Ox Capital Dynamic Emerging Markets Fund
ARSN 649 969 264 | APIR HOW6479AU

Monthly Report February 2024

| Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net)[1]	7.2	1.7	-0.9	3.4	2.1	-4.2
MSCI Emerging Market Net Return Index AUD unhedged	6.3	5.7	4.4	12.6	1.3	-1.6
Active Return	0.9	-4.0	-5.3	-9.2	0.8	-2.6

[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, 29 February 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 $38.4 M
Distribution frequency	Annual

Top 10 Positions

Company	Sector	%
SK Square Co Ltd	Information Tech	8.16
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	7.46
HDFC Bank Ltd	Financials Ex Prop	4.60
Samsung Electronics Co Ltd	Information Tech	4.60
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.90
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	3.10
Tencent Holdings Ltd	Comm Services	2.84
IDFC First Bank Ltd	Financials Ex Prop	2.78
ANTA Sports Products Ltd	Consumer Disc	2.75
Reliance Industries Ltd	Energy	2.48
Total		**42.66**

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
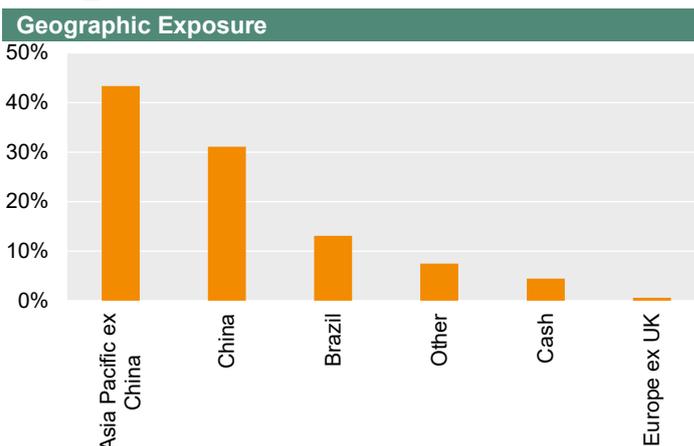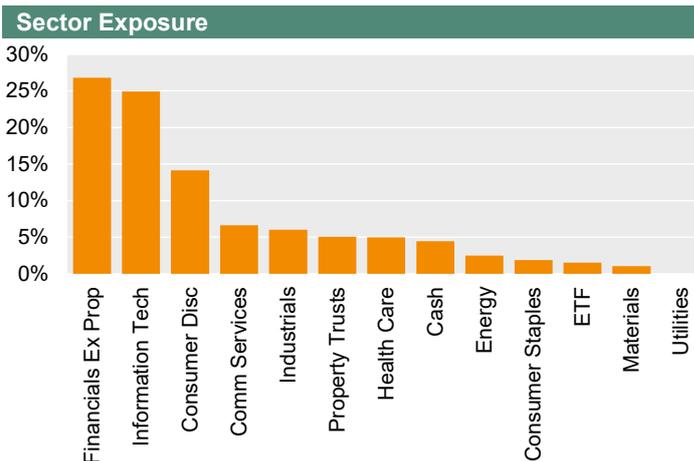
Fund Performance

In the second month of 2024, the Dynamic Emerging Market Fund returned 7.2%, compared to 6.3% by the MSCI Emerging Market AUD Index.

Top contributors are semiconductor related exposures driven by new AI applications & a Chinese consumer internet platform (SK Square Co., Ltd. 34.68%; Taiwan Semiconductor Manufacturing Company Limited 9.87%; Meituan 27.58%). While the detractors are an Indian Bank, a Brazil Healthcare company, & an Indonesian technology company (HDFC Bank Limited -4.04%; Oncoclínicas do Brasil Serviços Médicos S.A. -11.13%; PT GoTo Gojek Tokopedia Tbk -19.32%).

Market Commentary

Macro

1. **China**: During the National People's Congress (NPC), the government reiterated its target of c.5% GDP growth. Irrespective of the headlines, China remains one of the fastest growing economies in the world.

- An important initiative during the NPC was the loosening of the Hukou system. The government is expanding the social net for more individuals.

2. **Indonesia**: Based on preliminary results, the Indonesian Defence Minister Prabowo Subianto will likely be elected as the next President of Indonesia. Importantly, his election is positive for the stock market in Indonesia. He will continue the policies and direction of the current government.

3. **Brazil**: Brazil is better positioned than years prior to manage through transition of the Chinese economy.

- Its export base has changed from metal and mining (21% of exports in 2011 to 12% in 2023) to agriculture and energy (36% and 13% of exports respectively).

Portfolio News/Portfolio changes

1. **Net invested position increased further from 91% to ≈95% between Dec – Jan 24.**

- Overweight: China, Indonesia, Vietnam, and Brazil.

- Underweight: Taiwan, and India.

- In light of the various measures introduced by the Chinese government to support the domestic stock market, the fund drew down more of the cash and trimmed some names in Brazil and invested in China. We added to several of our existing smaller positions, as well as new names. Their common characteristic is they will grow through 2024.

- Three of our top 5 positions are beneficiaries of AI. TSMC and SK Square increased > 20% between Dec – Feb 24.

2. **One of our portfolio names, CATL**: Lithium battery prices are down significantly due to fall in raw material prices and better efficiency in manufacturing. This will continue to spur EV adoption. EV penetration is still nascent, as in 2023 only 14M EVs were sold in the global car market of over 75M units!

- CATL is moving up the value chain. It introduced its Skateboard chassis where it integrates batteries, motors, suspension, and brakes. The platform offers even better efficiency (>30%) than Tesla Model 3 Long Range.

3. **AI Theme**: The analogy of AI in 2024 is the late 1990s. In the late 1990s, internet was just beginning to emerge. The telecom industry was busy laying down optical fibres, installing optical gears, and adding network capacity to support the then-nascent internet.

- AI is leading to another gold rush. The world is aggressively buying AI processors from Nvidia. In 2023, Nvidia (AI servers) overtook Intel and AMD combined (traditional servers) in data centre chip sales and the gap is expected to widen further in the coming years!

- AI chips are being deployed to train large language models which is looking promising. However, the longer-term question is if there are "killer-apps" that can make use of all these large language models after the initial phase of fervent AI deployment (i.e. model training)? From experience, the challenge for the telecom operators after 2000 was how to push enough traffic through the abundance of fibre-optics laid during the tech-boom. It took many years for the telecom industry to absorb the excess capacity.

- Our major exposures in relation to the AI themes are TSMC, SK Square, and Samsung Electronics. We prefer to participate in the AI theme with stocks that are trading on very reasonable valuations. These companies are well diversified and can fall back on their many other end markets when the air pocket inevitably arrives.

- In our view, more durable and long-term beneficiaries of AI are companies in IT services, internet, and software and the AI theme is not reflected in the valuation of many of these companies in EM thus far.