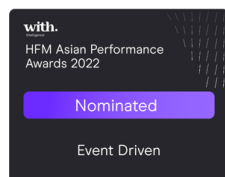


# Quarz Active Value Class S (SGD)

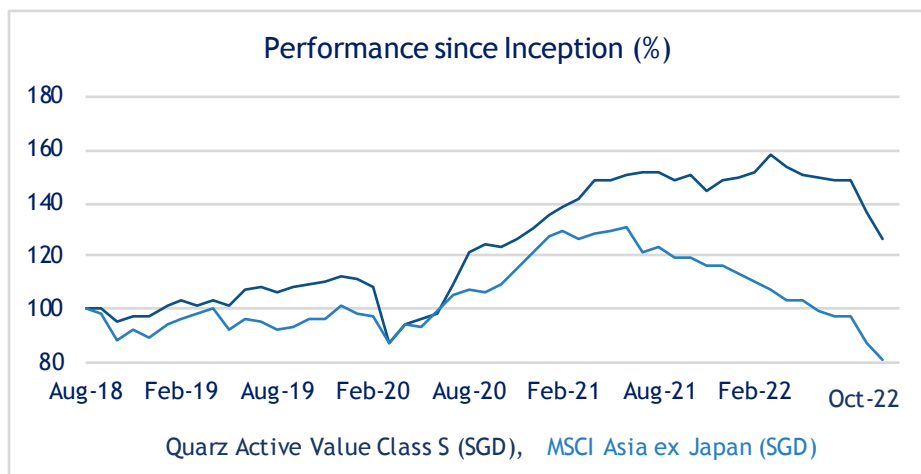
Generating Alpha Through Activist Investing



October 2022



The Quarz Active Value Class S 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 of our target companies and prompt them to boost 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.



## Market Commentary

We are happy to announce that Quarz Active Value has been nominated again as the best performing fund in the category "Event Driven" for the HFM Asian Performance Awards 2022.

As expected, the Fed raised rates by 75 bps on November 2, to a range of 3.75% to 4%, the highest level since 2008. Jerome Powell masterfully executed the 'perfect pivot' - he balanced the dovish stance of reducing the pace of rate hikes going forward by forecasting that the ultimate level of interest rate might be higher. However, whether rates will be higher in the future will be 'data dependent' on the economic conditions at that point of time.

This buys the Fed time as monetary policy works with a lag. If the US jobs market and economy sufficiently slow down in the next months, there is no need to reach that higher interest rate level.

While the latest US CPI data is not encouraging, there is increasing recognition that this data point is backward looking. While the shelter component, which makes up ~40% of Core CPI, continues to increase due to lagged effects, the Case Shiller Home Price and Zillow Rent Indices, which track the current situation in the housing market more accurately, are already down MoM. The ADP net jobs addition remained strong in October at 239k, however 210k jobs came for the seasonal leisure and hospitality sectors. Jobs in the manufacturing, financials, information sectors have started to decline after the August-September back-to-work season.

A number of tech, retail and manufacturing companies in their 3Q 2022 result updates have also indicated their intentions to 'rightsized and reduce' their workforce going forward.

Inflation expectations - one of the most relevant metrics for the central bank in its fight against a wage-price spiral - have also declined markedly over the past months, from 4.2% in October last year to 2.9% in September. The breakeven spreads between treasury inflation protected securities (TIPs) and nominal government bonds point in the same direction: declining inflation expectations.

It remains to be seen whether the Fed, which was behind the curve in raising interest rates as it 'followed the CPI data', would again make the same mistake by reducing the pace of interest hikes too slowly.

(cont. on page 2)

## Fund Information (Class S, SGD)

Name	Quarz Global Investments Fund
Class	Quarz Active Value Class S SGD
Type of Fund	Alternative Investment Trust
Bloomberg	VPQAVSS LE
ISIN	LI0425084352
Valor number	42508435
WKN	A2N430
Portfolio Manager	Quarz Capital ASIA
AIFM	VP Fund Solutions
Fund Domicile	Liechtenstein
Auditor	PwC (Zurich)
Administrator	VP Fund Solutions
Broker	Broker Network
Custodian / Depositary	VP Bank AG
Minimum Investment	SGD 1,000,000
Lock-up	N/A
Management Fee	1.25%
Performance Fee	20%
Lock-up	N/A
Subscription	monthly
Notice/Withdrawal	90 days / monthly
High Watermark	Yes
Hurdle Rate	N/A

