



Cederberg Greater China Equities 30 November 2018

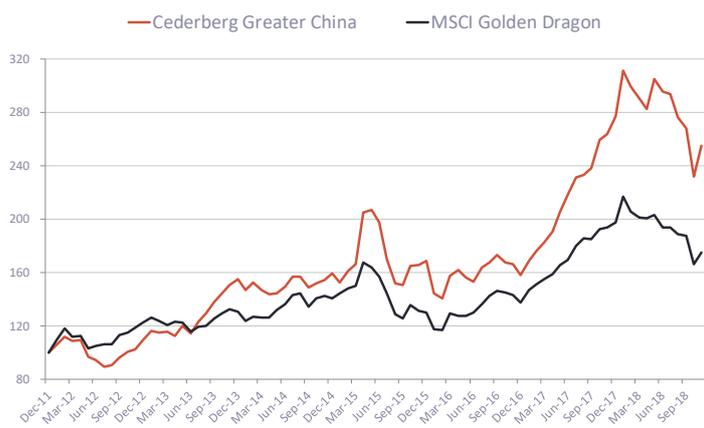
Cederberg Capital

- **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 Chart¹

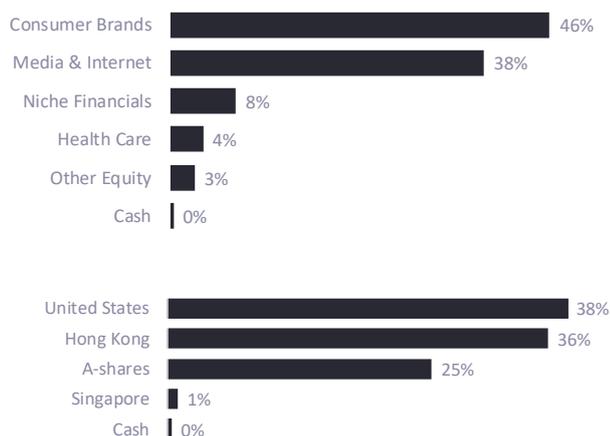


Past performance is not indicative of future results. Please see regulatory information on page 3. Source: Bloomberg, Charter Group, Cederberg. 30 Nov 2018

Performance Table¹

Net Returns in US\$	Fund	Index	Peer group	Percentile
<i>Annualised</i>				
Since Fund inception	14%	8%	7%	100
5 years	11%	6%	4%	99
3 years	15%	10%	1%	100
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	-8%	-11%	-20%	97
3 months	-8%	-7%	-9%	61
1 month	10%	5%	4%	98

Portfolio Positioning²



Major Holdings²

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

Median Portfolio Characteristics⁴

P/E (2019e)	18x	ROE	22%
EV/EBIT (2019e)	12x	ROIC	14%
EPS growth (2019e)	20%	Market cap	US\$22bn
Net cash to equity	49%	Number of holdings	17
Dividend yield	1%	Top 10 holdings	82%

Risk Metrics³



Fund Key Features⁵

Strategy	Long-only equity	Auditor	Deloitte
Domiciles	Cayman, Delaware	Custodian	Standard Chartered
Fund assets	US\$330mn	Administrator	Charter Group
Firm assets	US\$714mn	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	254.683	Email	info@cederbergcap.com

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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The B in BAT



Bytedance is one of the most exciting unlisted companies in the world. It is also one of the most valuable: a recent funding round valued it at USD75bn. It has all but replaced Baidu in the Big Three of Chinese internet companies – the other two members of the BAT trinity being Cederberg holdings **Alibaba** and **Tencent**. We recently visited the company's headquarters in Beijing. To say we came away impressed would be an understatement.

Bytedance was formed in 2012 by serial tech entrepreneur ZHANG Yiming - for a short interview, please click [here](#). From day one, the company's mission has been to connect information and content creators with users. Its entertainment-focused apps have **over 1 billion monthly users**, of which a quarter are based outside of China, and 3mn+ content creator accounts. Today, it has c. 25,000 employees with a median age of a mere 26 years.

Though at first glance Bytedance appears to be a media business, its DNA is very much that of a technology company. As the first Chinese internet firm to use AI (artificial intelligence) to push content to users based on their browsing history, it has built up a formidable first mover advantage. Furthermore, the company believes it has a more valuable data set to understand users' browsing needs than its ecommerce and social networking peers. Bytedance has developed two of China's most popular internet properties, the news platform Jinri Toutiao (also known as Today's Headlines) and the short video app Douyin - its international version Tik Tok was the most downloaded iPhone app globally in the first half of the year.

These apps are thoroughly addictive: Toutiao's average daily usage is 72 minutes, which compares favourably with Facebook (41 min), Snapchat (35 min) and Instagram (32 min). In China, Tencent's Wechat is still the most popular app, with significantly more users and an average daily usage of 91 minutes, though Bytedance has been taking market share from most major internet players including Tencent. Rapid user growth and high engagement levels have contributed to torrid topline growth, with revenues jumping threefold to USD7bn in 2018; a further doubling is forecasted for 2019. Most of this is from advertising, though the company is also considering other ways to monetise traffic, such as subscriptions, ecommerce and financial services.

While investing in unlisted companies currently falls outside of our mandate, we have done work on the likes of Bytedance for the following reasons:

1. It helps us to understand the industry better (Bytedance competes with Tencent and some of our other holdings)
2. We want to understand all of China's best-run businesses
3. We could obtain an edge ahead of a future listing
4. We might be able to invest in unlisted companies one day

In general, we have been impressed by the quality of several Chinese companies that have recently listed, as well as some that will do so in the near future such as Bytedance. While the valuations of some of these might appear unattractive at present, we continue to follow them so that we are ready to pounce when the time is right.

Warm regards,

David Krige

*Additional commentary by Cederberg investment team member
Da Wei Zhang*

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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 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.

⁴ Median portfolio characteristics are quoted as of 06 December 2018. Source: Bloomberg, Cederberg.

⁵ Data as of 30 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
Inception date	1 Jan 2012	1 Jul 2018	1 Jul 2018	1 Jul 2018	1 Jul 2018
Status	Closed	Open	Open	Open	Open
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; 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
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