Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU

OX CAPITAL MANAGEMENT

Monthly Report August 2024

Performance	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	Inception % p.a.
Fund Return (Net)[1]	-2.0	-1.5	1.0	0.1	3.0	-3.2
MSCI Emerging Market Net Return Index AUD unhedged	-2.2	3.8	5.2	9.8	8.5	0.4
Active Return	0.2	-5.3	-4.2	-9.7	-5.5	-3.6

[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, 31 August 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 $40.6 M
Distribution frequency	Annual

Top 10 Positions

Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	7.67
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	4.93
Samsung Electronics Co Ltd	Information Tech	4.89
Tencent Holdings Ltd	Comm Services	4.70
Bank Mandiri Persero Tbk PT	Financials Ex Prop	4.55
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.61
HDFC Bank Ltd	Financials Ex Prop	3.48
Banco BTG Pactual SA	Financials Ex Prop	2.76
BYD Co Ltd	Consumer Disc	2.58
HDFC Life Insurance Co Ltd	Financials Ex Prop	2.46
Total		**41.61**

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.

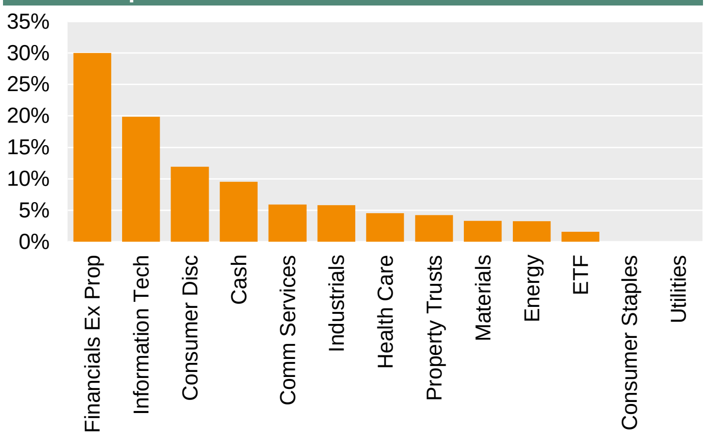
Capture growth: Ox Capital's investment approach is to identify the immense positive change taking place in Asia and other key emerging markets and to find companies that can benefit from those trends.

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.

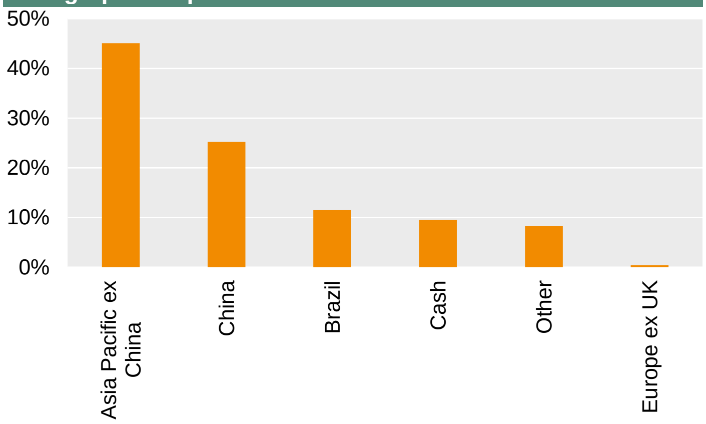
Capital protection strategies: The Fund can use derivatives such as index futures and equity swaps to help protect the portfolio from market volatility and to obtain synthetic exposure to stocks or markets.

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 eighth month of 2024, the Dynamic Emerging Markets Fund returned -1.93%, compared to -2.20% by the MSCI Emerging Market AUD Index.

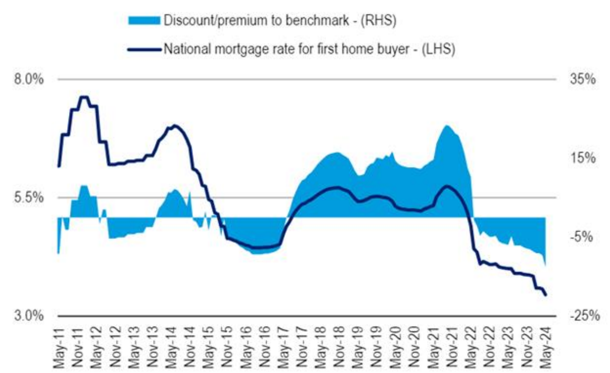
Top contributors are Indonesian Banks and a Chinese credit tech platform (PT Bank Mandiri (Persero) Tbk 11.33%; PT Bank Negara Indonesia (Persero) Tbk 7.65%; Qifu Technology, Inc. 30.43%). While the detractors are a Korean semiconductor related names and a Chinese internet platform.

