

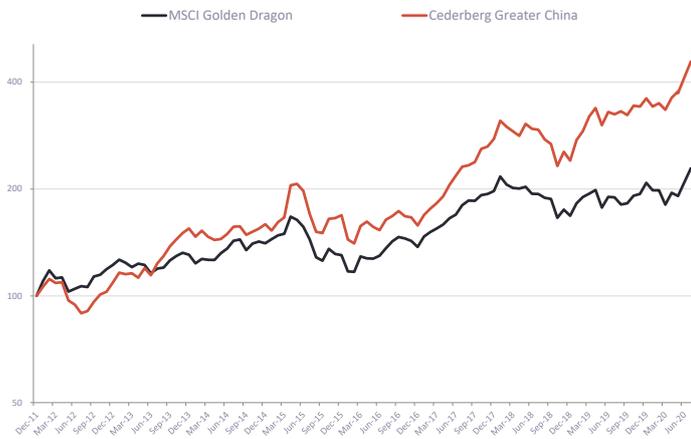
CEDERBERG CAPITAL

Cederberg Greater China Equities 31 July 2020

An introduction to Cederberg

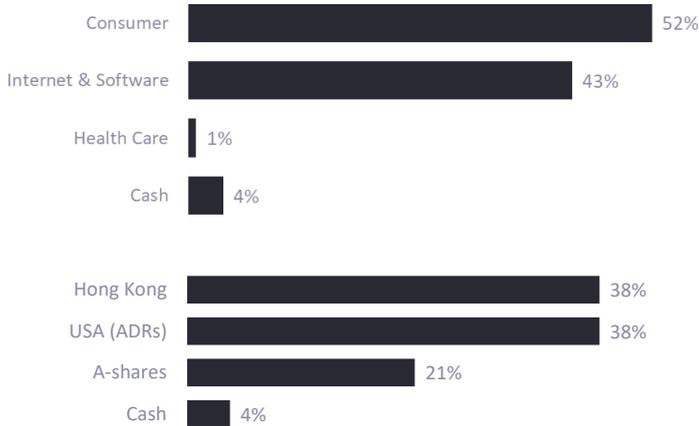
- Greater China specialists founded in 2011, majority staff-owned
- Mission: Run client money like we run our own
- Unique perspective from team in London & Shanghai
- Research-driven process focused on the region's best companies
- Durable **Moats**, excellent **Management**, and a large **Margin of Safety**
- We manage a high conviction portfolio of long-term winners
- **The fund is currently open to existing and to new investors**

Performance chart¹

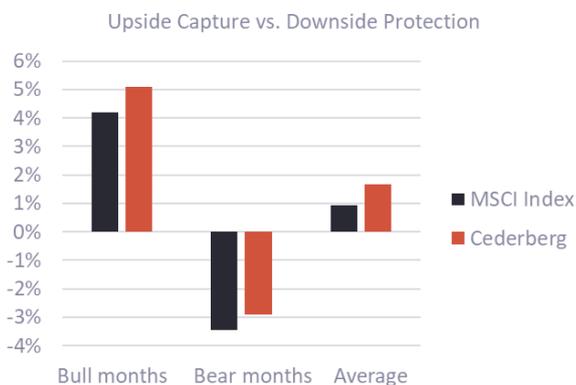


Class A shares, all figures in US\$ net of fees. MSCI Golden Dragon Index includes net dividends. Y-axis uses a logarithmic scale. Past performance is not indicative of future results - please see regulatory information on p3. Source: Bloomberg, Charter Group. 31 July 2020.

Portfolio positioning²



Risk³



Why Cederberg is not suitable for everyone

- Our products are considered very risky; given our long-term focus and comfort with being different, **we are not suitable for most investors**
- **Chinese equities are highly volatile: declines >50% are not unusual**
- Our returns have been more volatile than those of the index
- We run a focused portfolio that differs from the index and 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) | 19% | 10% | 9% | 100 |
| 5 years | 21% | 9% | 7% | 100 |
| 3 years | 25% | 8% | 10% | 96 |
| 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 |
| <i>Not annualised</i> | | | | |
| Year to date | 27% | 10% | 21% | 65 |
| 3 months | 26% | 17% | 23% | 80 |
| 1 month | 11% | 9% | 12% | 41 |

