

Ox Capital Dynamic Emerging Markets Fund

ARSN 649 969 264 | APIR HOW6479AU



Monthly Report January 2025

Performance	1 month %	3 months %	1 year %	2 years % p.a.	3 years % p.a.	Inception % p.a.
Fund Return (Net) ¹	1.6	-1.2	14.0	2.6	1.9	-1.3
MSCI Emerging Market Net Return Index AUD unhedged	1.0	2.9	21.6	12.2	3.4	2.9
Active Return	0.5	-4.1	-7.6	-9.6	-1.5	-4.2

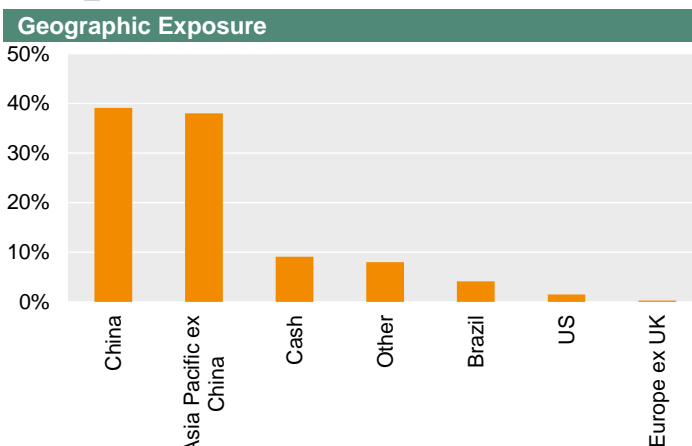
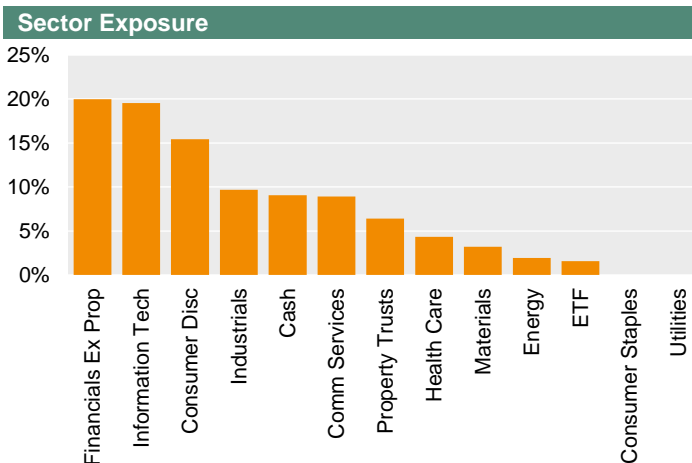
¹ The returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowances are made for tax when calculating these figures. Past performance is not a reliable indicator of future performance. The inception date for the fund is 20 September 2021.

Source: Fidante Partners Limited, 31 January 2025

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 \$44.2 M
Distribution frequency	Annual

Top 10 Positions		
Company	Sector	%
Taiwan Semiconductor Manufacturing Co Ltd	Information Tech	9.76
Tencent Holdings Ltd	Comm Services	4.34
Meituan Dianping	Consumer Disc	4.11
BYD Co Ltd	Consumer Disc	3.69
Vietnam Enterprise Investments Ltd	Financials Ex Prop	3.59
Bank Negara Indonesia Persero Tbk PT	Financials Ex Prop	3.27
Bank Mandiri Persero Tbk PT	Financials Ex Prop	3.24
Contemporary Amperex Technology Co Ltd	Industrials	2.88
NHN Corp	Comm Services	2.76
SK Hynix Inc	Information Tech	2.68
Total		40.32

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 first month of 2025, the Dynamic Emerging Market Fund returned 1.67%, compared to 1.04% by the MSCI Emerging Market AUD Index.

The top contributors are a leading global memory chip supplier, a leading Taiwanese semiconductor manufacturer, and a Brazilian bank: SK hynix Inc. (14.55%), Taiwan Semiconductor Manufacturing Company Limited (5.58%), and Banco BTG Pactual S.A. (19.74%). The detractors include a Chinese technology conglomerate, a global technology services provider, and a Filipino property developer.

