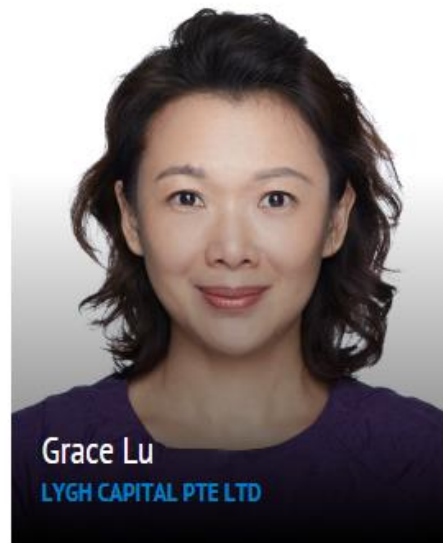
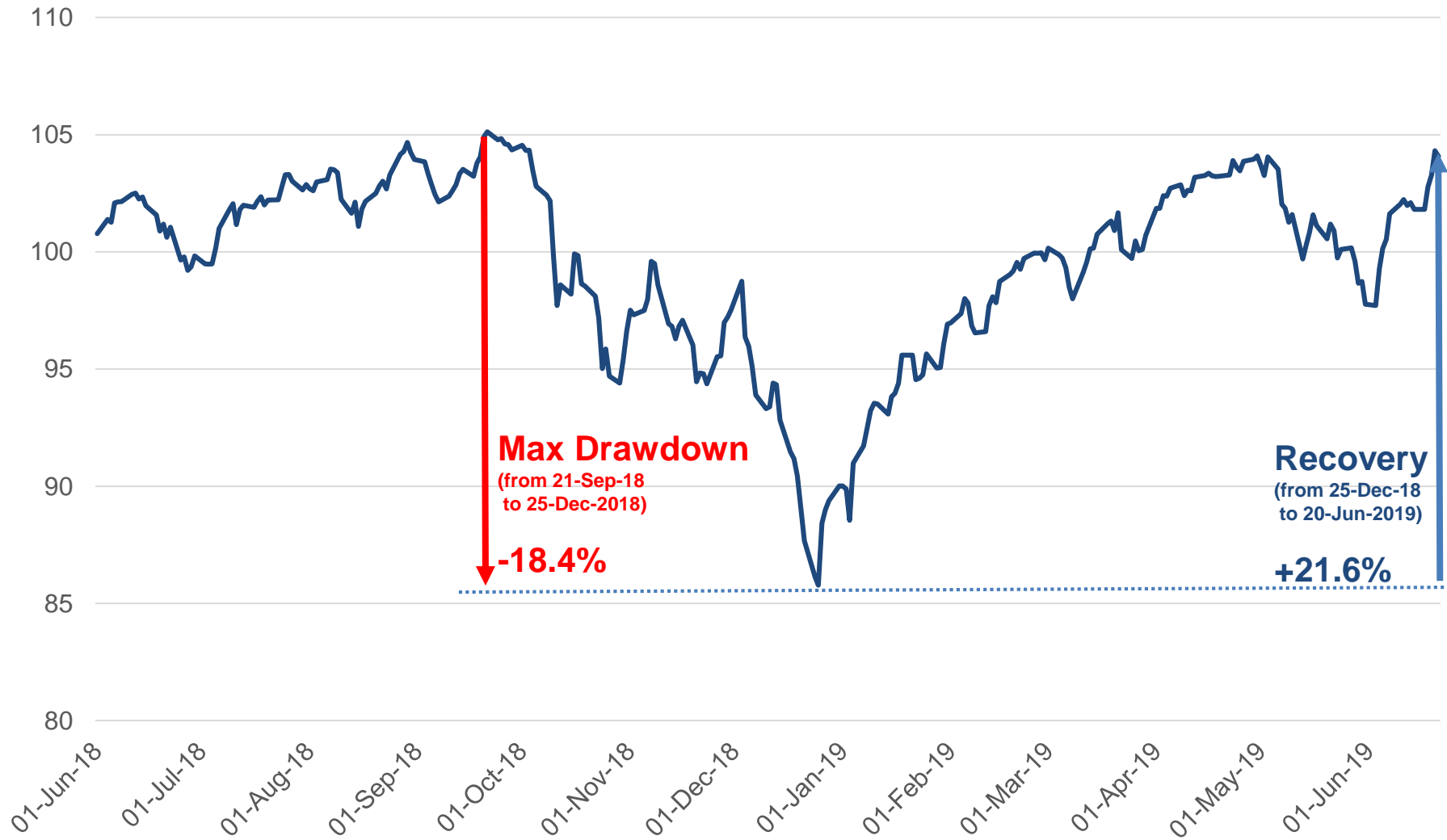


NOTZ
STUCKI

ASSET
MANAGERS
SINCE 1964



MSCI World Index Historical Performance



2019

(as of 19 June)

DGC NS Balanced A EUR**+9.11%***50% MSCI AC Loc Curr + 50% Barc GI 1-5yr Hegdeg in EUR**+7.81%***DGC Stock Selection A EUR****+20.59%***MSCI World EUR**+16.95%***DGC Emerging Markets & Macro A USD****+7.26%**

2019

(as of May 31st)

Hausmann I USD**+7.84%***MSCI World**+8.62%***Long/Short Lynx I EUR****+7.91%***MSCI Europe**+8.99%*

June 2019

Bear market or
buying opportunity?

Anatole Kaletsky

Three closely related debates after a tough year

- Was 2018 the end of 2010-17 expansion and bull market?
Or was it just a correction and chance to buy on dips?
- Were 2018 losses mainly due to US monetary policy?
Or global political and policy shocks?
- Did US outperformance reflect sustainable fundamentals?
Or was it due to temporary political risks in China and EU?

Goldilocks and the Ten Bears: Nov 2017

- **Recession/secular stagnation**
- Pre-emptive monetary tightening > inverted yield curve
- Rising inflation and bond yields > steepening yield curve

- US budget deficits
- Oil shocks: Iran versus Saudi and Russia
- Protectionism: US-China, NAFTA, Brexit
- **Populist Left converges with Populist Right**
- **Political risk to tech monopolies**

- Bubble in technology valuations
- Bubble in all asset valuations

Goldilocks and the Ten Bears: Dec 2018

- **Recession secular stagnation**
- ~~Pre-emptive monetary tightening → inverted yield curve~~
- ~~Rising inflation and bond yields → steepening yield curve~~
- ~~US budget deficits~~
- ~~Oil shocks: Iran versus Saudi and Russia~~
- ~~Trade wars: US-China, NAFTA, Brexit~~
- **Populist Left converges with Populist Right**
- **Political risk to tech monopolies**
- ~~Bubble in technology valuations~~
- ~~Bubble in all asset valuations~~

Ten bears that could threaten Goldilocks in 2019/20

- US recession/global secular stagnation
- Fed's dovish U-turn converts into hawkish S-turn
- US inflation accelerates
- European recession

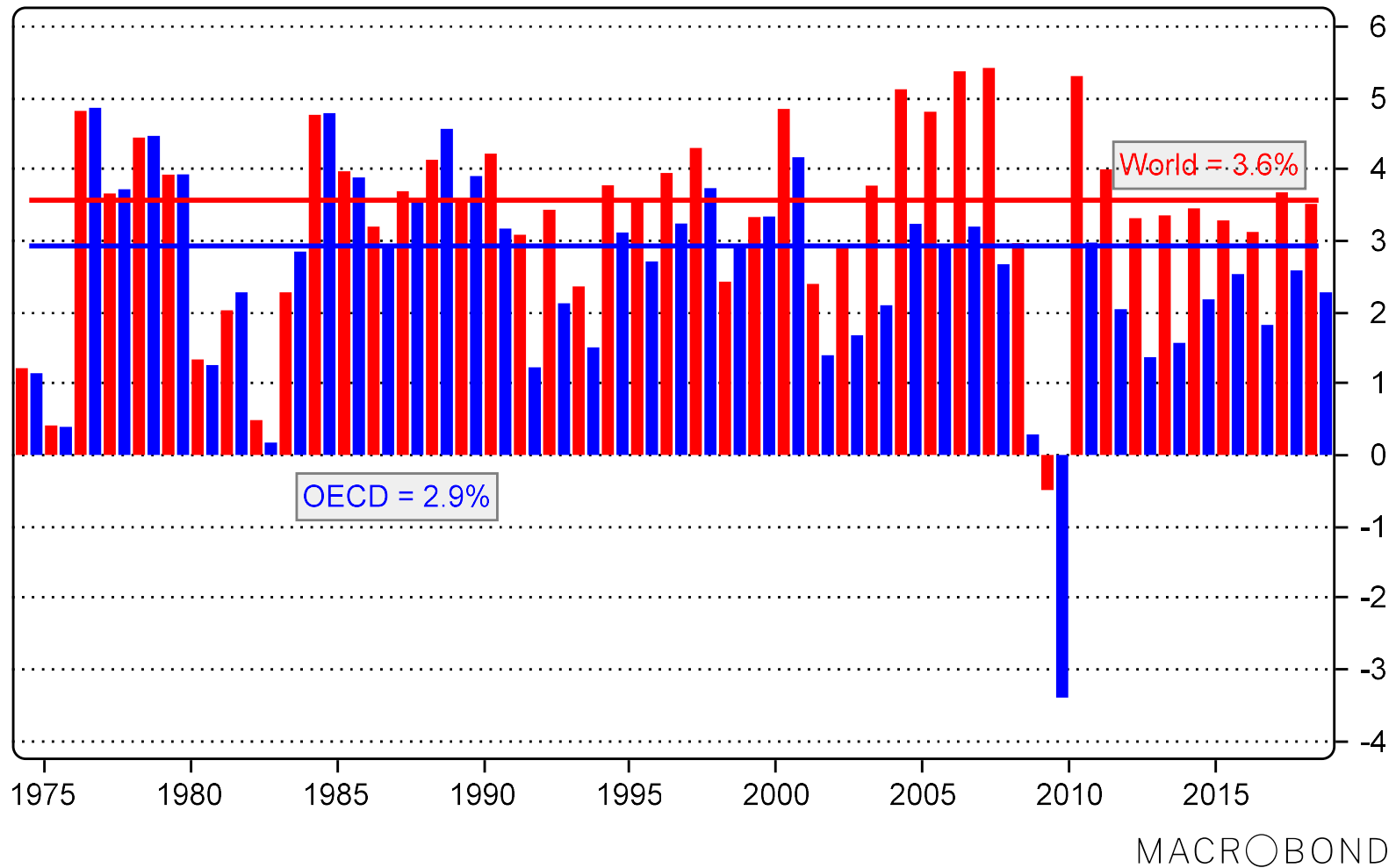
- Trade wars: US-Europe and EU-UK instead of US-China
- EU Right-Left populist convergence threatens euro or EU
- US populist Left takes over from populist Right
- Tech monopolies face regulation and public opinion

- Bubble in Tech IPOs, Venture Capital and Private Equity
- Autos and capital goods in secular decline

