

CEDERBERG CAPITAL

31st January 2025

Why Cederberg is not suitable for everyone

1. Chinese equities are highly volatile; declines $> 50\%$ are not unusual.
2. The Fund has concentration and geographical risk.
3. Its returns are likely to be more volatile than those of the index.
4. Past performance is not a reliable indicator of future returns.
5. The Fund is only suitable for investors with an investment horizon > 10 years.

Company overview

- Since 2011, majority employee-owned.
- Research-driven Greater China specialists.
- Offices in London, Hong Kong and Shanghai.
- Manage \$0.9bn for institutions, families, and ourselves.
- Fund is currently open to new and existing investors.

Experienced team

- Chief Investment Officer > 20 years' experience.
- Three Chinese investment partners 7-17 years' experience.
- Data science consultant > 10 years' experience.
- Six-person client services, finance, and ops team.

3M Investment philosophy



Median portfolio characteristics

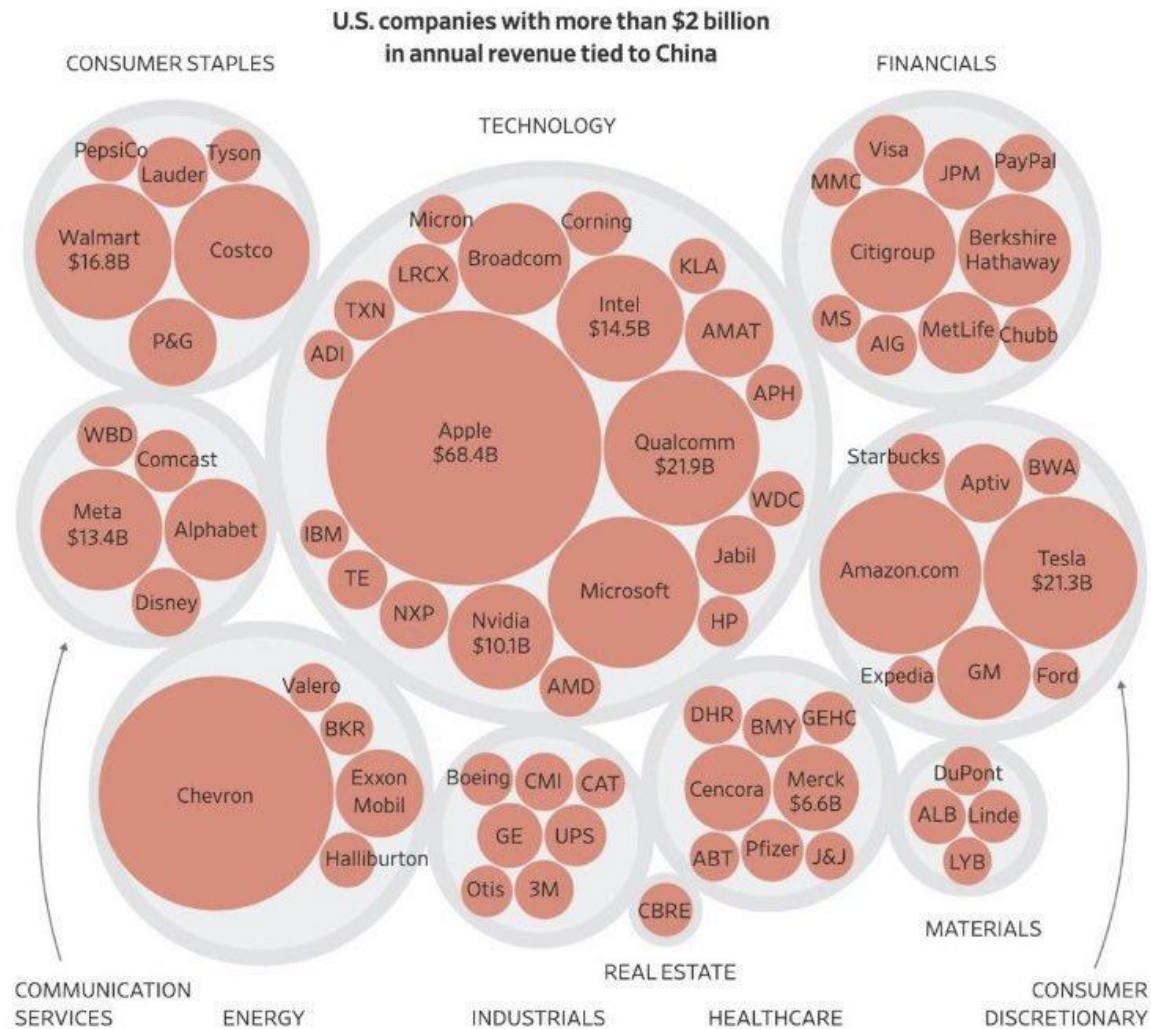
Metric	Value
EV/FCF (2025e)	8x
EPS growth (2025e)	14%
ROIC (2025e)	16%
Cash to market cap	10%
Dividend yield	2%
Weighted market cap	\$129bn
Top 10 holdings	81%

Representative holdings

Company	Revenue growth 2024e	EPS growth 2024e	EPS growth 2024e	EV/FCF 2024e
Average	+17%	+36%	+14%	11x
Median	+12%	+25%	+11%	9x

Big Picture: Limited Downside vs Substantial Upside

Decoupling is complicated!



