

Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU



Monthly Report May 2024

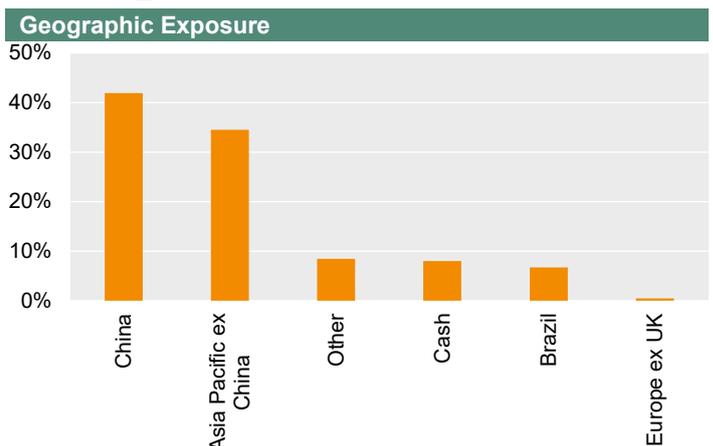
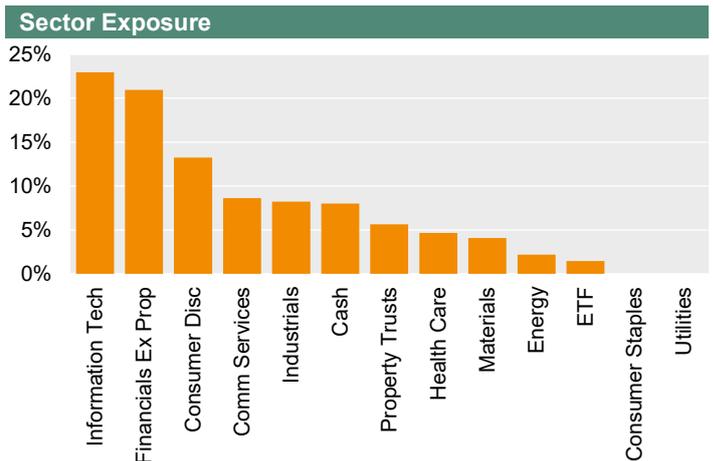
Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net) ¹	-1.8	2.6	4.4	4.7	6.1	-2.9
MSCI Emerging Market Net Return Index AUD unhedged	-1.8	1.4	7.1	9.4	5.3	-1.0
Active Return	0.0	1.2	-2.8	-4.6	0.7	-2.0

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, 31 May 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 \$41.9 M
Distribution frequency	Annual

Top 10 Positions		
Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	7.15
SK Square Co Ltd	Information Tech	6.23
Tencent Holdings Ltd	Comm Services	4.23
Samsung Electronics Co Ltd	Information Tech	3.98
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.62
HDFC Bank Ltd	Financials Ex Prop	3.41
Meituan Dianping	Consumer Disc	2.81
Kuaishou Technology	Comm Services	2.45
Kingsoft Corp Ltd	Information Tech	2.35
IDFC First Bank Ltd	Financials Ex Prop	2.34
Total		38.57

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 month of May 2024, the Dynamic Emerging Market Fund returned -1.8%, compared to -1.8% by the MSCI Emerging Market AUD Index.

Top contributors are a Chinese internet retail platform, a Brazilian financial institution, and a leading Chinese music streaming platform. (PDD Holdings Inc. 19.65%; Inter & Co, Inc. 20.87%; Tencent Music Entertainment Group 15.14%). While the detractors are an Indonesian Bank, an Indian Bank, and a South Korean electronics company.

