

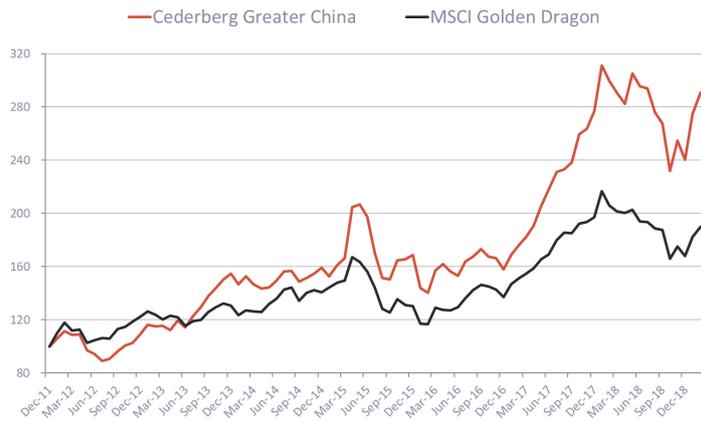
CEDERBERG CAPITAL

Cederberg Greater China Equities 28 February 2019

An introduction to Cederberg

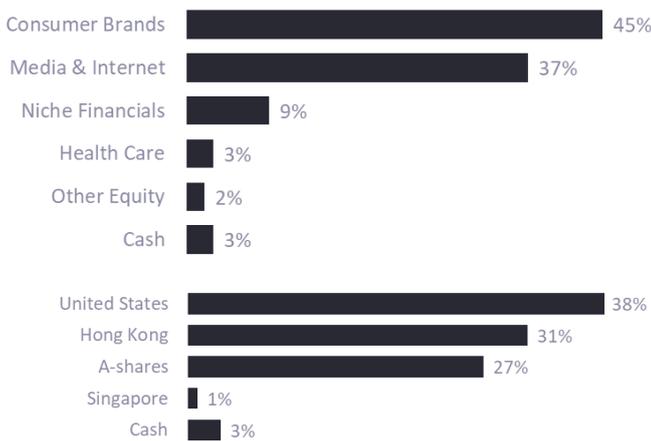
- Greater China specialists founded in 2011, majority staff-owned
- Mission: Run client money like we run our own
- Unique perspective from team in London & Shanghai
- Research-driven process focused on the region's best companies
- In every investment, we look for a durable Moat, excellent Management, and a large Margin of Safety
- We manage a high conviction portfolio of long-term winners, with low portfolio turnover

Performance chart¹

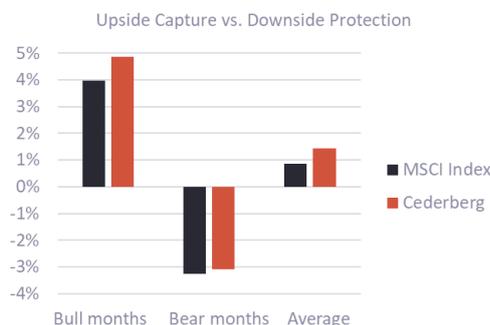


For Class A shares. All figures in US\$ net of fees. MSCI Golden Dragon Index includes net dividends. Past performance is not indicative of future results - please see regulatory information on p3. Source: Bloomberg, Charter Group. 28 Feb 2019

Portfolio positioning²



Risk³



Why Cederberg might not be right for you

- Our products are considered very risky; given our long-term focus and comfort with being extremely different, **we are not for most investors**
- Chinese equities are highly volatile: declines of 70% are not uncommon
- Cederberg's returns have been more volatile than those of the index
- We manage a concentrated portfolio that typically differs substantially from those of our peers and from the market
- Our past returns are unlikely to be repeated in the long run
- Our strategy is only suitable for clients who invest for at least 10 years

Performance table¹

Net Returns in US\$	Class A	Index	Peer group	Percentile
<i>Annualised</i>				
Since inception (1/1/2012)	16%	9%	8%	100
5 years	14%	8%	6%	99
3 years	27%	18%	10%	99
2018	-13%	-15%	-23%	90
2017	75%	44%	36%	99
2016	-7%	5%	-5%	44
2015	6%	-7%	-5%	89
2014	3%	8%	3%	38
2013	42%	7%	10%	99
2012	9%	22%	18%	5
<i>Not annualised</i>				
Year to date	21%	13%	18%	71
3 months	14%	8%	13%	56
1 month	6%	4%	8%	38

Major holdings²

Alibaba	Ecommerce	Noah	Asset management
JD.com	Ecommerce	Tencent	Social network
Jiangsu Yanghe	Distillers	Wuliangye	Distillers
Kweichow Moutai	Distillers	Yihai	Condiments
Midea Group	Home appliances	YY	Live streaming