Market Commentary

Macro

China: Economic transformation continues

- The market has been worrying about the property downturn, aging demographics, Japanification, overcapacity, deflation, and geopolitical complexities with the US.
- These issues stem from the underlying economic challenges of tapering the economy's dependence on the old investment-led growth drivers (e.g. properties) and waiting for the new growth drivers (consumption and technological development) to scale up.
- We believe that the economy is approaching the tail end of this transformation, as consumption already contributes to two-thirds of GDP growth, and advanced manufacturing is progressing quickly as evidenced by the emergence of global champions in the fields of renewables, electric vehicles, batteries, AI and the like.

Improving trade frictions

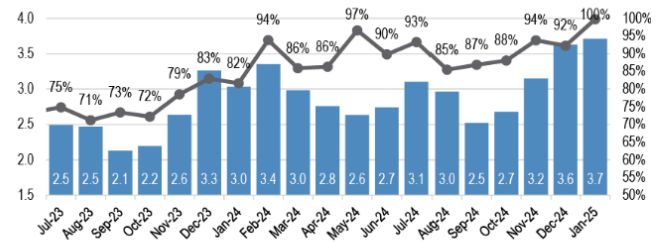
- Contrary to initial fears, USA is evidently re-evaluating its relationships with all its major trading partners instead of focusing solely on China. Given so much adjustments have already been made following the first round of trade dispute and reducing dependency of China on US technologies, the impact on China is likely to be limited this time around. Given the vast domestic economy, exports are in fact not a huge part of its economy, and direct exports to the US is less than 15% of its total exports.
- The modus operandi of the new US administration is to apply pressures to its trading partners and then strike a deal. Given that USA has applied significant pressures on China under both the first Trump and Biden terms, it is possible that the USA will reach a deal with China to stabilize relations.

It has been more than three years since the peak of the Chinese property market, and the market is stabilising. Analysts forecast that the property market will gradually improve in 2026. As a result, a healthy consumption trend was observed during Chinese New Year, with box office revenue growing 26% year-on-year, UnionPay (credit card) transaction volumes rising 26% from a year ago, and Meituan reporting strong growth (19%) in its food delivery business.

Thailand: International tourist arrival reached 3.5M in Jan 25, the highest monthly arrival since Jan 20. Tourist arrival has now fully recovered to pre-COVID level.

Figure 5: Thailand: Foreign tourist arrivals (mn) and % recovery from 2019

mn (LHS) / % (RHS)



Source: Ministry of Tourism & Sports. Note: % numbers represent % of 2019 reported monthly volumes.

Malaysia: Similar to Japan and Korea, the Malaysian govt is working on a "value-up" program to boost the stock market. The plan is expected to include a framework where companies may be given targets on price to earnings ratios, return on equity and free float.

- Catalysts for the economy in 2025 include: i) Signing of the Johor-Singapore Special Economic Zone, ii) increase of the minimum wage, iii) state election in 2H 25.

India: Loan growth slowed across banks in India in 2H 24. Amongst consumers, incremental savings during COVID are exhausted. Govt cutting income tax in the budget to support consumption.

Asia Pacific: Many countries in the region are expected to deliver solid GDP growth in 2025.

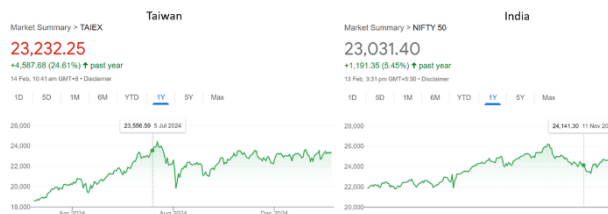
Area	Real GDP % over year ago		
	2024	2025	2026
China	5.0	4.3	3.1
Hong Kong	2.5	1.3	1.6
India	6.4	6.0	6.3
Indonesia	5.0	4.7	4.8
Korea	2.0	1.2	2.0
Malaysia	5.1	3.5	3.9
Philippines	5.6	5.8	5.8
Singapore	4.0	3.0	1.8
Taiwan	4.3	2.3	2.2
Thailand	2.5	2.2	2.2

Portfolio News/Portfolio changes

1. The portfolio was well invested at the end of January. Net invested position over 90%.

- Overweight: China, Indonesia, Korea, and Vietnam.
- Underweight: Taiwan, and India.
- The headwinds against the portfolio since inception were:

- o Persistent strength in the Indian market despite expensive valuation,
- o Strong performance in Taiwan (based on enthusiasm towards AI),
- o De-rating of the Chinese equities market.
- Our view is these headwinds are subsiding.
 - o The Indian economy is slowing and most of the market remains expensively valued.
 - o Open source and efficient AI models like DeepSeek will mark the peak in enthusiasm towards AI plays in Taiwan (at least through 2025).



