

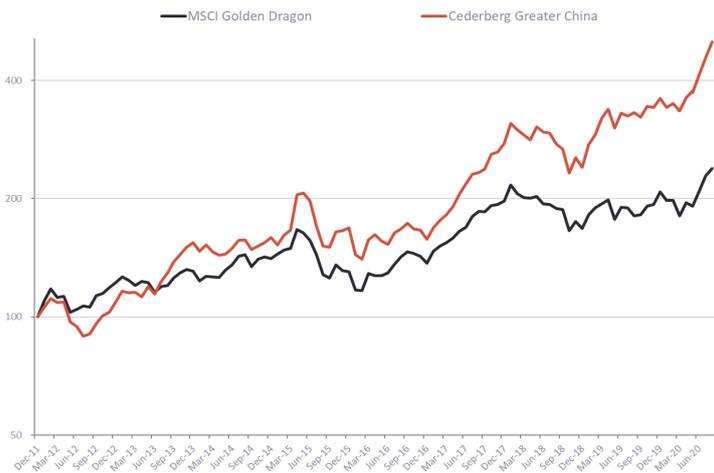
CEDERBERG CAPITAL

Cederberg Greater China Equities 31 August 2020

An introduction to Cederberg

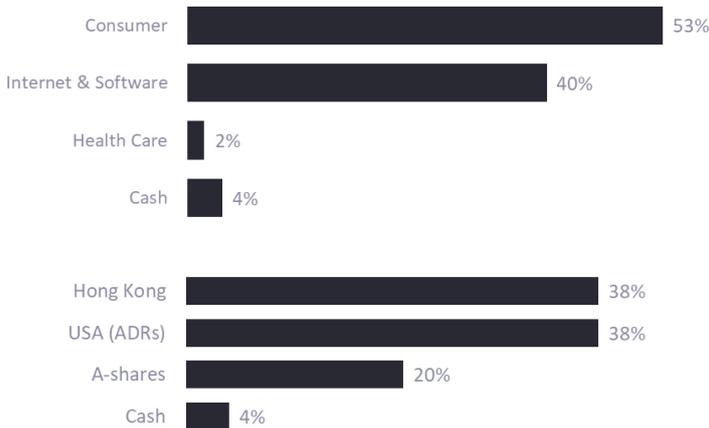
- Greater China specialists founded in 2011, majority staff-owned
- Mission: Run client money like we run our own
- Unique perspective from team in London & Shanghai
- Research-driven process focused on the region's best companies
- Durable **Moats**, excellent **Management**, and a large **Margin of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

Performance chart¹

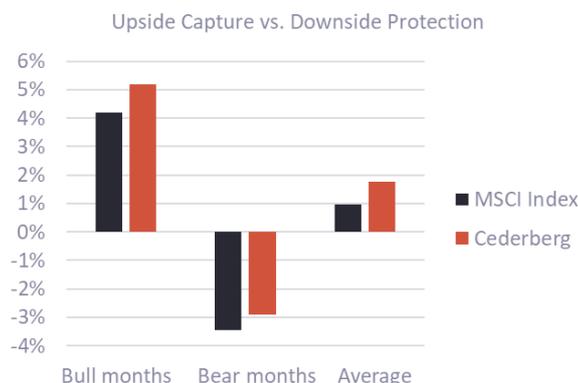


Class A shares, all figures in US\$ net of fees. MSCI Golden Dragon Index includes net dividends. Y-axis uses a logarithmic scale. Past performance is not indicative of future results - please see regulatory information on p3. Source: Bloomberg, Charter Group. 31 August 2020.