Median portfolio characteristics⁴

P/E (2019e)	19x	ROE	22%
EV/EBIT (2019e)	14x	ROIC	14%
EPS growth (2019e)	18%	Market cap	US\$28bn
Net cash to equity	45%	Number of holdings	16
Dividend yield	1%	Top 10 holdings	82%

Key features⁵

Strategy	Long-only equity	Auditor	PwC
Domiciles	Cayman, Delaware	Custodian	Standard Chartered
Fund assets	US\$426mn	Administrator	Charter Group
Firm assets	US\$964mn	Cayman counsel	Maples & Calder
Peer group	Greater China Equity	US & UK counsel	Schulte Roth & Zabel
Benchmark	MSCI Golden Dragon	NAV - Class A	290.927
Expenses	14 bps	NAV - Class B	98.630
Turnover	14%	NAV - Class C	99.635
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100 Baggers

A picture of Peter Lynch adorns our London office Wall of Fame, a collection of some of our favourite investors with their long-term track records. Lynch popularised the “bagger” concept, for example a 5 bagger is a stock that has gone up five times, a 10 bagger has gone up 10x, and so on.

Christopher Mayer co-opted this terminology in his wonderful book “*100 Baggers: Stocks That Return 100-To-1 and How to Find Them*” (thank you, Brendan Hayes!). The author analysed 365 stocks that went up at least 100x in the period 1962-2014, and found that they typically shared the following characteristics:

1. They tended to be owner-operated
2. They had high returns on capital
3. Starting valuations tended to be reasonable (median EV to Sales of 3x)
4. They tended to start small rather than tiny (median market cap USD500mn, which would be much higher today)
5. It typically took 26 years for them to rise 100x
6. They all had a long runway for rapid growth

While some of the study’s results are hardly earth-shattering (and some of its methodologies vex the statistician in me e.g. only analysing winners not losers), it is nonetheless thought-provoking for the following reasons.

Firstly, investors can easily identify most of these characteristics, thus potentially improving their odds. Applying these principles to the Cederberg portfolio: 12 out of 16 holdings are owner-operated, all holdings have high normalised returns and reasonable valuations.

Secondly, one characteristic that is virtually impossible to identify in advance, is whether a company has a long runway for rapid, *profitable* growth 20+ years in advance. While we could analyse the medium term prospects of *certain* companies, many 100 baggers start out doing one thing and end up doing another – think Berkshire Hathaway, Apple or Tencent. Our conclusion from this is that, ultimately, we should partner with excellent managers, who are better placed than us to identify profitable long-term growth opportunities.

Thirdly, compounding is a beautiful thing, but its rewards take years to accrue. The number 26 will be front of mind next time we get an itchy finger. Fortunately, aging has seemingly made us more patient: Cederberg’s portfolio turnover fell to 14% last year.

Fourthly, investors should look for 100 baggers among smaller cap companies. This is where the Cederberg portfolio has room for improvement: only 36% of the portfolio has a market cap <\$5bn. Finding small cap names that meet our quality criteria has been a challenge, though it is something that the team is focused on. We are hopeful that we’ll own more soon.

Ultimately, our search for 100 baggers might turn out to be fruitless; after all, very few investors enjoy owning even one during their careers. However, if in the process we end up owning several 5, 10 and 20 baggers, the results should turn out to be quite satisfactory regardless.

Corporate update

We are delighted to welcome Joe Reynolds, who has joined us as Head of Technology and Operations. Holding a Masters in Philosophy from Cambridge University, Joe has over 20 years’ experience in financial services. We are looking forward to Joe utilising his IT and project management skills to help us build a world-class operational platform for the digital age. Outside of work, Joe is a keen artist, carpenter and chicken wrangler. He is also a history buff - he was the UK’s Young Historian of the Year 1993. Welcome, Joe!

Peter Bowie has been a wonderful partner and supporter of our business since before day one. Not only was he instrumental in our launch 8 years ago, but he has also played an invaluable role in ensuring Cederberg’s outstanding governance. Throughout, he has been my wise sounding board and an example of what a great manager looks like; the epitome of “leading by example”. Peter and I have long planned his exit and we’ve agreed that now is the right time. While Peter will be stepping down from the board and has exited his stake in the business, he remains a client, a mentor and a dear friend to us all. Thank you, Peter, for everything you have done for Cederberg and for me personally.

On a practical note, Peter’s exit – as well as Clearance Capital’s a year ago - means that a meaningful equity pool is in place to incentivise current and future staff. We will be sharing more news on this in due course.