"Secular stagnation" is a myth

GDP growth: Global and OECD

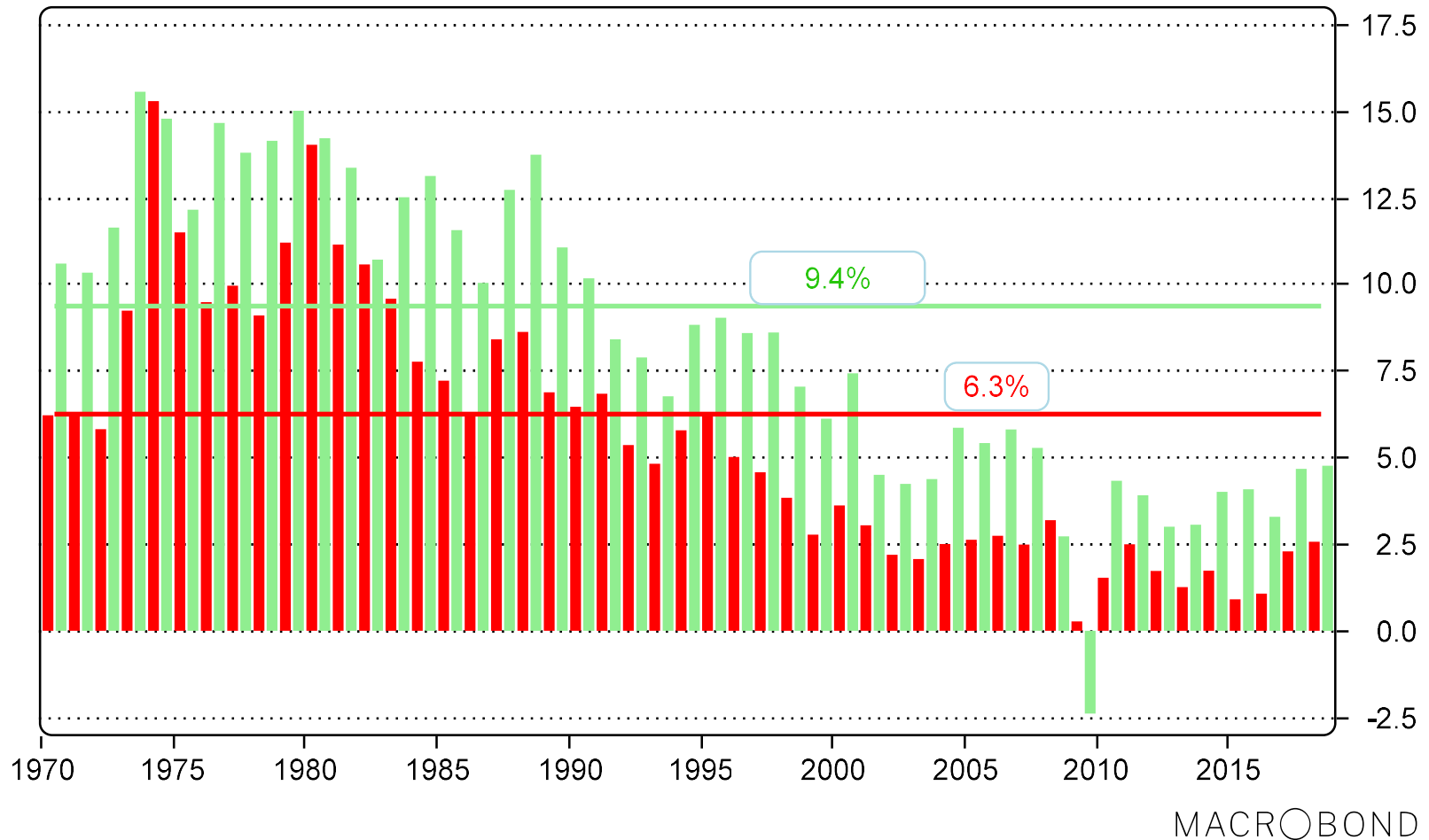
Lines = mean 1977-2007



“New Normal” is about inflation, not output growth

OECD: nominal GDP and domestic expend deflator

Lines = mean 1977 to 2007



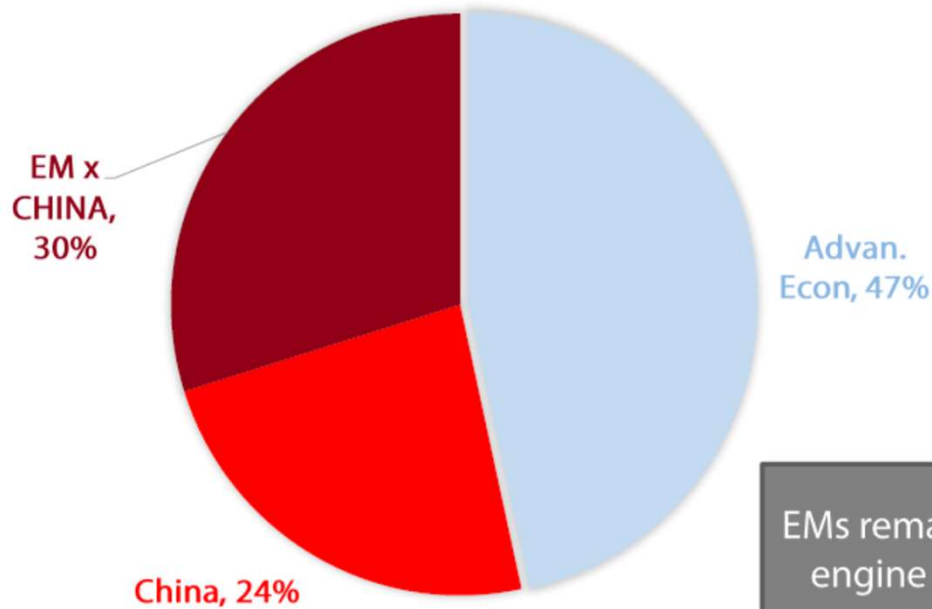
Real problem is weakness in Europe

Table 1.1. Overview of the *World Economic Outlook Projections*

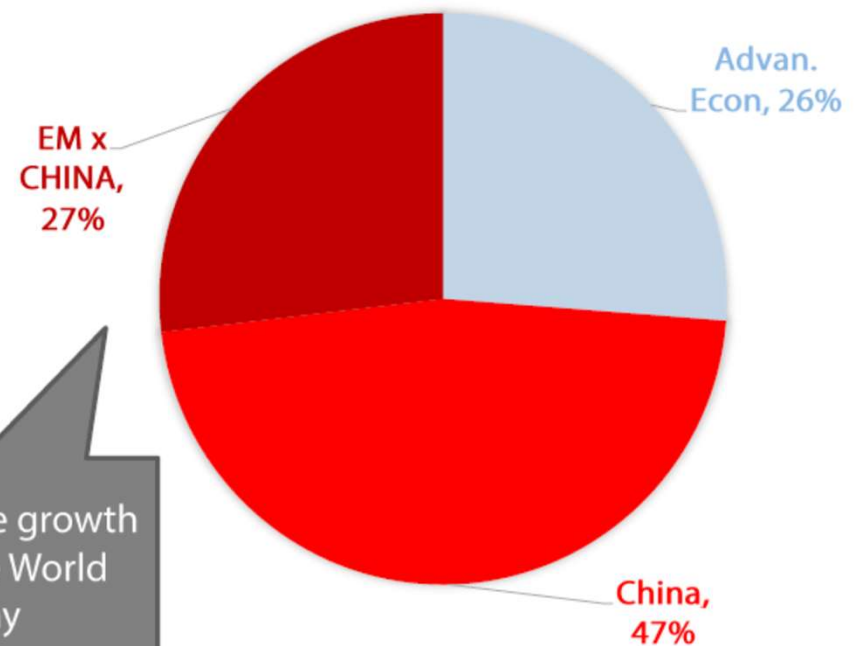
	2018	Projections		Difference from October 2018	
		2019	2020	2019	2020
World Output	3.6	3.3	3.6	-0.4	-0.1
Advanced Economies	2.2	1.8	1.7	-0.3	0.0
United States	2.9	2.3	1.9	-0.2	0.1
Euro Area	1.8	1.3	1.5	-0.6	-0.2
Germany	1.5	0.8	1.4	-1.1	-0.2
France	1.5	1.3	1.4	-0.3	-0.2
Italy	0.9	0.1	0.9	-0.9	0.0
Spain	2.5	2.1	1.9	-0.1	0.0
Japan	0.8	1.0	0.5	0.1	0.2
United Kingdom	1.4	1.2	1.4	-0.3	-0.1
Canada	1.8	1.5	1.9	-0.5	0.1
Other Advanced Economies ²	2.6	2.2	2.5	-0.3	0.0
EM and Developing Economies	4.5	4.4	4.8	-0.3	-0.1
Commonwealth of Independent States	2.8	2.2	2.3	-0.2	-0.1
Russia	2.3	1.6	1.7	-0.2	-0.1
Emerging and Developing Asia	6.4	6.3	6.3	0.0	-0.1
China	6.6	6.3	6.1	0.1	-0.1

Most global growth now comes from emerging markets

NOMINAL GDP CONTRIBUTION 2001-2017



NOMINAL GDP CONTRIBUTION 2009-2017

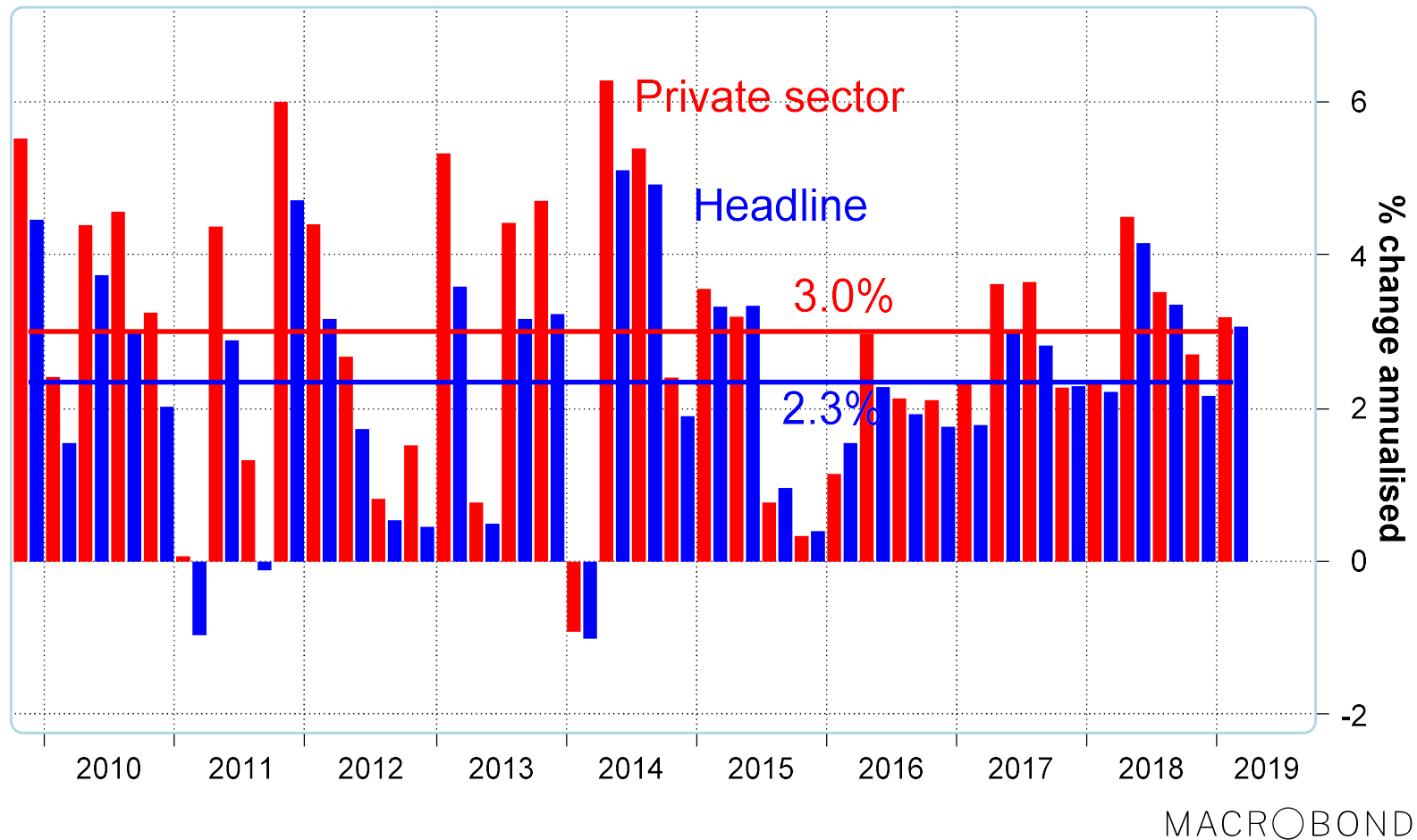


EMs remain the growth engine of the World economy

Source: IMF, World Economic Outlook, October 2017

US private sector has grown 3% pa since 2010

US GDP - total and private sector (with average growth since 2009 Q4)

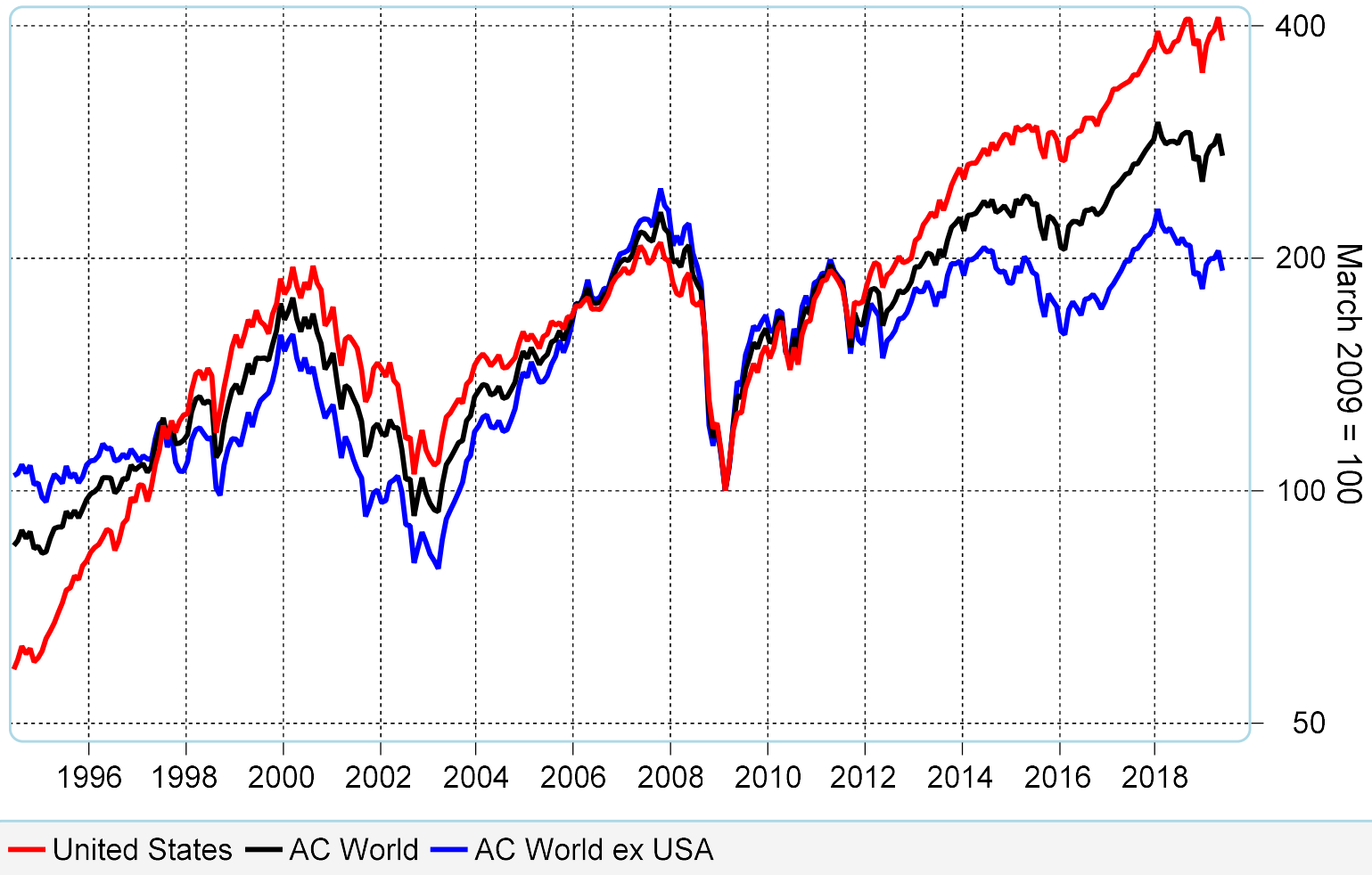


Economic expansions do not die of old age

- **121 months – current US expansion** (June 2009-?)
- **58 months – average US expansion since 1945**
- 35 months – average US expansion 1919-1945
- 27 months – average US expansion 1854-1919
- 12 months – shortest US expansion since 1945
- **120 months – longest US expansion** (1991-2001)
- **212 months – longest US expansion excl Kuwait war**
- **347 months – current Australian expansion** (July 1991-?)
- **204 months – longest UK expansion** (1992-2008)

