

Quarz Global Opportunities Fund (USD)

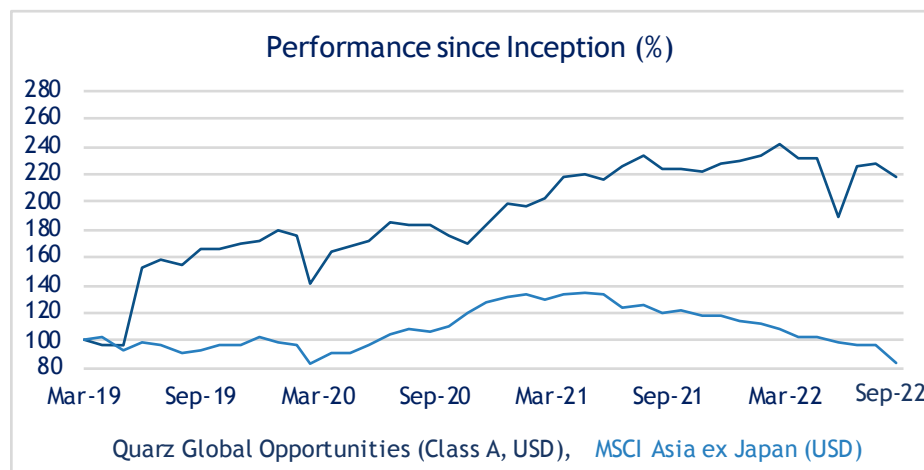
Generating Alpha Through Activist Investing



September 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.



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 Global Opportunities, which is down 4.1%

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 be 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 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 | -4.56% |
| Cumulative YTD | -4.1% |
| Cumulative s. Inception | 118.2% |
| Annualized s. Inception | 25.0% |
| Annualized 5 Years | N/A |
| Annualized 3 Years | 9.4% |
| 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) | 0.72 |



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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 | 1.3 | -4.6 | | | | -4.1 | -29.3 |
| 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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