RV CAPITAL

Monthly Newsletter

July 2025

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RV Capital Asia Opportunity Enhanced Return Fund

US data, post increased tariffs, has puzzled world economists. Many are confused about why typically inflationary policies are not showing up in inflation, DOGE related spillovers did not lead to lower employment numbers and how China is continuing to grow quite fast. Yet, the absence of data is not the absence of an ensuing trend, as macroeconomic trend hunters we must predict which way the world is going, especially Asia – slower growth on account of tariffs.

The three most pressing questions amongst macro traders in the world today are:

- Tariffs (which seemed to have settled at 15 % or higher) are inflationary by nature. When will that show up in US data, by how much, and what are the implications for the rest of the world and US interest rates?
- The value of the US$ is 11% below its January 2025 high, but only 2% below last September's level, and 7% higher than its 2021 low. Past tariff regimes have normally caused the tariff setting currencies to depreciate. How much more does the US$ have to go, if at all?
- When do protectionist policies impact growth and the stock market, or are we on to a new AI driven productivity boom that makes the world nominally richer with a higher stock index, dominated by monopolistic (winner takes all) firms?

The interest rate question: As it stands, it looks like US tariffs will on average increase by over 10% vs where we were this time last year. So far, US growth and unemployment have held steady, and inflation has not run amok. This is unlikely to last in our view. By 2026, the impact of the tariffs will likely be more logical – lower US and global growth, higher US inflation, and if monetary policy stays prudent, slightly flatter US curves as the tariffs generate government revenues. It is a little hard to reconcile this with the 17% + rally in SPX, though the ~ 90bp increase in the 1y forward inflation in US seems to be in the right ballpark.

The negative impact of tariffs on Asia is unequivocal (see Table for change). Also, the tariff situation with China is still unclear with the trade truce likely extended for another quarter. However, we would be pessimistic of the nature of the eventual agreement – US emboldened by the plethora of deals can easily dig in its heels on any deal with China. The impact of this for Asia (and rest of the world) would be towards lower rates. The most mispriced rates for this scenario as of now in Asia are in Australia and Indonesia. Australia's economy is likely to be sensitive to the headwinds that we anticipate global and Chinese growth will face. Yet markets are pricing a front-loaded shallow rate cut cycle in Australia – we expect deeper rate cuts. Indonesian Government bonds have rightfully rallied but given the level of real rates there is more to go.

US TARIFF RATE %

Country/Region	2024	Apr 2 Tariff	Aug 8 Tariff	+25% Sector*
EM-ASIA-EX CHINA (AVG)	5.3	42	24.2	32.8
CHINA	10.7	62	40	46.7
INDIA	2.4	23.4	19.3	26.4
INDONESIA	4.8	34.9	22.3	24.5
KOREA	0.2	2.3	13.4	18.2
TAIWAN	1	28.4	8.6	27.2
MALAYSIA	0.6	19.5	11.5	27.5
SINGAPORE	0.1	5.2	4.5	18.6
THAILAND	1.6	36.1	14.9	23
PHILIPPINES	1.4	18	15.2	24.9
VIETNAM	3.9	47.9	17.7	25.3

Source: J.P. Morgan, Census. Tariff rate (Aug 8): 10% universal, +20% China fentanyl, 50% steel and aluminum (ex-UK), 25% autos (10% UK, 15% EU, Japan, Korea). *Sector tariffs: Pharma, electronics and semiconductors, lumber articles, minerals.

The currency question: The fair value of a currency is one of the most difficult macroeconomic equations to solve – trade deficits, capital flows, interest rate differentials, policy, corporate hedges make the equation most complicated. If market valuation was the only metric, then Asia currencies should have been a lot stronger.