With Peter stepping down, we have decided to appoint an independent non-executive director to the board. Craig Bodenstab is intimately familiar with what it takes to build a world-class asset manager, having spent 20 years at Orbis as a partner and a director. Craig is a Canadian CPA (accountant), a CFA charter holder, and obtained an MBA from Columbia and London Business Schools (jointly). Craig joined Cederberg’s board in January and has already made a huge impact. We are honoured to have attracted someone of Craig’s calibre to our board. Welcome, Craig!

Finally, the upside to Brexit: Christina has found us a wonderful London office at a bargain price in the West End. We intend to move there over the summer, following the completion of refurbishments. Until then, we remain nice and cosy in Throgmorton Street.

Warm regards,

David Krige

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Regulatory information and risk warning

This document is issued for information only by Cederberg Capital Limited (the “Firm” or “Cederberg”). The Firm is authorised and regulated by the Financial Conduct Authority (registration number 775092). It does not constitute an offer by the Firm to enter into any contract/agreement nor is it a solicitation to buy or sell any investment. Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice in any way. The contents of this document are based upon sources of information believed to be reliable, however, save to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to its accuracy or completeness and, the Firm, its members, officers and employees of the corporate member do not accept any liability or responsibility in respect of the information or any views expressed herein. All data is sourced from the Firm unless otherwise indicated. This document may include forward-looking statements that are based upon the managers’ current opinions, expectations and projections. The Firm undertakes no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements. This document is not aimed at persons who are residents of any country, including the United States of America (“USA”) and South Africa, where the funds referred to herein are not registered or approved for marketing and/or sale or in which the dissemination of information on the funds or services is not permitted. This document should not be distributed to any third party without the express approval of the Firm. It has been designed for a professional audience only and should not be passed onto a retail audience.

Disclosure

¹ Past performance is not indicative of future performance. Investors whose reference currency differs from the US dollar may be subject to exchange rate movements that alter the value of their investments. MSCI Golden Dragon Total Return Index includes net dividends reinvested. Peer group is Bloomberg universe of equity funds with Greater China geographical focus. Source: Charter Group Admin, Bloomberg, Cederberg.

² Category definitions as per Cederberg. Source: Bloomberg, Cederberg

³ Upside Capture show the fund’s average return vs. the index’s average return for those months in which the index had a positive return. Downside Capture shows the fund’s average return vs. the index’s average return for those months in which the index had a negative return. Source: Bloomberg, Cederberg

⁴ Median portfolio characteristics are quoted as of 04 March 2019. Source: Bloomberg, Cederberg.

⁵ Data as of 28 February 2019. Expenses include all fund level expenses excluding investment management fees divided by the fund’s average AUM in 2018. Portfolio turnover is for 2018 and is calculated as the lower of all buy and sell transactions divided by fund’s average AUM. Source: Cederberg.

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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	Class A (closed for new)	Class B	Class C	Delaware LP - Class B	Delaware LP - Class C
Inception date	1 Jan 2012	1 Jul 2018	1 Jul 2018	1 Aug 2018	1 Aug 2018
Status	Closed	Open	Open	Open	Open
Min initial investment	US\$100k	US\$100k	US\$100k	US\$1mn	US\$1mn
Subscription	Monthly	Monthly	Monthly	Monthly	Monthly
Redemption notice	30 days	90 days	90 days	180 days	180 days
Redemption fee (payable to the Fund)	3% if redemption within first 6m	5% if redemption first 3yrs, thereafter zero	N/A—3yr hard lockup	5% if redemption first 3yrs, thereafter zero	N/A—3yr hard lockup
Management fee	1.50% p.a.	1.25% p.a.	0%	1.25% p.a.	0%
Performance fee	20% of net alpha over MSCI Golden Dragon if Fund generated >6% p.a. US\$ returns; payable for the first time in Jan 2015 and annually thereafter	20% of net alpha over MSCI Golden Dragon if Fund generated >6% p.a. US\$ returns; payable for the first time in Jan 2022 and annually thereafter	25% of returns over 6% p.a. US\$ hard hurdle; payable for the first time in Jan 2022 and annually thereafter	20% of returns over 8% p.a. US\$ hard hurdle; payable annually	25% of returns over 6% p.a. US\$ hard hurdle; payable annually
High water mark	Yes	Yes	Yes	Yes	Yes
Investor level gates (max redemption per investor)	N/A	25% per quarter	25% per quarter	N/A	N/A
ISIN	KYG2030A1004	KYG2030A1186	KYG2030A1269	N/A	N/A
Sedol	BMM1R81	BFZYW5	BD31D23	N/A	N/A