Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU

Monthly Report July 2024

Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net)[1]	-0.3	-1.3	10.6	-1.5	6.5	-2.6
MSCI Emerging Market Net Return Index AUD unhedged	2.6	4.3	14.4	9.7	10.9	1.2
Active Return	-2.8	-5.6	-3.9	-11.2	-4.4	-3.8

[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 July 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 $40.9 M
Distribution frequency	Annual

Top 10 Positions

Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	7.29
SK Square Co Ltd	Information Tech	6.09
Samsung Electronics Co Ltd	Information Tech	5.11
HDFC Bank Ltd	Financials Ex Prop	4.71
Tencent Holdings Ltd	Comm Services	3.78
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.60
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	3.30
Bank Mandiri Persero Tbk PT	Financials Ex Prop	2.90
Banco BTG Pactual SA	Financials Ex Prop	2.61
BYD Co Ltd	Consumer Disc	2.51
Total		**41.91**

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.

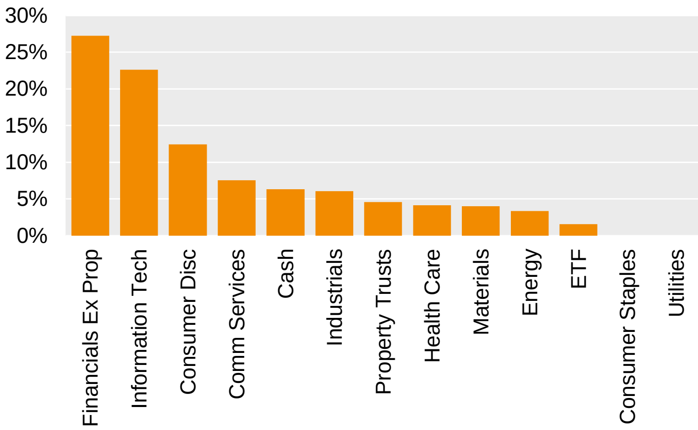
Capture growth: Ox Capital's investment approach is to identify the immense positive change taking place in Asia and other key emerging markets and to find companies that can benefit from those trends.

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.

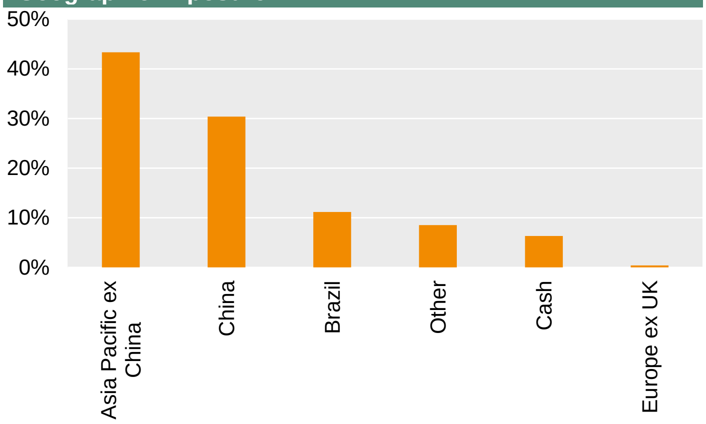
Capital protection strategies: The Fund can use derivatives such as index futures and equity swaps to help protect the portfolio from market volatility and to obtain synthetic exposure to stocks or markets.

Experienced team: A team of experienced and passionate emerging market investors strongly aligned with clients' investment objectives.

Sector Exposure



Geographic Exposure



Fund Performance

In July 2024, the Dynamic Emerging Market Fund (the Fund) returned -0.27%, compared to +2.58% by the MSCI Emerging Market AUD Index.

Top contributors are an Indian Life Insurance company, a Korean consumer electronics, appliance, & semiconductor company, and an Indonesian Bank. (HDFC Life Insurance Company Limited 20.24%; Samsung Electronics Co., Ltd. 2.94%; PT Bank Negara Indonesia (Persero) Tbk 6.65%). While the detractors are a Korean Information & communication technology company, a Chinese internet platform, and an Indian Bank.

Market Commentary

China : Following the third plenum, the government is tilting its stance to support and promote domestic consumption, rather than the traditional investment bias. We believe this is the correct policy direction.