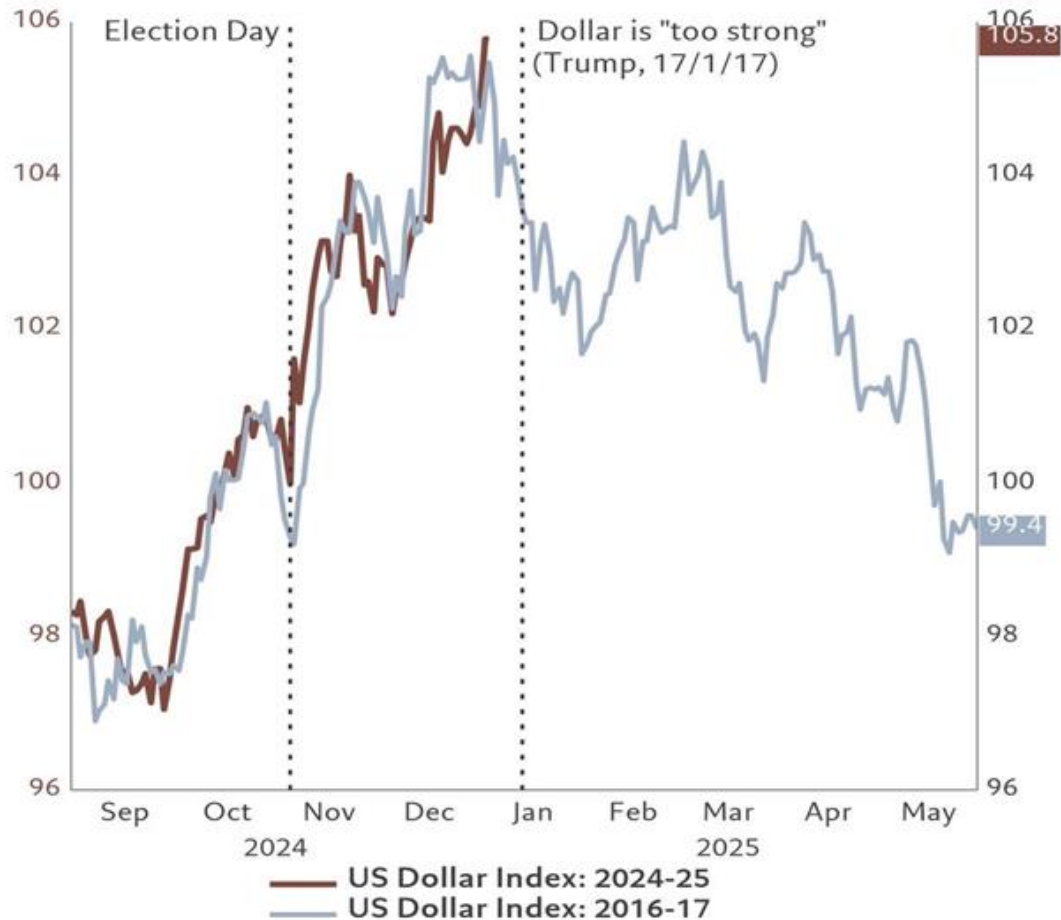
Note: Based on FactSet estimates for onshore and offshore revenue generated from China in fiscal 2023. For companies that don't specifically break out China revenue exposure, such as Chevron, Microsoft and Alphabet, FactSet uses an algorithm based on company filings and gross-domestic-product values to generate estimates. Excludes companies that didn't have reliable estimates.

Source: FactSet

Peter Santilli/THE WALL STREET JOURNAL

Watch the dollar!

US Dollar Index (Rebased to Election Day)



