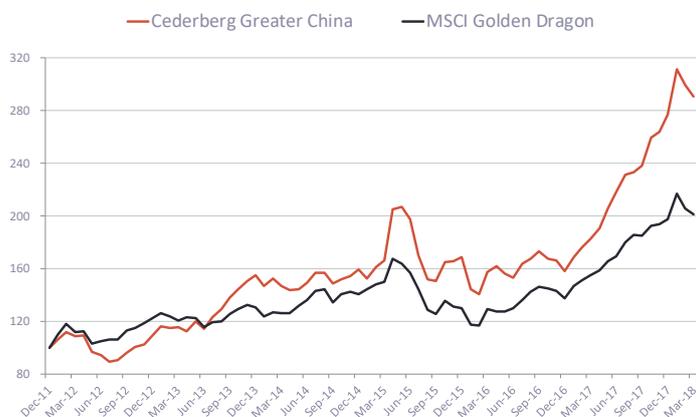




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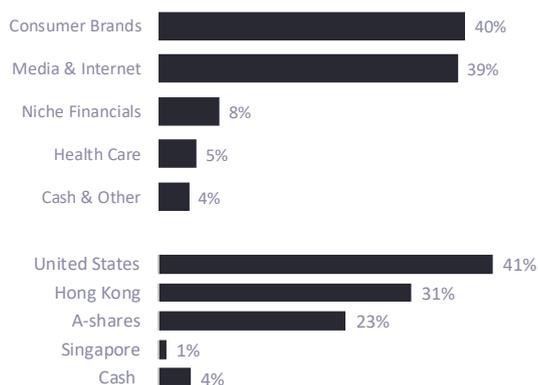
Performance Chart¹



Performance Table¹

Net Returns in US\$	Fund	Index	Peer group	Percentile
<i>Annualised</i>				
Since Fund inception	19%	12%	11%	99
5 years	20%	11%	10%	99
3 years	20%	10%	8%	99
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>				
3 months	5%	2%	2%	88
1 month	-3%	-2%	-2%	27

Portfolio Positioning²



Top 10 Holdings³

Alibaba	Ecommerce
Beijing Tong Ren Tang	Traditional Chinese Medicine
JD.com	Ecommerce
Kweichow Moutai	Distillers
Midea Group	Home appliances
Noah	Asset management
Tencent	Social network
Wuliangye Yibin	Distillers
Yihai	Condiments
YY	Online streaming

Risk Metrics⁴



	Fund	Index
Beta	1.08	1
Volatility	21%	16%
Sharpe Ratio	0.91	0.75
Correlation	0.84	1

Median Portfolio Characteristics⁵

P/E (2018e)	19x	ROE	22%
EV/EBIT (2018e)	14x	ROIC	17%
EPS growth (2018e)	24%	Market cap	US\$28bn
Net cash to equity	45%	Number of holdings	18
Dividend yield	1%	Top 10 holdings	75%

Fund Key Features⁶

Strategy	Long-only equity	Auditor	Deloitte
Domiciles	Cayman, Delaware	Custodian	Standard Chartered
Fund assets	US\$269mn	Administrator	Charter Group
Firm assets	US\$393mn	Cayman counsel	Maples & Calder
Minimum	US\$100,000	US & UK counsel	Schulte Roth & Zabel
Dealing	Monthly	Management fee	1.5%
Benchmark	MSCI Golden Dragon Index	Performance fee	20% of net alpha, with 6% abs. return trigger
Peer group	Greater China Equity	Phone	UK +44 207 871 7228 China +86 13072171983
ISIN	KYG2030A1004	Email	info@cederbergcap.com
NAV	290.870	Inception	1 Jan 2012

Past performance is not indicative of future results. Please see regulatory information on page 4. Source: Bloomberg, Charter Group, Cederberg. 31 Mar 2018



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Scuttlebutt

"I sought out Phil Fisher after reading his Common Stocks and Uncommon Profits. When I met him, I was as impressed by the man as by his ideas... From him I learned the value of the 'scuttlebutt' approach: go out and talk to competitors, suppliers, customers to find out how an industry or a company really operates." – Warren Buffett

Phil Fisher's Common Stocks Uncommon Profits is arguably one of the best books on long term investing*. In fact, it made such an impact on Buffett that he went on to say that "I'm 15% Fisher and 85% Ben Graham". Keen Buffett observers might argue that in the second half of his career, his focus on buying and holding quality growth companies suggests he has evolved to 85% Fisher and 15% Graham.