Equity records point to continuing global expansion

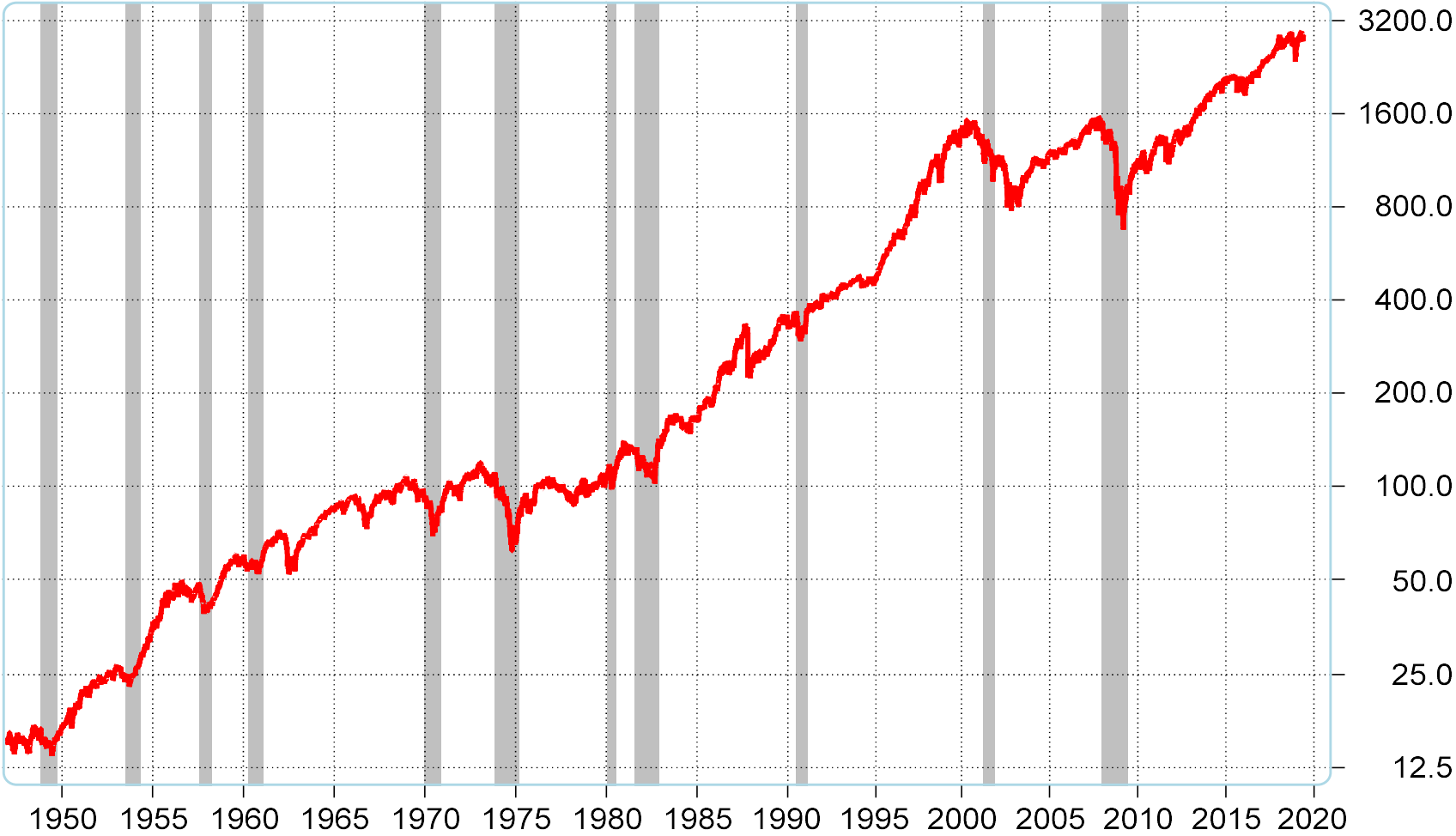
MSCI World and ex US



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Recessions mean equity bear markets and vice versa

S&P 500 and recessions

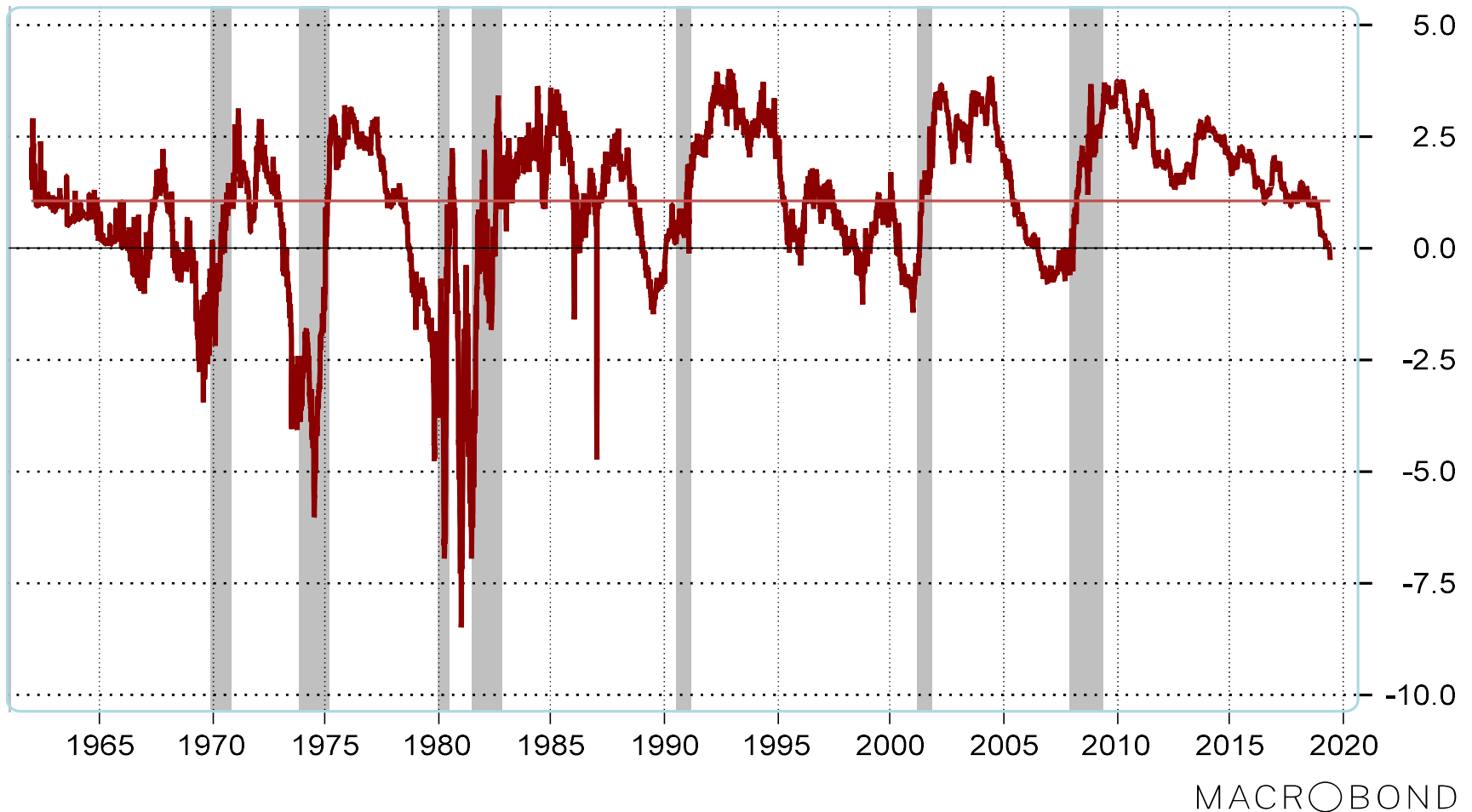


MACROBOND

Do bond markets indicate recession?

