# Ox Capital Dynamic Emerging Markets Fund

**ARSN 649 969 264 | APIR HOW6479AU**

## Monthly Report February 2025

| Performance | 1 month % | 3 months % | 1 year % | 2 years % p.a. | 3 years % p.a. | Inception % p.a. |
|---|---|---|---|---|---|---|
| Fund Return (Net)[1] | 2.8 | 6.6 | 9.4 | 6.4 | 4.5 | -0.5 |
| MSCI Emerging Market Net Return Index AUD unhedged | 0.8 | 7.0 | 15.3 | 13.9 | 5.8 | 3.0 |
| **Active Return** | 2.0 | -0.4 | -5.9 | -7.6 | -1.3 | -3.5 |

[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, 28 February 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 spread[2]** | +0.25% / -0.25% |
| **Fund FUM** | AUD $45.7 M |
| **Distribution frequency** | Annual |

### Top 10 Positions

| Company | Sector | % |
|---|---|---|
| Taiwan Semiconductor Manufacturing Co Ltd | Information Tech | 8.66 |
| Tencent Holdings Ltd | Comm Services | 5.60 |
| Meituan Dianping | Consumer Disc | 4.37 |
| BYD Co Ltd | Consumer Disc | 4.21 |
| Full Truck Alliance Co Ltd | Industrials | 3.71 |
| Vietnam Enterprise Investments Ltd | Financials Ex Prop | 3.45 |
| KE Holdings Inc | Property Trusts | 2.99 |
| Contemporary Amperex Technology Co Ltd | Industrials | 2.87 |
| NHN Corp | Comm Services | 2.54 |
| Pinduoduo Inc | Industrials | 2.54 |
| **Total** | | **40.93** |

### 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.

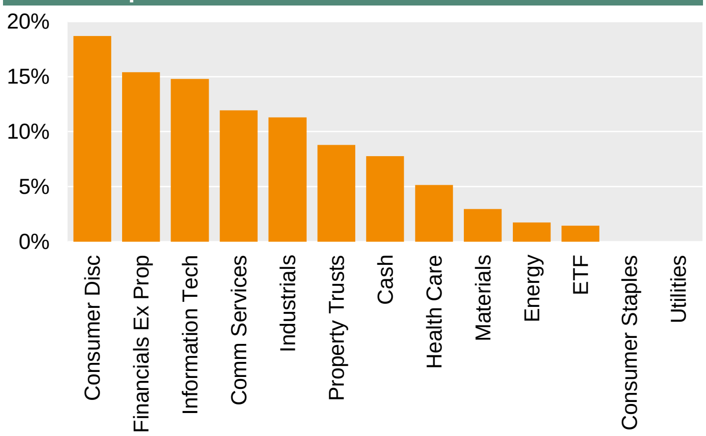
**Capture growth:** Ox Capital's investment approach is to identify the immense positive change taking place in Asia and other key emerging markets and to find companies that can benefit from those trends.

**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.

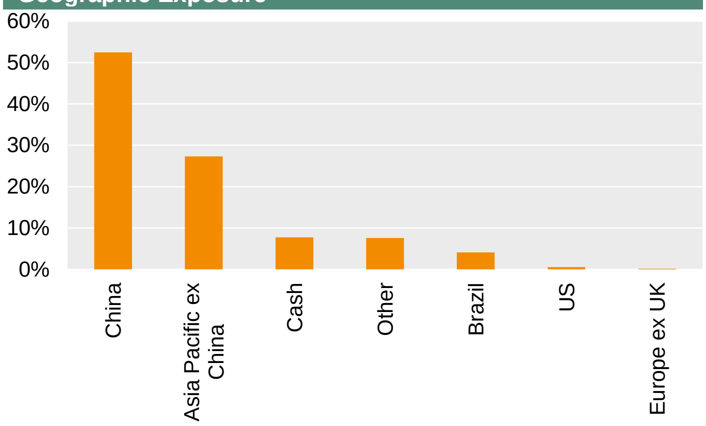
**Capital protection strategies:** The Fund can use derivatives such as index futures and equity swaps to help protect the portfolio from market volatility and to obtain synthetic exposure to stocks or markets.

**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 second month of 2025, the Dynamic Emerging Market Fund returned 2.82%, compared to the MSCI Emerging Market AUD Index, which returned 0.79%.