Source: Refinitiv, Pictet Asset Management

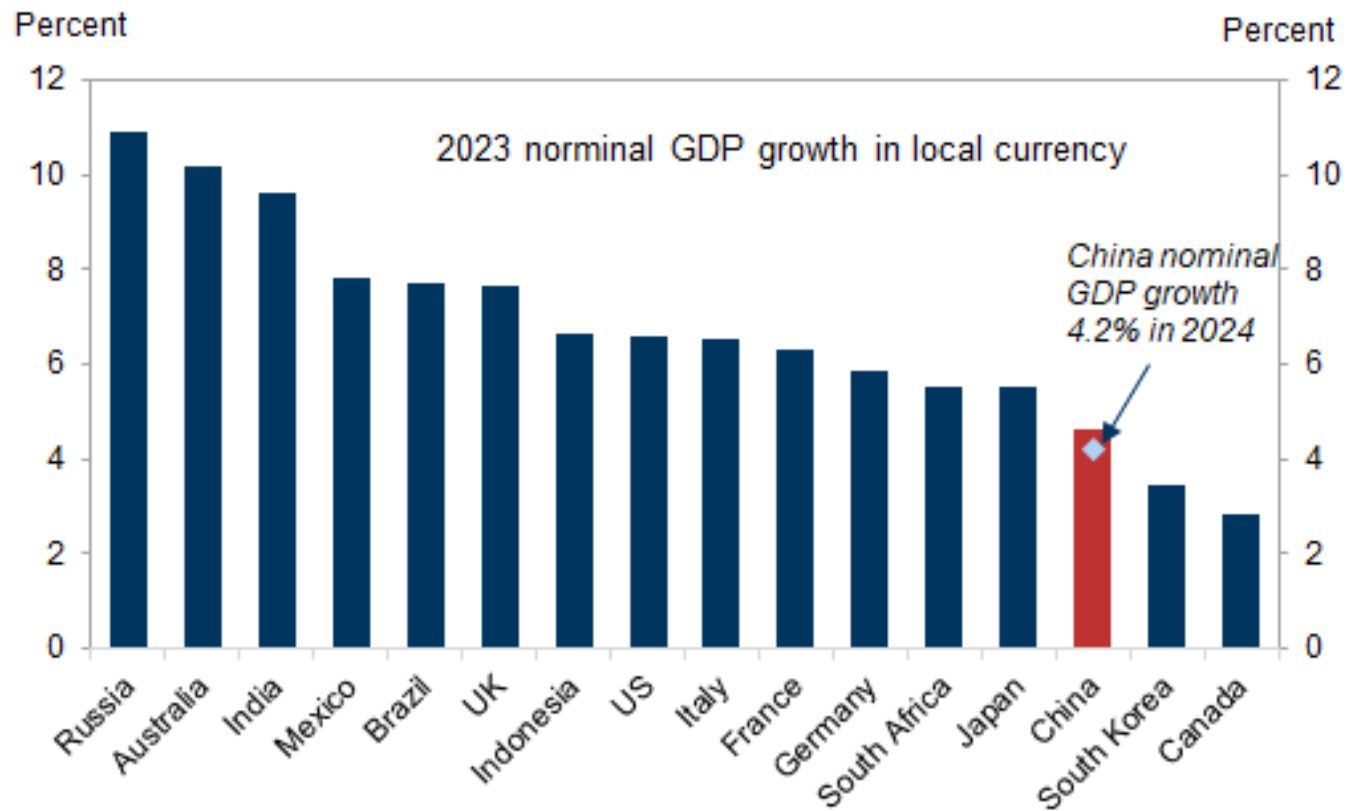
When the Party turns, it really turns

- Allowing gold-ownership (banned 1949-2004)
 - Covid re-opening (2022)
 - “Stocks are for living in” (2024)
- We would not bet against China