US 10-year bonds minus Fed Funds

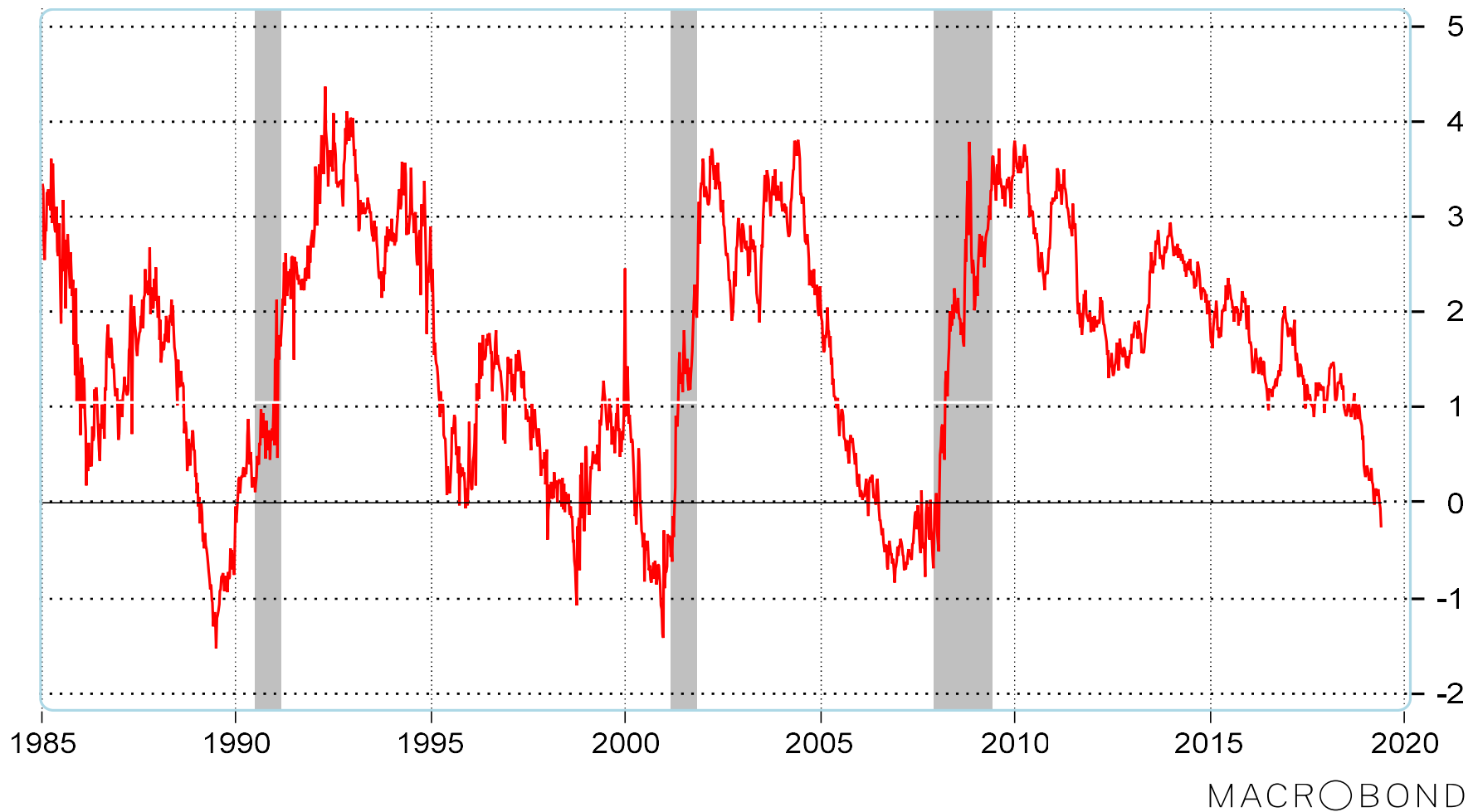
Line = mean since 1962



Not really on close inspection

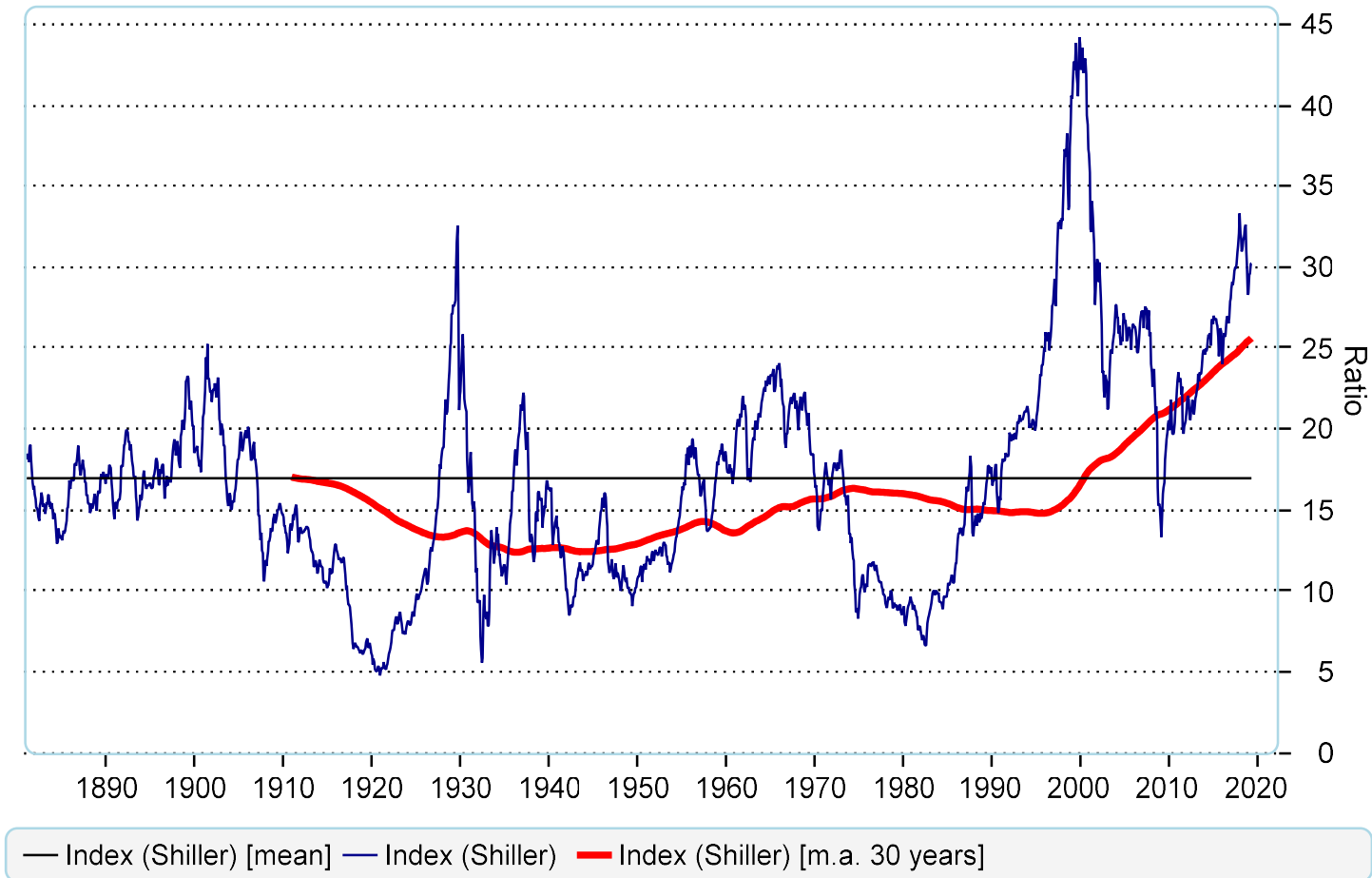
US 10-year bonds minus Fed Funds

Line = mean since 1962



Although Shiller PE is a comically useless indicator ...

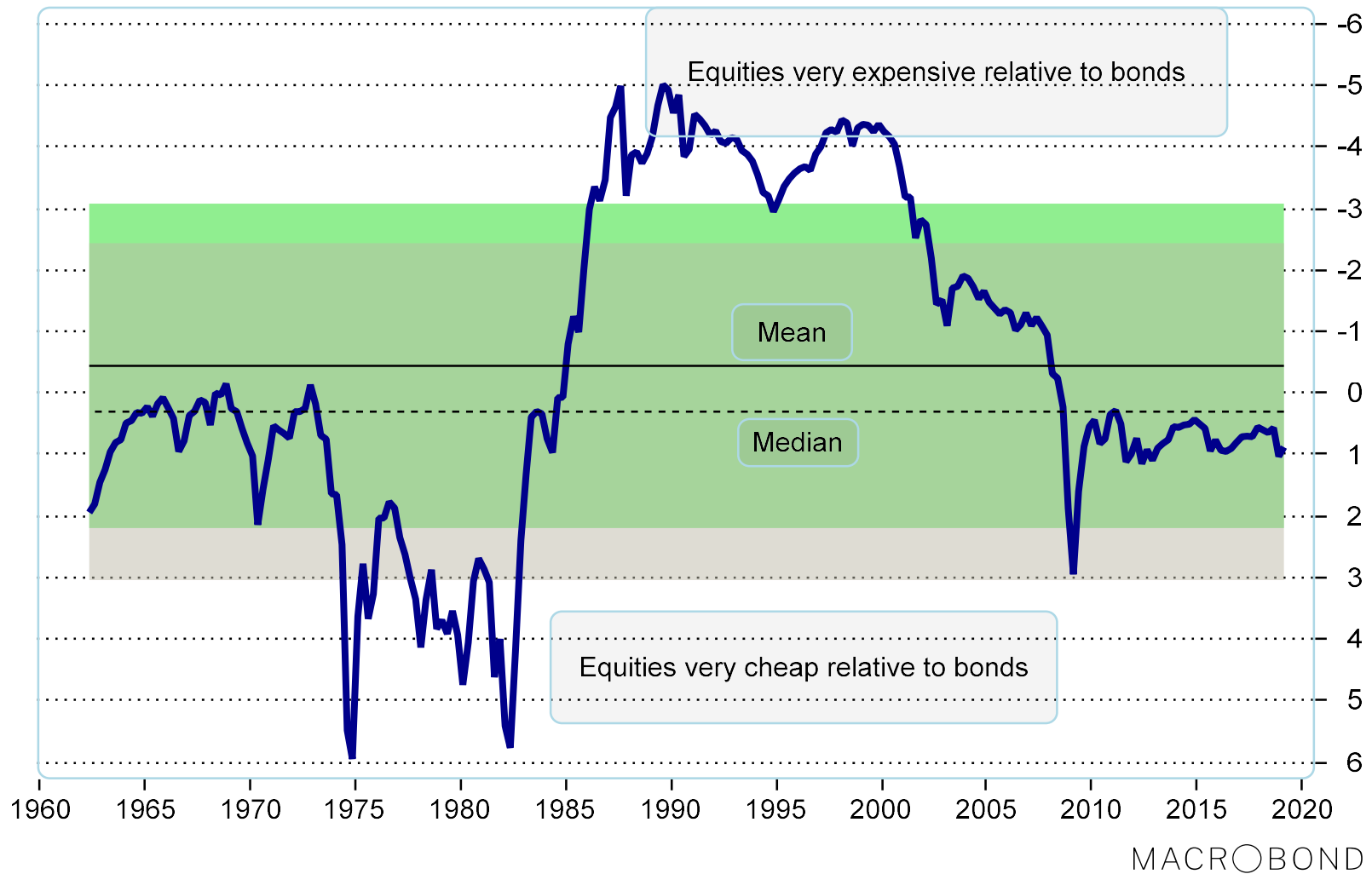
Shiller's "Cyclically Adjusted P/E Ratio" (CAPE)



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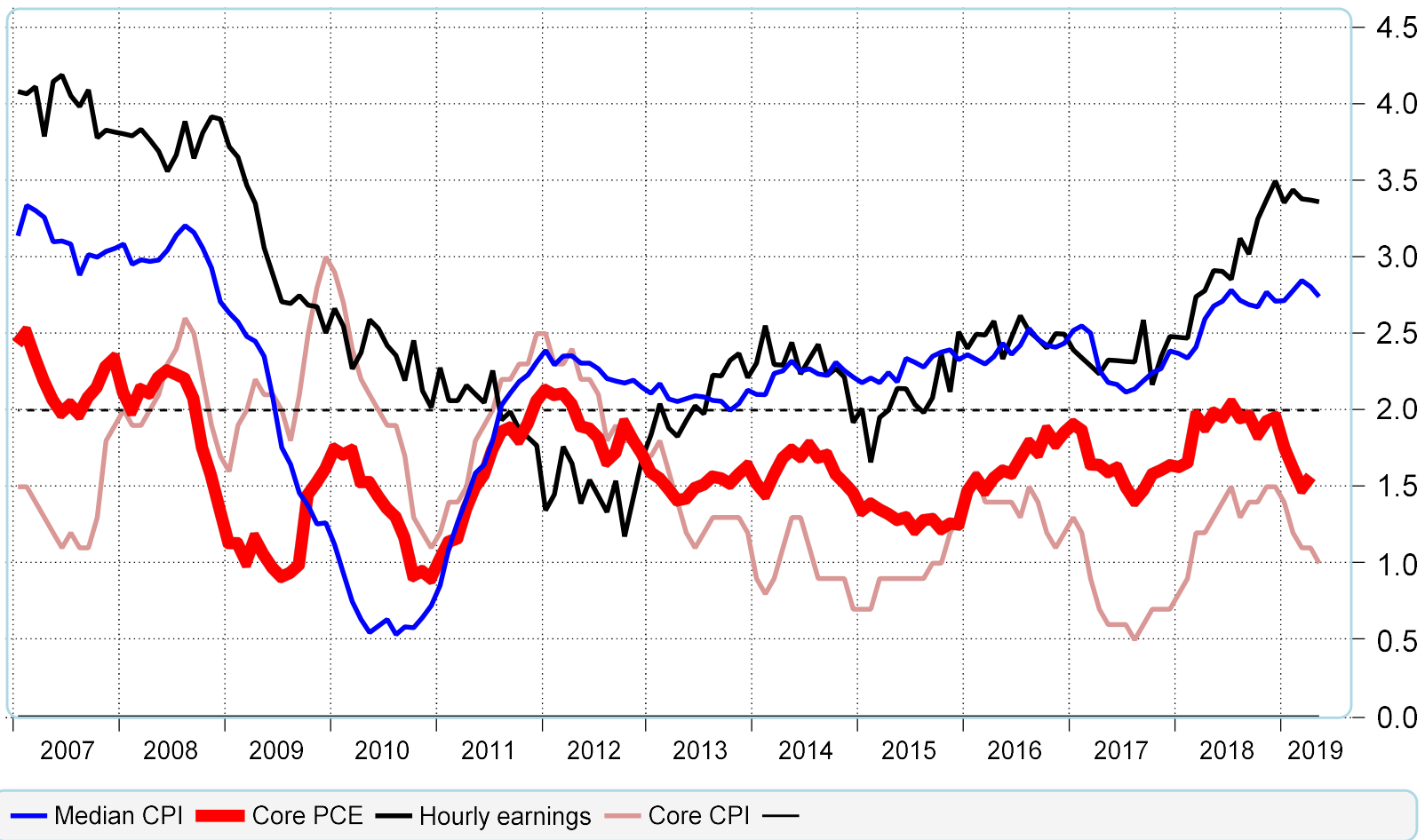
... Shiller-type valuation is cheap at today's interest rates

Equity valuation: Shiller earnings-yield minus "cyclically adjusted" bond yield



What's happening to US inflation?