Market Commentary

China: Primary property transactions were subdued in August. In contrast, secondary property transaction volumes were resilient through the month.

- A bright spot in the property market was its positive growth from a year ago in primary property sales in Tier 1 cities in August. Perhaps, the well-to-do households are finally tempted by the decade low mortgage rate to upgrade. The mortgage rate in China declined sharply to as low as 3.5% in 1 half 2024.

Exhibit 2: First home mortgage rate in China
Mortgage rate has been much lower since mid-2022



Source: BEKE, BofA Global Research

BofA GLOBAL RESEARCH

- Many new initiatives are being put forward to support consumption and property sales in China. The latest proposal will allow homeowners to refinance their mortgages taking advantage of the low mortgage rate. Mortgage holders stand to save over Rmb300bn in annual interest payment when the initiative is implemented.

- Our view is primary property sales will remain slow in 2H. While the government is reluctant to put forward "big bang" policies, the many initiatives do add up and the property market will stabilize sometime in the future.

- Between July-Aug, although we observed sluggish consumption & sentiment data, consumers remained in reasonable shape. Despite retail car sales were broadly flat to down yoy in July/August, EV car sales grew >35% yoy in both months.

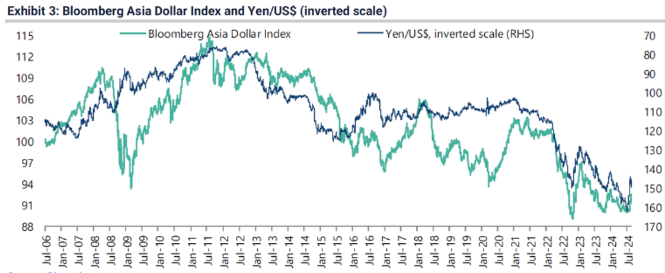
- Chinese corporates are increasingly aware of shareholder return. Following the 1H reporting season, the number of companies that proposed to pay an interim dividend increased sharply from **154** in 1H23 to **569** in 1H24. Furthermore, the amount of interim dividend payments rose 159% YoY to RMB527bn in 1H24 and the highest dividend paying sectors were banks, energy and telecom.

Singapore + Malaysia: Singapore and Malaysia are finalizing an accord to designate Malaysia's southern Johor state as a special economic zone. The population in Singapore and Malaysia are 5.9M and 33M, respectively. Singapore is a well-developed economy with GDP per capita of US$88K vs. US$13K in Malaysia. The special economic zone will benefit both countries, reminiscent of the benefits (trade and service flow) between Shenzhen and Hong Kong.

Indonesia: The Indonesian government has an ambitious long term economic plan – Golden Vision for 2045. It aims to become a top five economy in the world (vs. currently top 20 at US$1.4trn GDP) and become a developed nation. In terms of gross GDP, it is almost comparable in size to Australia (US$1.7trn).

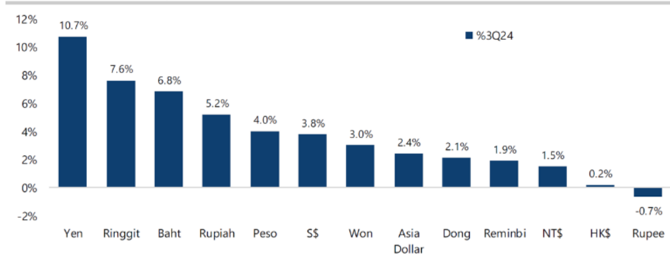
FX: USD may weaken going forward as neither US presidential candidates are prepared to tackle the ever-increasing budget deficits. In recent months, many currencies in Asia strengthened against the USD and broke above the multi- year down trend. Keep in mind, a weak USD offers a positive background for EM economies & markets.

Exhibit 3: Bloomberg Asia Dollar Index and Yen/US$ (inverted scale)



Source: Bloomberg

Exhibit 4: Asian currencies' performance against US dollar so far in 3Q24



Source: Bloomberg

Portfolio News/Portfolio changes

1. The portfolio remained well invested at the end of August. Net invested position was 90%.

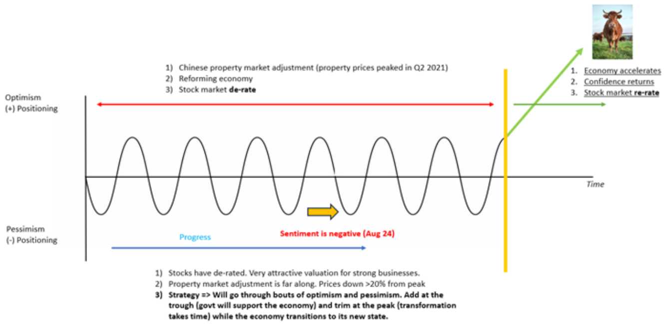
- Overweight: Indonesia, Brazil, and Vietnam.

