

Quarz Global Opportunities Fund (USD)

Generating Alpha Through Activist Investing

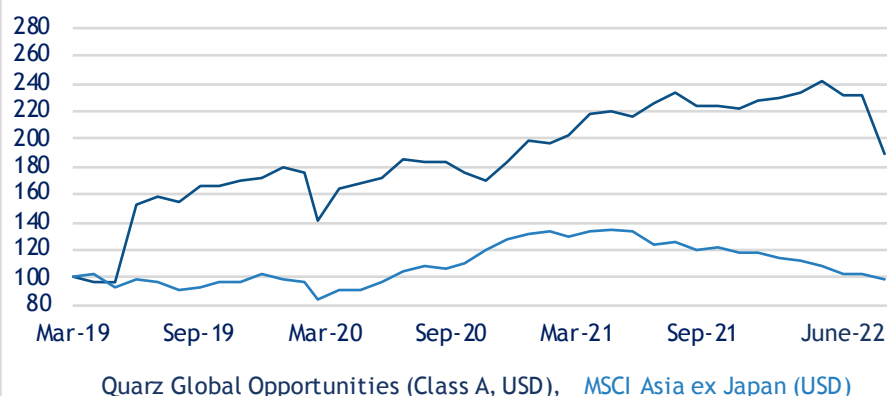


June 2022



The activist Quarz Global Opportunities Fund holds a very select number of high-conviction positions offering strong returns. The fund focuses on undervalued small and mid-cap equities in Asian developed markets (Singapore, Hong Kong, Australia, Japan). We engage with the management teams of our target companies and prompt them to divest of unprofitable units, return idle cash to shareholders or sell undervalued real estate assets. Other reasons for undervaluation are overly complex businesses, incompetent leadership, misalignment of management incentives, poor corporate governance, investor misperception and lack of media / broker coverage. Quarz only invests in targets with upside potential of ~30% over 2 years and strong core operations generating a sustainable dividend yield, thus providing downside protection and regular income.

Performance since Inception (%)



Market Commentary

The Quarz Global Opportunities Fund ended June -18%. Year-to-date, the fund is down 16.5%, still outperforming its benchmark MSCI Asia ex-Japan index by 74 bps.

With the notable exception of China, major indices finished on a negative note last month as recession worries resurfaced due to fears that central banks will 'overtighten' to get on top of inflation that is more persistent than anticipated.

While we expect the US Fed to hike by 50-75bps in end July, we believe that we are near the end of the rate hiking cycle with potentially another 25-50bps for the rest of the year. This is as core CPI peaked at 6.5% YoY in March and has continued to decline as financial conditions tightened. A number of key leading economic indicators such as the ISM manufacturing, personal spending, and consumer confidence indicators has dropped sharply and surprised on the downside.

The Fed is facing the dilemma of continuing the costly path of raising rates and reducing demand to resolve mainly supply-side-induced inflation issues such as the Russia-Ukraine war and the COVID-19 shutdowns in China. Any miscalibration can potentially push the US economy into a recession, where the Fed might ironically have to undo its rate hikes and pursue QE policies to resuscitate demand.

Alternatively, the Fed can pursue the less costly and more 'controlled' option of tolerating a slightly higher inflation number and doing slight calibration to its policy while waiting for the supply side issues to resolve and reduce inflation. The Fed has a dual mandate of price stability as well as maximum sustainable employment.

Our strong focus on deep value and an activist approach continues to pay off. Most of the companies we are invested in have low leverage or a net cash balance sheet. They also generate recurring income and pay out attractive dividends, which increased the resilience of their share prices during this period. We are actively engaging with them to deploy their cash-rich balance sheets at attractive opportunities or return them to investors during this volatile period.

We expect a better 2H2022 as we think most of the fears of a downturn and a Fed policy mistake have already been priced in.

Fund Information (Class A, USD)

Name	Quarz Global Opportunities
Bloomberg	QUAGLOP KY
ISIN	N/A
FIGI	BBG00Q5KVVZ1
Share Classes	USD / SGD / CHF
Fund Manager	Quarz Capital (ASIA)
Fund Domicile	Cayman Islands
Auditor	Moore Cayman
Administrator	DBS Fund Administration
Legal Counsel	Appleby
Broker	CS / Morgan Stanley
Custodian	DBS Bank Singapore
Min. Investment	\$1,000,000 (and equivalent)
Management Fee	2%
Performance Fee	20%
Lock-up	N/A
Subscription	Monthly
Notice / Withdraw:	90 days / monthly
High Watermark	Yes
Hurdle Rate	N/A

Performance (net, Class A, USD)

Month	-18.01%
Cumulative YTD	-16.5%
Cumulative s. Inception	90.0%
Annualized s. Inception	21.8%
Annualized 5 Years	N/A
Annualized 3 Years	33.8%
Best Monthly Return	57.5%
Worst Monthly Return	-19.3%
% of Positive Months	59
Maximum Drawdown	-21.1%
Annualized Volatility (3 Year)	35.0%
Sharpe Ratio (3 Year)	1.03



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Track Record: Quarz Global Opportunities Fund (Class A, USD) (in %, net of fees)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD Fund	YTD Index
2022	1.3	1.5	3.3	-4.1	-0.1	-18.0							-16.5	-17.3
2021	9.4	-1.8	2.9	7.8	1.1	-1.4	4.5	3.3	-4.3	0.0	-1.3	2.9	24.6	-6.4
2020	4.6	-2.3	-19.3	16.5	1.7	2.9	7.3	-1.1	-0.2	-3.6	-3.8	7.7	6.3	22.5
2019				-2.1	-1.1	57.5	4.1	-2.1	7.3	0.2	1.5	1.3	71.9	3.7

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