US inflation rates
Fed's view versus other measures

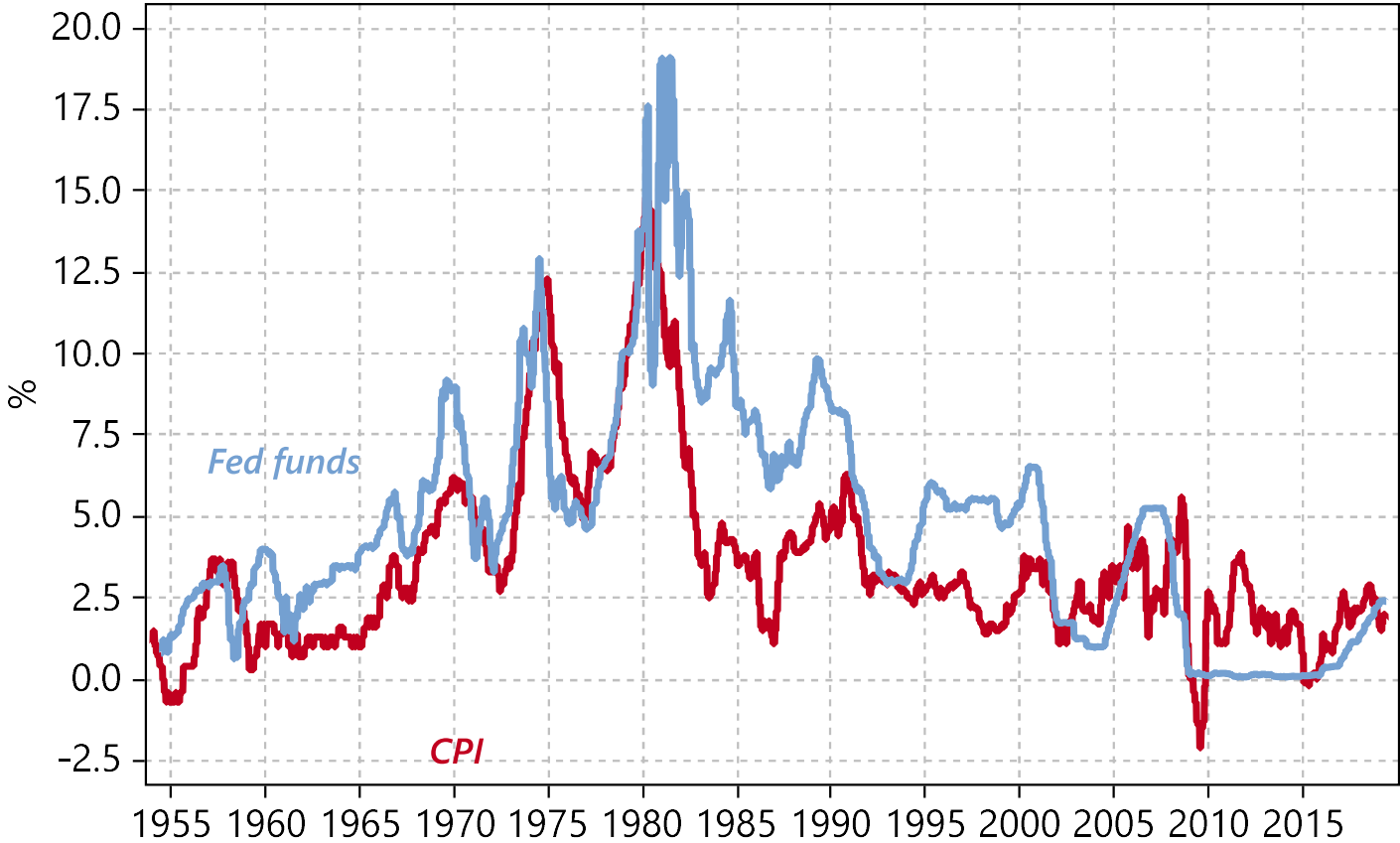


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Fed behaving exactly as predicted by Political Economy

US inflation and Fed policy

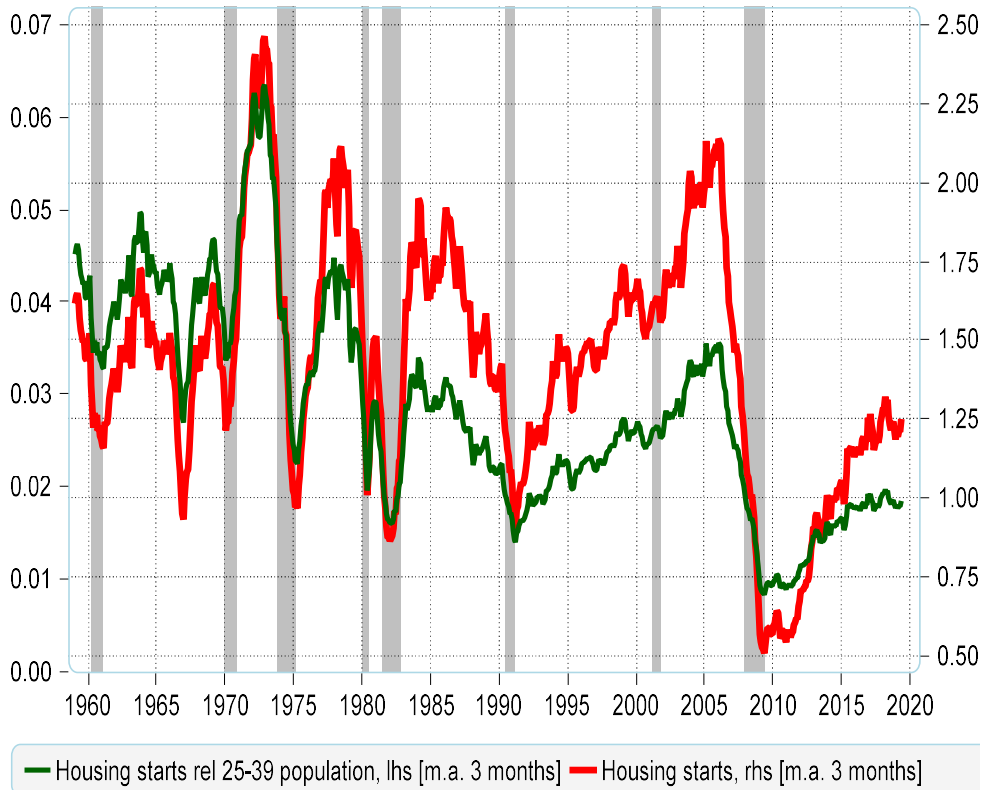
Fed funds target rate vs US urban core CPI



Gavekal Data/Macrobond

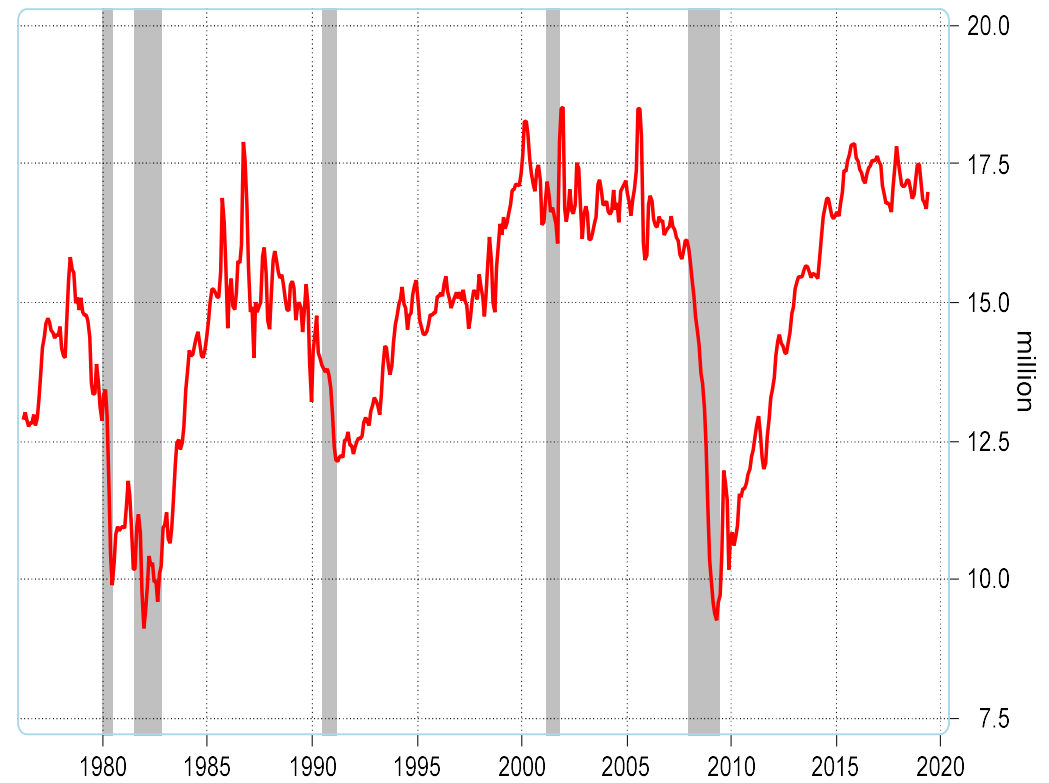
Interest-sensitive sectors remain quite robust

Housing starts are still nowhere near cyclical peaks



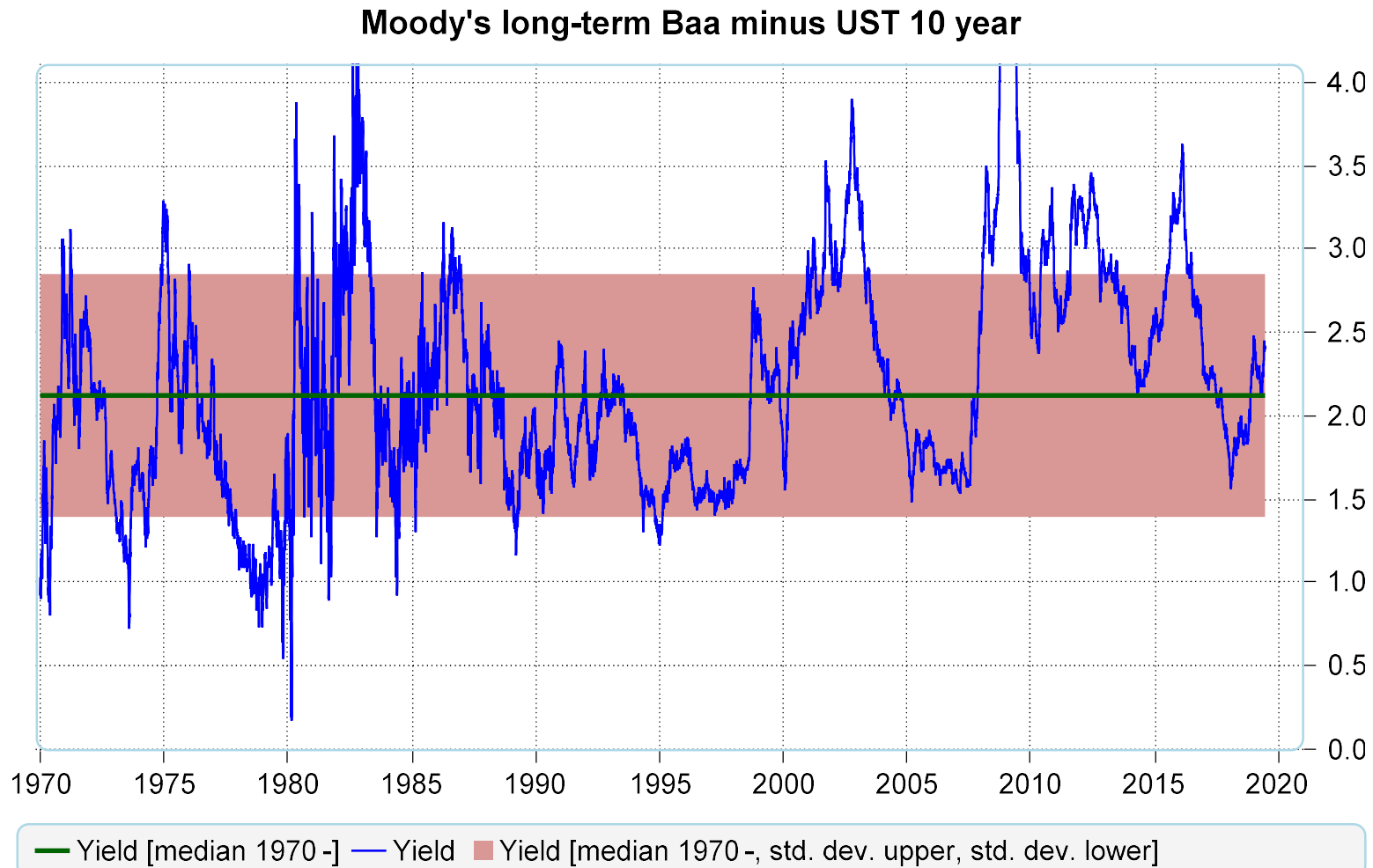
MACROBOT

Vehicle sales (cars and light trucks) and recessions



MACROBOND

US credit spreads are still fairly normal

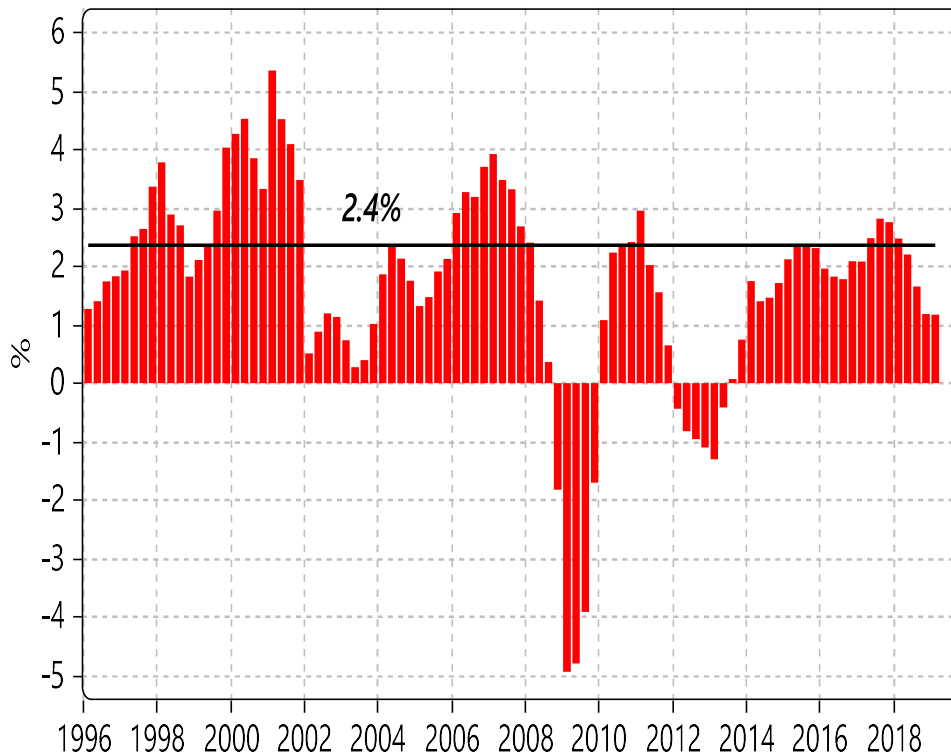


MACROBOND

The real problems are in Europe (again!)

