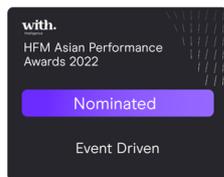


Quarz Active Value Fund

Generating Alpha Through Activist Investing

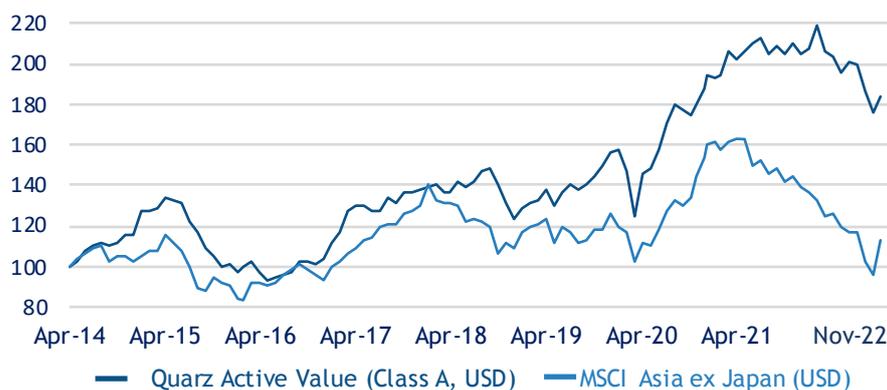


November 2022



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 2 years, sound core operations and a healthy dividend yield, thus providing downside protection and a regular income.

Performance since Inception (%)



Market Commentary

Quarz Active Value was up 4.6% in November. YTD, the fund has outperformed its benchmark MSCI Asia ex Japan index by 8.4 percentage points (in USD terms).

While the US Federal Reserve keeps its hawkish stance on inflation, incoming data continue to show a weakening US economy. The ADP Employment Report showed a shockingly low increase of only 127k private job additions in November, far below the forecasted 200k. Excluding the highly seasonal addition of 224k jobs in the leisure and hospitality industry, the private employment market might have reflected a net job loss for the month. This is in contradiction to what the Fed has consistently termed as a 'strong' job market.

The S&P Case Shiller Home Price Index also showed a 0.8% MoM fall in September (reported in November) and 2% fall QoQ in 3Q2022. In the same quarter, home prices fell by 9%/7%/3% in San Francisco, Seattle, and Los Angeles.

With nearly ~45% of the publicly held ~USD24 trillion of the US Treasury Debt expiring in the next 3 years, an adjustment of the interest rate to 3.8% to refinance this debt can almost double the yearly annual interest cost to above USD ~700 billion, which is roughly 18% of the yearly revenue of the US Federal government and similar to the amount spent on health or national defense. It remains to be seen how long the Fed can afford to hold rates higher for longer given the high cost of refinancing and weakening economy.

Pent up frustration towards the never ending Zero-COVID policy finally culminated in a series of sometimes violent protests in a number of Chinese cities and universities. While the upheaval was quickly suppressed by the police, there was a marked shift in the official government narrative to support the re-opening of the economy.

People's Daily (人民日报), the largest circulating paper and owned by the Chinese Communist Party, has dropped the 'Dynamic COVID-Zero' term from all of its publications. Beijing Daily (北京日报), which in July published a long piece on the substantial negative impact of 'long COVID' on the American health care system, has written in recent days that there is no evidence of 'long COVID' and conducted interviews with patients who have successfully recovered from COVID. 'COVID Czar' and vice-premier Sun Chunlan has confirmed a change in strategy due to milder variants and renewed emphasize on vaccination.

(cont. on page 2)

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	4.55%
Cumulative YTD	-12.84%
Cumulative s. Inception	83.2%
Annualized s. Inception	7.3%
Annualized 5 Years	6.1%
Annualized 3 Years	7.0%
Best Monthly Return	16.7%
Worst Monthly Return	-14.7%
% of Positive Months	59
Maximum Drawdown	-36.4%
Annualized Volatility (3 Years)	18.5%
Sharpe Ratio (3 Years)	0.36



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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	-5.77	4.55		-12.8	-21.2
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



Allocation by Sector



Market Commentary (cont. from page 1)

Guangzhou, which has long been used by the party as a ‘test bed for experimentation’ such as the initial opening of China to foreign trade in the 1980s, seemed to be again tasked with leading the country in exiting the zero-COVID policy. Despite elevated case counts, the city has lifted most lockdowns, reduced testing and is transiting to home quarantine for close contacts.

While we forecast that a full re-opening of China will only take place from the start of the warmer months in February, we have been cautiously increasing our allocation to well-capitalized Hong Kong plays to take advantage of their distressed valuation. We are also increasing our allocation to the hospitality sector in view of the strong operating leverage benefits from increasing occupancy, room rates and Chinese ‘revenge travelling’ once the quarantine period to travel to China is sharply reduced.

We continue to overweight the Singapore industrial real estate sector, in particular REITs who have fixed at least 70% of their debt for the next 1.5 years and have conservative balance sheets. This is due to the continued growth in rental rates due to strong demand, the ability to pass on utility charges, high earnings visibility due to committed leases as well as attractive yields despite the rising interest rate environment. The potential lowering of interest rate in 2H2023 can provide a further tailwind to increase DPU and rerate the share price of these REITs.

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