

Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU



Monthly Report April 2024

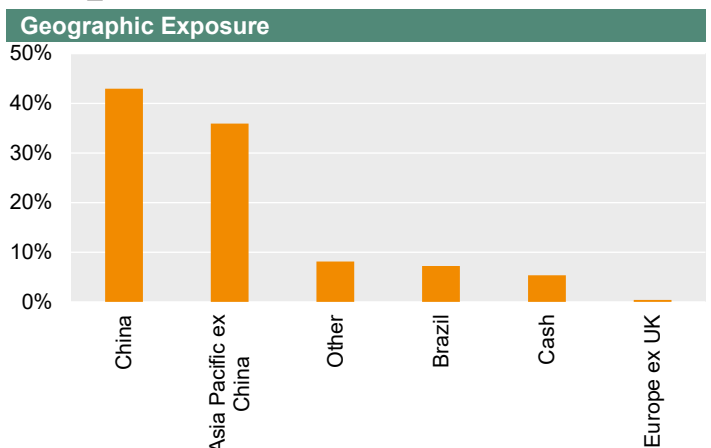
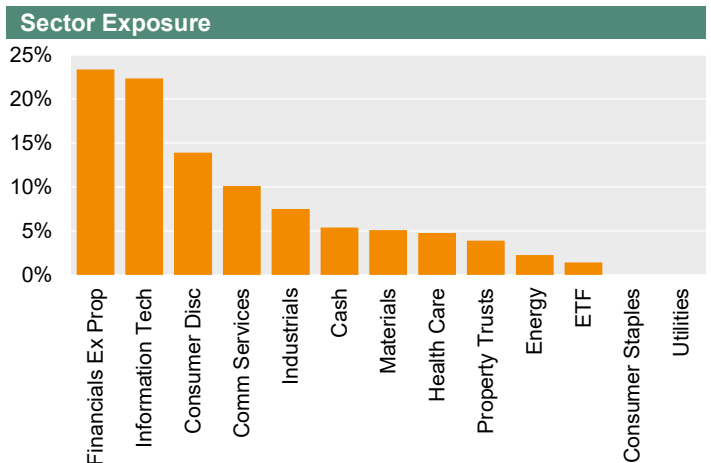
Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net) ¹	0.8	12.1	10.1	7.0	6.0	-2.3
MSCI Emerging Market Net Return Index AUD unhedged	0.9	9.8	12.5	11.8	6.0	-0.3
Active Return	-0.1	2.3	-2.4	-4.8	0.0	-2.0

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, 30 April 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 \$42.5 M
Distribution frequency	Annual

Top 10 Positions		
Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	6.91
SK Square Co Ltd	Information Tech	6.34
Tencent Holdings Ltd	Comm Services	4.72
Samsung Electronics Co Ltd	Information Tech	4.24
Kuaishou Technology	Comm Services	3.58
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.47
HDFC Bank Ltd	Financials Ex Prop	3.42
China Merchants Bank Co Ltd	Financials Ex Prop	3.03
Meituan Dianping	Consumer Disc	2.96
IDFC First Bank Ltd	Financials Ex Prop	2.54
Total		41.22

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.



Fund Performance

In the fourth month of 2024, the Dynamic Emerging Market Fund returned 0.83%, compared to 0.92% by the MSCI Emerging Market AUD Index.

Top contributors are a Chinese technology conglomerate, a Chinese internet & media platform, and a leading Chinese freight platform. (Tencent Holdings Limited 14.29%; Kuaishou Technology 14.07%; Full Truck Alliance Co. Ltd. 18.43%). While the detractors are semiconductor related exposures & an Indonesian bank.

Market Commentary

Macro

China: Despite weak property sales in Q1 24, the Chinese economy remained resilient. GDP grew $\approx 5\%$ in Q1. The unemployment rate remained steady at 5.2%. The other indicators are supportive, with power generation up 7% and car sales up 10% for the quarter.

- Domestic confidence is gradually building. Various measures announced are stabilizing the property market.
- China-Europe relations is thawing. Following Chancellor Scholz visit to China in April, Germany may "water down" its foreign investment restrictions in order to attract investments from Chinese companies. Xi is visiting France, Hungary, and Serbia in May 24.
- In April 24, the government announced its new capital market reform guidelines. The guidelines look to impose stricter requirements for IPOs, promote better corporate governance, and encourage buybacks and dividends. Previous capital market reforms were very positive for the market.

A once every decade capital market reform guidelines in China

Figure 1: Past launches of the Nine Initiatives marked A-share bottoms



Source: Wind, J.P. Morgan

- Korea:** The opposition party won the recent election. Our view is neutral and no major policy change expected. 2023 was a difficult for the Korea economy, as GDP only grew 1.4%. In 2024, the economy is improving, with Q1 growing a healthy 3.4%, driven by the export sector (which grew 7%).
- Brazil:** The government revised down its primary budget target in 2025 (from surplus of 0.5% GDP to a balance budget of 0%). **EM governments these days strongly focus on their fiscal responsibility, a foundation on which strong economies are built. This is often forgotten by developed market governments.**
- EM:** CPI numbers may push out the rate cut schedule by the US, however, we still believe CPI is trending down and rate cuts will come. Short term, this is negative for EM but a great buying opportunity is developing.