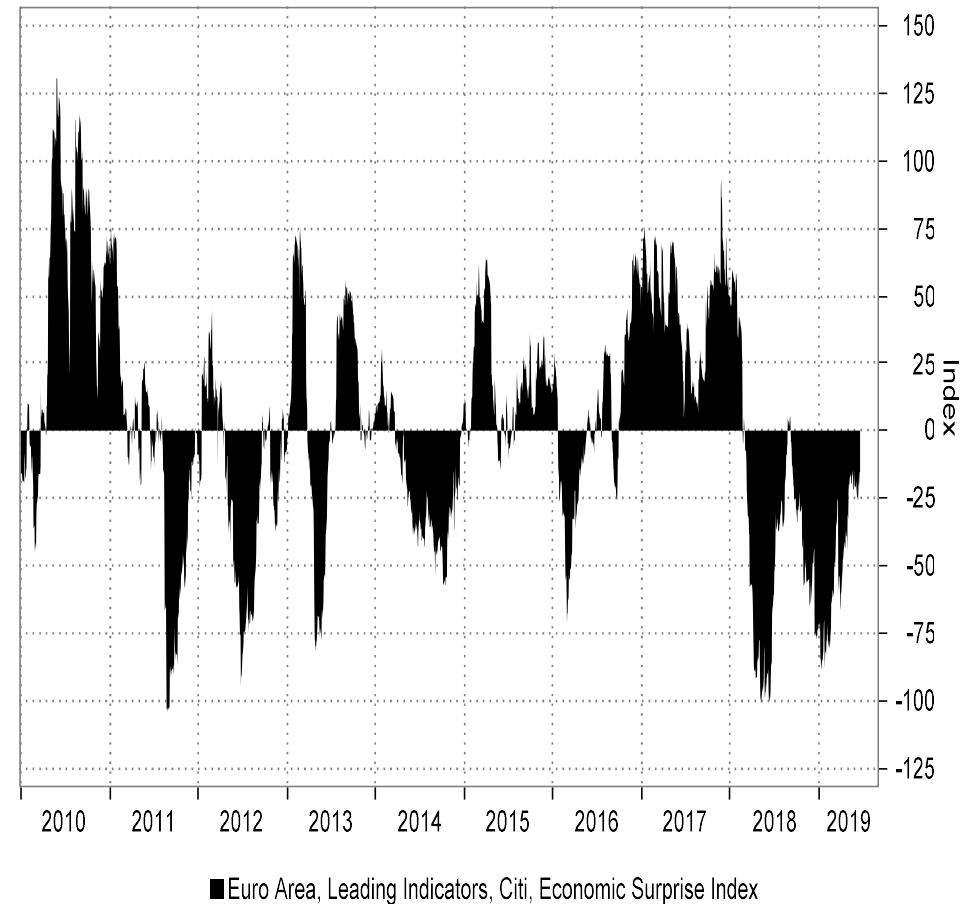
Euro Area GDP growth (quarterly year on year)

Line = mean 1996 to 2008



Source: Macrobond

Citibank Economic Surprise Index: Euro Zone



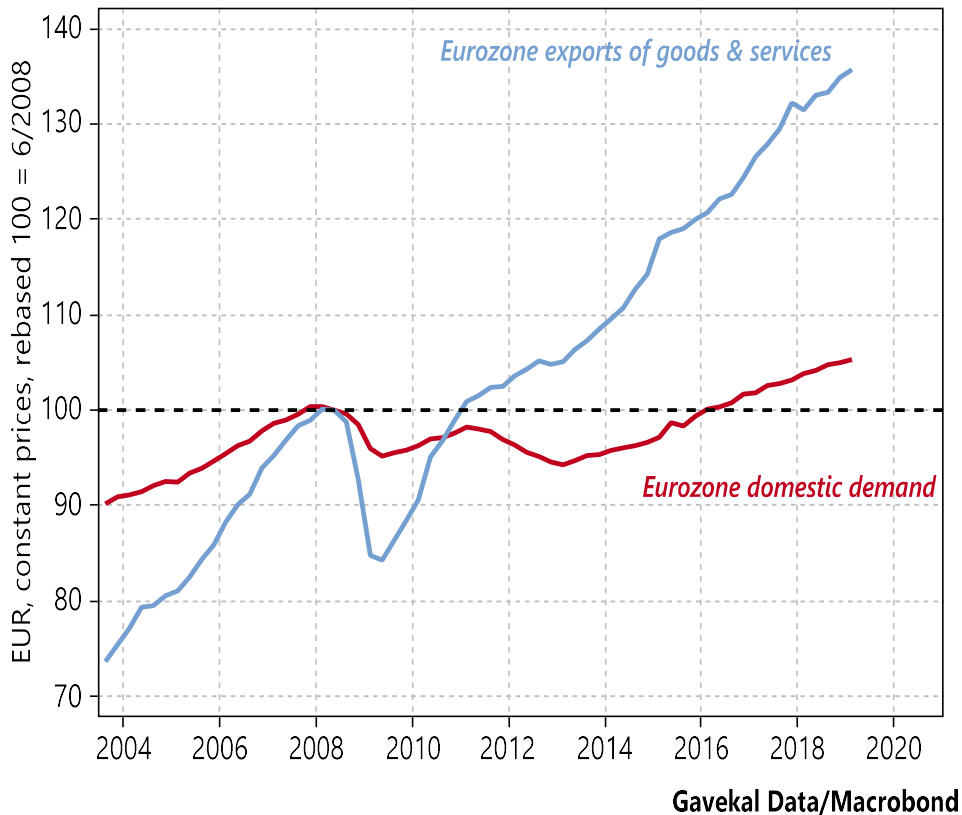
MACROBOND

Euro Zone export dependence makes it vulnerable...

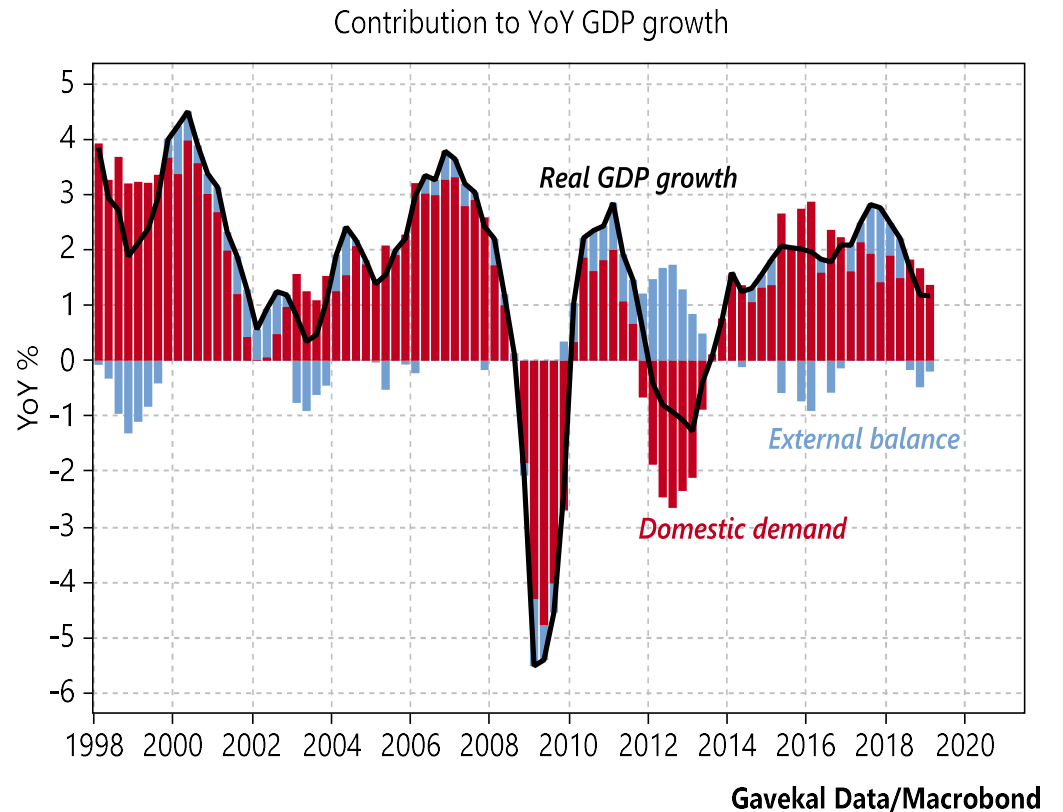
	Unit	Euro area	United States	Japan	China
Population 1	millions	340.7	326	126.7	1,390.10
GDP (share of world GDP in PPP)	%	11.6	15.3	4.3	18.2
GDP per capita 2	€ thousands	32.9	43.5	30.6	12.6
Value added by economic activity					
Agriculture, fishing, forestry	% of total	1.7	1.0 ^{*)}	1.2	8.9 ^{*)}
Industry (including constructions)	% of total	25.3	19.5 ^{*)}	29.3	40.0 ^{*)}
Services (including non-market services)	% of total	73	79.5 ^{*)}	69.5	51.1 ^{*)}
Unemployment rate (share of the labour force)	%	9.1	4.4	2.8	3.9
Labour force participation rate 3	%	73.1	73.3	77.6	-
Employment rate 4	%	66.4	70.1	75.4	-
General government 5					
Surplus (+) or deficit (-)	% of GDP	-1	-4.1	-3.4^{*)}	-3.9
External 8					
Exports of goods and services	% of GDP	28	12.1	18	19.6^{*)}
Import of goods and services	% of GDP	24	14.9	17.2	17.3 ^{*)}
Current account balance	% of GDP	3.2	-2.3	4	1.8^{*)}

