



## Cederberg Greater China Equities 31 October 2018

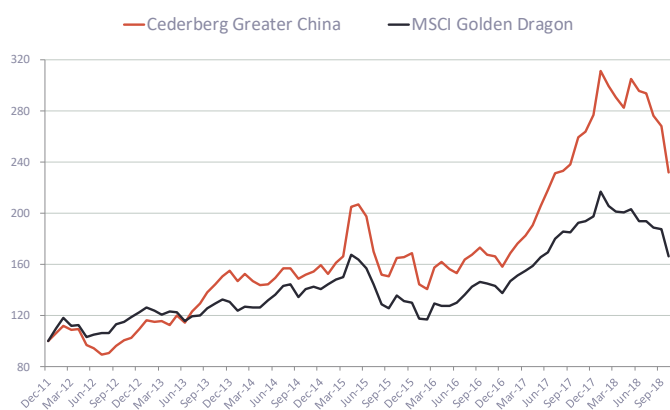
### Cederberg Capital

- **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 region's best companies

### Investment Principles

- **Moats** that are durable over our 4-year investment horizon
- **Management** that is excellent, honest and aligned with us
- **Margin of safety:** >100% upside to intrinsic value (at initiation)
- **High conviction portfolio** of long-term winners

### Performance Chart<sup>1</sup>

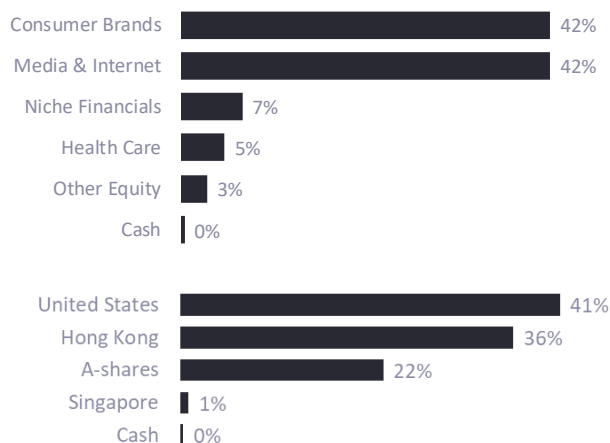


Past performance is not indicative of future results. Please see regulatory information on page 3. Source: Bloomberg, Charter Group, Cederberg. 31 Oct 2018

### Performance Table<sup>1</sup>

Net Returns in US\$	Fund	Index	Peer group	Percentile
<i>Annualised</i>				
Since Fund inception	13%	8%	6%	99
5 years	10%	5%	3%	99
3 years	12%	7%	0%	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>				
Year-to-date	-16%	-16%	-23%	80
3 months	-21%	-14%	-17%	16
1 month	-13%	-11%	-12%	23

### Portfolio Positioning<sup>2</sup>



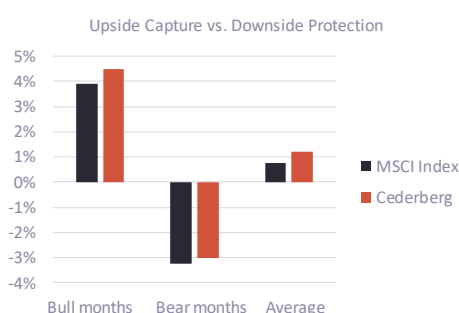
### Major Holdings<sup>2</sup>

Alibaba	Ecommerce	Midea Group	Home appliances
BJ Tong Ren Tang	TCM	Noah	Asset management
China Foods	Bottler	Tencent	Social network
JD.com	Ecommerce	Wuliangye	Distillers
Kweichow Moutai	Distillers	Yihai	Condiments

### Median Portfolio Characteristics<sup>4</sup>

P/E (2019e)	17x	ROE	21%
EV/EBIT (2019e)	12x	ROIC	13%
EPS growth (2019e)	21%	Market cap	US\$23bn
Net cash to equity	45%	Number of holdings	18
Dividend yield	2%	Top 10 holdings	75%

### Risk Metrics<sup>3</sup>



### Fund Key Features<sup>5</sup>

Strategy	Long-only equity	Auditor	Deloitte
Domiciles	Cayman, Delaware	Custodian	Standard Chartered
Fund assets	US\$324mn	Administrator	Charter Group
Firm assets	US\$721mn	Cayman counsel	Maples & Calder
Peer group	Greater China Equity	US & UK counsel	Schulte Roth & Zabel
Benchmark	MSCI Golden Dragon	Phone	+44 207 871 7228
NAV	232.1248	Email	<a href="mailto:info@cederbergcap.com">info@cederbergcap.com</a>

Please note: All performance figures on this page refer to Class A shares, please see page 3 for information on the fund's different share classes.

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### Ice in your veins

Investors in Chinese equities need to have ice in their veins. Yes, the asset class offers the opportunity for outsized returns. But it comes at a price: bouts of tremendous volatility, which means China is not for the faint of heart. We are currently in the midst of such a period – the Fund has declined by over 30% since its peak, and October was its third worst month on record. Where do we go from here?