## Performance (net, Class S, SGD)

Month	-7.6%
Cumulative YTD	-15.1%
Cumulative s. Inception	26.2%
Annualized s. Inception	5.7%
Annualized 5 Years	N/A
Annualized 3 Years	4.9%
Best Monthly Return	11.4%
Worst Monthly Return	-19.3%
% of Positive Months	64
Maximum Drawdown	-22.6%
Annualized Volatility (3 Year)	18.2%
Sharpe Ratio (3 Year)	0.26



# Quarz Active Value Class S (SGD)

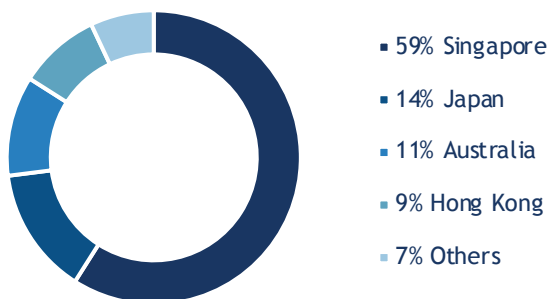
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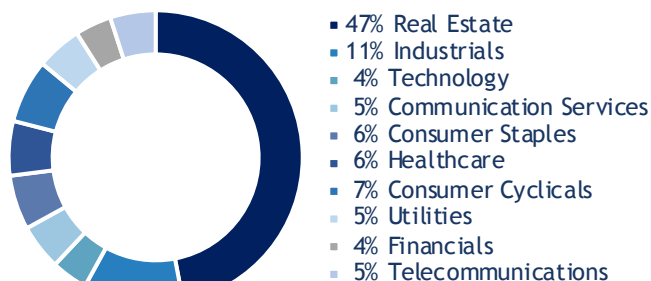
## Track Record: Quarz Active Value Class S (SGD) (in %, net of fees)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD Fund	YTD Index
2022	0.6	1.4	4.4	-2.7	-2.0	-0.6	-1.0	-0.2	-7.8	-7.6			-15.1	-30.3
2021	3.7	1.7	2.7	4.9	0.0	1.6	0.1	0.3	-1.9	1.1	-3.7	2.7	13.6	-4.5
2020	-1.4	-2.7	-19.3	8.7	1.5	2.0	11.4	10.9	2.8	-0.9	2.0	3.8	16.0	20.3
2019	4.1	1.5	-1.4	2.1	-2.5	6.0	1.5	-2.0	1.7	0.8	1.1	2.0	15.7	13.8
2018									0.5	-4.5	1.3	0.4	-2.4	-11.1

### Allocation by Region



### Allocation by Sector



## Market Commentary (cont. from page 1)

The price to pay for ‘accidentally’ plunging the US economy into a recession through ‘overtightening’ would potentially lead the FED to sharply reduce interest rates and undertake quantitative easing to stabilize the economy, which can result in heightened inflation issues again. This would undo all the work done in 2022 to normalize monetary conditions and also seriously question the credibility of the Fed and its leadership.

After the market correction over the last 2 months, most of the companies in our portfolio are trading at a dividend yield in excess of 7% with relatively conservative balance sheets, or are in net cash position. This offers us an attractive spread over risk free rate and provides a floor to the share price.

We have also shifted to the conservative stance we adopted in March 2020, which so far has allowed us to weather the COVID-19 storm and to outperform our benchmark index over the past months.

Companies in our portfolio have clear revenue and profit viability over the next 2 years due to contracted rental contracts and a locked-in orderbook. We have also ensured that the major portion of their debts are fixed within the next 2 years, which would enable these companies to tide and capitalize on the current tight financing environment to make opportunistic acquisitions and increase their market share.

“When the going gets tough, the tough gets going”

While we believe that the market will be at a turning point in early 2023 and are positioning ourselves for this, we have also battened down the hatches to preserve the wealth of our investors during this period.

We have new campaigns in the pipeline. 2023 will be exciting.

Disclaimer: This material is provided by Quarz Capital and for informational purposes only. This material is not intended as an offer to sell or solicitation for the purchase or sale of Quarz Capital funds or any other security. Any such offer or solicitation, if made, would be solely by the way of the Funds' confidential Private Placement Memorandums (the "PPM") and only to persons whose eligibility to invest has been determined.

Quarz Capital Asia (Singapore) Pte. Ltd.  
160 Robinson Road, 19-09  
068914 Singapore

Phone: +65 69043960  
Email: [operations@quarzcapital.com](mailto:operations@quarzcapital.com)  
web: [www.quarzcapital.com](http://www.quarzcapital.com)