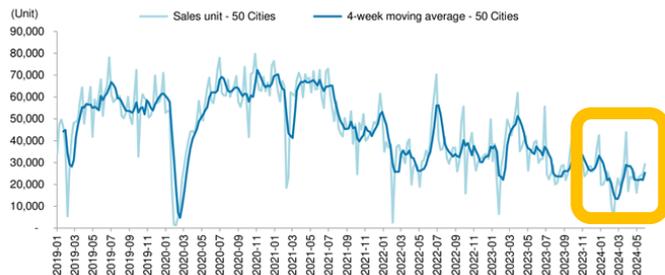
Market Commentary

Macro

China: We remain optimistic on our positions in China. Multiple policies were implemented to support the property market

- Banks have extended lines of credit (US\$65bn) to support property developers,
- Local governments have started purchasing apartments in the primary market to re-purpose for social housing and to clear inventory, and
- Minimum downpayment ratio were cut in many cities (including tier 1 cities), and mortgage interest rate floors nationwide have been removed. Property transactions continue to stabilise.

Weekly unit sales and four-week moving average – Total 50 cities



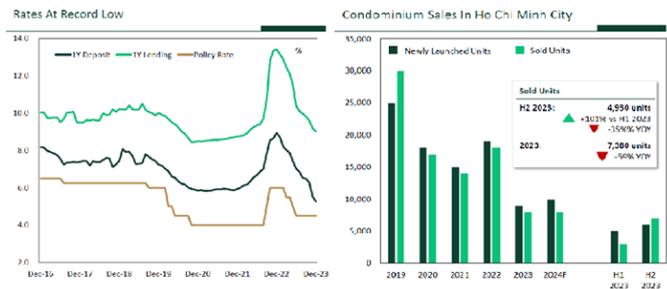
Source: CREIS, Morgan Stanley Research.

- Despite the weak property sector, the economy is on track to grow 5% in 2024. Consumers remain resilient. Fixed asset investments and exports are growing nicely.
- The government has made stock market stability a high priority, with support promised in extreme stock market volatility.
- The banking system remains healthy. The average non-performing ratio for the major banks in China was only 1.2% in 2023 despite big property sector adjustment. The worst of property debt impairment is in the rearview mirror.
- The US government announced additional tariffs on various Chinese exports including EVs and batteries. Export of EVs from China to the United States amounted to around 20,000 units in 2023, a drop in the bucket. A lot of risks are increasingly getting priced in.

India: Mr. Modi will form a coalition government with a slimmer majority than initially expected. The current economic and fiscal policies are likely to continue, but the pace of reforms (such as power, land and farm) may slow. Coalition government in India are prone to populist policies (e.g. rural housing and senior citizens' healthcare). We remain optimistic on the outlook of the Indian economy, but the valuation of the Indian stock market is stretched.

Mexico: Claudia Sheinbaum was elected as the next President of Mexico, with well over 50% of the vote. Both currency and the local equity market were weak following the election. Given her success, she may pursue her social agenda aggressively, at the expense of fiscal discipline. Keep in mind, Mexico is contending with budget deficit of 6% of GDP, which is high relative to other countries in the region. She may take a tougher stance on key issues between Mexico and USA. The strong election results means more adventurous constitutional reforms may be undertaken that may weaken institutional checks and balances.

Vietnam: Following credit tightening and crack down on the property sector in 2023, the economy is on the mend. GDP growth is expected to be 6% in 2024. Interest rates are falling and the property market is bottoming. A good set up for accelerating growth beyond 2024.



The equity market in Vietnam is attractively valued. Market PE is 11.3X, despite EPS growth of 18.6% in 2024.

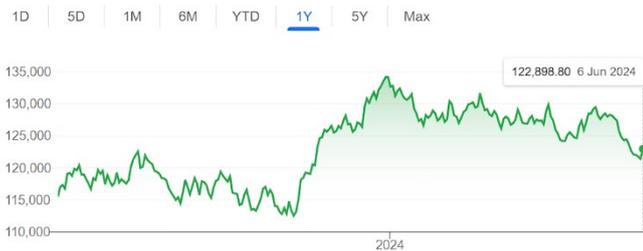
31-Mar-2024	unit	2020	2021	2022	2023E	2024F
Revenue Growth	%	2.2	22.0	12.3	2.1	12.1
EPS Growth	%	5.6	37.1	-1.4	-3.1	18.6
PER	x	13.7	14.5	9.1	10.7	11.3
PBR	x	2.3	2.6	1.5	1.5	1.6
ROE	%	17.6	20.5	17.2	14.2	14.9

*Top 80 investible stocks across the three exchanges, accounting for 67% of market cap, and its VNI stocks are 80% of that benchmark. All forecasts, valuations and aggregate numbers are adjusted for free float.