- Subsequently, the PBoC announced two surprise rate cuts (key policy rate and loan prime rate).
- In addition, the government will issue Rmb300bn in special bonds to subsidize equipment upgrades for industrial companies and trade-in for home appliances.
- In the first half of 2024, electricity consumption increased 8% yoy. Online retail sales grew 10% yoy.
- The government is committed to support the economy as needed to hit its GDP target

Vietnam: The recovery is on track (Q2 GDP grew 6.9% from a year ago, accelerating from 5.7% in Q1), led by strength in trade, with exports and imports grew 19% and 25% from a year ago respectively in July).

- The tourism industry is doing well. In the first seven months of the year, international arrivals increased >50% from a year ago to 10M.

India: The government budget for the new fiscal year is sensible. Despite its pro-growth agenda (focus on job creation, upskilling of workforce, better housing access to rural and urban middle class), it is looking to reduce fiscal deficit to 4.9% of GDP, down from 5.6% of GDP in the past fiscal year.

- Nominal GDP is expected to grow 10.5% in current fiscal year. The domestic economy is in good health.
- The government is budgeting for 17% increase in capex (3.4% of GDP), continuing the Modi government's initiative to invest in infrastructure.

Brazil: Brazil is set to become a more significant global exporter of commodities. The country's gross exports can grow by 20-30% (in total) by the end of the decade.

- Brazil is expected to grow its oil exports strongly from 1mbpd to 3mbpd between 2023-2029, adding 15% to total exports (and 3% to GDP at current oil prices).

Global markets: We believe the recent sell off in global markets was due to crowded positioning and a sudden change in expectation of US and Japanese interest rates. Investors were concentrated in selective themes (such as Magnificent 7, Japan, semiconductor, India etc).

- While a slowdown in the US economy is to be expected, the finer point of whether it will slow significantly is perhaps too early to tell. Unemployment rate is under 4.5%. There are many policy tools available to support the economy via rate cuts and money printing if needed.
- What does it mean for EMs? The probability of a US rate cut has picked up significantly. Loosening of monetary policy is starting to drive a weakening of the USD, providing room for EM central banks to cut rates in lock step. **This is a definitively positive development for EM economies that we have all been waiting for!**
- As expectation of the US macro changes and given the crowded positioning of very narrow set of investment themes thus far, some investment themes may prove unsustainable (and indeed the unwinding of positioning we have seen lately is illustrative).
- Selective EM equities is appealing in light of:
- o attractive long term economic growth outlook,
- o highly attractive valuation,
- o strong champion companies available, and
- o under positioning by investors.
- Ox is well positioned as we own growing high-quality companies that are trading on attractive valuations in EM.

AI/Semiconductor themes experienced sharp pull backs. Nvidia, TSMC and the memory names pulled back >20% from their respective recent highs.

- The key question being asked is if AI can deliver ROI to justify the capital investments? It is too early to tell. However, from recent results, many technology giants (the likes of Microsoft, Amazon, Google, Oracle, and SAP) reported significant incremental revenues (in billions in some cases) from AI spending by enterprise customers already. In addition, they are committed to further increase their investments in 2H. They see AI as a strategic opportunity and getting left behind can be an existential problem for them in the future!
- Amongst our semiconductor companies, TSMC increased its revenue growth guidance in 2024 from 20-25% to 25 to 30%. In fact, its semiconductor customers (such as Nvidia, AMD, Broadcom etc etc) are asking for more capacity allocation than TSMC can offer in 2H 2024. Similarly, the memory makers (Samsung and SK Hynix) are investing aggressively to catch up with demand. They both expect their HBM chip (specialised memory chips for AI applications) sales to grow >90% in 2025.
- Our view is the semiconductor cycle is currently "mid cycle". As use cases for AI develop, AI will likely spur a brand-new upgrade cycle for the PCs and smartphones. Both TSMC and memory makers stand to benefit greatly.
- Following the recent bout of market volatilities, the upside from these stocks is starting to look compelling again. TSMC is on 15-16XPE 2025. Samsung is on 8-9X PE 2025. SK Hynix is valued at 4X PE in 2025.

Summary: We like our portfolio. We have upgraded our positions in China. These stocks are very attractively valued. They should grow well even in a slow/steady macro environment. Investors are generally under positioned in strong economies in EM such as Indonesia and Vietnam. The latest bout of market volatilities has seen technology/semiconductor stocks deflating to attractive valuations despite the strong long term business outlook.

For further information, please contact:

Fidante Partners Investor Services | **p:** 13 51 53 | **e:** info@fidante.com.au | **w:** www.fidante.com.au

---