Unwavering commitment, but confidence will take time



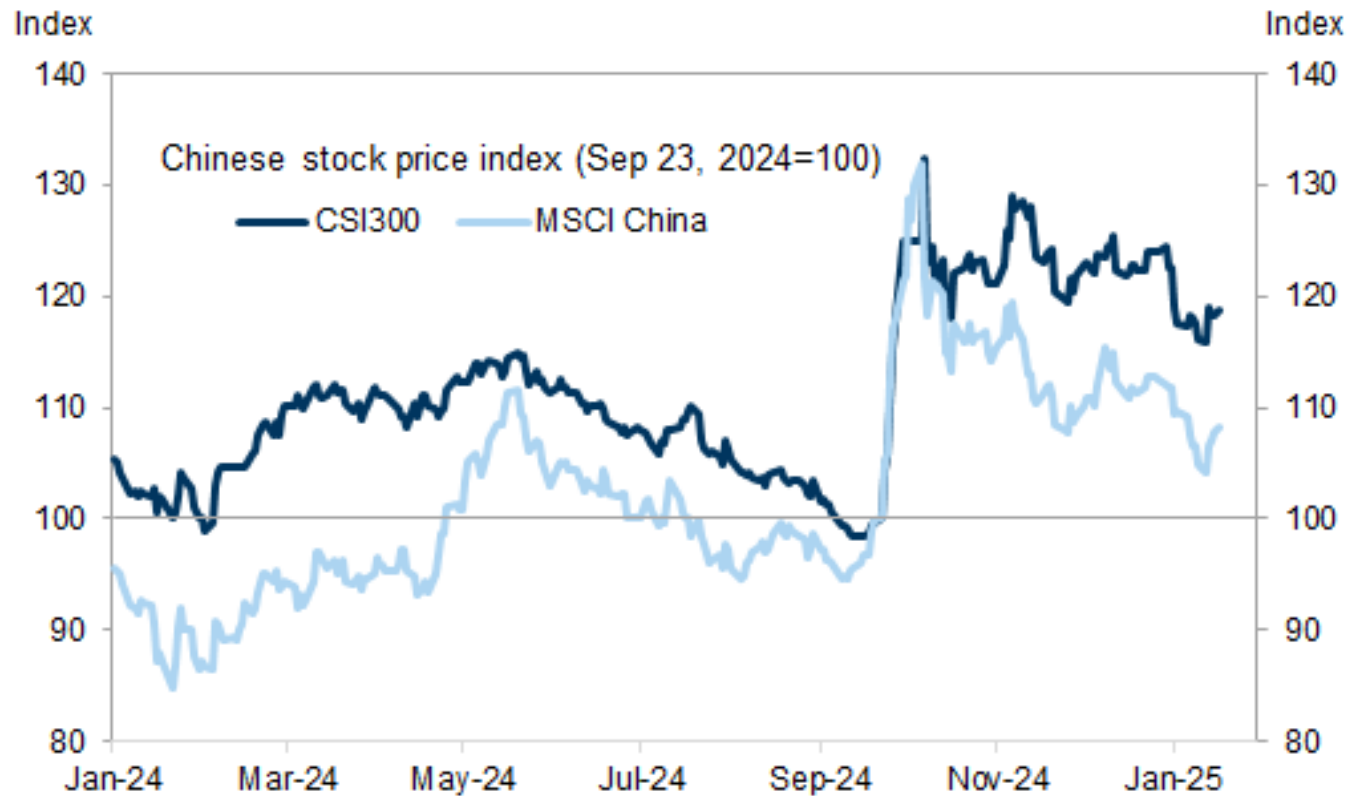
Domestic demand a drag



Significant scope for easing



Foreign investors are sceptical

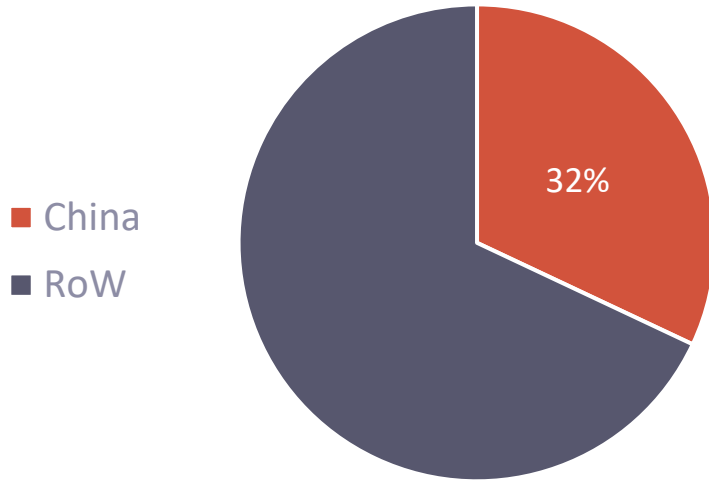