The latest Big Mac index for Asian currencies would have come to similar conclusions as the last few decades - Japan, China, India, Korea and even Taiwan (after its 10% appreciation) have egregiously cheap currencies. This point is not lost on President Trump "A Weaker Dollar makes 'US a hell of a lot more money' than a stronger currency". (See Chart on page 2)

In short, Asia Central bank policies have played an outsized role in keeping their currencies "cheap" and exports up. We expect these policies to reverse somewhat or else face punitive tariffs. Currency adjustment, rather than tariffs, we feel, is an elegant solution to the excessive trade deficit problem. If this were an obvious solution, when will policies change, and which currency will benefit the most. We think the answer lies in one country; China. China believes in a strong currency; its currency is perennially weak, and they have the most to lose in a tariff-war. Given a lot of signaling is possible through its currency fix, which has started to move stronger, a lot more can happen on this front. The fact that a move in CNY will be a domino effect for Asian currencies to follow is not lost on us either.

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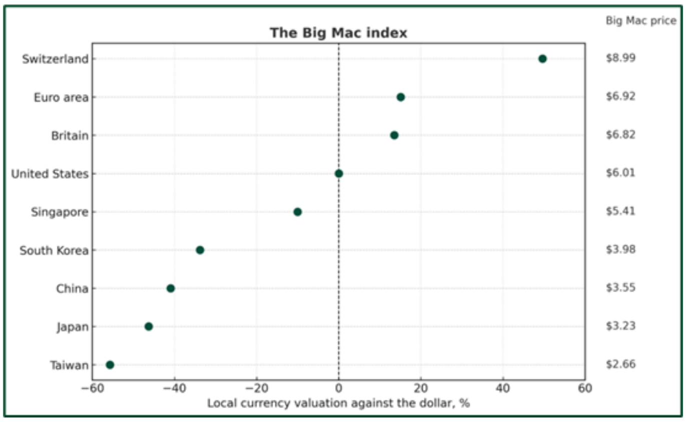
The productivity boom and nominal growth question: We may be onto a new revolution. The speed and complexity of progress in AI since we all learnt about ChatGPT has been astonishing, posing the question of "are we onto another phase of productivity growth?" This normally leads to another boost to equity indices, which are dominated by profitable/ winner take all quasi monopolies.

We are at the early stages of the changes and historical examples such as the Internet and PCs (and even steam engines and electrification) may give us some perspective. In all the historical episodes, the increase in productivity / reductions in barriers to entry for most businesses caused sustainable disinflation. Also, the increase in real GDP outpaced the disinflationary impact and resulted in higher nominal GDP and equity market multiples. This can certainly be the pattern that follows a broad-based adoption of AI.



Source: The Economist; worldpopulationreview.com

However, over the near term, we may see a period of over-investment and excessive valuations driven by optimism. The amount of hype around AI (and meme stocks and crypto) makes it difficult not to compare this situation with the 1998-1999 period of the dot com bubble for investors and central banks alike (though this time there is more solid earnings behind the valuations). As we have just come out of a post Covid inflationary episode, markets and central banks can continue to worry about overheating and irrational exuberance leading to a 1970s style inflationary outlook. Hence, despite the current solid economic activity indicators and corporate earnings we can see a dot com like bust. Of course, all the infrastructure built in this period of excess will eventually lead to lower long run neutral rates.

Technological Revolution	Period of Diffusion	Impact on Productivity	Impact on GDP Growth	Impact on Inflation	Impact on Asset Prices
Steam Engine	~1760–1830s (UK); to 1850s globally	**Modest** initially (~0.05–0.15%/yr TFP in UK), concentrated in transport & textiles; significant regional disparities	↑ (~0.3–0.5%/yr UK GDP per Crafts 2004)	Mildly disinflationary over time due to transport cost collapse	Railway & canal stock booms; railway mania in 1840s
Electrification	1880s–1920s	**High** once factory reorganization took hold (~0.5–0.8%/yr US TFP post-1920 per Gordon)	↑↑, esp. post-1920 when diffusion reached mass industry	Disinflationary over time via cheaper production & lighting	Utilities & industrial stocks surged; early 20th-century manufacturing re-rated
Computers (ICT)	1970s–1990s	**Very High** in select sectors (~0.5–1%/yr US TFP 1995–2005); strongest in manufacturing, retail, logistics	↑ GDP growth during "productivity boom" mid-1990s	Strongly disinflationary; efficiency gains in supply chains & inventory management	Tech sector stock boom; 1990s dot-com bubble
Internet	1990s–Current	**Transformative** in services & knowledge work (~1.1–1.5%/yr US TFP 1995–2020); network effects hard to measure but spillovers large	↑↑↑ potential GDP; lag before showing in official stats	Further disinflationary ("Amazon effect" on retail prices)	Massive re-rating of digital firms; NASDAQ bubble (2000) and sustained Big Tech dominance

