

No. 1 China Equities Fund Bought Only Three Stocks This Year

By **Justina Lee**

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- Cederberg invested in Alibaba, Tencent and Tong Ren Tang
 - Fund has a strategy with low turnover and high concentration
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When Cederberg Capital's Dawid Krige places a bet, he bets big.

The strategy has worked well for his little-known [fund](https://www.bloomberg.com/quote/CEDGCEA:KY), whose 46 percent return in 2017 makes it the best-performing active mutual fund investing in greater China equities, data compiled by Bloomberg show. That's after buying only three stocks this year, and with just 10 names making up 70 percent of its holdings.

In a market where swings are notoriously large and gains can be dominated by a handful of companies, it helps to double down on your picks and sit tight. Two of

Cederberg's new investments this year were Tencent Holdings Ltd. and Alibaba Group Holding Ltd., which have both treated the fund well, jumping more than 70 percent.



“Good ideas are scarce,” Krige said in an interview from London. “It is easier to identify a wonderful company and own it for the very long run, especially in a place like China where there will be multiyear winners.”

The \$182 million Cederberg Greater China Equity Fund has a solid track record, returning 159 percent over five years, the third-best among its peers investing in the region's stocks. Cederberg is named after a nature reserve in Krige's native South Africa, where he asked his then new wife to let him pour his life savings into creating a fund, in which the bulk of his net worth is still invested.

Cederberg only started buying Tencent and Alibaba this year, as well as Hong Kong-listed Beijing Tong Ren Tang Chinese Medicine Co., which is flat this year. With regard to the two Internet juggernauts, it's better to be five years late than 10 years late, Krige said. The fund's performance compares with a 40 percent gain in the MSCI China Index.

“They're immensely dominant, so it's very hard to see them getting disrupted,” he said. “The monetization opportunity is immense, and that is just talking about what we know today.”

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Active funds have seen outflows in recent years amid doubt they can outperform indexes when higher expenses are included. Indeed, among greater China stock funds with more than \$100 million in assets, Krige's fund has been outshone by two passive funds this year: one that [tracks](https://www.bloomberg.com/quote/2824:HK) Hong Kong and Chinese developers and another [focused on overseas Chinese Internet companies](https://www.bloomberg.com/quote/164906:CH). His strategy of low turnover and high concentration can help reduce trading costs, though arguably at the expense of diversification and flexibility.

Cederberg prides itself on its proprietary research, which Krige says includes talking to customers and former employees who can speak to corporate culture and morale. Cederberg has a Shanghai office, but Krige is based in London. Distance from China helps him maintain a long-term focus, he said.

"It's far easier for me to control my emotions not to be in Hong Kong or Shanghai all the time and listen to all the chatter and greed and fear," Krige said. "To be based in London is a major advantage given our style, which is a long-term oriented."