- In the meantime, while the world is focusing on headlines in USA. There is a "stealth" recovery in Chinese stocks in HK and even American Depository Receipts (ADRs) listed in USA since early January. We are hearing interests from large global funds in stocks in HK/China because of the increasing recognition that Chinese technologies are coming through to lead the world, the narrative around US-China relations is shifting, and its economy is stabilising. Today, very few commentators are suggesting Japanification of the economy.



2. CATL and BYD:

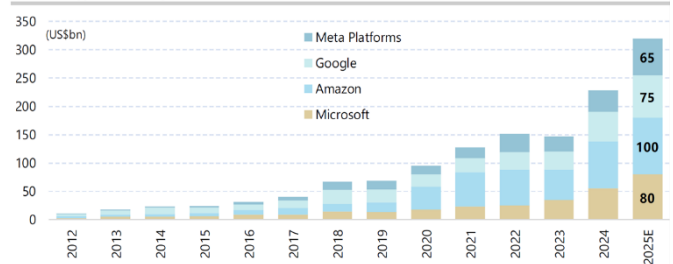
- CATL unveiled condensed-matter batteries with an energy density of 500Wh/kg (80% higher than conventional lithium batteries).
- BYD held a launch event last week, announcing it will enable different levels of autonomous driving ("AD") on all EV models. This makes the AD capability a standard offering in future cars and disrupts the business model of AD software industry and potentially even the ride hailing industry. This scenario is playing out as Ox predicted previously in the monthly.

3. AI: In our view, the "unveiling" of DeepSeek was an important moment & milestone.

- Despite DeepSeek, the US cloud platforms are increasing their capital investments sharply (30% yoy) to over \$300bn in 2025. Arguably, they (and the rest of the world) remain in the arm race to develop the best AI model that can reason. Techniques such as Post-Training and Chain of Thought call for 30X and 100X

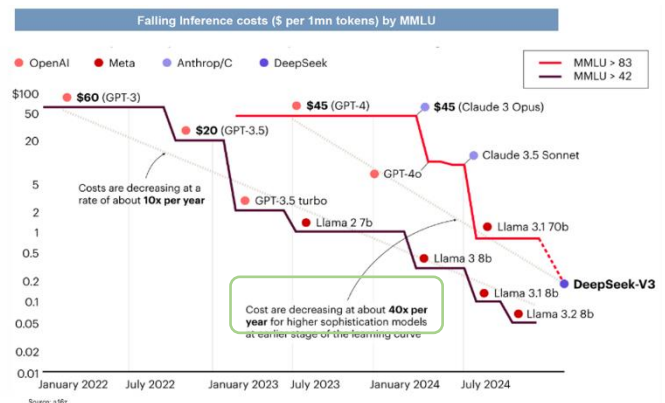
respectively in computing power over "regular" large language models.

Exhibit 4: Hyperscalers' capex



Note: Based on companies' guidance. Source: Bloomberg, Companies, Jefferies

- While hardware/semiconductor spending will remain robust through the rest of the year, DeepSeek (and the open-source community) have shown and shared techniques that can further optimise model development and inference calculations.
- It is not unreasonable to expect the rate of growth on hardware/semiconductor spending for AI to slow beyond 2025. While AI is a transformational technology, the strategy of massive investment in AI infrastructure and expensive AI models without questioning the return on the investment is getting questioned. Afterall, CFOs of the likes of Microsoft and Amazon, after spending hundreds of billions of US dollars have to consider at some point whether cashflow should be invested or simply returned to the shareholders.
- Open-source models such as Llama (from Meta/Facebook) and DeepSeek are further driving down inference costs. It is remarkable how quickly inference costs have fallen since GPT-3.



- Our view is, because of the rapidly falling inference costs, investors will look for new ideas i.e. companies who can successfully monetize AI after the initial hardware build out. Industries who can benefit from the next wave of AI include software, IT services, edge/Internet-of-Things (such as PC and handset upgrade). In addition, investors in HK/China are waking up to the idea that China remains in the AI race.
- Our portfolio changes: i) we reduced our positions in the memory makers (Samsung and Hynix), ii) added to our internet and technology positions in China, many of which will leverage AI to grow their business e.g. Alibaba (Alibaba cloud just announced a win with Apple), Kingsoft (Microsoft Office of China).

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