy stocks/ETFs. The authorities have ample capacity to, and now appears to have the desire to further relax policy to support prices.

Figure 19: Top 40 global investor positioning in Chinese equities (% of equity portfolio)



Source: FactSet, UBS Note: Data up to Dec 2023

- Valuation is especially attractive. We believe buying stocks in HK/China at this juncture will be prospective.

3.TSMC: TSMC is our largest position in the portfolio. TSMC recently increased its growth expectation from ~15% to 20-25% yoy growth in 2024. As customers look to diversify from Nvidia, TSMC, with its leadership in leading edge semiconductor manufacturing technology, is taking advantage of the tailwind. TSMC expects data centre AI processors to contribute high-teens % of sales by 2027 (up from 6% in 2023 and previous expectation of low-teens % of sales). Overall, AI-related chips could make up as much as 30% of sales for TSMC by 2027.

4.BTG: BTG is our top position in Latam. Not only is BTG the largest investment bank in Latin America, it is also the best investment bank. Its track record has been most impressive in recent years where it gained market share across its major divisions. It will benefit disproportionately as interest rates come down. BTG expects ROE to expand in 2024. The investment banking cycle will finally recover after a few years of pain. It is valued at 2.5X price to book and 11-12X PE in 2024. In previous cycle, its peak valuation was ~3.8X book.

Figure 1: Market Share - Summary

Segment	Metric	2018	2019	2020	2021	2022	2023*	2023 vs 2018
Inv. Banking	Fixed Inc. Origination	4.4%	7.9%	14.6%	12.6%	10.9%	9.9%	5.4%
Inv. Banking	Equities Origination	9.1%	10.2%	14.2%	14.9%	17.6%	21.1%	12.0%
Corp Lending	Corporate Loan Book	1.1%	1.5%	2.2%	2.7%	2.9%	2.4%	1.3%
Sales & Trading	FX Volume	3.5%	3.5%	3.6%	4.2%	4.8%	4.8%	1.4%
Sales & Trading	Energy Trading	5.0%	3.5%	2.9%	3.8%	3.3%	3.8%	-1.2%
Sales & Trading	Equities Trading	-	5.3%	5.3%	6.2%	6.0%	6.3%	1.0%
Sales & Trading	Insurance	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%
Sales & Trading	Reinsurance	3.7%	2.7%	2.9%	1.3%	1.8%	1.9%	-1.8%
Asset Mgmt	AUM Ranking	2.2%	2.1%	2.5%	3.1%	3.9%	4.4%	2.2%
Wealth Mgmt	Share of Retail AUC	4.1%	5.1%	6.2%	9.5%	10.9%	12.5%	8.4%
Wealth Mgmt	Fixed Inc. Distribution	8.1%	10.3%	12.4%	12.2%	12.1%	18.8%	10.7%

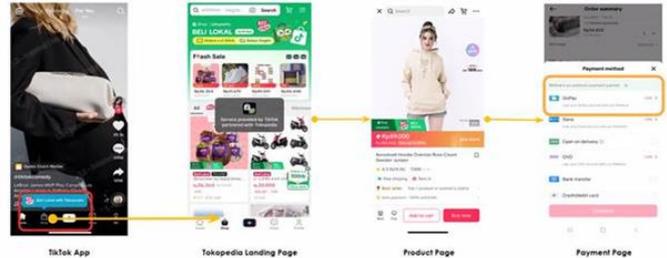
Source: J.P. Morgan estimates. *2023 based on last disclosed figure for each metric. For ANBIMA based in November 2023. For IB, we note

We highlight one of our portfolio stocks, **GoTo Gojek**. At OX Capital, across EMs, we look for companies that meet the "QGV" test:

- Quality
- Growth
- Valuation

That is, quality companies with a strong, sustainable long-term growth outlook at inexpensive, attractive valuations.

GoTo Gojek – Owning the fastest growing e-commerce platform in Indonesia through Tik Tok!



E-commerce is seamlessly integrated into Tik Tok in Indonesia, with product discovery through your social media feed all the way to payment in the app!



Gojek also offers food delivery and ride-hailing services all over Indonesia.

Thematic: Short video platform, Tik Tok is disrupting the e-commerce market in Indonesia. With astonishingly effective marketing and content matching algorithms, short videos are offering a convenient and personalised online shopping experience to users. Still low e-commerce and digital services penetration in Indonesia, at ~14%, will allow for strong growth for GoTo in the coming years.

Leadership: GoTo owns 25% of Tik Tok Shop in Indonesia, the fastest growing e-commerce platform in Indonesia, operated through the Tik Tok short form video app. Indonesia is the second largest market for Tik Tok globally behind the USA, with over 125M monthly active users in Indonesia (almost 50% of the population are active users!).

In 2023, Tik Tok Shop tripled its market share in e-commerce from 5% at the start of 2023 to 15%. Tik Tok is exceedingly successful in optimising its video contents and serving the right ads and products to its users. The Tik Tok model can further disrupt the e-commerce market in Indonesia. We expect Tik Tok Shop to at least double its transaction volume in 2024, far outpacing the domestic e-commerce market.

GoTo is also the owner of the "Uber" of Indonesia, through its on-demand services platform Gojek, which primarily offers ride hailing and food delivery services. The on-demand services industry is an effective duopoly in Indonesia, where the top two players control close to 95% of the market. GoTo/Gojek is the equal No.1 player in this space. Unlike other areas of the digital economy, competitive intensity in the industry in Indonesia is stabilising. This will allow Gojek to profitably grow in Indonesia in 2024, cement its leadership, and focus on reaching even more consumers with its new affordable offerings.

Valuation: GoTo Market Cap is ~US\$5.8B, with net cash of ~US\$1.5B for an EV of ~US\$4.2B. Its stake in Tik Tok Shop Indonesia alone could be worth more than its current Market Cap! In addition, GoTo is a market leader in ride-hailing and food

delivery in Indonesia. Considering its market leaderships and growth potential, it is valued at 10xEV/EBITDA in 2026 on consensus forecast. However, our view is the market is vastly

underestimating the potential of Tik Tok Shop and the GoTo ecosystem.

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