One of Fisher's core tenets is the importance of doing one's own scuttlebutt, or primary research: speaking with as many stakeholders as possible to obtain a business owner's understanding of a company and the industry in which it operates. Daniel, Da Wei, Adeline and I read Common Stocks Uncommon Profits while studying Value Investing at London Business School under the inimitable Eddie Ramsden. Moreover, we had to put scuttlebutt into practice: for our final assignments we had to speak with at least 20 primary sources regarding the respective companies we were analysing.

Sounds easy, right? In practice, it is rather hard: genuine experts are rare and usually very busy. But we haven't allowed that to stop us: scuttlebutt remains an integral part of Cederberg's investment process. Why do we do this, if it is such hard work?

1. Assessing culture

A strong corporate culture can be an important driver of long term business success (the inverse is also true – no names mentioned!). A great way to assess company culture is to speak with ex-employees, as they are often prepared to speak freely about their former employer. Are employees happy, motivated, remunerated fairly, encouraged to act ethically? Is management prepared to take short term pain for long term gain? Are they focused? Honest? How deep is the bench?

2. Assessing customer stickiness

How do customers feel about the company's products/services? How does it compare with peers' offerings? Are customers prepared to pay a premium? Any signs of price gouging? Are switching costs high? What is happening with payment terms?

3. Avoiding fraud

There are plenty of poorly governed and fraudulent companies in China (and, indeed, the world). However, these can be exposed through on-the-ground scuttlebutt. Primary research has helped us to avoid all fraud and corporate governance blow-ups thus far.

4. Monitoring the thesis

Ongoing discussions with experts help us to monitor whether our investment thesis is playing out. Moreover, they help us to maintain our conviction, which is crucially important when owning multi-year winners: we don't want to sell a potential 10-bagger after it has doubled!

However, conducting scuttlebutt is not without risk:

- One can potentially obtain inside information (we want to avoid that like the plague)
- One can read too much into any given expert's opinion (everyone has one)
- We might be blinded by love for our extensively-researched stocks (we are merely human)
- Others might speak with the same expert (our "variant perception" might be mainstream)

We are cognizant of these risks and have put measures in place to mitigate them. But on balance, we believe the advantages of good scuttlebutt far outweigh the potential disadvantages, hence it forms an integral part of our investment process. Indeed, Phil Fisher might make up at least 15% of Cederberg's DNA too.



Case Study: YY

Two years ago, after substantial scuttlebutt, the fund bought a stake in YY, China's leading live streaming platform. Musicians, dancers and other artists use it as an online stage to entertain large live audiences. In return, viewers tip their favourite artists by sending them virtual gifts (a flower bouquet costs less than a dollar). YY keeps half of the value of these gifts, with artists and their agents keeping the rest. This has become a big business and top performers are rewarded handsomely: budding artists often earn over USD1,000 per month, and superstars north of USD100,000. Meanwhile, YY's 80mn+ monthly viewers join a vibrant online community from which they seem to derive happiness and a sense of belonging. And while content quality varies, YY provides a popular, low-cost form of escape for homesick migrants working in cities with limited entertainment options.