Record-low allocations

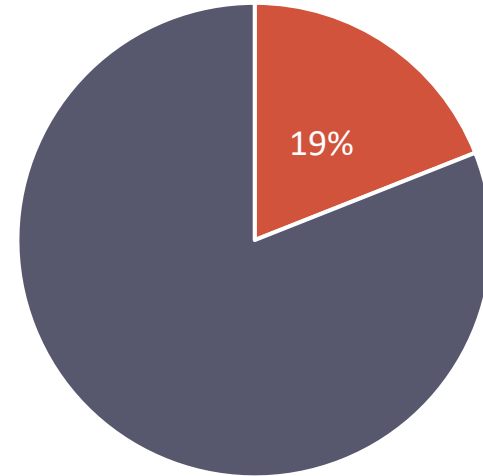


Under-represented equities

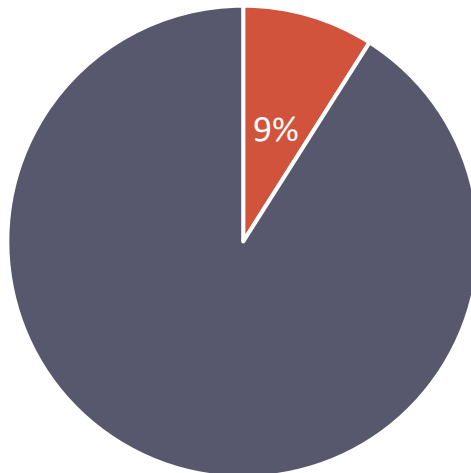
Manufacturing Share of the World



