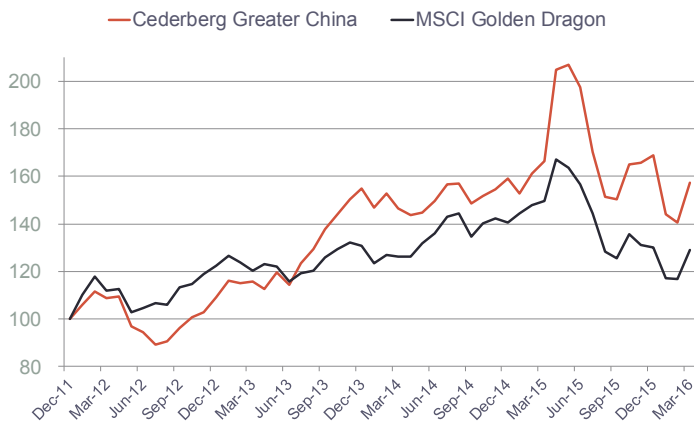




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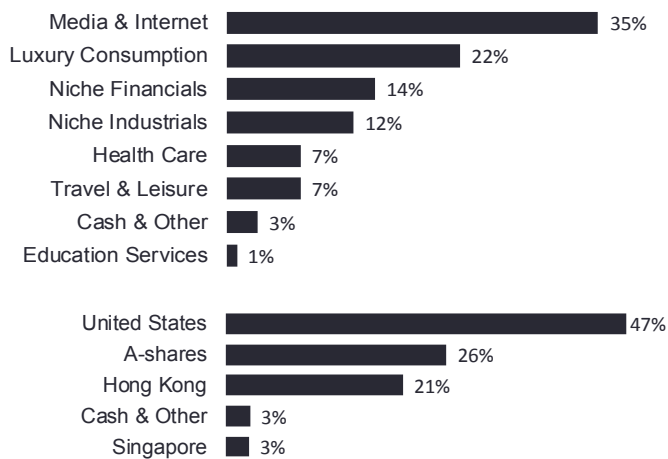
Performance Chart¹



Performance Table²

Net Returns in US\$	Cederberg	MSCI Golden Dragon	Peer group
Since inception	57%	29%	23%
Since inception annualised	11%	6%	5%
3 years annualised	11%	2%	1%
1 year	-5%	-14%	-14%
3 months	-7%	-1%	-5%
2015	6%	-7%	-4%
2014	3%	8%	3%
2013	42%	7%	10%
2012	9%	22%	18%

Exposure by Category³ and Listing

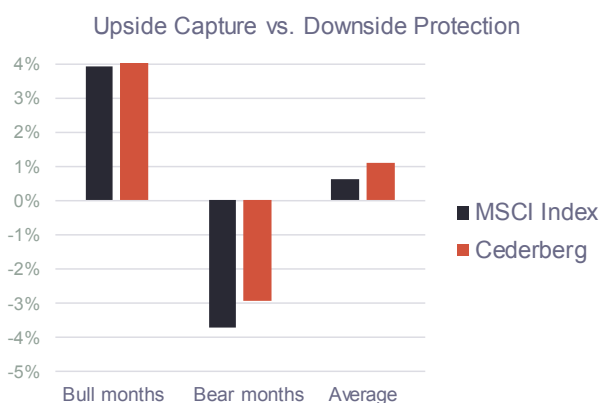


Top 10 Holdings in Alphabetical Order⁴

Stock	Industry
Baidu	Online search
China Biologic Products	Blood plasma producer
Emperor Entertainment	Hotels & Leisure
Gree Electric	Home appliances
Kweichow Moutai	Distillers
NetEase	Online games
Noah	Asset management
Texhong	Textiles
Value Partners	Asset management
Wuliangye Yibin	Distillers

Key Characteristics⁵

Price/Earnings Ratio (2016)	14.1x	Fund Assets	\$112m
EV/EBIT Ratio (2016)	10.0x	Firm Assets	\$150m
Dividend Yield	2.4%	Number of Holdings	23
Return on Equity	21%	Top 10 Holdings	67%
Net Cash to Market Cap	-14%	Upside Capture ⁶	106%
Median Market Cap	\$2.8bn	Downside Capture ⁶	79%



Key Features⁷

Fund	Cederberg Greater China Equity Fund
Strategy	Long-only absolute return equity
Legal status	Cayman mutual fund
Dealing	Monthly with 30 days notice
Initial minimum	US\$100,000
Benchmark	MSCI Golden Dragon Index
Management fee	1.5% p.a.
Performance fee	20% of outperformance above MSCI GD Index; payable after 3 years if fund beats 6% p.a.
Custodian	Bank of America Merrill Lynch
Auditor	Deloitte
Administrator	Charter Group Admin
Cayman counsel	Maples & Calder
US & UK counsel	Schulte Roth & Zabel
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Twice the growth, half the price

The case for an investment in the Cederberg Greater China Equity fund remains a straight-forward proposition: at the moment we are **able to buy high quality companies with strong growth potential at significant discounts to their intrinsic values**. The situation is very different to developed markets, where most good businesses start on high multiples and “value” resides in banks, autos, materials and energy companies, i.e. sectors that aren’t particularly known for generating sustainably high returns on capital.

