

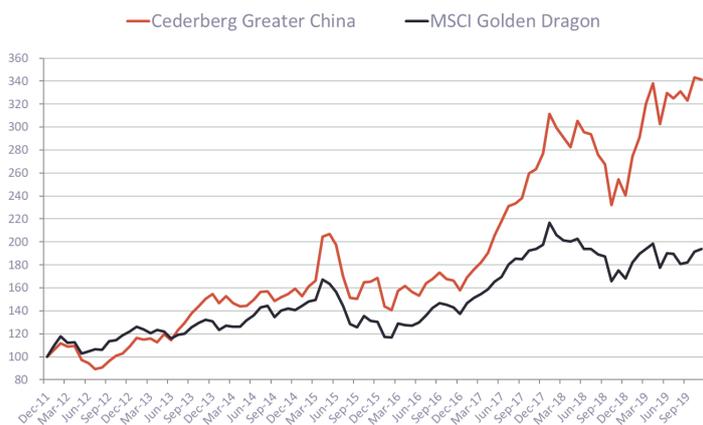
CEDERBERG CAPITAL

Cederberg Greater China Equities 30 November 2019

An introduction to Cederberg

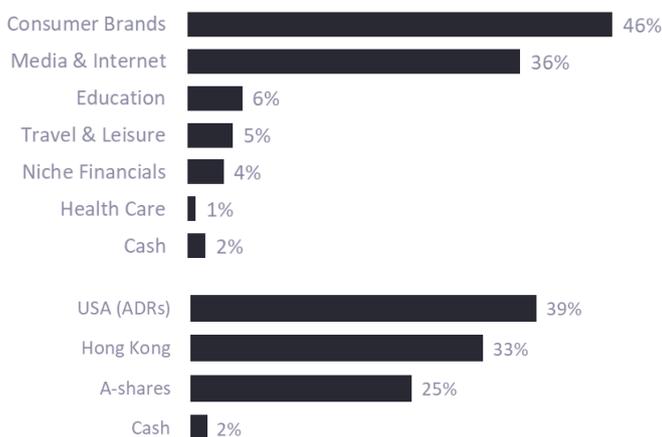
- Greater China specialists founded in 2011, majority staff-owned
- Mission: Run client money like we run our own
- Unique perspective from team in London & Shanghai
- Research-driven process focused on the region's best companies
- In every investment, we look for a durable Moat, excellent Management,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

Performance chart¹

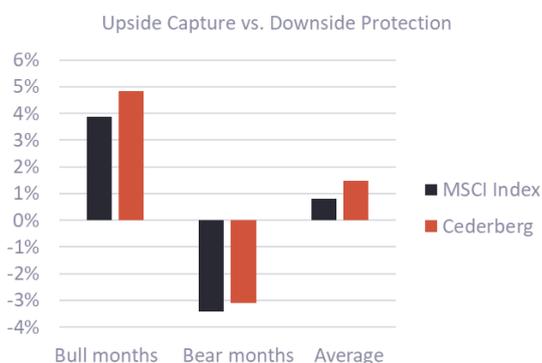


Class A shares. All figures in US\$ net of fees. MSCI Golden Dragon Index includes net dividends. Past performance is not indicative of future results - please see regulatory information on p3. Source: Bloomberg, Charter Group. 30 Nov 2019

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 different, **we are not for most investors**
- Chinese equities are highly volatile
- Our returns have been more volatile than those of the index
- We run a concentrated portfolio and we don't look like the index or our peers
- **Our past returns are unlikely to be repeated in the long run**
- **We are only suitable for those with an investment horizon >10 years**

Performance table¹

Net Returns in US\$	Class A	Index	Peer group	Percentile
<i>Annualised</i>				
Since inception (1/1/2012)	17%	9%	7%	100
5 years	17%	6%	5%	99
3 years	27%	11%	7%	100
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	42%	15%	22%	90
3 months	3%	7%	5%	26
1 month	-1%	1%	0%	36

Major holdings²

Alibaba	Ecommerce	NetEase	Online gaming
Haidilao	Restaurants	New Oriental	Education
Huazhu Group	Hotels	Tencent	Social network
JD.com	Ecommerce	Wuliangye	Distillers
Kweichow Moutai	Distillers	Yihai	Condiments

Median portfolio characteristics⁴

P/E (2020e)	23x	ROE	24%
EV/EBIT (2020e)	18x	ROIC	15%
EPS growth (2020e)	20%	Market cap	US\$22bn
Net cash to equity	52%	Number of holdings	16
Dividend yield	2%	Top 10 holdings	85%

Key features⁵

Strategy	Long-only equity	Auditor	PwC
Domiciles	Cayman, Delaware	Custodian	Standard Chartered
Fund assets	US\$872mn	Administrator	Charter Group
Firm assets	US\$1.9bn	Cayman counsel	Maples & Calder
Peer group	Greater China Equity	US & UK counsel	Schulte Roth & Zabel
Benchmark	MSCI Golden Dragon	NAV - Class A	341.48
Expenses	14 bps (2018)	NAV - Class B	115.73
Turnover	14% (2018)	NAV - Class C	118.49
Email	ir@cederbergcap.com	Phone	+44 203 745 1701

