

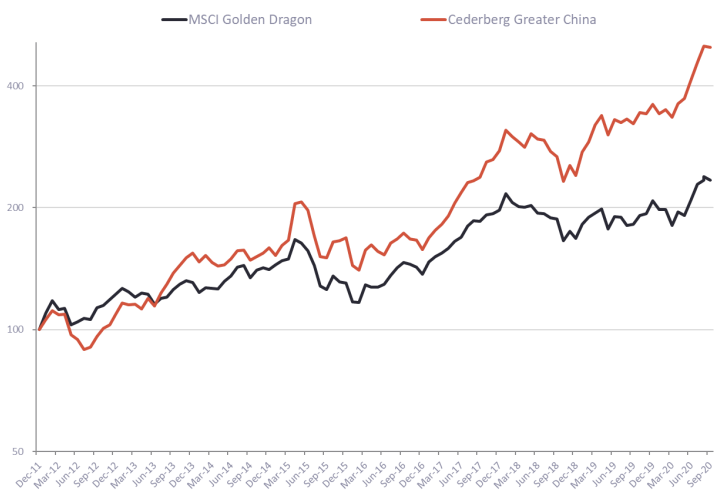
CEDERBERG CAPITAL

Cederberg Greater China Equities 30 September 2020

An introduction to Cederberg

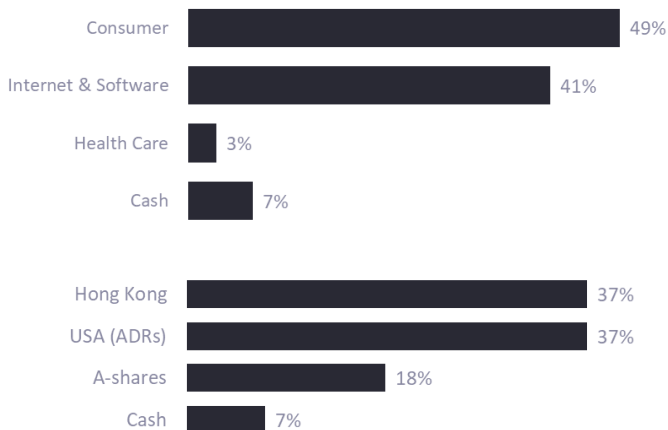
- Greater China specialists founded in 2011, majority staff-owned
- Mission: Run client money like we run our own
- Unique perspective from team in London & Shanghai
- Research-driven process focused on the region's best companies
- Durable **Moats**, excellent **Management**, and a large **Margin of 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. 30 September 2020.

Portfolio positioning²



Risk³

Upside Capture vs. Downside Protection



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%	10%	10%	100
5 years	27%	13%	11%	100
3 years	28%	8%	9%	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	38%	12%	23%	77
3 months	21%	11%	24%	93
1 month	-1%	-2%	-4%	90

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)	35x	ROE	23%
EV/EBIT (2021e)	25x	ROIC	12%
EPS growth (2021e)	22%	Market cap	US\$31bn
Net cash to equity	28%	Number of holdings	21
Dividend yield	1%	Top 10 holdings	77%

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	497.73
Expenses	12bps (2019)	NAV - Class B	169.97
Turnover	15% (2019)	NAV - Class C	169.02
Email	ir@cederbergcap.com	Phone	+44 203 745 1701

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"Entitled to nothing, grateful for everything" – Jack Clark.

LEARNING FROM THE CAL BEARS

Jack Clark has been Head Coach of the University of California's rugby team for nearly four decades. A talented athlete – he was the only American to be selected for a World XV rugby team in 1980 – Jack has become one of the most successful sports coaches in the world: his teams have a win-rate of close to 90% and have won 29 national championships in the past 33 years.

But it has not always been plain sailing for Jack Clark and the Bears. They have lost several big games, players have suffered traumatic injuries, and Coach Clark's own playing career was cut short when he was shot four times outside a San Francisco bar. Perhaps that is why they have embraced a **culture of resilience, teamwork, and focusing on process rather than outcomes**. This is encapsulated by their mantra *"Entitled to nothing, grateful for everything"**.

Just like sports teams, all fund managers underperform at some point; even the greatest investor of all time has lagged the S&P 500 by 4.5% p.a. over the past decade. To remind ourselves that we cannot afford complacency, Coach Clark's words are framed in our lobby, next to the track records of three well-known investors during periods of outperformance and subsequent underperformance. The performance charts are there to remind us that underperformance is a *given* for all investors.



So, when exactly will Cederberg underperform, you ask? That we don't know, though **strong returns in recent years suggest it may happen sooner rather than later**. What we do know, however, is that at some point we *will* underperform, and that it will not be easy for our clients or ourselves. Potential causes for underperformance include stock specific reasons, our investment style being out of favour, or macro-economic drivers, to name but a few.

At Cederberg, we aim to multiply our clients' capital over the next several decades. To ensure that any future underperformance won't be detrimental to them or to us, we need to get the basics right:

1. Execute - and improve - our process with discipline daily.
2. Build a world-class team with aligned incentives.
3. Partner with patient clients who know what they own and why.
4. Make decisions based on what is best for our clients.

If we can get these things right – and follow Jack Clark's advice while we are at it – we should be able to weather the inevitable storms that life and the market will send our way.

CORPORATE UPDATE

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

* A big thank you to Hunter Capital's Grant Bowman for the tip!

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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 30 September 2020. Source: Bloomberg, Cederberg.

⁵ Data as of 30 September 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.

Cederberg Capital Limited

2nd Floor, 91 Jermyn Street, London, SW1Y 6JB

Room 2455, Cloud 9 International Plaza, No. 1018 Changning Road, Shanghai, China 200042

上海市长宁区长宁路1018号龙之梦大厦2455室

	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