Top contributors are a leading Chinese EV and battery manufacturer, a leading Chinese internet and technology company, and a Chinese online real estate services and transaction platform (BYD Company Limited 36.12%; Tencent Holdings Limited 19.29%; KE Holdings Inc. 31.15%). The detractors are a Taiwanese semiconductor manufacturer and Indonesian banks.

## Market Commentary

**China:** The government set solid goals post National People's Congress – around 5% GDP growth, inflation of 2%, and a budget deficit of 4% (up from 3% in 2024). Noticeably, China has made boosting domestic consumption its #1 economic priority this year (from #3 last year).

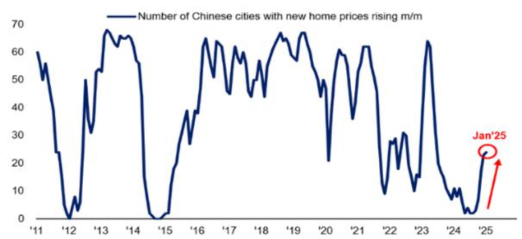
- In 2025, we may see upside in domestic consumption. In January 2025, the government hiked basic wages (at least RMB 500 per month) for many public employees. The last official wage hike for government workers was in 2015. In addition, large internet businesses like Meituan, Alibaba, and JD announced they will pay social insurance benefits for their logistics workers. These "pay rises" should boost confidence among consumers.

- Regulatory pressures on the private sector have peaked. In February 2025, Xi hosted a symposium with business leaders from the private sector. Xi's message was "get rich quick," then promote "common prosperity." The last time such a meeting was held was in 2018.

- Shifting to trade, the USA and China are testing each other. Thus far, actions and rhetoric from both sides have been "measured" in their approach. Remember last year, there were concerns that Trump might unilaterally and quickly impose a 60% tariff on exports from China. Our view remains that there is a reasonable chance a deal will be struck between the two largest economies in the world.

- In terms of the property market, consensus is building that the sector will stabilise by the end of 2025. Inventories will trend back to the historical range by late 2025. Rental yields > 10-year bond yields. Since September 2024, the central government has set a new goal for the property sector – stop the decline. In January 2025, property prices rose in 24 of 70 big cities.

**Chart 5: China house prices stabilizing**
Number of Chinese cities with new home prices rising m/m




**Source:** BofA Global Investment Strategy, Bloomberg; China new home prices in 70 cities surveyed by government.

BofA GLOBAL RESEARCH

**Indonesia:** As the USD strengthened since late 2024, the Indonesian central bank tightened domestic liquidity to support the Rupiah. In February, the central bank held the rate steady after cutting 25 bps in January. The current account deficit remained contained at 0.6% in 2024.Solid economic growth (around 5%) expected in 2025. Anecdotally, the largest automaker in Indonesia (Astra) expects car sales to improve YoY in 2025.

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**India:** Q4 GDP growth, while solid at 6.2%, showed a "decelerating" growing economy. GDP growth was around 8% in 2023. As the Indian government is already running a budget deficit, for growth to re-accelerate, it is critical for the private sector to increase capital spending.

- In 2025, the government is in the process of establishing a deregulation commission to cut red tape and boost private investments.With government support, there are 5 projects (US$18bn) to establish its domestic semiconductor industry.

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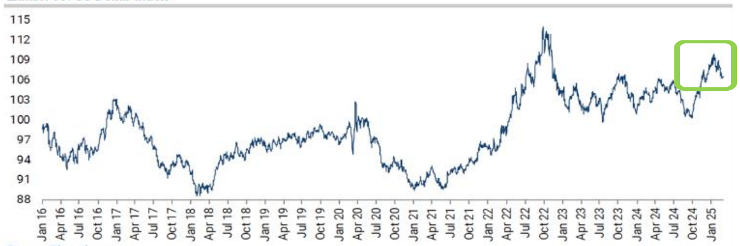
**Global macro:** At the start of the year, there was almost universal consensus that the USD would continue to strengthen. Yet, the USD has weakened since January.

o A weak USD is tailwind for the emerging markets.

