

# Quarz Active Value Fund

Generating Alpha Through Activist Investing

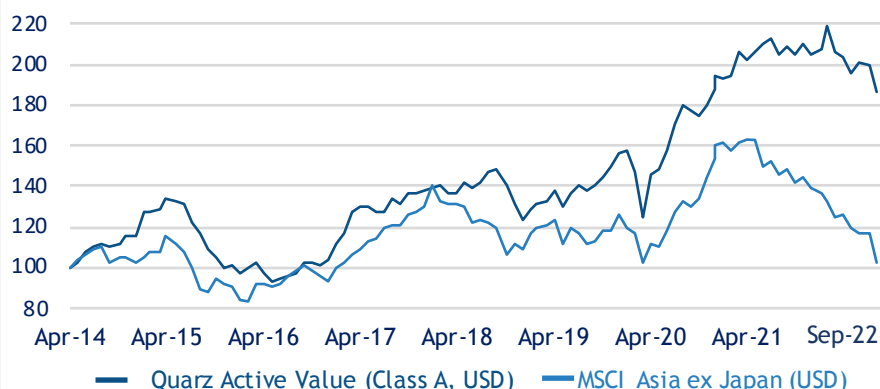


September 2022



The Quarz Active Value Fund invests in ~20 core positions and 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 increase shareholder value through measures such as selling unprofitable units, returning idle cash to shareholders, selling undervalued real estate assets, improving corporate governance and strengthening alignment of interest with shareholders and investor relations. We only invest in firms with upside potential of ~30% over two years, sound core operations and a healthy dividend yield, thus providing downside protection and a regular income.

## Performance since Inception (%)



## Market Commentary

Another month where financial markets were buffeted by a string of shocks sending prices lower. And still another month where our funds were able to hold steady against the market rout, thanks to our focus on dividend-paying stocks with a strong balance sheet and our increased allocation to undervalued Singapore equities.

Our benchmark MSCI Asia ex Japan had its worst performance in more than ten years and fell 13 percent last month (in USD terms). YTD, the index is down 29%, clearly underperforming Quarz Active Value, which is down 11.5%

Investors are flocking to cash and shunning almost every other asset class as they turned the most pessimistic since the global financial crisis last month, according to Bank of America Corp. Investor sentiment is “unquestionably” the worst since the turmoil of 2008, strategists wrote in a note published end September.

While the US Fed continues to adopt an aggressive stance towards ‘fighting’ inflation through rate hikes, we are of the view that we are nearing peak inflation. Among the diverse indicators which we track, semiconductor demand has slumped for a second consecutive month in August as PC and smartphones sales continued to fall YoY and Asia to US (West Coast) 40 feet container freight cost declined by 75% YTD and is at its lowest level since May 2020. Both the Case-Shiller and Zillow US Home Price Indices are flattening on a MoM basis. Wage inflation is also slowing in the US.

While we believe that inflation will moderate in the coming months, it is likely that long-term inflation will stay around the 2.5-3% level due to the key structural changes which are taking place such as the war in Ukraine, the China-Taiwan conflict, the ‘friendshoring’ of supply chains to decrease dependence on China, and the ESG movement to reduce carbon emission. Ultimately, we believe that the Fed will settle on a higher level of long-term inflation rate with a corresponding slightly lower long-term interest rate to preserve employment and growth.

Historically, real estate has shown to benefit from these higher long-term inflation rates as higher input, development and breakeven costs reduce competition to existing stock and raise the rental rates. Select equities are also able to reduce costs through automation and pass on higher input costs to consumers.

As such we are positioning ourselves in these key areas to safeguard our investors’ interest and benefit from these long-term trends.

## Fund Information (Class A, USD)

Name	Quarz Active Value, Ltd.
Bloomberg	QUARAVA KY
ISIN	KYG7315N1079
CUSIP	G7315N107
Share Classes	USD / SGD / CHF
Fund Manager	Quarz Capital (Asia)
Fund Domicile	Cayman Islands
Auditor	MHA Cayman
Administrator	Apex Fund Services
Legal Counsel	Appleby (Cayman)
Broker	Credit Suisse / Morgan Stanley
Custodian	Credit Suisse / Morgan Stanley
Min. Investment	\$1,000,000 (and equivalent)
Management Fee	2%
Performance Fee	20%
Lock-up	N/A
Subscription	Monthly
Notice / Withdrawal	90 days / monthly
High Watermark	Yes
Hurdle Rate	N/A

## Performance (net, Class A, USD)

Month	-7.02%
Cumulative YTD	-11.53%
Cumulative s. Inception	86.0%
Annualized s. Inception	7.7%
Annualized 5 Years	7.3%
Annualized 3 Years	9.9%
Best Monthly Return	16.7%
Worst Monthly Return	-14.7%
% of Positive Months	59
Maximum Drawdown	-36.4%
Annualized Volatility	16.8%
Sharpe Ratio (3 Years)	0.6



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## Track Record: Quarz Active Value, Ltd., (USD) (in %, net of fees)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD Fund	YTD Index
2022	-2.72	1.60	5.24	-5.77	-1.59	-3.48	2.79	-0.58	-7.02				-11.5	-29.3
2021	4.06	-1.15	0.76	6.31	-1.68	1.95	1.70	1.34	-4.01	1.82	-1.97	3.06	12.4	-6.4
2020	0.32	-6.83	-14.66	16.65	1.40	6.74	7.75	5.92	-1.47	-1.61	2.84	4.27	19.5	22.5
2019	4.35	1.19	1.93	3.28	-5.24	5.22	2.70	-2.46	2.10	3.21	3.31	4.72	26.5	15.4
2018	0.73	1.45	-2.87	-0.43	3.73	-1.71	2.17	3.94	0.59	-5.05	-6.92	-5.49	-10.1	-16.4
2017	8.51	4.04	9.25	2.01	-0.05	-1.73	-0.50	6.07	-2.65	3.84	0.43	0.86	33.5	38.7
2016	-3.54	2.07	2.55	-5.10	-9.50	-3.51	12.59	1.51	5.21	-0.03	-1.11	2.27	1.7	2.9
2015	10.06	-0.11	0.52	3.98	-0.57	-1.09	-6.87	-4.80	-5.82	-4.64	-4.40	1.47	-12.7	-11.3
2014					2.39	5.67	2.44	1.18	-2.22	1.77	3.69	0.30	16.1	2.8

### Allocation by Region



- 51% Singapore
- 12% Japan
- 21% Australia
- 10% Hong Kong
- 6% Others

### Allocation by Sector



- 49% Real Estate
- 12% Industrials
- 5% Technology
- 4% Communication Services
- 6% Consumer Staples
- 6% Healthcare
- 6% Consumer Cyclicals
- 5% Utilities
- 4% Financials
- 3% Telecommunications

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