

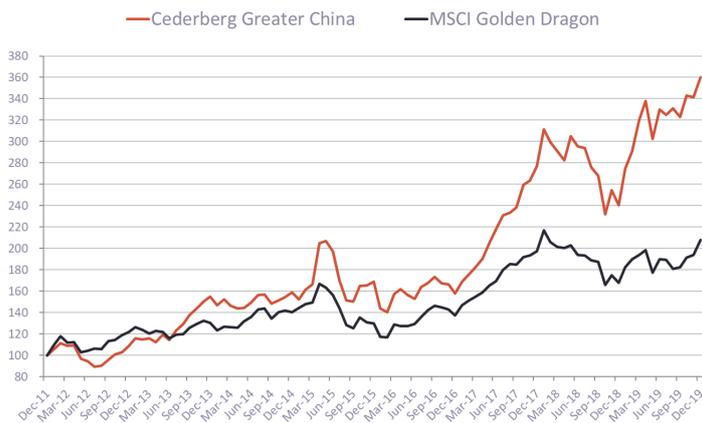
CEDERBERG CAPITAL

Cederberg Greater China Equities 31 December 2019

An introduction to Cederberg

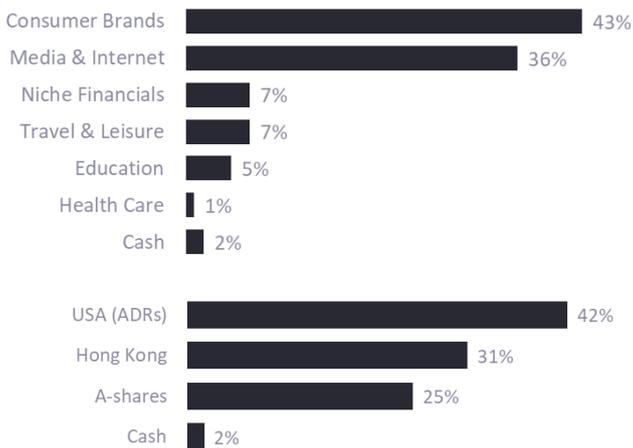
- Greater China specialists founded in 2011, majority staff-owned
- Mission: Run client money like we run our own
- Unique perspective from team in London & Shanghai
- Research-driven process focused on the region's best companies
- In every investment, we look for a durable Moat, excellent Management,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

Performance chart¹

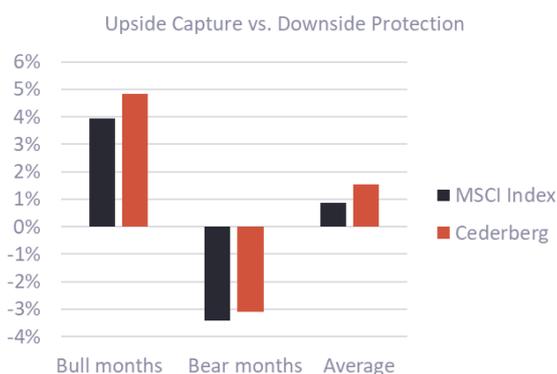


Class A shares. All figures in US\$ net of fees. MSCI Golden Dragon Index includes net dividends. Past performance is not indicative of future results - please see regulatory information on p4. Source: Bloomberg, Charter Group. 31 Dec 2019

Portfolio positioning²



Risk³



Why Cederberg is not for everyone

- 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
Since inception (1/1/2012)	17%	10%	8%	100
5 years	18%	8%	6%	99
3 years	32%	15%	11%	100
2019	50%	24%	32%	86
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

Not annualised

Year to date	50%	24%	32%	86
3 months	12%	14%	12%	47
1 month	5%	7%	8%	12

Major holdings²

Alibaba	Ecommerce	NetEase	Online gaming
Haidilao	Restaurants	New Oriental	Education
Huazhu Group	Hotels	Tencent	Social network
JD.com	Ecommerce	Wuliangye	Distillers
Kweichow Moutai	Distillers	Yihai	Condiments

Median portfolio characteristics⁴

P/E (2020e)	24x	ROE	24%
EV/EBIT (2020e)	17x	ROIC	15%
EPS growth (2020e)	20%	Market cap	US\$23bn
Net cash to equity	49%	Number of holdings	17
Dividend yield	2%	Top 10 holdings	82%