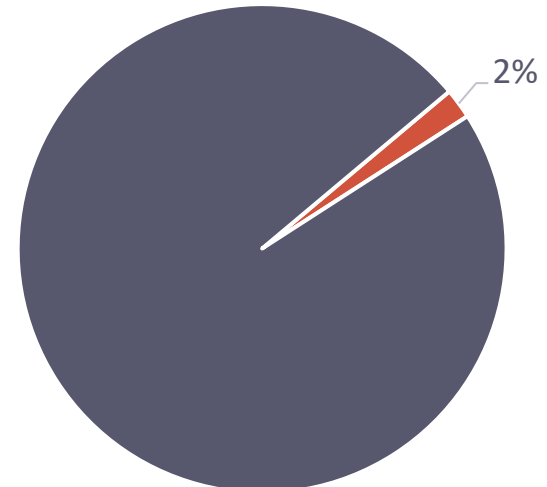
GDP Share of the World



Stock Market Share of the World

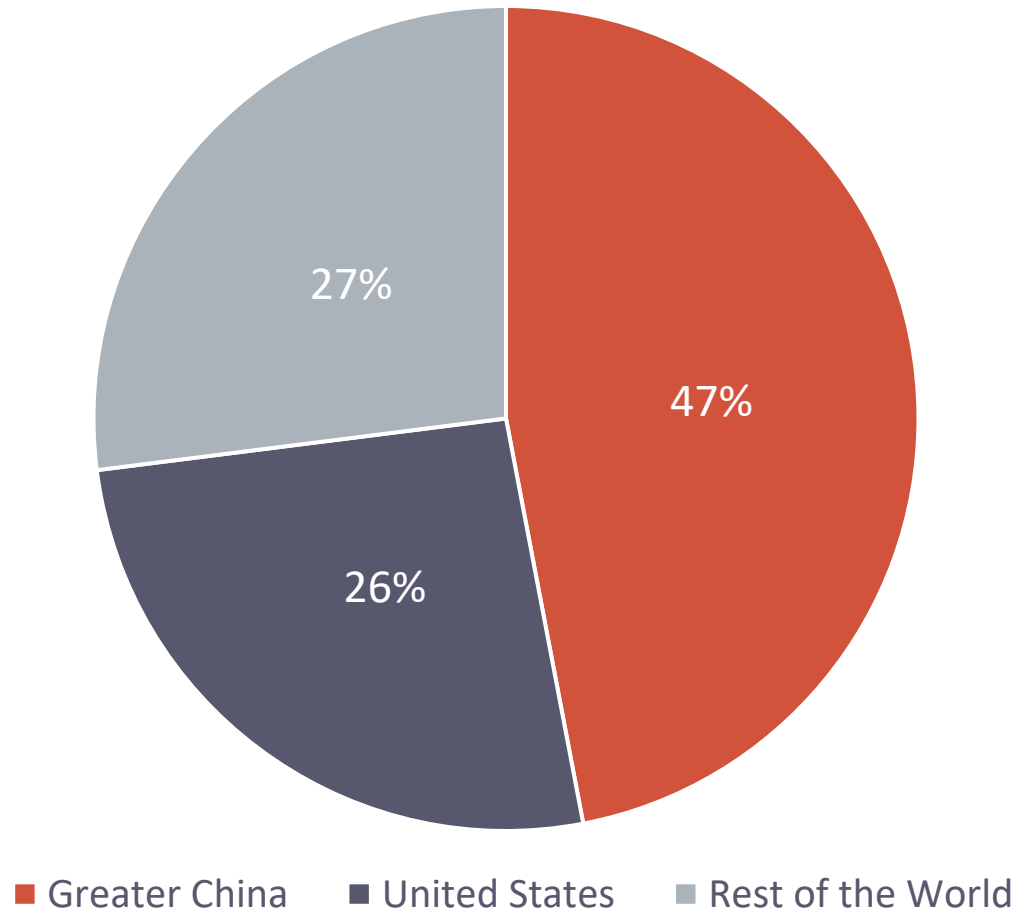


Allocation in Global Indices



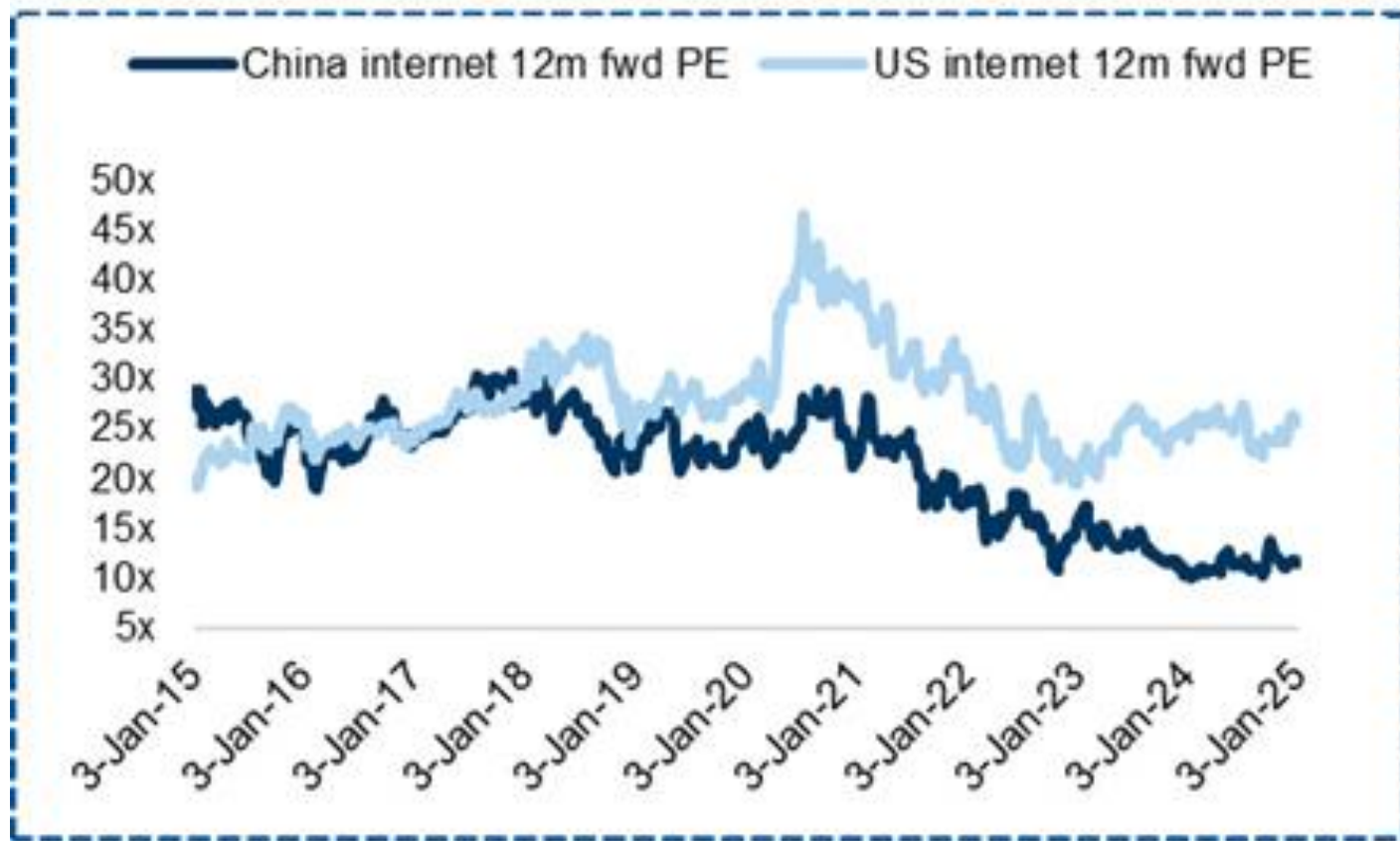
Uninvestable?