- Underweight: Taiwan, Korea, and India.

- The stock price action of Nvidia has been choppy following its Q2 result. Investors are beginning to question if momentum on AI investments can be sustainable (in light of growing concern on ROI). We have pared our sizing on the memory stocks.

- Since we added to our positions in Indonesia and Brazil, both markets had a good month in August. Investors expect both economies to benefit as USD weakens in the coming months. Two of the Indonesian banks are amongst our top 10 positions.

- The fund is market weight China for now. Following the Q2 reporting season, stock prices are factoring in 2H economic outlook. Sentiment and investor positioning have cooled. Yet, since July. Weaker USD and the Fed cutting interest rate will increase room for Chinese Central Bank to act as the Rmb has started to strengthen against the USD. While the economic transformation in China will take time, the adjustment process has come far along. There will be great money-making opportunities along the way.



2. **Earning season in China:** Despite a sluggish economic backdrop, our major positions (Tencent, Meituan, BYD, CATL) had solid Q2 earnings and outlook. A few of our stocks (such as PDD and Kuaishou) pulled back post result but they were our smaller positions. <u>The important point is strong companies can adapt and thrive in good and bad economic environment, given the vast domestic markets available to them.</u>

- Many of these companies delivered strong operational leverage. For instance:

24 Q2	Sales growth	Net profit growth	
Tencent	8%	53%	
Meituan	21%	78%	
BYD	26%	33%	
CATL	-10%	10%	* 1H 24
PDD	86%	125%	
Kuaishou	12%	74%	
Trip.com	14%	47%	

- To be fair, some companies had to tone down the expectations for 2H. Both e-commerce and advertising businesses are expected to slow. But our companies are taking market share and growing much faster than competitors. Tencent and Kuaishou are growing their digital advertising business appreciably faster than the rest of the industry. PDD and Kuaishou had domestic GMV growth of 20% and 15% yoy respectively vs. high single digit for Alibaba and single digit for JD.

- Meituan's core local commerce division grew 19% yoy. Noticeably, Meituan expects sales to accelerate in Q3. It has successfully fended off challenge from Douyin. It has further entrenched its local service leadership position in years to come.

- BYD maintained its No.1 market share in domestic EV in China at 34%. Importantly, EV makers are winning share from the traditional automakers. BYD increased its domestic passenger car market share from 11.7% in 23 Q2 to 15.6% in 24 Q2. Importantly, it is early in its expansion overseas (where margin is much better than domestic sales). It grew its overseas shipments by >190% yoy, albeit from a low base.

- CATL demonstrated its strong management quality despite inventory correction and slowing EV sales in Europe. CATL developed new markets and saw strong growth in its energy storage business for utilities. Its ESS battery sales grew 45% yoy in 1H 24 and accounted for as much as 25% of its total shipments. It is also making great stride in asserting its technological leadership with rising sales of its next generation of batteries. In the meantime, its key competitors from Korea are wrestling with the ever-changing political landscape in USA and bargaining power of the auto OEMs. The Korean battery makers may well be distracted.

- <u>Going global</u>… It is increasingly noticeable that many Chinese companies are going global. The likes of BYD and CATL are busily building plants overseas in multiple countries. PDD and Trip.com have already built sizeable business internationally.

- We are also seeing many Chinese companies demonstrating <u>greater awareness of shareholder return</u>. Take Tencent for example, in Q2, it spent Rmb34bn in buyback and paid Rmb29bn in cash dividend. Qifu Technology, a fintech, is buying back 10% of its shares a year, as well as paying a dividend yield of 5%.

3. **CATL:** EU is looking to impose a tougher CO_2 emission target in 2025 (≈20% lower than its previous goal). Auto OEMs will need to sell many more EVs (as much as 40%) in order to comply with the higher standards and avoid related penalties in 2025.

4. **AI:** Nvidia (the stock) has been choppy (down 20% from recent high). The stock is plagued by growing concern on ROI on AI investments. However, channel checks from different parts of the value chain suggest AI spending will remain robust in 2025. Supportive of TSMC and the memory stocks.

- Our view is AI-related money-making opportunities will broaden beyond Nvidia. For instance, cloud platforms (the likes of Google, Microsoft, Amazon) will look to develop their own chips in the coming years and diversify away from Nvidia.

- As AI applications and experiences improve, AI will drive upgrade cycles in both smartphones and PCs. In addition, more investments need to be made to support AI capabilities in edge devices.

- We are hearing more and more emerging AI use cases in enterprise software. As software evolve into AI Agents, software makers will have the opportunity to explore new monetization models.

For further information, please contact:

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