Source: RV Research

-Ronnie Roy

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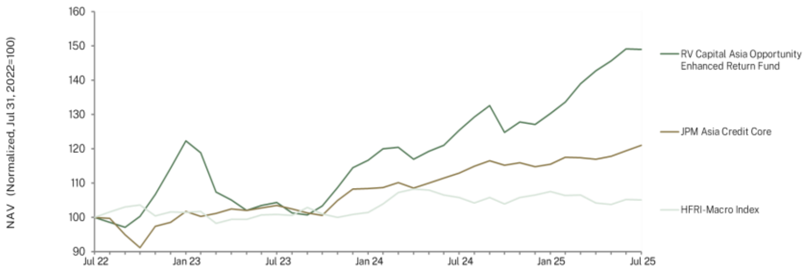
RV Capital Asia Opportunity Enhanced Return Fund

Portfolio Summary

Monthly Return	-0.1%
Year-To-Date Return (%)	17.3%
Life-To-Date Return (%)	49.0%
VaR (%-Daily 99% CI)	2.7%

Performance

Fund performance[1,2] vs Benchmarks

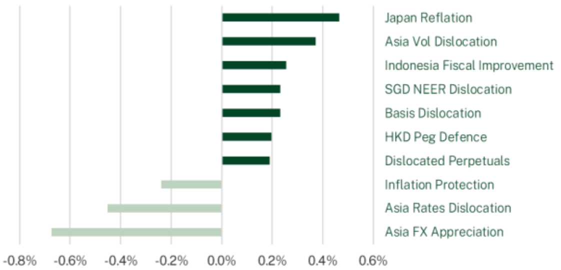


Monthly returns

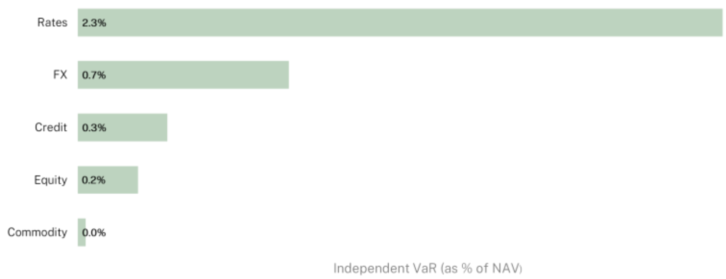
Past performance may not be indicative of future performance. See disclaimer.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022								-1.5%	-1.5%	3.3%	6.4%	7.2%	14.3%
2023	7.0%	-2.9%	-9.6%	-2.2%	-2.9%	1.4%	0.8%	-3.0%	-0.6%	2.7%	5.2%	5.3%	0.1%
2024	1.9%	2.8%	0.4%	-2.9%	1.9%	1.5%	3.6%	3.1%	2.6%	-6.0%	2.5%	-0.6%	11.0%
2025	2.5%	2.6%	4.0%	2.7%	2.1%	2.3%	-0.1%						17.3%