Stocks that trade >\$10mn per day

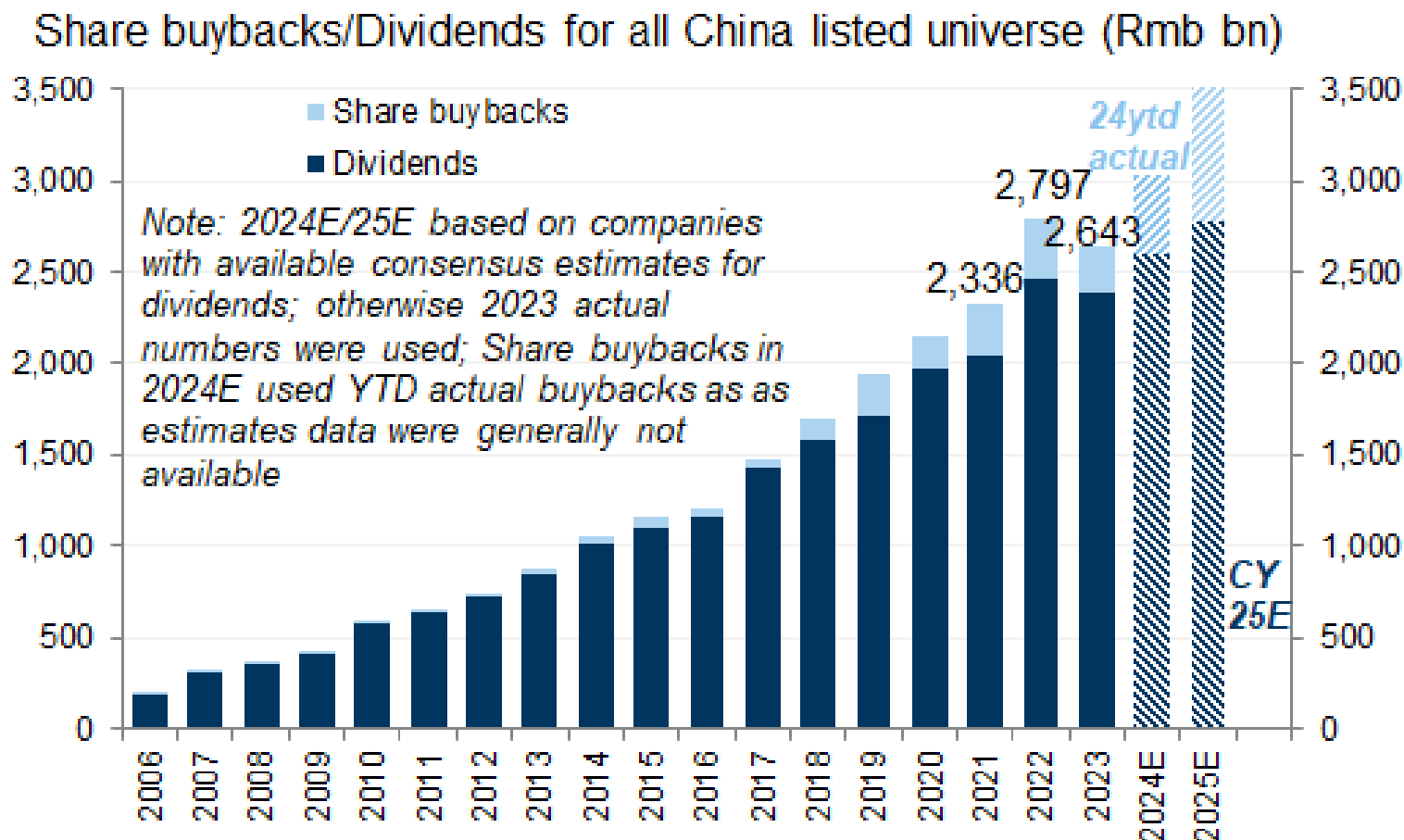


Attractive valuations: tech

China Internet is now trading at c.11X one-year forward P/E, at a nearly historical high c.55% discount to U.S. Internet...