Portfolio News/Portfolio changes

1. **The portfolio remained well invested at the end of April.** Net invested position was 94%.

- Overweight: China, Indonesia, and Vietnam.
- Underweight: Taiwan, and India.
- We further trimmed our different positions in Brazil and added to China.
- Between Feb – April 24, in USD terms, MSCI China rebounded by 16%, outperforming Japan and Korea by 16-17% and MSCI India by 11%.
- Flows: The HK/Chinese market flows will likely improve, underpinning performance from a low base.
 - Interest from foreign funds have picked up in recent weeks,
 - Chinese domestic interest is picking up due to economy stabilising and stock market friendly policies announced by government.
 - Significant share buybacks are taking place, absorbing supply.

2. **Semiconductor/AI: TSMC and the memory makers reported solid results.** Despite sluggish handset and PC demand, TSMC expects sales growth in excess of 20% in 2024, with contribution from AI-related chips to more than double.

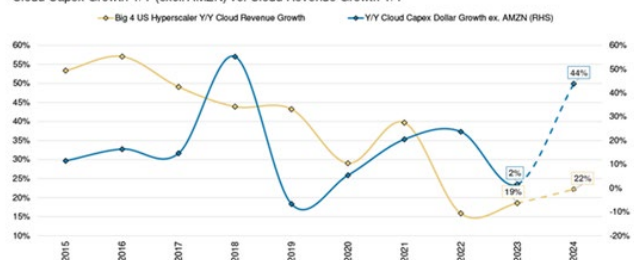
Memory makers (Samsung and SK Hynix) reported strong results. DRAM (memory) and NAND (flash memory) prices increased 20-30% qoq. NAND memory chips price recovery was noteworthy. For AI servers, inference workloads can be optimised with high-capacity solid state drives. The memory stocks remain attractively valued. SK Hynix is valued at 4X PE in 2025.

Valuation

	FY22A	FY23A	FY24E	FY25E
P/E (x)	55.4	NM	6.7	4.2
P/BV (x)	2.0	2.3	1.7	1.2
EV/EBITDA (x)	6.1	22.7	3.2	2.0
Dividend Yield	0.9%	0.7%	0.7%	0.9%

- AI demand should be resilient in 2024. Cloud platforms (such as Microsoft, Oracle, AWS, and Meta) are increasing their capital spendings by over 40% in 2024. We are seeing "bringing forward" of investments on AI, with investments running ahead of end demand growth. This is not surprising given the promise AI holds, but it is important to track trajectory of end-demand going forward.

Cloud Capex Growth Y/Y (excl. AMZN) vs. Cloud Revenue Growth Y/Y

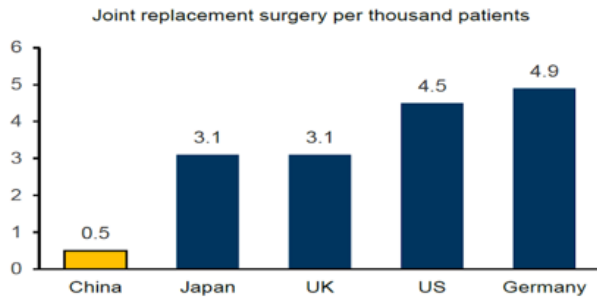


Source: Company data, Refinitiv, Morgan Stanley Research, IRS.gov. Note: Cloud capex includes capex from Alphabet, Microsoft, Meta Platforms, Tencent, Baidu, Apple, IBM, and Oracle. Forward estimates include M&S for Tencent and Baidu, consensus est. for the others.

3. **Healthcare:** Investing in EM is no longer about buying banks, property developers, miners, and beer companies. One exciting theme is healthcare. EM patients are underserved, with many diseases not adequately treated. Patients are demanding better standard of care. For instance, joint replacement and neurointerventional surgeries (following strokes) are far less common in China than developed countries. Even in a slower growing economy, the healthcare sector offers significant opportunity.

- Another example is health insurance. Only 23% of population in Brazil have private health insurance. In comparison, close to 70% of population in USA are covered by private health plans.

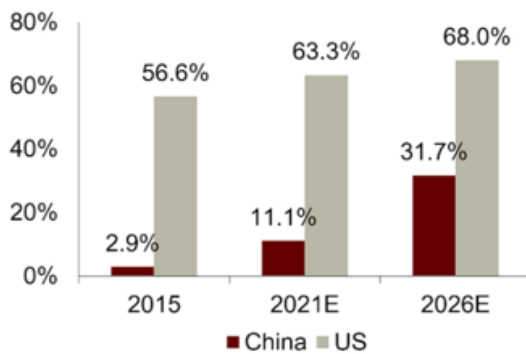
Exhibit 14: Penetration of joint replacement in China far behind other developed countries



Source: Company data

	USA	Brazil	
Total Population (thousand)	327	210	Highest population growth in Brazil
Aging Rate ⁽¹⁾	1.28	0.75	Greater search for private health plans
Penetration of private health plans	68%	23%	Low penetration of private healthcare in Brazil
Penetration of private dental plans	60%	12%	Significant cross-selling opportunities
Number of health operators	337	723	Significant consolidation opportunity

Figure 16: Penetration rate of neurointerventional surgeries to treat hemorrhagic strokes



Source: China Insights Consultancy, CICC Research

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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 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. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. 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.