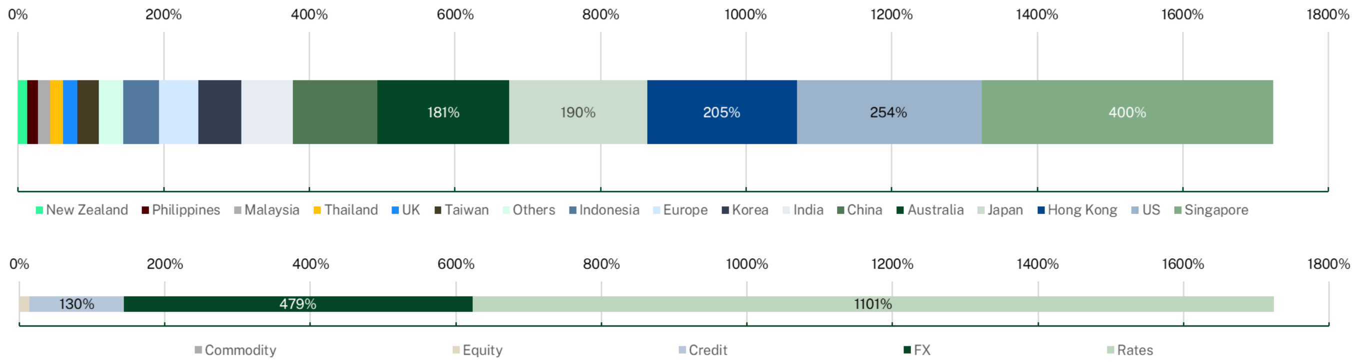
Monthly Performance by Theme[3]



Risk - Top VaR Contributors by Asset Class[3]



Gross Exposure by Asset Class and Country[4]



Fund Details

Inception	August 2022
Sector	Asian Macro
Legal Council	Adi Law LLC, Proskauer (US)
Administrator	SS&C Fund Services (Asia)
Auditor	Cohen Assurance PAC
ISIN	SGXZ33993072 (Class G)

ABOUT RV CAPITAL MANAGEMENT

RV Capital Management is a Singapore-based hedge fund management company founded in 2011. We focus on long/short investments in the interest rates, foreign exchange and credit markets in Asia. These investments are driven by economic, secular and structural themes. Our culture is rooted in top-down macro research of Asian economies framed within the context of price dislocations resulting from drivers outside Asia. We emphasize strong risk discipline and seek to employ liquid instruments while being mindful of market technicals.

1. Actual net returns of Class G Shares used as from Sep 2023 after adjusting for the equivalent High Water Mark as the class was issued intra-period with respect to Performance Fees; prior net returns are of Class C shares. Other available share classes are detailed in the Fund Prospectus
2. Source for benchmark indices: Bloomberg
3. Approximate return and VaR contributions as on 31 Jul 2025
4. These are first order exposures on a duration adjusted basis using 10yr equivalents for Rates, 5yr equivalents for Credit and delta equivalents for FX. The sum of unadjusted gross notionals of all positions will be significantly higher for this portfolio.

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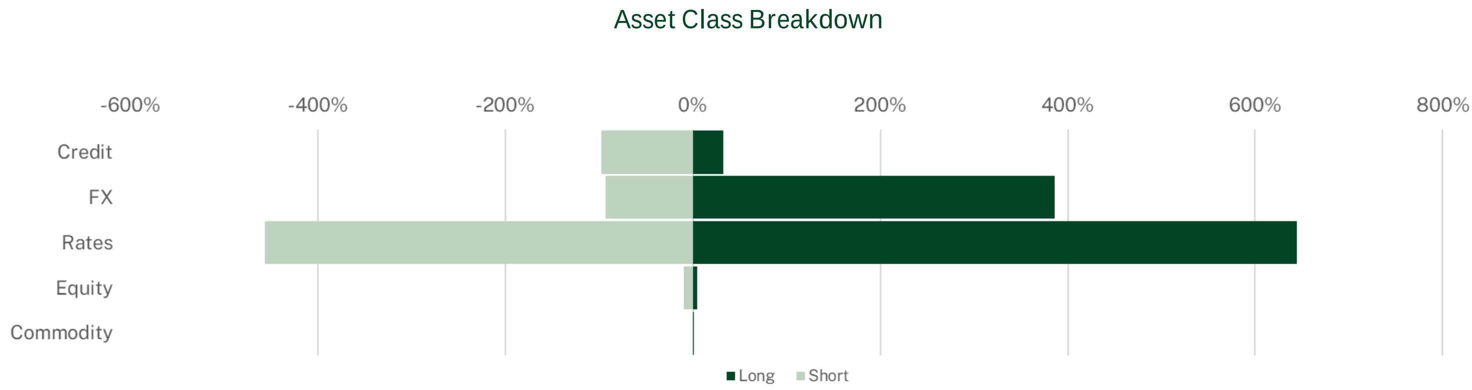
Return Attribution