We recently came across a study on past declines in Chinese equities. It listed the major news stories at the time, when the declines took place, how long they lasted, and by how much the MSCI China index fell from peak to trough. We took it one step further by analysing the index's performance over the following few years. The results were fascinating: for each of the past 14 major declines in Chinese equities, the subsequent returns over 1, 3, and 5 years were positive - without fail. Not only were returns positive, they were typically strongly so, with the index on average returning +38%, +75% and +127% in dollar terms over the subsequent 1, 3 and 5 year periods.

These declines can be jarring, to say the least – remember SARS, the Global Financial Crisis, even the “Taper Tantrum”? Yet for those truly long term investors who didn't panic, they were just a bump on the road to financial prosperity. It goes without saying—but we'll say it any way—that those who invested following significant market declines, were even better off in the end.

We don't know whether the current decline has further to go. But we do know that, based on history and on current valuations, it appears to be a very interesting time for long term investors to be considering this out-of-favour asset class. The fund is currently open to new investors—please contact [info@cederbergcap.com](mailto:info@cederbergcap.com) if you wish to discuss.

Warm regards,

*David Krige*

*Analysis by Borch Du, Cederberg Operations & Client Services*

	China market declines - major news	Start	Finish	Days	Decline	Next 1yr USD return	Next 3yrs USD return	Next 5yrs USD return
1	Global slowing & SARS	May-02	Apr-03	342	-27%	85%	226%	502%
2	Hard-landing fears	Feb-04	May-04	89	-30%	36%	228%	195%
3	Mid-cycle slowing	May-06	Jun-06	37	-20%	86%	93%	132%
4	Pre-Crisis unwinding	Aug-07	Aug-07	17	-17%	1%	16%	11%
5	Global Financial Crisis	Nov-07	Oct-08	361	-74%	83%	71%	103%
6	Tightening & sovereign risk	Apr-10	May-10	46	-17%	23%	17%	71%
7	Double-dip & debt concern	Apr-11	Aug-11	113	-20%	3%	34%	32%
8	US growth & EU debt concern	Sep-11	Oct-11	34	-25%	30%	55%	65%
9	China growth & EU sovereign concern	May-12	Jun-12	34	-15%	19%	71%	62%
10	QE tapering concern	May-13	Jun-13	46	-18%	22%	15%	98%
11	China credit concerns	Dec-13	Feb-14	65	-14%	24%	20%	
12	China correction & growth concerns	Apr-15	Sep-15	133	-35%	20%	48%	
13	Fed hike, China FX/growth concerns	Oct-15	Feb-16	112	-25%	37%		
14	US election uncertainty	Sep-16	Dec-16	92	-12%	58%		
15	Rates risk & trade war concerns	Jan-18	Oct-18	274	-32%			
	<b>Average</b>			<b>120</b>	<b>-25%</b>	<b>38%</b>	<b>75%</b>	<b>127%</b>
	<b>Median</b>			<b>89</b>	<b>-20%</b>	<b>27%</b>	<b>52%</b>	<b>85%</b>

Source: Goldman Sachs, Cederberg Capital

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### Regulatory information and risk warning

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### Disclosure

<sup>1</sup> 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.

<sup>2</sup> Category definitions as per Cederberg. Source: Bloomberg, Cederberg

<sup>3</sup> Upside Capture is calculated by dividing the fund’s average 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 return during months in which the index had a negative return by the average index return during those months.

<sup>4</sup> Median portfolio characteristics are quoted as of 2 November 2018. Source: Bloomberg, Cederberg.

<sup>5</sup> Data as of 31 October 2018, except AUM (2 November 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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	Class A	Class B	Class C	Delaware LP - Class B	Delaware LP - Class C
<b>Inception date</b>	1 Jan 2012	1 Jul 2018	1 Jul 2018	1 Jul 2018	1 Jul 2018
<b>Status</b>	Closed	Open	Open	Open	Open
<b>Min initial investment</b>	US\$100k	US\$100k	US\$100k	US\$1mn	US\$1mn
<b>Subscription</b>	Monthly	Monthly	Monthly	Monthly	Monthly
<b>Redemption notice</b>	30 days	90 days	90 days	180 days	180 days
<b>Redemption fee (payable to the Fund)</b>	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
<b>Management fee</b>	1.50% p.a.	1.25% p.a.	0%	1.25% p.a.	0%
<b>Performance fee</b>	20% of net alpha over MSCI Golden Dragon; payable after 3yrs if Fund generated >6% p.a. US\$	20% of net alpha over MSCI Golden Dragon; payable after 3yrs if fund generated >6% p.a. US\$	25% of returns over 6% p.a. US\$ hard hurdle; payable after 3yrs	20% of returns over 8% p.a. US\$ hard hurdle; payable annually	25% of returns over 6% p.a. US\$ hard hurdle; payable annually
<b>High water mark</b>	Yes	Yes	Yes	Yes	Yes
<b>Investor level gates (max redemption per investor)</b>	N/A	25% per quarter	25% per quarter	N/A	N/A
<b>ISIN</b>	KYG2030A1004	KYG2030A1186	KYG2030A1269	N/A	N/A
<b>Sedol</b>	BMM1R81	BFZYW5	BD31D23	N/A	N/A