

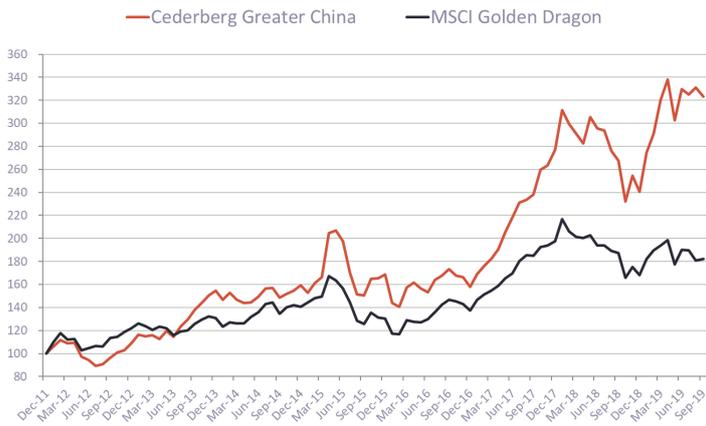
CEDERBERG CAPITAL

Cederberg Greater China Equities 30 September 2019

An introduction to Cederberg

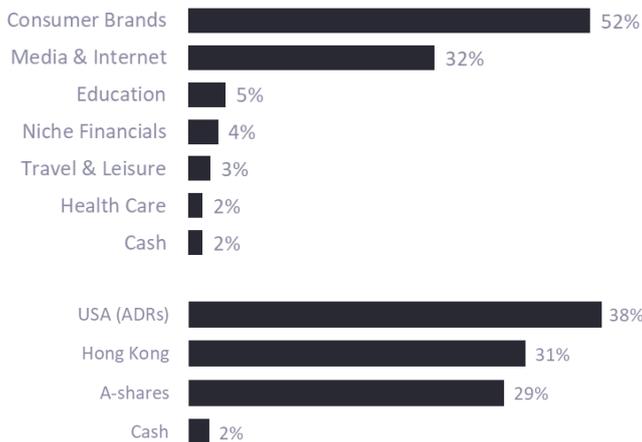
- Greater China specialists founded in 2011, majority staff-owned
- Mission: Run client money like we run our own
- Unique perspective from team in London & Shanghai
- Research-driven process focused on the region's best companies
- In every investment, we look for a durable Moat, excellent Management, and a large Margin of Safety
- We manage a high conviction portfolio of long-term winners, with low portfolio turnover

Performance chart¹

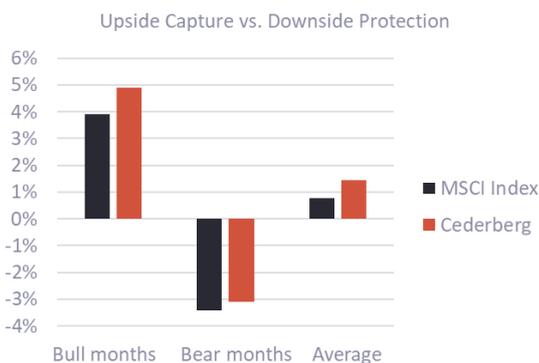


For Class A shares. All figures in US\$ net of fees. MSCI Golden Dragon Index includes net dividends. Past performance is not indicative of future results - please see regulatory information on p3. Source: Bloomberg, Charter Group. 30 Sep 2019

Portfolio positioning²



Risk³



Why Cederberg might not be right for you

- Our products are considered very risky; given our long-term focus and comfort with being different, **we are not for most investors**
- Chinese equities are highly volatile
- Our returns have been more volatile than those of the index
- We run a concentrated portfolio and we don't look like the index or our peers
- **Our past returns are unlikely to be repeated in the long run**
- **We are only suitable for those with an investment horizon >10 years**

Performance table¹

Net Returns in US\$	Class A	Index	Peer group	Percentile
<i>Annualised</i>				
Since inception (1/1/2012)	16%	8%	7%	100
5 years	17%	6%	5%	99
3 years	23%	8%	5%	100
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	34%	8%	17%	87
3 months	-2%	-4%	-2%	45
1 month	-2%	1%	1%	3

Major holdings²

Alibaba	Ecommerce	New Oriental	Education
Haidilao	Restaurants	Noah	Asset management
JD.com	Ecommerce	Tencent	Social network
Kweichow Moutai	Distillers	Wuliangye	Distillers
Netease	Online gaming	Yihai	Condiments

Median portfolio characteristics⁴

P/E (2020e)	22x	ROE	22%
EV/EBIT (2020e)	17x	ROIC	13%
EPS growth (2020e)	21%	Market cap	US\$25bn
Net cash to equity	49%	Number of holdings	17
Dividend yield	1%	Top 10 holdings	81%

Key features⁵

Strategy	Long-only equity	Auditor	PwC
Domiciles	Cayman, Delaware	Custodian	Standard Chartered
Fund assets	US\$747mn	Administrator	Charter Group
Firm assets	US\$1.7bn	Cayman counsel	Maples & Calder
Peer group	Greater China Equity	US & UK counsel	Schulte Roth & Zabel
Benchmark	MSCI Golden Dragon	NAV - Class A	322.96
Expenses	14 bps (2018)	NAV - Class B	109.41
Turnover	14% (2018)	NAV - Class C	113.16
Email	ir@cederbergcap.com	Phone	+44 203 745 1701

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BUSINESS UPDATE:

To ensure we are able to generate attractive long-term outcomes for our clients, we will close to new investors on Dec 31st 2019. Please contact christina@cederbergcap.com should you wish to discuss.