Key features⁵

Strategy	Long-only equity	Auditor	PwC
Domiciles	Cayman, Delaware	Custodian	Standard Chartered
Fund assets	US\$945mn	Administrator	Charter Group
Firm assets	US\$2bn	Cayman counsel	Maples & Calder
Peer group	Greater China Equity	US & UK counsel	Schulte Roth & Zabel
Benchmark	MSCI Golden Dragon	NAV - Class A	360.19
Expenses	14 bps (2018)	NAV - Class B	122.12
Turnover	15% (2019)	NAV - Class C	123.40
Email	ir@cederbergcap.com	Phone	+44 203 745 1701

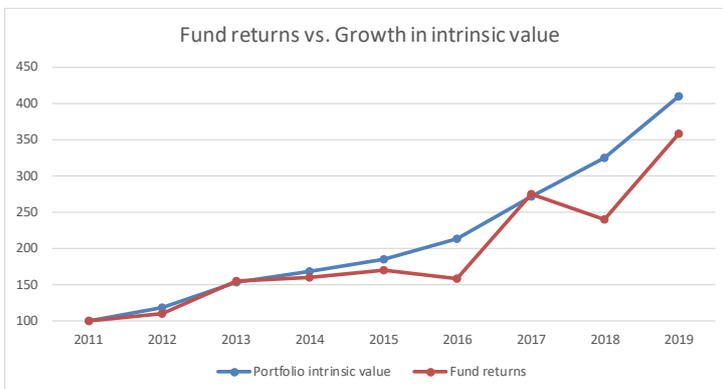
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“...If you can meet with Triumph and Disaster
And treat those two impostors just the same...”
- If, Rudyard Kipling

INVESTMENT UPDATE: THE NEXT DECADE

A year ago, we highlighted the portfolio’s attractive value, given the divergence between our companies’ rapid growth and their weak share prices in 2018 – please see below. Last year, the gap between intrinsic value and share prices narrowed considerably: while our companies continued to grow at a mid-20% rate, the fund gained +50% (Class A, USD, net of fees), beating most of its peers and the index in the process.



Source: Bloomberg, Cederberg Capital. Growth in the portfolio’s intrinsic value is approximated by the weighted average growth in per share operating income plus its dividend yield. Rebased to 100.

What should investors expect going forward?

We have no idea what the fund’s performance will be in the next one, two or even five years - it is impossible to know. However, when we look further out, we remain optimistic: we own a portfolio of wonderful businesses with attractive long-term growth potential trading on reasonable valuations. Of course, not all holdings are equally discounted: the margin of safety for names such as **Alibaba**, **Noah** and **JD.com** are much more meaningful than that of **Yihai** or **Moutai**. But on balance, we are sanguine about valuations.

That said, the fund’s return over the next decade is unlikely to be as good as what it has been historically for two reasons. Firstly, our holdings’ valuations are not as low they had been in the past. Secondly, though earnings continue to grow rapidly (please see chart below), they will eventually normalize, perhaps to a mid-teens level; this is likely to constrain long-run returns.

Top 10 Holdings	Operating income per share growth in 2019	Operating income per share growth in past five years
Alibaba	+35%	+30%
Haidilao	+48%	N/A
Huazhu	-1%	+23%
JD.com	+21%	+32%
Kweichow Moutai	+17%	+22%
NetEase	+12%	+25%
New Oriental	+26%	+20%
Tencent	+18%	+32%
Wuliangye Yibin	+36%	+28%
Yihai	+47%	+45%
Average	+26%	+29%
Median	+26%	+28%

Source: Bloomberg, Cederberg Capital. Annualized operating income per share growth in 2019 and for the past five years, except JD (growth in sales per share).

As always, we remain focused on improving the quality of the portfolio while simultaneously increasing its margin of safety. Despite the team’s best efforts, we have not found many new investments lately; the fund’s turnover was 15% in 2019 and 14% in 2018. This is principally due to two reasons. Firstly, we like what we own, hence the bar for new ideas to enter the portfolio is high. Secondly, there has been a significant divergence in the valuations of those best-in-class companies that we are interested in and the rest of the market, which seems to be a global phenomenon - the “quality” bandwagon is getting crowded! That said, we are optimistic that we will find some great businesses that are meaningfully undervalued over the next few years as new ones get listed, old ones get their acts together, and market turbulence leads to good companies ending up in the bargain bin.