Europe's lost decade in domestic growth

Domestic demand took eight years to reach its previous high

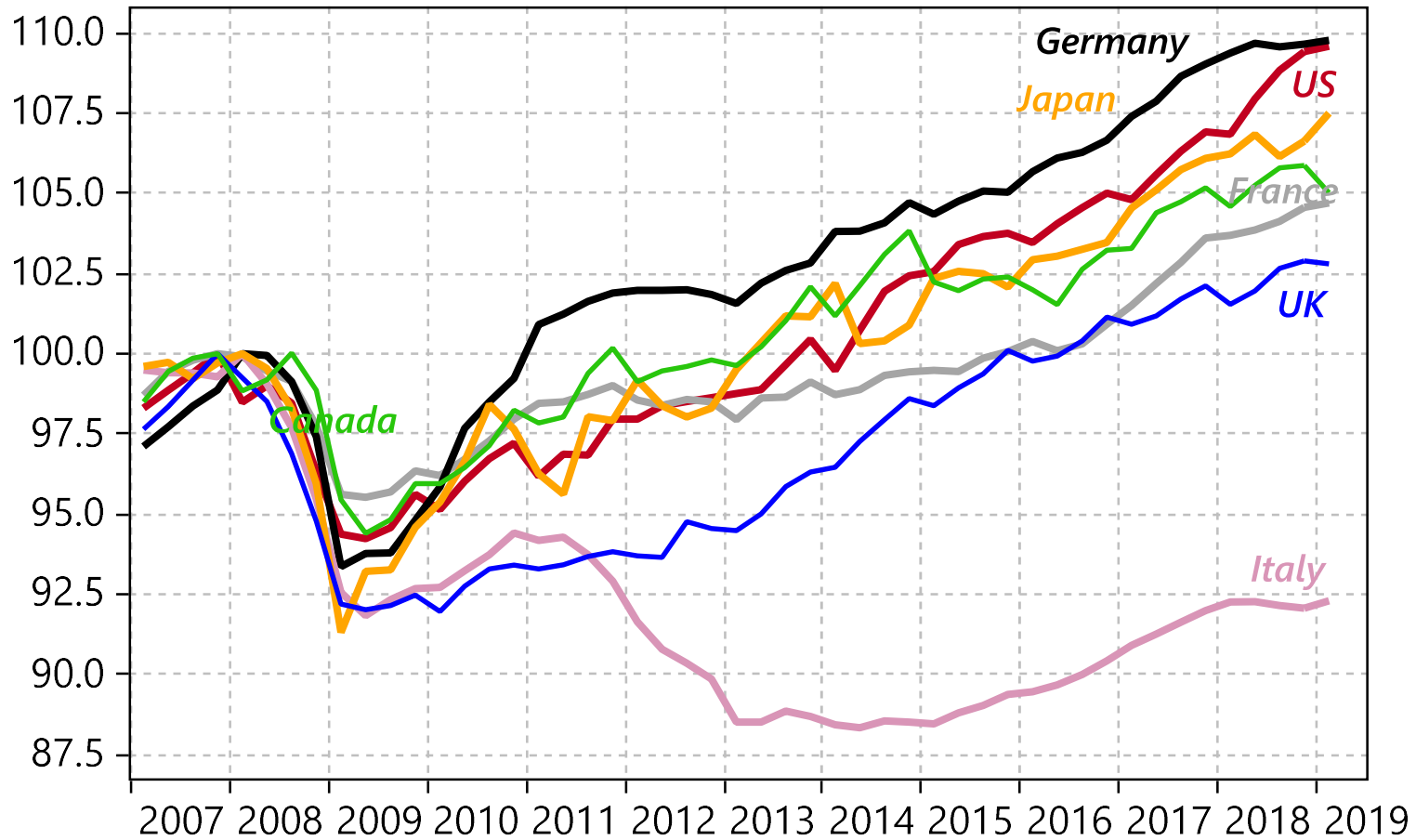


Deteriorating global demand has weighed on growth



When Italy collapses Germany feels no need to help

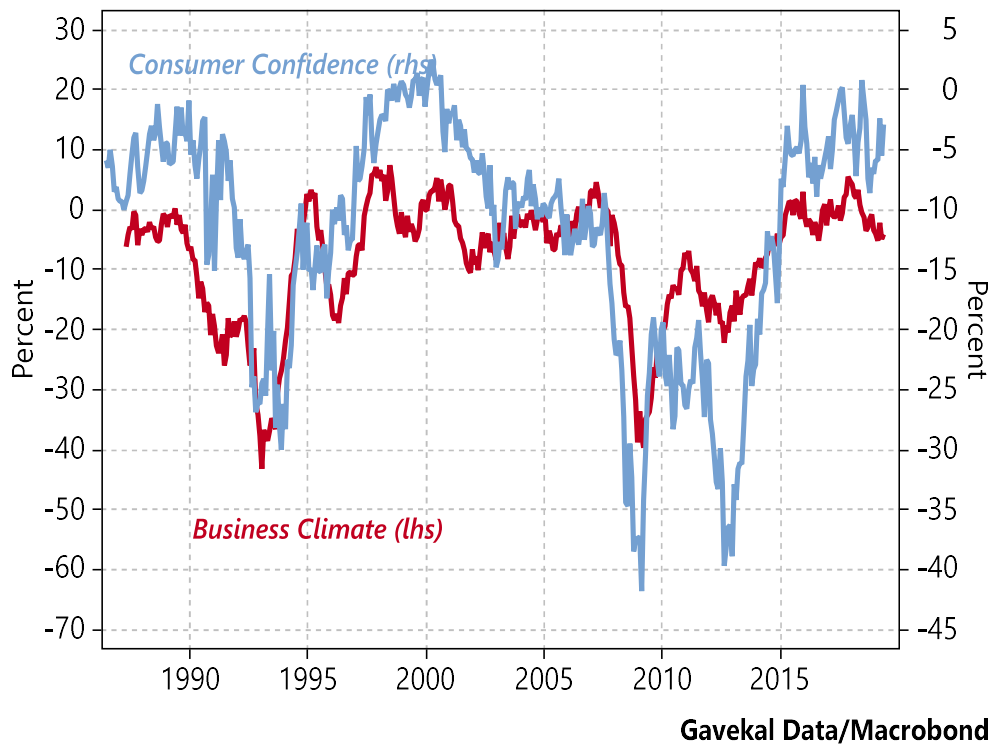
GDP per capita relative to pre-recession peak



Gavekal Data/Macrobond

But job and consumer conditions still decent, even in Italy

Spain consumer and business confidence



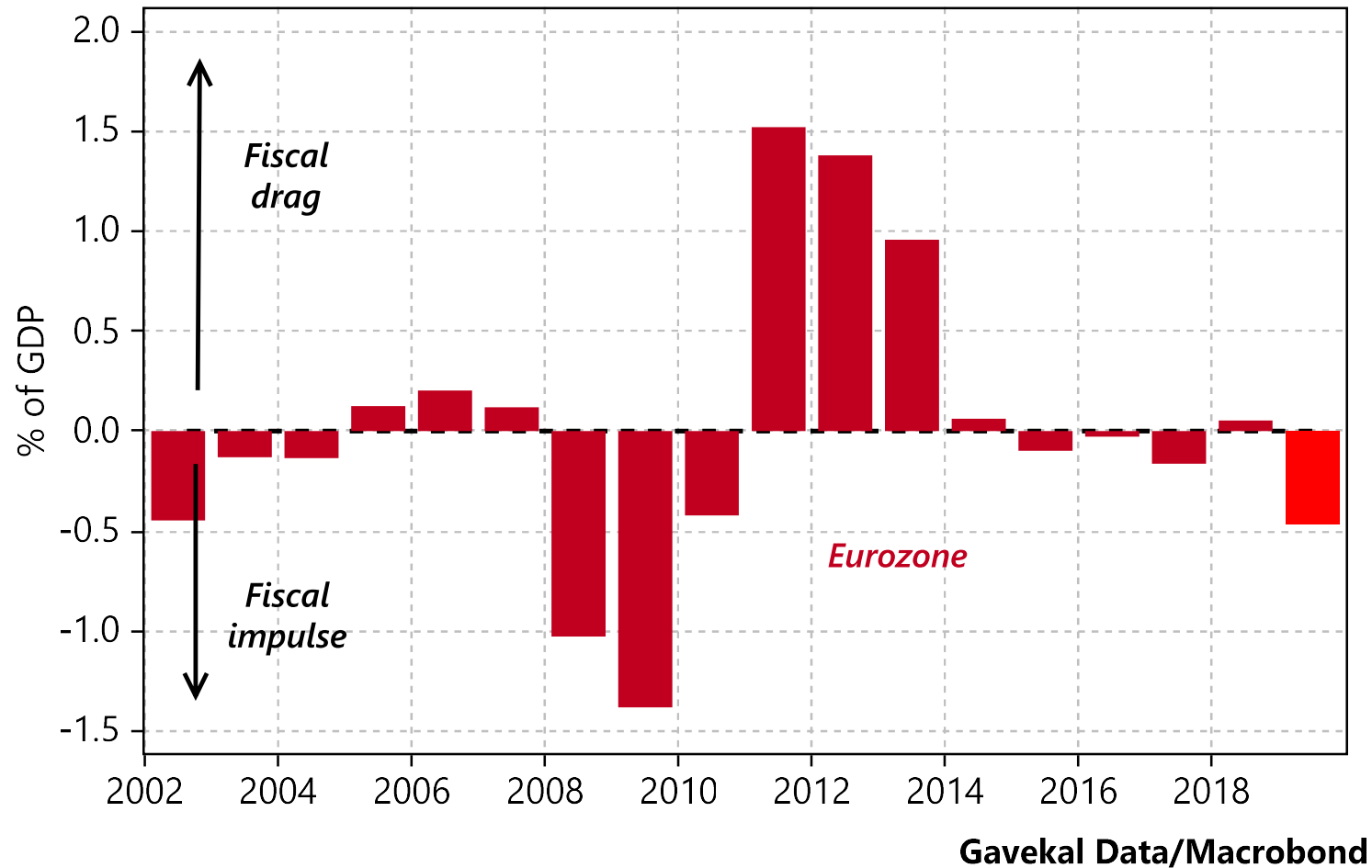
Italy unemployment %



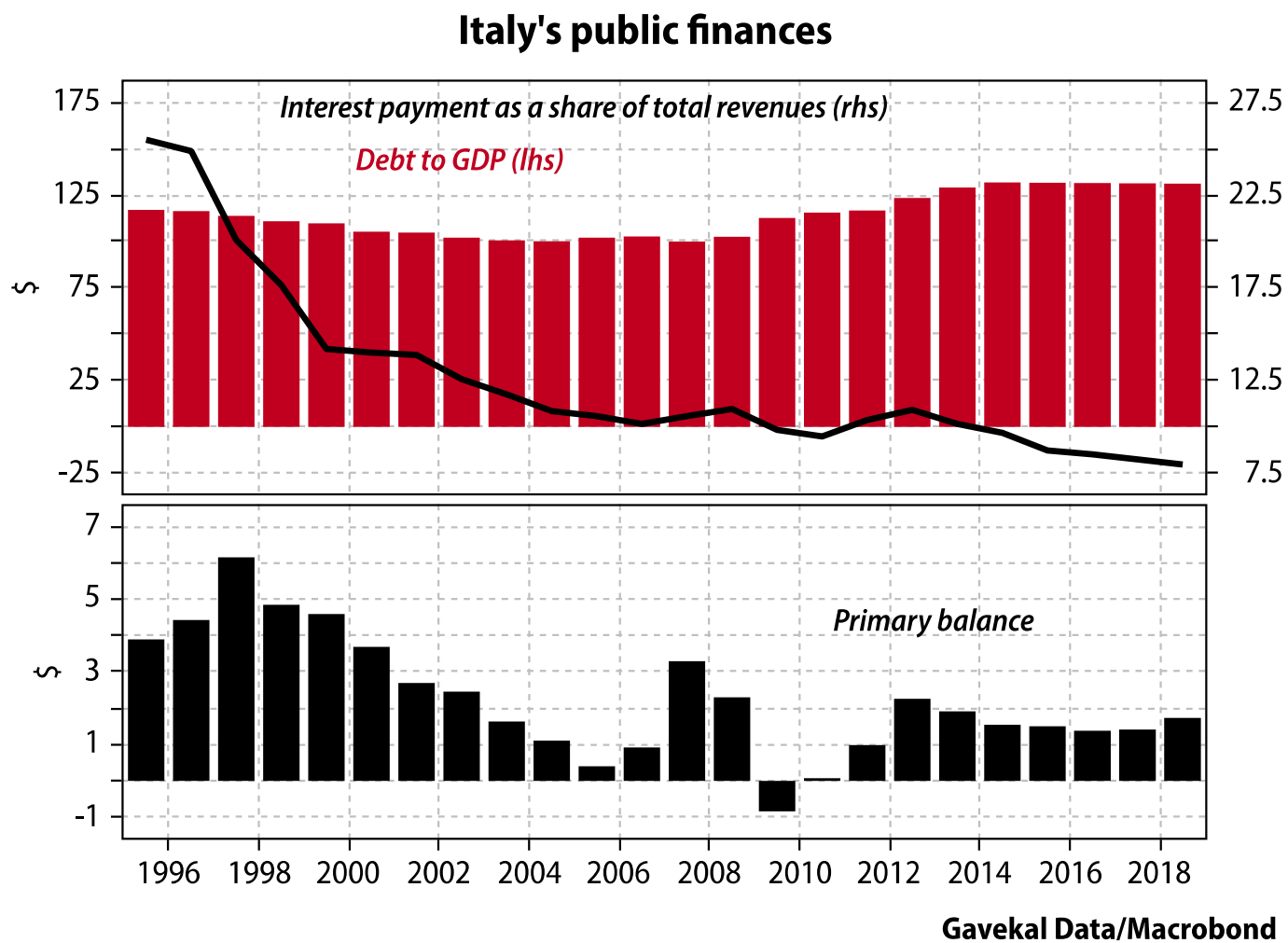
EU fiscal policy is at last easing slightly

A moderate fiscal expansion for the eurozone

Change in cyclically adjusted primary balance, average of OECD and IMF

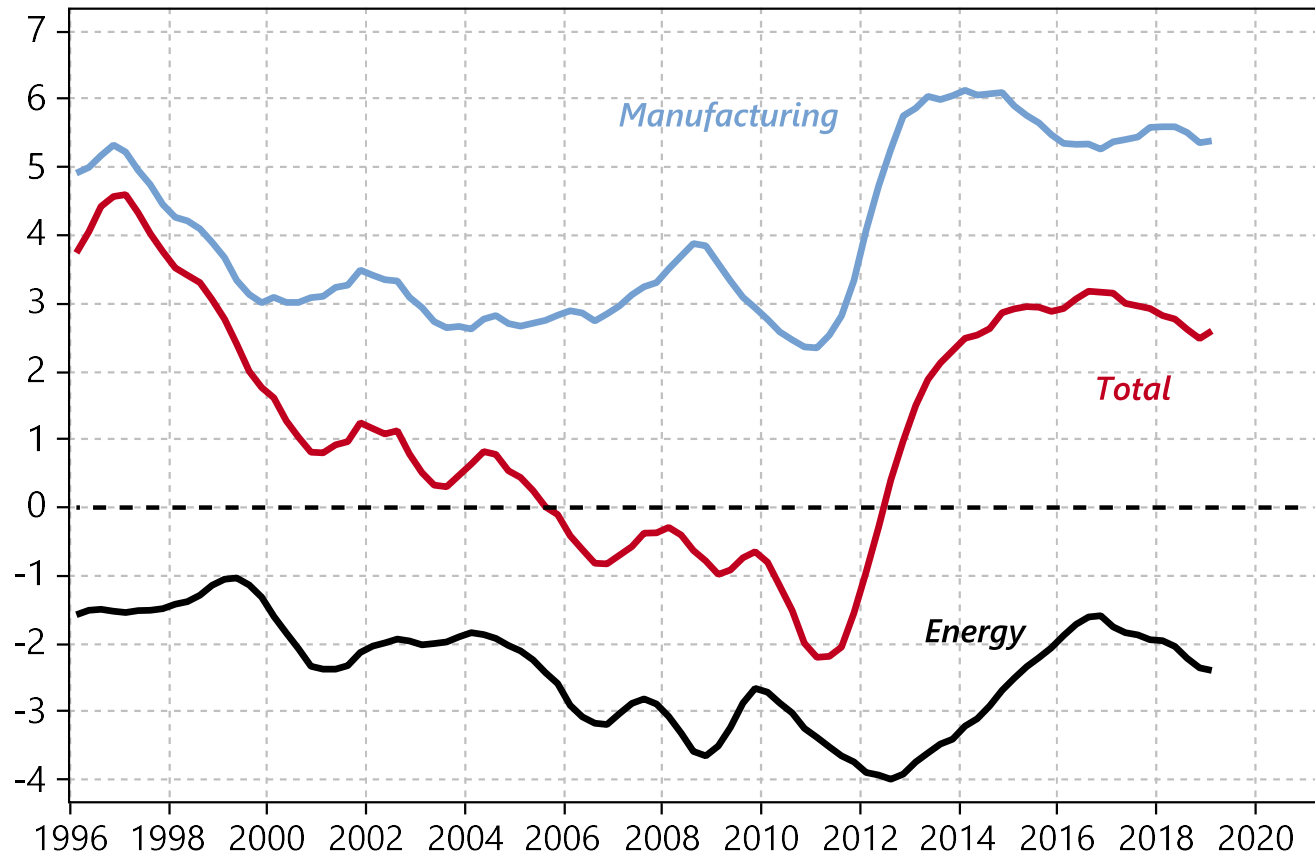


But how bad are Italy's public finances?