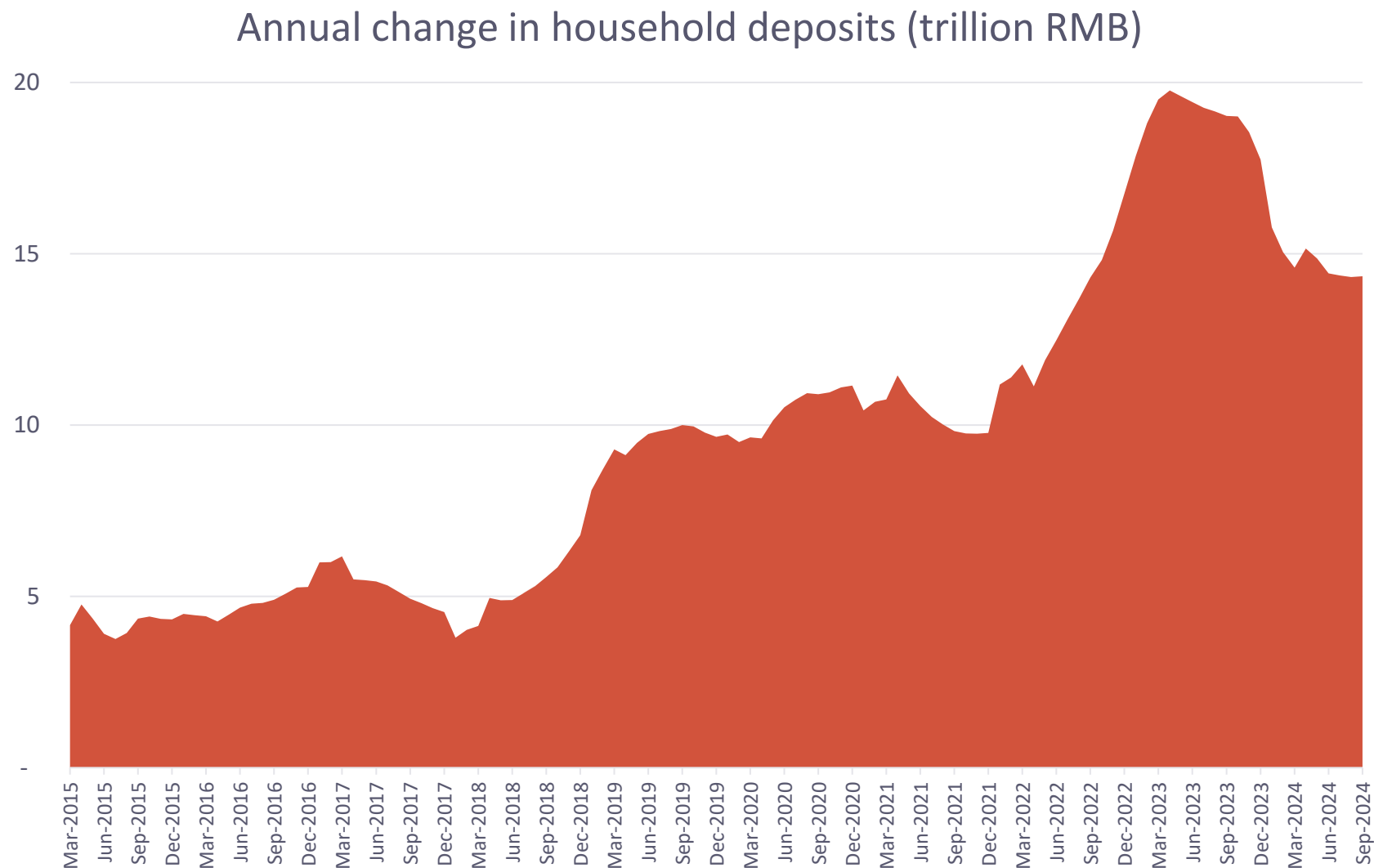
Shareholders are being rewarded



Seven lean years



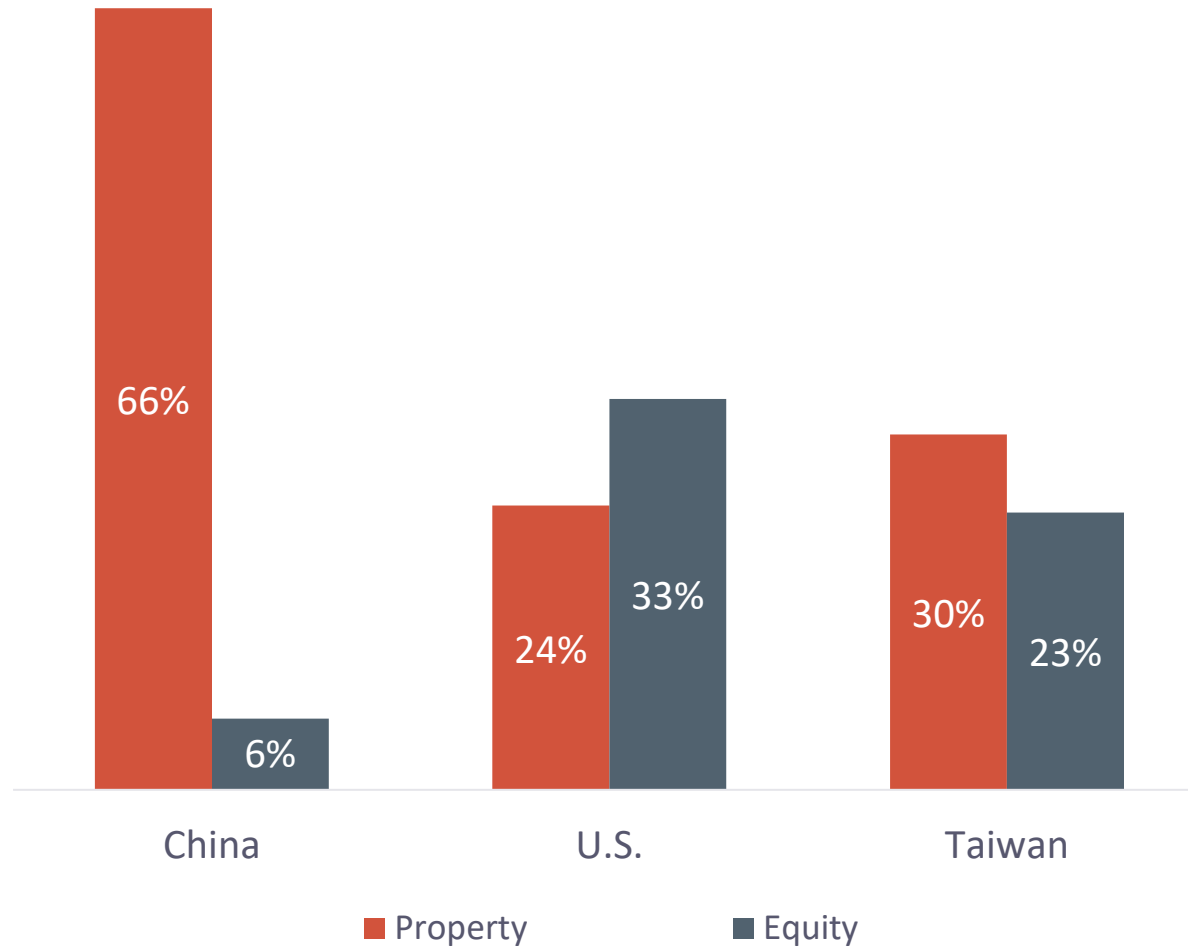
Dry powder for future consumption & investing



Source: People's Bank of China "Depository Corporation Survey", 30 September 2024. *Refers to household savings; the net increase is calculated as the total deposits in each month minus the deposits in the same month in the previous year. Data is monthly; trillion RMB; year-on-year; 3-month moving average.

Significant scope for rebalancing

Household wealth by asset type



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Cederberg Capital Limited

91 Jermyn Street, 2nd Floor
London SW1Y 6JB
United Kingdom

Cederberg Capital China

2236, Tower 3, Changning Raffles, 1193
Changning Road, Shanghai, China 200051

Cederberg Capital Asia Limited

Units 903A-5, 9/F., 8 Observatory Road, Tsim
Sha Tsui, Kowloon, Hong Kong

For more information please
contact:

ir@cederbergcap.com

www.cederbergcap.com