INVESTMENT UPDATE: PROCESS, PROCESS, PROCESS

“To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What’s needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework.” – Warren Buffett

Mensa is the largest and oldest IQ society in the world, open to anyone who places in the top 2% on a standardized intelligence test. It turns out that Mensa has an investment club. According to a study on the club’s investment results between 1986-2001, its returns were a little pedestrian. In fact, they lagged the S&P 500 by a whopping 13% p.a. over this period. This is by no means an isolated example: despite employing several university professors including two Nobel Prize-winners, hedge fund LTCM collapsed in 1998 following crippling losses, while Sir Isaac Newton lost over \$3mn (in today’s money) in the South Sea Bubble.

Our own experience suggests that a stratospheric IQ is not a prerequisite for decent investment results. In fact, we’d like to think that our sound, repeatable investment process provides us with a far more robust competitive advantage. It is essentially a five-stage process centred around our 3M framework: Moat, Management and Margin of Safety.

Firstly, we determine our investible universe. We’ve whittled the c.5,800 listed companies from Greater China with a market cap greater than \$100mn down to 125 that meet two qualitative criteria: is the company’s moat durable, and is its management decent? This helps us to focus on the 2% of companies with attractive long-term economics that we can reasonably predict (“the Cederberg Universe”), while spending negligible time on the rest.

Secondly, we do deep-dive research on this group, one company at a time. Desk-based research involves reading the company’s financial reports stretching back many years, as well as any other information that can help us understand the business’ moat, management and long-term drivers. Equally important is the fieldwork we do, which typically involves speaking with upwards of 20 primary sources of information such as former employees and customers. This has been particularly helpful to better understand corporate culture, as well as helping us to avoid frauds and poorly-governed businesses.

Thirdly, we determine the company’s intrinsic value based on its operating income, which we normalize over the next four years before assigning a target multiple of 10-18x, depending on the

quality of the business (how wide is its moat, how good is its management team) and its long-term growth potential.

Fourthly, we wait for the market to present us with a significant margin of safety. We want to buy these wonderful businesses when they offer 100%+ upside to intrinsic value, which doesn’t happen very often. So frequently we have to wait months or even years before we get our chance.

Lastly, we sell out of a name when it no longer offers any margin of safety, its moat has narrowed, or when management has not met our expectations. Proceeds are recycled back into existing portfolio names or go towards establishing a new position.

CONCLUSION:

In summary, we believe that our investment process is not only sound, it is also highly repeatable. Moreover, we believe that we have the emotional and financial strength to stick with it during periods of sustained underperformance. After all, what good is having a plan if you can’t follow it? As for Mensa, we don’t know what happened to their investment club after 2001. But had they implemented a disciplined investment process, things may well have turned out differently!

To our clients: thank you for taking the long-term view.
To our team: thank you for your world-class work.

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 show the fund’s average return vs. the index’s average return for those months in which the index had a positive return. Downside Capture shows the fund’s average return vs. the index’s average return for those months in which the index had a negative return. Source: Bloomberg, Cederberg

⁴ Median portfolio characteristics are quoted as of 04 October 2019. Source: Bloomberg, Cederberg.

⁵ Data as of 30 September 2019. Expenses include all fund level expenses excluding investment management fees divided by the fund’s average AUM in 2018. Portfolio turnover is for 2019 and is calculated as the lower of all buy and sell transactions divided by fund’s average AUM. 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 (closed for new subscriptions)	Class B	Class C	Delaware LP - Class B	Delaware LP - Class C
Inception date	1 Jan 2012	1 Jul 2018	1 Jul 2018	1 Aug 2018	1 Aug 2018
Status	Closed	Soft close 31 Dec 2019	Soft close 31 Dec 2019	Soft close 31 Dec 2019	Soft close 31 Dec 2019
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 if Fund generated >6% p.a. US\$ returns; payable for the first time in Jan 2015 and annually thereafter	20% of net alpha over MSCI Golden Dragon if Fund generated >6% p.a. US\$ returns; payable for the first time in Jan 2022 and annually thereafter	25% of returns over 6% p.a. US\$ hard hurdle; payable for the first time in Jan 2022 and annually thereafter	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