Major holdings²

| | | | |
|-----------------|-------------|--------------|------------------|
| Alibaba | Ecommerce | LexinFintech | Consumer finance |
| Haidilao | Restaurants | NetEase | Online gaming |
| Kweichow Moutai | Distillers | Tencent | Social network |
| China Meidong | Autodealers | Wuliangye | Distillers |
| GDS Holdings | Datacentres | Yihai | Condiments |

Median portfolio characteristics⁴

| | | | |
|--------------------|-----|--------------------|----------|
| P/E (2021e) | 30x | ROE | 23% |
| EV/EBIT (2021e) | 26x | ROIC | 14% |
| EPS growth (2021e) | 27% | Market cap | US\$14bn |
| Net cash to equity | 43% | Number of holdings | 17 |
| Dividend yield | 1% | Top 10 holdings | 84% |

Key features⁵

| | | | |
|-------------|--|-----------------|----------------------|
| Strategy | Long-only equity | Auditor | PwC |
| Domiciles | Cayman, Delaware | Custodian | Standard Chartered |
| Fund assets | US\$1.3bn | Administrator | Charter Group |
| Firm assets | US\$2.5bn | Cayman counsel | Maples & Calder |
| Peer group | Greater China Equity | US & UK counsel | Schulte Roth & Zabel |
| Benchmark | MSCI Golden Dragon | NAV - Class A | 457.05 |
| Expenses | 12bps (2019) | NAV - Class B | 155.77 |
| Turnover | 15% (2019) | NAV - Class C | 155.32 |
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How much China?

"If something can't go on forever, it won't." – Herbert Stein

We are often asked what an appropriate allocation to China might look like. According to index provider MSCI it should be 5%, i.e. less than one-tenth of the AC World Index's weighting to the US. We find these figures decidedly backward-looking:



Data as of 2019 except unicorns, market cap, listed companies (2020). Source: World Bank, IMF, Bloomberg, WIPO, CBInsights

1. Based on market cap, China is the world's second-largest stock market with a 20% share vs 40% for the US.
2. In terms of the number of listed companies, it has a 24% share vs 16% for the US.
3. Purchasing power parity-adjusted, it has a 17% share of the world economy vs 16% for the US.
4. China filed more global patent applications than the US last year; both countries had c. 22% global market share.
5. It has 34% of the world's unicorns* vs 45% in the US.
6. It is expected to contribute 27% of global GDP growth in 2019-2023 vs 18% for the US**, which is similar to the experience in recent years.

As unicorns and other companies get listed, the government reduces its stakes in listed SOEs, and the renminbi becomes more freely convertible, China's c.5% position in global equity indices will increase dramatically. Over time, we would not be surprised if its **weighting grows to 20-30%, or even more.**

While a greater allocation to China in global indices is a near-certainty, investors tend to be most interested in returns. How attractive is the investment opportunity set today?

While the country does not yet have as many high quality stocks as, say, the US, it has dozens of **wonderful companies growing rapidly with valuations that are often much lower than elsewhere.** Moreover, it remains **nirvana for active equity investors**, with 49% of Chinese equity funds outperforming their benchmark over the past five years; this compares favourably with the US, where a mere 19% of US large-cap strategies outperformed (note that both of these figures suffer from survivorship bias). This outperformance is partly due to the presence of less rational players creating market inefficiencies: retail "investors" represent 80% of onshore trading volumes vs 15% in the US. It is also possible for investors to add value through proprietary research: 61% of Chinese companies have zero analyst coverage vs 8% in the US. No wonder we tend to tap-dance to work!

While we are bullish Chinese equities as an asset class, we are particularly optimistic about the long-term outlook for our portfolio of domestic consumption-driven champions. **We are looking to replace some capacity that has recently been freed up: the fund is currently accepting investments from both current and new investors.** Please let us know should this be of interest to you.

Warm regards,

David Krige

* A unicorn is an unlisted start-up company with a valuation greater than \$1bn.

** This forecast was made before the outbreak of Covid-19; China's contribution to global GDP growth in 2019-2023 may well end up being significantly higher than 27% given how well the country has responded to the pandemic, especially compared to other countries.

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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 3 August 2020. Source: Bloomberg, Cederberg.

⁵ Data as of 31 July 2020. Expenses include all fund level expenses excluding investment management fees divided by the fund’s average AUM in 2019. Portfolio turnover 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 | 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 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 |