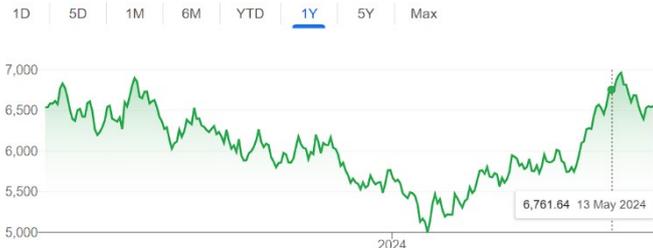
Portfolio News/Portfolio changes

1. The portfolio remained well invested at the end of May. Net invested position was 92%.

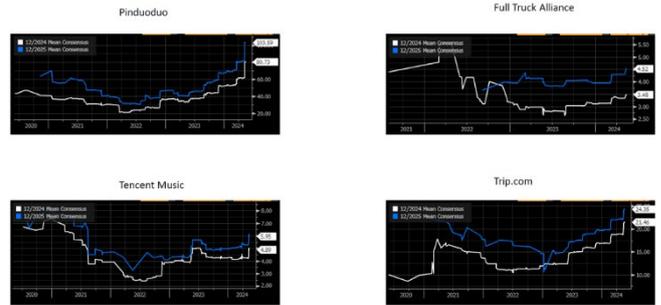
- ⇒ Overweight: China, Indonesia, and Vietnam.
- ⇒ Underweight: Taiwan, and India.
- ⇒ No major changes in the portfolio in May.
- ⇒ Year to date, the equity market in Brazil declined 9% under the higher-for-longer interest rate narrative out of the US. Inflation is running at ≈4%. Domestic interest rate is 10.5%. Brazil has a very high real interest rate which will come down. Many quality stocks have pulled back offering prospective opportunities.



⇒ After a strong rally in Jan – May (>35% return from trough to peak between Jan – May 24), the HK China Enterprise index has pulled back 6%. Positioning by investors remain light. Earnings momentum for 2024 look solid for our companies, despite the lukewarm economic narrative. The portfolio is currently overweight China.



2. **Identifying opportunities in China:** We believe the key to good investment performance is to own the new generation of champion businesses who can thrive in a slower growth environment. Indeed, many of our companies are seeing dramatically positive earnings revision as their potential is increasingly recognised by the market.



3. **AI:** Demand for AI chips have broadened out from the likes of Amazon, Meta and Microsoft to 10s of thousands of startups, and many countries are building up their sovereign AI data centres. Indeed, Gartner expects AI ASIC to grow to \$70bn in 2028 from \$4bn in 2023. Not surprisingly, demand is outstripping supply at the moment.

- ⇒ The key question remains if investments in AI will yield decent ROI given the billions of dollars spent on AI chips and many services are offered for free. Given the enthusiastic spend, there is a risk of air pocket in demand at some point in the future.
- ⇒ Customers of Nvidia (e.g. Google, Microsoft, Amazon) are designing their AI chips to reduce their dependence on Nvidia. Eventually, some of these chips will pressure prices of Nvidia chips.
- ⇒ A vast majority of these AI chips are manufactured by TSMC. These AI chips cannot function without HBM memory chips from the memory makers (SK Square and Samsung). In fact, each new generation of AI chips will require even more HBM memory chips.

Table 1: HBM configuration by GPU

Platform	Rubin		Blackwell		Hopper	
	Rubin Ultra GPU	Rubin GPU	Blackwell Ultra GPU	Blackwell GPU	H200 GPU	H100 GPU
GPU	2027	2026	2025	2024	2024	2023
Timeline						
HBM capacity (GB)	768	384	288	192	144	80
Cube (#)	12	8	8	8	6	5
HBM density per cube (GB)	64	48	36	24	24	16



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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.