We have recently compared some of the fund’s holdings to their non-Chinese equivalents in terms of their quality, growth prospects and valuations (please see table below). The results were astonishing: on average, **our high quality holdings are growing twice as fast as their international peers, yet trade at half the price**. Comparing **Kweichow Moutai**, one of the fund’s holdings, with Diageo, the world’s largest spirits company*, is instructive.

Diageo’s brands require no introduction. Its “global giants” Johnnie Walker, Smirnoff, Captain Morgan, Baileys, Tanqueray and Guinness enjoy household familiarity, the result of billions of marketing dollars invested over many decades (the average age of these brands is 151 years). This has created a formidable moat, as demonstrated by its market dominance (the company has 26%

share of the international premium spirits market; all figures as of 19th February) and attractive economics (26% operating profit margins and 13% ROIC).

Though Diageo is a high quality business with a wide moat, its growth is pedestrian: consensus forecasts are for revenue to grow 1% p.a. and EPS 0% p.a. in 2016 and 2017. Despite its lacklustre growth prospects, the company is trading at 19x next year’s earnings. Because it has debt on its balance sheet, it is not particularly attractive on a pre-tax earnings basis either, trading at 18x EV/EBIT (our preferred valuation metric).

The fund’s holding in Kweichow Moutai (or Moutai in short) is a different story altogether. Regular readers and others familiar with China will know the company well (please refer to our investment case as laid out in the [Q1 2014](#) letter). It is China’s leading producer of premium *baijiu* (literally “white spirit”: a sorghum-based alcoholic beverage that tastes like strong grappa). Moutai enjoys unparalleled brand recognition: in a recent brand survey, the advertising and public relations company WPP ranked Moutai the most valuable Chinese spirits brand and the 13th most valuable Chinese brand across all categories. It has a virtual monopoly with 55% share of China’s premium spirits market, and highly attractive economics (74% operating margins and 25% ROIC).

	China	International
CONSUMER	 <ul style="list-style-type: none"> Market share 55%, ROIC 25%, OPM 74% Growing EPS 11% p.a., Rev 11% p.a. 13x P/E, 8x EV/EBIT (2017) 	 <ul style="list-style-type: none"> Market share 26%, ROIC 13%, OPM 26% Growing EPS 0% p.a., Rev 1% p.a. 19x P/E, 18x EV/EBIT (2017)
HEALTHCARE	 <ul style="list-style-type: none"> Market share 17%, ROIC 25%, OPM 45% Growing EPS 31% p.a., Rev 21% p.a. 20x P/E, 11x EV/EBIT (2017) 	 <ul style="list-style-type: none"> Market share 17%, ROIC 10%, OPM 25% Growing EPS 13% p.a., Rev 5% p.a. 19x P/E, 14x EV/EBIT (2017)
INTERNET	 <ul style="list-style-type: none"> Market share 80%, ROIC 26%, OPM 25% Growing EPS 42% p.a., Rev 30% p.a. 15x P/E, 10x EV/EBIT (2017) 	 <ul style="list-style-type: none"> Market share 64%, ROIC 17%, OPM 26% Growing EPS 19% p.a., Rev 17% p.a. 17x P/E, 12x EV/EBIT (2017)
MEDIA	 <ul style="list-style-type: none"> Market share >60%, ROIC 11%, OPM 24% Growing EPS 12% p.a., Rev 10% p.a. 11x P/E, 5x EV/EBIT (2017) 	 <ul style="list-style-type: none"> Market share >10%, ROIC 6%, OPM 9% Growing EPS 13% p.a., Rev 8% p.a. 24x P/E, 17x EV/EBIT (2017)
FIN. SERVICES	 <ul style="list-style-type: none"> Market leader, ROIC >100%, OPM 36% Growing EPS 25% p.a., Rev 28% p.a. 10x P/E, 4x EV/EBIT (2017) 	 <ul style="list-style-type: none"> Market leader, ROIC >84%, OPM 51% Growing EPS 12% p.a., Rev 11% p.a. 27x P/E, 22x EV/EBIT (2017)