While the long-term outlook for our strategy remains sound, the journey is unlikely to be a smooth one. In fact, we are certain there will be bouts of extreme volatility; in 16 of the past 20 years, Chinese equities experienced intra-year declines of 20% or more, including two gut-wrenching collapses of greater than 70%. **Moreover, following its strong run, the fund is arguably due some underperformance; this could be both deep and long.** As always, we encourage our clients to keep their eyes on the horizon, during both the good times and the bad. Rest assured that we will be doing the same.

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BUSINESS UPDATE:

Unlike the modest trading activity in 2019, there were several developments on the business side:

- AUM more than doubled to \$2bn
- We closed the strategy to new investors at year-end
- We welcomed Joe Reynolds, Dan Tan, Craig Bodenstab and Rahul Moodgal to the Cederberg family
- We said goodbye to Peter Bowie as director, though he remains a dear friend, client and mentor
- We improved our investment, investor relations, technology and operations capabilities
- We implemented an equity incentive scheme and several staff wellbeing initiatives
- We found a great new London office at 91 Jermyn Street

Despite many positive developments, we are not patting ourselves on the back: just as our investments will experience turbulence and disappointments, the same is true for the business. Hence, our focus remains on building an organisation that can withstand the toughest of times through the implementation of some relatively straightforward practices.

Firstly, we have partnered with some exceptionally long term-oriented clients. We believe that they understand the asset class, its risks and its long-term opportunities. Moreover, most of our clients have agreed to be locked-in for three years or more (we have been investing on the same liquidity terms to ensure our interests are aligned). So when the next crisis hits, our expectation is that most clients will stand firm, or even add to their holdings.

Secondly, our processes across investments, operations and investor relations are robust, repeatable and not overly reliant on any individual. In all functions, there are at least two people who can do the job. We are also in the process of growing our investment team from five to six.

Thirdly, we have significant reserves that can cover years of operating expenses, as virtually all retained earnings since inception have been invested alongside clients. Even if all our clients were to redeem, we could stay in business for a very long time.

Finally, we have a fair amount of emotional wherewithal within the team. While none of us come from the planet Vulcan (!), we have experienced our fair share of adversity, market declines and setbacks over the years. This knowledge could come in handy when the next bear market hits, when clients depart, or when we lose good people.

This all sounds very depressing, you say? True, but then again, there are plenty of investment "heroes" who swiftly became "zeroes". We will do our best to avoid ignominy by preparing for the worst, while hoping for the best!

CONCLUSION:

Though 2019 was a good year for Cederberg and its clients, we think it is sensible for us to remain focused on our process (no yawning at the back!) rather than to extrapolate the past. Perhaps time for us to dust off Kipling while we're at it.

To our clients: thank you for your long-term support.

To the Cederberg team: thank you for your excellent work.

Wishing you and your loved ones a happy, healthy and prosperous Year of the Rat!

David Krige

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Regulatory information and risk warning

This document is issued for information only by Cederberg Capital Limited (the “Firm” or “Cederberg”). The Firm is authorised and regulated by the Financial Conduct Authority (registration number 775092). It does not constitute an offer by the Firm to enter into any contract/agreement nor is it a solicitation to buy or sell any investment. Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice in any way. The contents of this document are based upon sources of information believed to be reliable, however, save to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to its accuracy or completeness and, the Firm, its members, officers and employees of the corporate member do not accept any liability or responsibility in respect of the information or any views expressed herein. All data is sourced from the Firm unless otherwise indicated. This document may include forward-looking statements that are based upon the managers’ current opinions, expectations and projections. The Firm undertakes no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements. This document is not aimed at persons who are residents of any country, including the United States of America (“USA”) and South Africa, where the funds referred to herein are not registered or approved for marketing and/or sale or in which the dissemination of information on the funds or services is not permitted. This document should not be distributed to any third party without the express approval of the Firm. It has been designed for a professional audience only and should not be passed onto a retail audience.

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 08 January 2019. Source: Bloomberg, Cederberg.

⁵ Data as of 31 December 2019. Expenses include all fund level expenses excluding investment management fees divided by the fund’s average AUM in 2018. Portfolio turnover is for 2018 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	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	Hard closed	Closed to new investors	Closed to new investors	Closed to new investors	Closed to new investors
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