YY's **moat** stems from its brand: it has been China's go-to venue for interactive live entertainment for many years, similar to Times Square in New York or Leicester Square in London. Furthermore, the business has strong network effects: talented artists attract more viewers, which attract more artists, and so forth. The strength of YY's brand has led to robust traffic growth without significant advertising spend (sales & marketing expense is a mere 5% of revenue), a rarity amongst smaller internet companies. Not resting on its laurels, the company has been widening its moat by increasing viewer engagement through innovative new formats such as "sing-offs" and "dance-offs" where artists compete against each other to see who can earn the most tips from viewers. It continues to invest heavily in R&D and boasts

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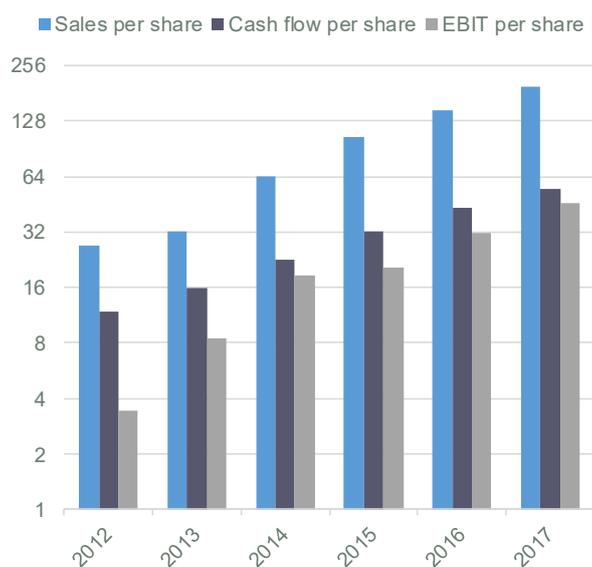
industry-leading technology, which has minimized time lags and ensures the company can censor questionable content real-time.

Management are the pioneers of China's live broadcasting industry. They continue to innovate and push new industry trends. In fact, since YY's billionaire founder David Li returned as CEO last year, there has been a noticeable pickup in new content and innovation on its platform. Artists and talent agents confirmed to us their loyalty to the company because of its laser-like focus on customer experience. Capital allocation has been sound, with management not only showing a willingness to try new things, but also to exit non-performing projects. Their most successful recent venture has been Huya, an e-sports broadcasting platform backed by Tencent; it is likely to be valued at several billion dollars in its upcoming IPO.



Daniel Ng & David Li. Source: Cederberg Capital

YY has been a growth juggernaut: its revenue per share has grown 50% p.a. over the past 5 years. This is likely to slow, though our research suggests up to 20% p.a. over the next 3-4 years is achievable given significant traffic growth and monetisation opportunities. Earnings growth could outpace this due to improved profitability at Huya and some operating leverage.



Source: Bloomberg, Cederberg Capital

With respect to primary research, Cederberg's scuttlebutt consisted of the following:

- Meeting 15 YY entertainers
- Meeting 10 entertainers using competing platforms
- Meeting staff from 2 major talent agencies
- Meeting staff from 3 competitors
- Attending 2 live broadcasting conferences
- Attending YY's annual gala event
- Meeting YY senior management, including CEO David Li
- Meeting Huya management, including CEO Dong Rongjie
- Meeting several analysts and investors to understand how they view the company
- Using YY, Huya and other streaming apps for 100+ hours

Our primary research confirmed that YY has a wide moat, excellent management and strong growth potential. Despite its attractive fundamentals, it was trading at less than 10x pre-tax earnings, likely due to zero analyst coverage at the time and a lack of comparable business models. Since we've made the investment it has doubled, yet it still trades on 10x this year's pre-tax earnings. Considering its quality and growth profile, YY's **margin of safety** remains significant. We are happy to own it for the long run.

Warm regards,

David Krige

Additional comments by Cederberg Head of Research, Daniel Ng

** The first 10 respondents will each receive a copy of the book*



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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 Source: Cederberg

⁴ 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.

⁵ Median portfolio characteristics are quoted as of 9 April 2018. Source: Bloomberg, Cederberg.

⁶ As of 31 March 2018. 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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