



Cederberg Greater China Equities 31 January 2019

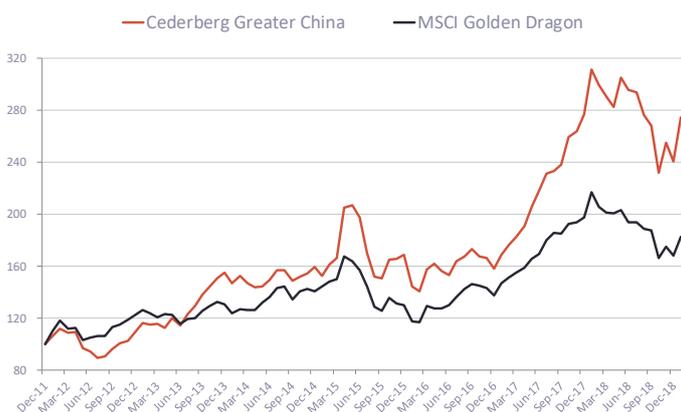
Cederberg Capital

- **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

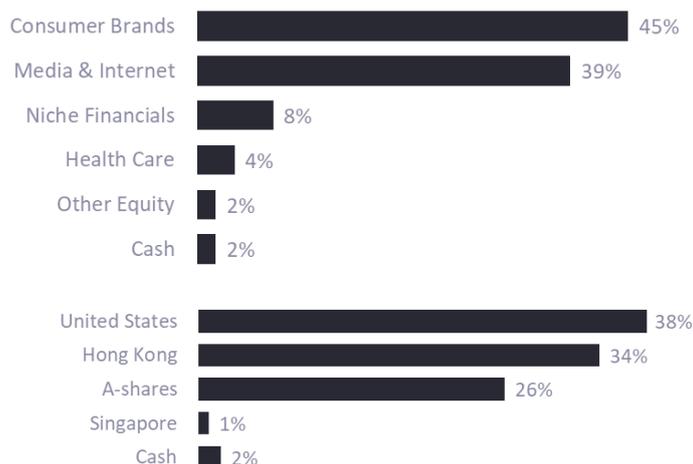


For Class A shares. All figures in US\$ net of fees. MSCI Golden Dragon Index includes net dividends. Past performance is not indicative of future results - please see regulatory information on p3. Source: Bloomberg, Charter Group. 31 Jan 2019

Performance Table¹

Net Returns in US\$	Fund	Index	Peer group	Percentile
<i>Annualised</i>				
Since inception (1/1/2012)	15%	9%	7%	100
5 years	13%	8%	5%	99
3 years	24%	16%	8%	99
2018	-13%	-15%	-23%	90
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	14%	8%	7%	100
3 months	18%	10%	7%	99
1 month	14%	8%	7%	100

Portfolio Positioning²



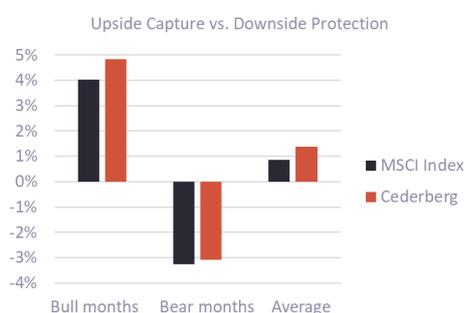
Major Holdings²

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

Median Portfolio Characteristics⁴

P/E (2019e)	20x	ROE	22%
EV/EBIT (2019e)	13x	ROIC	14%
EPS growth (2019e)	19%	Market cap	US\$28bn
Net cash to equity	45%	Number of holdings	16
Dividend yield	1%	Top 10 holdings	82%

Risk Metrics³



Fund Key Features⁵

Strategy	Long-only equity	Auditor	PwC
Domiciles	Cayman, Delaware	Custodian	Standard Chartered
Fund assets	US\$380mn	Administrator	Charter Group
Firm assets	US\$890mn	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	274.633	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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Tax bonanza

"Too big, too Leninist – China's next crisis" – FT, 13 Dec 2016

"China's urge to splurge is the wrong growth model" – Bloomberg, 4 Oct 2018

"The coming collapse of China's Ponzi scheme economy" – SCMP, 26 Aug 2017

China headlines fascinate us at Cederberg. We understand that newspapers are businesses, and that bad news sells. But surely good news also deserves to be heard? Wasn't China one of the fastest growing economies in the world last year, with 6.4% growth? That's not how the FT sees it: "China growth rate at its lowest since 1990".

In the absence of journalists stepping up to the plate, your correspondent is happy to do so, starting with tax reform – no yawning at the back!

On January 1st, Chinese consumers received several big windfalls. First and foremost, the salary threshold below which Chinese people don't pay income tax was raised from RMB3,500 per month to RMB5,000 (US\$740), meaning 85% of the urban population and virtually everyone in the countryside pay nothing. Filling out a tax return has never been this much fun.

Furthermore, several new tax deductible items were introduced:

- Children education expense: RMB1,000 per month per child is tax deductible
- Adult education: RMB3,600-4,800 p.a. is deductible
- Mortgage interest: RMB1,000 per month is deductible
- Rent: RMB800-1,500 per month is deductible
- Medical expenses: up to RMB80,000 p.a. is deductible
- Elderly care: up to RMB2,000 per month is deductible

Put together, consumers will have good reason to get the *baijiu* out: a taxpayer earning RMB5,000-20,000 per month can save 50% or more on tax.

These tax reforms show how serious the Chinese government is about consumption as the key driver of economic growth. Separately, the government wants to lower the tax burden of SMEs (small and medium enterprises) and the manufacturing sector - arguably the most vibrant parts of the Chinese corporate sector and responsible for employing hundreds of millions of consumers.

What does this mean for Cederberg's portfolio? Rather than saving all of their windfalls, it is likely that Chinese consumers will spend more money on things like entertainment (**Moutai, Tencent, Wuliangye, Yanghe, Yihai**), shopping (**Alibaba, JD.com**) and

home appliances (**Midea**). In addition to this tax-driven boost, these companies also enjoy structural growth tailwinds that should persist for many years.

In our experience, investing based on the press' doomsday predictions is a sure-fire way to destroy wealth. For Cederberg, it has been far more profitable to own wonderful companies with strong growth potential trading at - still - very reasonable prices. For now, the fund continues to accept subscriptions from existing and from new investors. Please contact us should you wish to discuss.

Warm regards,

David Krige

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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 04 February 2019. Source: Bloomberg, Cederberg.

⁵ Data as of 31 January 2019. 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