ROIC = Return on Invested Capital; OPM = Operating Profit Margin
 Growth forecasts for period 2016-2017
 Source: Companies, Bloomberg, Cederberg, 19 Feb 2016



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Unlike Diageo, Moutai is growing at a healthy clip: it is forecasted to grow both revenue and earnings at 11% p.a. over the next two years. In a Chinese context these growth rates won't set pulses racing, yet there are three things we like about Moutai's growth potential. Firstly, it has good visibility: people will be consuming Moutai in good times and bad. Secondly, its growth is highly cash-generative: the company has ample production capacity and negligible working capital requirements. Thirdly, it has the potential to sustain these growth rates for many years as the ranks of China's middle class continue to swell with aspirational consumers who can't wait to get their hands on China's finest luxury brand.

Though Moutai's share price has doubled since we bought it two years ago, it still trades at a relatively modest 8x EV/EBIT (2017), which is half of what it has averaged over the past decade. While Moutai may no longer be the "steal" it was two years ago, we believe its investment case remains compelling.

The Moutai example is by no means unique. In the table on the previous page, we also compare the fund's holdings in **China Biologics**, the blood plasma producer, **Baidu**, the online search operator, **Clear Media**, the outdoor advertiser, and **Noah**, the wealth manager, to their better-known international peers in terms of their quality, growth prospects and valuations. The results were consistent (and worth repeating): in general, **our holdings are as good if not better than their international peers, growing twice as fast, yet trading at half the price.**

Not only are our high quality holdings attractively valued compared with their developed market peers (a somewhat modest hurdle at the moment), we believe they are **attractive in absolute terms**. The portfolio as a whole is priced at a low 9x EV/EBIT (2017), whilst growing earnings at a double digit rate and generating ROIC of over 20%. This leaves us excited about the fund's prospects over the next few years.

Corporate update

In recognition of his significant contributions, Daniel Ng has been made Head of Research and will become a partner in our business. Thank you and congratulations Daniel!

We are looking for a bright, motivated and personable professional with over 10 years' experience to join our operations team in a senior role. Our preference would be for a qualified accountant. If you know a good candidate, please let us know.

We will host an investor event for clients and friends on Tuesday 3rd May in London. The Cederberg team will present some of our

findings on what is really happening on the ground in China, followed by a wine tasting by Cederberg Private Cellars (no relation to us, though we are happy to share a name as they make world-class wines). To avoid a stampede of "latecomers", we might just consider switching the order of events around. Please email me if you would like to attend: we would love to have you there.

The investment team will be in Omaha on 28-30 April for the Berkshire Hathaway shareholders meeting. Please let us know if you will be in the area and would like to meet up.

Final Thoughts

I would like to express my thanks for the long-term support of our investors, and my ongoing gratitude to Alwina, Borch, Charl, Daniel, Da Wei and Tenielle for all their hard work.

Warm regards,

David Krige

* Based on current growth rates, Moutai's profits will overtake those of Diageo within the next five years. You heard it here first!



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Regulatory information and risk warning

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Disclosure

¹ Performance is for an investment made at the fund's inception; individual investors might experience different performance. MSCI Golden Dragon Total Return Index includes net dividends reinvested. Source: Charter Group Admin, Bloomberg, Cederberg.

² Peer group is Bloomberg universe of funds with Greater China geographical focus. Source: Bloomberg, Cederberg.

³ Category definitions as per Cederberg.

⁴ Source: Cederberg.

⁵ Portfolio characteristics are quoted as of 11 April 2016. Source: Bloomberg, Cederberg.

⁶ Upside Capture is calculated by dividing the fund's average NAV return during months in which the index had a positive return by the average index return during those months. Downside Capture is calculated by dividing the fund's average NAV return during months in which the index had a negative return by the average index return during those months.

As an illustration: During months in which the index was up, it returned +3.93% on average vs. Cederberg +4.17%; During months in which the index was down, it returned -3.73% on average vs. Cederberg -2.96%. Source: Bloomberg, Charter Group, Cederberg 31 March 2016

⁷ Source: Cederberg.

Sources for all other figures quoted in this letter are available upon request.

Investors should note investment involves risk. The price of units may go down as well as up and past performance is not indicative of future results. Investors should read the Fund's Offering Memorandum for further details and risk factors, in particular those associated with investment in emerging markets. Information in this report has been obtained from sources believed to be reliable but Cederberg Capital does not guarantee the accuracy or completeness of the information provided by third parties.

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