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)	20%	11%	10%	100
5 years	27%	13%	12%	99
3 years	29%	9%	10%	97
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	39%	15%	27%	75
3 months	35%	25%	28%	89
1 month	10%	4%	7%	96

Major holdings²

Alibaba	Ecommerce	NetEase	Online gaming
China Meidong	Autodealers	New Oriental	Education
GDS Holdings	Datacentres	Tencent	Social network
Haidilao	Restaurants	Wuliangye	Distillers
Kweichow Moutai	Distillers	Yihai	Condiments

Median portfolio characteristics⁴

P/E (2021e)	34x	ROE	20%
EV/EBIT (2021e)	27x	ROIC	12%
EPS growth (2021e)	25%	Market cap	US\$20bn
Net cash to equity	35%	Number of holdings	19
Dividend yield	1%	Top 10 holdings	82%

Key features⁵

Strategy	Long-only equity	Auditor	PwC
Domiciles	Cayman, Delaware	Custodian	Standard Chartered
Fund assets	US\$1.5bn	Administrator	Charter Group
Firm assets	US\$2.7bn	Cayman counsel	Maples & Calder
Peer group	Greater China Equity	US & UK counsel	Schulte Roth & Zabel
Benchmark	MSCI Golden Dragon	NAV - Class A	501.62
Expenses	12bps (2019)	NAV - Class B	171.22
Turnover	15% (2019)	NAV - Class C	169.46
Email	ir@cederbergcap.com	Phone	+44 203 745 1701

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GETTING RICHER

“To get rich is glorious” - Deng Xiaoping.

Anyone who has applied for a loan would know that wealth is typically assessed in terms of one’s income, assets, or both. So how rich are China’s consumers today?

On an income basis, Chinese people are still poor. Based on a GDP per capita of \$10,098, China ranked 65th in the world last year, positioned between Mexico and Argentina. Average urban wages of \$12,000 p.a. are less than a fifth of those earned by the average American. However, unlike Mexico, Argentina and the US, inflation-adjusted wages in China have grown at a rapid 10% p.a. during the past 20 years. **Over the next decade, it is conceivable that they could double again, given the country’s buoyant economy and low unemployment.**

What about assets – how strong are Chinese consumers’ balance sheets? On this metric, the typical Chinese person is already rich: at the end of 2019, **the country’s median urban household net worth of \$198,330 was almost double the American equivalent of \$104,000¹.** How is this possible, you ask?

Differences in savings rates and income inequality (on an *average* basis, Americans are still wealthier than Chinese) explain part of it, but the main reason relates to real estate. Until the 1990s, all property was owned by the Chinese government. In the largest wealth transfer in history, the state allowed urban residents to buy the homes they were living in for a song; today, those same properties are worth a lot of money! As a result, 96% of urban Chinese are property-owners vs 64% in the US. And since they bought their homes so cheaply, they have not had to incur huge debts either: only 57% of Chinese households have any debt, equal to 16% of their assets; the corresponding figures for American households are 77% and 36% respectively.

Of course, wealth creation has not - and will not - take place in a straight line. But given their **rising incomes and robust balance sheets** – both virtually unaffected by Covid-19 – we believe that **Chinese consumers continue to face a very bright long-term future.** Getting richer is glorious indeed.

¹ Sources: People’s Bank of China, US Federal Reserve

CORPORATE UPDATE

As previously discussed, Daniel Ng will leave us next month to focus on charitable work supporting some very worthy causes in China (do let us know if you would like to get involved). We will also say goodbye to Borch Du, who is looking to pursue opportunities elsewhere. It has been a pleasure and a privilege to work alongside these gentlemen. Borch and Daniel, thank you and best of luck!

Jordan Grodecki joins us as an Operations Analyst this month. Jordan has a B.Sc. Degree from the University of Bristol and started his career at PwC, before moving to Orbis. As a seventeen year-old, he created a popular games website, which was subsequently bought out by a market leader. Jordan will help Joe with strengthening and automating our operations platform.

In October, Lindy du Plessis will join us as Head of Client Services. Lindy has over a decade of client experience with Marathon, Orbis and Allan Gray. A CFA charter-holder, she has also obtained an MBA from INSEAD and a B.Com.Hons. Degree (*cum laude*) from the University of Stellenbosch (I have known Lindy for 25 years as we studied together at Stellenbosch; she beat me in every subject!). Lindy will be working closely with Christina as we continue to build a world-class client services capability.

I am thrilled that we have been able to attract such outstanding people to the Cederberg team. Welcome, Jordan and Lindy!

Our virtual Investor Day will take place on 14 October 2-5pm (UK time); please click [here](#) if you wish to attend. It will be an opportunity for clients and friends to get to know our team, our process and the investment opportunity set in China better. Fingers crossed we will get to see each other in person next year!

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 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