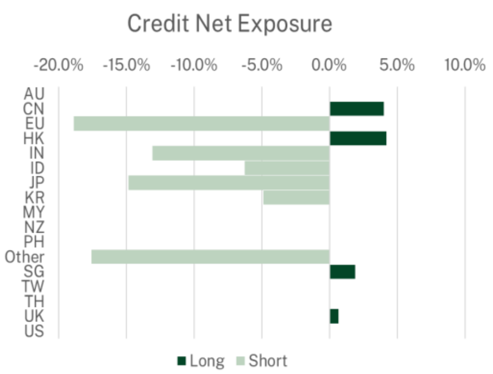
Monthly Return: -0.1%

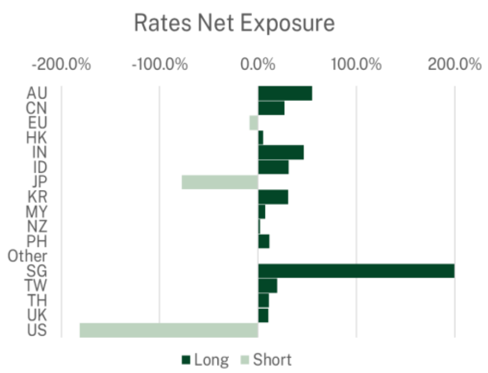
Top Contributors	
Japan Reflation	+0.46%
	Paid swaps in Japan rates made money as rates sold off post April correction. We expect further rates increases
Asia Vol Dislocation	+0.37%
	Long Vol trades in TWD and short vol in SGD made money
Indonesia Fiscal Improvement	+0.25%
	Indonesian Government Bonds continue to appreciate
Top Detractors	
Asia FX Appreciation	-0.67%
	USD retraced back higher before non-farm payroll in July
Asia Rates Dislocation	-0.45%
	Long AUD and CGB bonds retraced back after previous risk off rallies
Inflation Protection	-0.24%
	Inflation linkers underperformed as rates sold off on a mildly hawkish stance

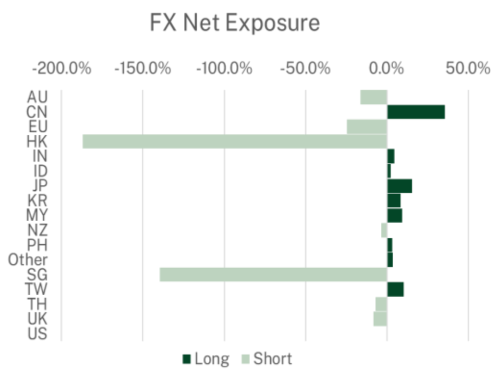
Portfolio Exposure[4]



Geographic Breakdown







Disclaimer

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This information is qualified in its entirety by reference to the information memorandum and supplement which will contain additional information about the investment objective, terms and conditions of an investment in the Fund and will also contain tax information and risk disclosures that are important to any investment decision regarding the Fund, and the subscription agreement relating to the purchase of participating shares in the Fund. <u>Any information regarding projected or estimated values, investment returns or distributions are estimates only and should not be considered indicative of the actual results that may be realized or predictive of the performance of a fund or any investment.</u> There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of sample performance results and all of which can, adversely affect actual trading results. 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The Fund is not and will not be authorised or recognised by the MAS and participating shares in the Fund are not allowed to be offered to the retail public in Singapore and the Fund is not a collective investment scheme authorised under Section 286 of the SFA or recognised under Section 287 of the SFA. This document is not a prospectus as defined in the SFA. Accordingly statutory liability under the SFA in relation to the content of a prospectus would not apply. The Fund may only be offered exclusively to qualified institutional and high net-worth persons who are sufficiently experienced and sophisticated to understand the risks involved in investing in such schemes, and who satisfy certain other criteria provided under the SFA, including that of being accredited and/or institutional investors. The Fund is not intended to be made available to the retail public in Singapore. Any resale of participating shares in the Fund in Singapore must be in accordance with an applicable exemption from the prospectus requirements under the relevant provisions of the SFA.

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