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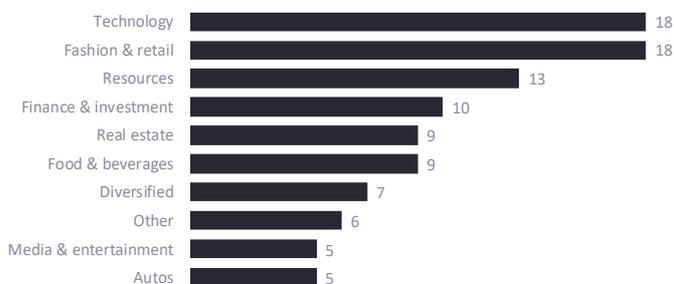
BUSINESS UPDATE

To improve our odds of generating attractive long-term outcomes for our clients, we will close to new investors on Dec 31st 2019. Please contact christina@cederbergcap.com should you wish to discuss.

FOLLOW THE MONEY

Through the ages, people have been fascinated by the rich. These days, both the Forbes Rich List – which records the world’s wealthiest people - and the Hurun China Rich List receive a lot of attention. At Cederberg, we are less interested in the super-rich themselves but rather *how* they became wealthy. Are there any investment conclusions we can draw from this?

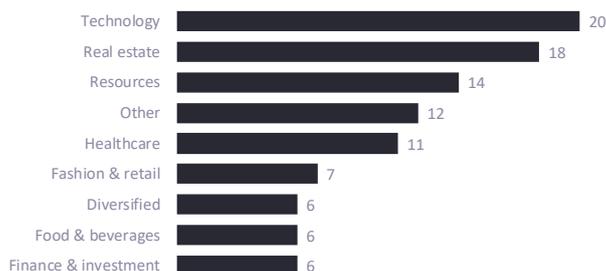
Sectors that created top 100 fortunes in the world



Sector classifications as per Cederberg Capital. Source: Forbes, Cederberg Capital.

Globally, the technology sector has been incredibly remunerative, with 18 of the top 100 fortunes on the Forbes List created this way. These include five of the top ten wealthiest individuals: Jeff Bezos (1st), Bill Gates (2nd), Larry Ellison (7th), Mark Zuckerberg (8th) and Larry Page (10th). Similarly, fashion & retail (18 out of 100) has had plenty of success stories such as LVMH’s Bernard Arnault, Zara’s Amancio Ortega and L’Oreal’s Bettencourt family. And while Forbes lists the Walmart heirs’ wealth individually, combined, the Waltons remain the world’s richest family with a net worth of c.\$190bn. Other major money-spinning sectors include resources (13 out of 100), finance & investment (10), food & beverages (9) and real estate (9).

Sectors that created top 100 fortunes in China



Sector classifications as per Cederberg Capital. Source: Hurun, Cederberg Capital.

What about China? Like elsewhere, technology comes out tops, with 20 of the top 100 Chinese billionaires having generated their wealth this way. Real estate has been significantly more lucrative in China, creating 18 of the top 100 fortunes; this is perhaps unsurprising given where the country has been in its development cycle. Like elsewhere, resources (14 out of 100) has been lucrative for those who were lucky enough to get their hands on prize assets. Healthcare, on the other hand, doesn’t feature among the top 100 Forbes billionaires, yet 11 out of the top 100 Chinese fortunes were made this way. Fashion & retail (7 out of 100) was a less conspicuous source of wealth in China, though if we include ecommerce in this category, the number jumps to 11.

What conclusions can we draw from all this?

Firstly, though sectors with tangible assets - real estate and resources - have generated significant wealth, they have been overshadowed by those with intangible assets - principally technology and healthcare, but also food & beverages and fashion & retail. This is relevant to Cederberg, as we tend to focus on businesses with intangible assets such as brands or network effects as sources of **moats**. We expect these sectors to play an even more important role in the future as China’s economy becomes less investment-driven.

Secondly, healthcare has been incredibly lucrative for a select few in China. While we have some exposure to the sector via **TRT Chinese Medicine**, we have struggled to find other names offering a **margin of safety** given significant governance, regulatory and competitive risks. That said, there are over a dozen names we would want to own at the right price.

Thirdly, real estate has generated massive fortunes in China. While governance concerns, policy risks and leverage have made us steer clear of developers, there are some excellent property-related companies that we have been following.

Finally, while several of our holdings’ founders are amongst China’s super-rich - Jack Ma (**Alibaba**), Pony Ma (**Tencent**), He Xiangjian (**Midea**), William Ding (**NetEase**), Richard Liu (**JD**) and Zhang Yong (**Haidilao** and **Yihai**) – our job is to *find those management teams that will enrich minority shareholders the most rapidly over the next decade*. We are hopeful that the portfolio already contains such names, and that we will be able to find more in years to come.

Wishing you and your loved ones a happy festive season, and all the best for 2020!

David Krige

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Regulatory information and risk warning

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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 30 November 2019. Source: Bloomberg, Cederberg.

⁵ Data as of 30 November 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 subscriptions)	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	Hard closed	Soft close 31 Dec 2019	Soft close 31 Dec 2019	Soft close 31 Dec 2019	Soft close 31 Dec 2019
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