**Exhibit 18: US Dollar Index**




Source: Bloomberg

**Portfolio News/Portfolio changes**

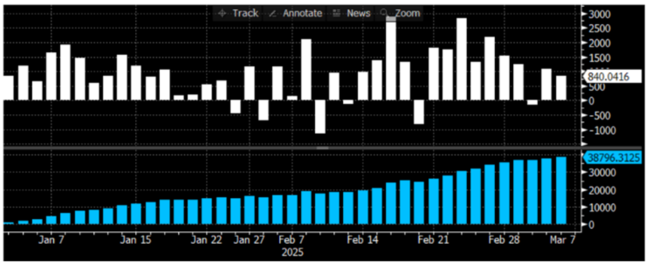
1. The portfolio remained less invested at the end of February, with a net invested position of over 90%.
   - Overweight: China, Indonesia, and Vietnam.
   - Underweight: Taiwan, Korea, and India.

- **China:** We increased our exposure in China and further trimmed our positions in India. We also pared back our exposure to AI-related semiconductor names. We increased exposure to the next "wave" of AI beneficiaries, such as cloud platforms, edge devices, and software. We re-entered a position in Alibaba and added to our exposure in Kuaishou.

- We anticipate domestic consumption will improve as the economy stabilises in China. We selectively added to consumer stocks (such as Anta) and real estate names (e.g. Beike).

- We observed an important change in the market tone in Hong Kong (HK). Year to date, domestic investors (in China) actively bought stocks in HK. We are also hearing growing interests from global funds who had previously sold out of their positions in HK/China.

Southbound keeps charging and **have bot $39bn ytd. Compared to same period last year of $8bn**




*Source: Bloomberg*

- **Indonesia:** In response to tight domestic liquidity, many stocks in Indonesia pulled back sharply between January and February 2025. The Jakarta index has de-rated to 11X forward earnings, down from 19X in December 2020. The Indonesian market is now especially attractively valued. The market is prospective as the USD peaks.

2. **Chinese internet:** Early read on the reporting season suggests improving consumer sentiment. Alibaba and JD.com's domestic e-commerce divisions grew 9% and 15% YoY, respectively, in Q4 2024. Other e-commerce platforms (such as VIPshop and Yatsen) also saw improving quarterly momentum.

   - Many Chinese internet companies will benefit from the next "wave" of AI. Take Tencent, for example: it is aggressively integrating Deepseek into its applications. In the short term, Tencent can turbocharge its online advertising business with Deepseek. Another easy win is that AI will further enhance the search function within WeChat. Longer term, the vision is to turn WeChat into a super app. Not to mention, AI also has the potential to transform the experience for online games.

   - Alibaba is the front-runner amongst cloud platforms in China to take advantage of Deepseek. Not only is it the leading cloud (36% market share, almost double the size of the second and third largest clouds) in China, but Alibaba also has a very good reputation with the open-source community in China. Sales in Alibaba's cloud division picked up nicely in Q4 (13% YoY growth vs. 7% in Q3) and will accelerate further in 2025.

   - Meituan is widely deploying AI within its ecosystem. AI for route optimisation is helping its riders. Chatbots are handling customer queries for the riders. Long term, Meituan is quietly staking its claim as a robotic powerhouse in China. Internally, for some years, Meituan has invested in developing its delivery bots. Externally, it has led investments in over 30 external robotic start-ups. It is the second-largest investor in Unitree. In time, as humanoid robots are commercialised, Meituan will benefit.

3. **AI:** Nvidia reported a strong result last quarter. Its data centre division grew 93% YoY. <u>Yet, the stock sold off post-result. The stock is trading as much as 25% below its peak in 2024.</u>

- We met with the IR team from Microsoft in February. Microsoft mentioned that it would have caught up on its initial surge in AI investments by the end of 2025. From 2026, it will invest capex based on demand signals.

- A new risk that recently surfaced: what if the USA looks to further crack down on China's access to AI chips? In the latest quarter, as much as 18% of Nvidia's sales came from Singapore.

- The key is to remember the stock market rapidly discounts the future. Plus, many investors are already quite exposed to the AI names in the USA, so it is unsurprising that the stock (Nvidia) has pulled back.

- Going forward, the important questions for investors to figure out include: **i)** ROI for AI investments (between 2023-2025, the hyperscalers in USA are spending as much as $700bn on CapEX), **ii)** how will Nvidia fare as competition (from the likes of AMD and competing ASIC chips) heats up.

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