

Quarz Global Opportunities Fund (USD)

Generating Alpha Through Activist Investing

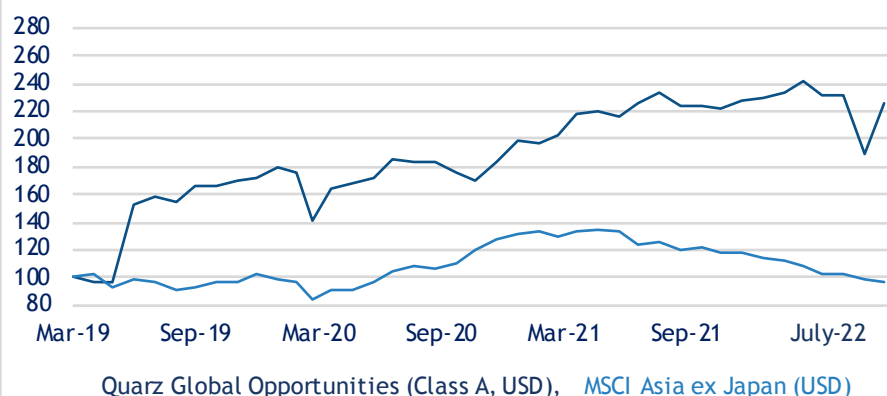


July 2022



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

Quarz Global Opportunities returned 18.8% last month, outperforming its benchmark MSCI Asia ex-Japan index by more than 19 percentage points (in USD terms). YTD the fund is down 0.8%, while the index lost 18.6%.

The US Fed raised interest rates by 75 basis points on July 27. Fed Chair Powell signaled that interest rates are finally in line with the long-run neutral level. He referred to the slowing economy and articulated the need to allow the tightened financial condition to feed through the economy and reduce inflation before taking any decisions on further rate hike from end September.

Our overweight in the real estate space continues to generate good results. Sabana and Aims Apac Reit reported positive rental reversions of over 9% in 1H2022 due to the strong demand and lack of supply in the Singapore industrial space. This will help to mitigate the impact of rising interest cost although both REITs have already fixed and hedged more than 70% of their loans for the next 2 years. They are also in the process of progressively passing through the increased utility cost thanks to higher service charges.

Mapletree Commercial Trust, whom we invested in post divesting our stake in Mapletree North Asia Trust, also reported strong results where tenant sales and rental revenue have exceeded pre-covid levels as the consumer demand in Singapore continues to be resilient. We look forward to being unitholders in the merged entity which will further benefit from the recovering retail and office market in Hong Kong, Shanghai and Beijing respectively.

Amid the equity declines of the past months we believe that developed Asia equities are bottoming-out during the second half as most of the fears of a downturn and potential policy mistakes by central banks are already priced in. We continue to pursue our strategy of focusing on high cashflow generative and undervalued companies. We are also increasing our allocation to hospitality and office plays which still trade at a substantial discount to their pre-Covid levels. This is despite their 2H2022 revenue being forecasted to be higher than 2019 levels.

After our strong relative performance during the first half of 2022, we will continue to work hard on delivering stronger returns over the coming months.

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	18.79%
Cumulative YTD	-0.8%
Cumulative s. Inception	125.7%
Annualized s. Inception	27.7%
Annualized 5 Years	N/A
Annualized 3 Years	33.8%
Best Monthly Return	57.5%
Worst Monthly Return	-19.3%
% of Positive Months	60
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	18.8						-0.8	-18.6
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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