The Italian economy is unproductive, not uncompetitive

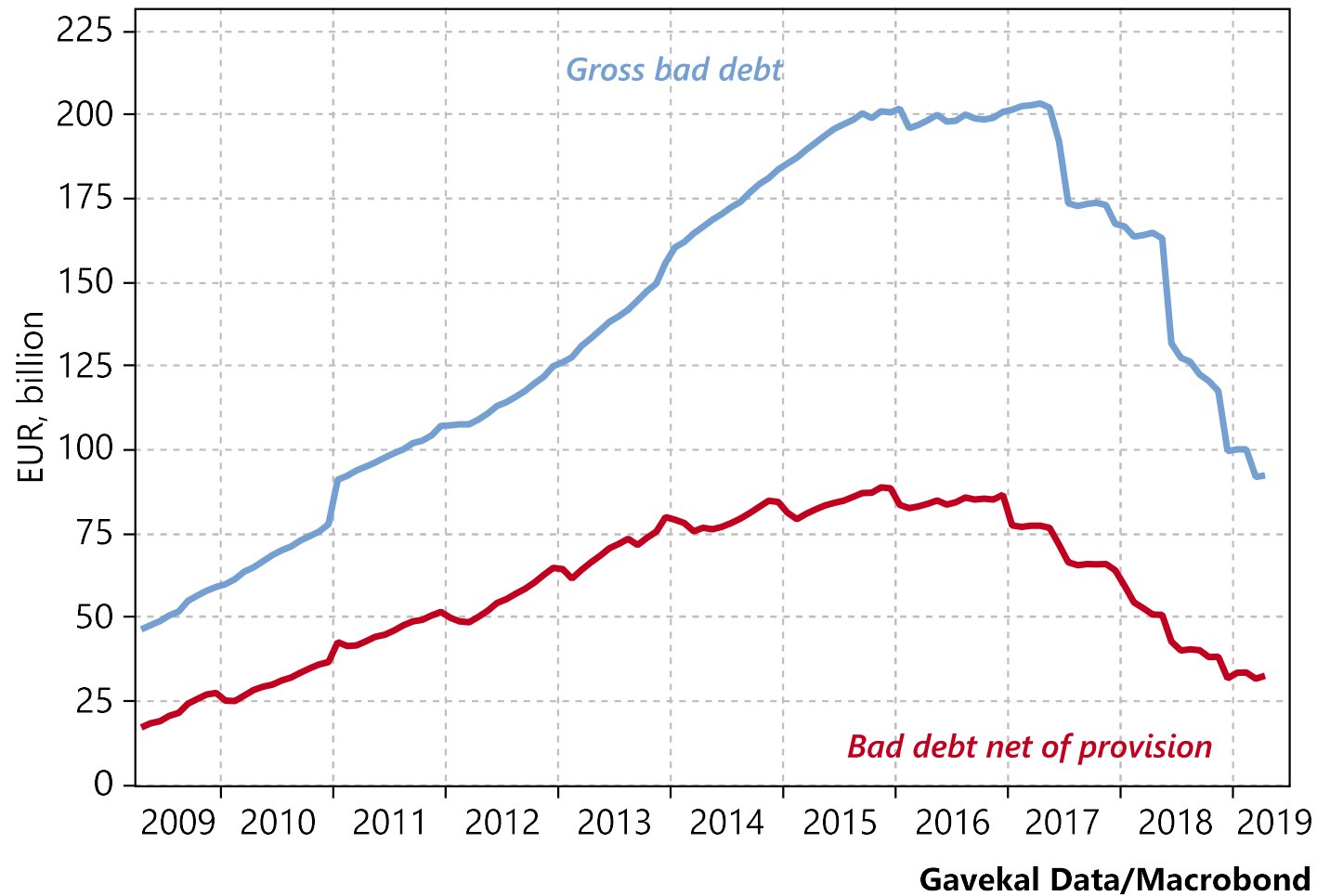
Italy trade balance as a share of GDP



Gavekal Data/Macrobond

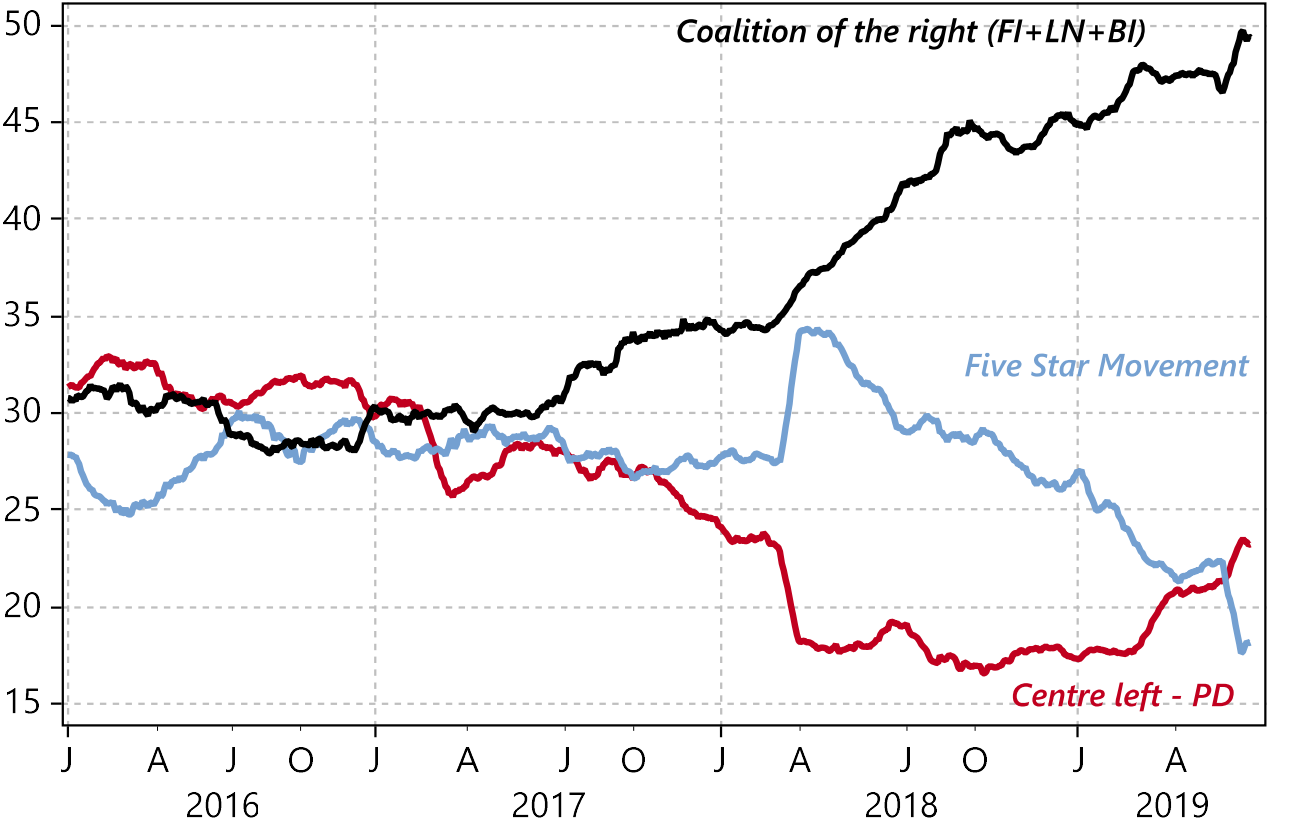
The banking sector is in a better shape

Italian NPLs continue to decline



Italian politics: end of the Left-Right populist alliance?

Italy—opinion polls for the next general election

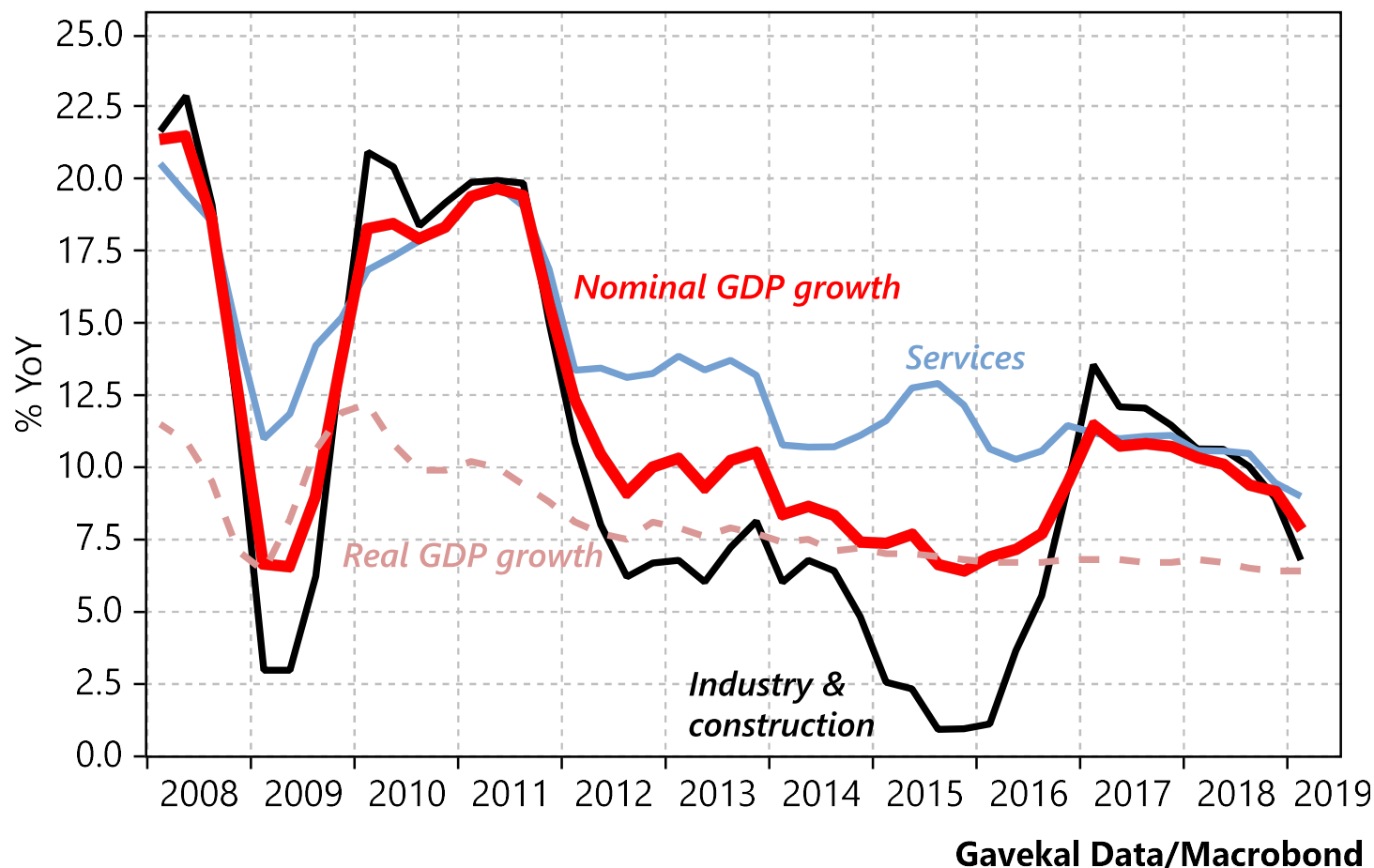


Gavekal Data/Macrobond

China has two distinct economic cycles

Industry is very volatile, the economy isn't

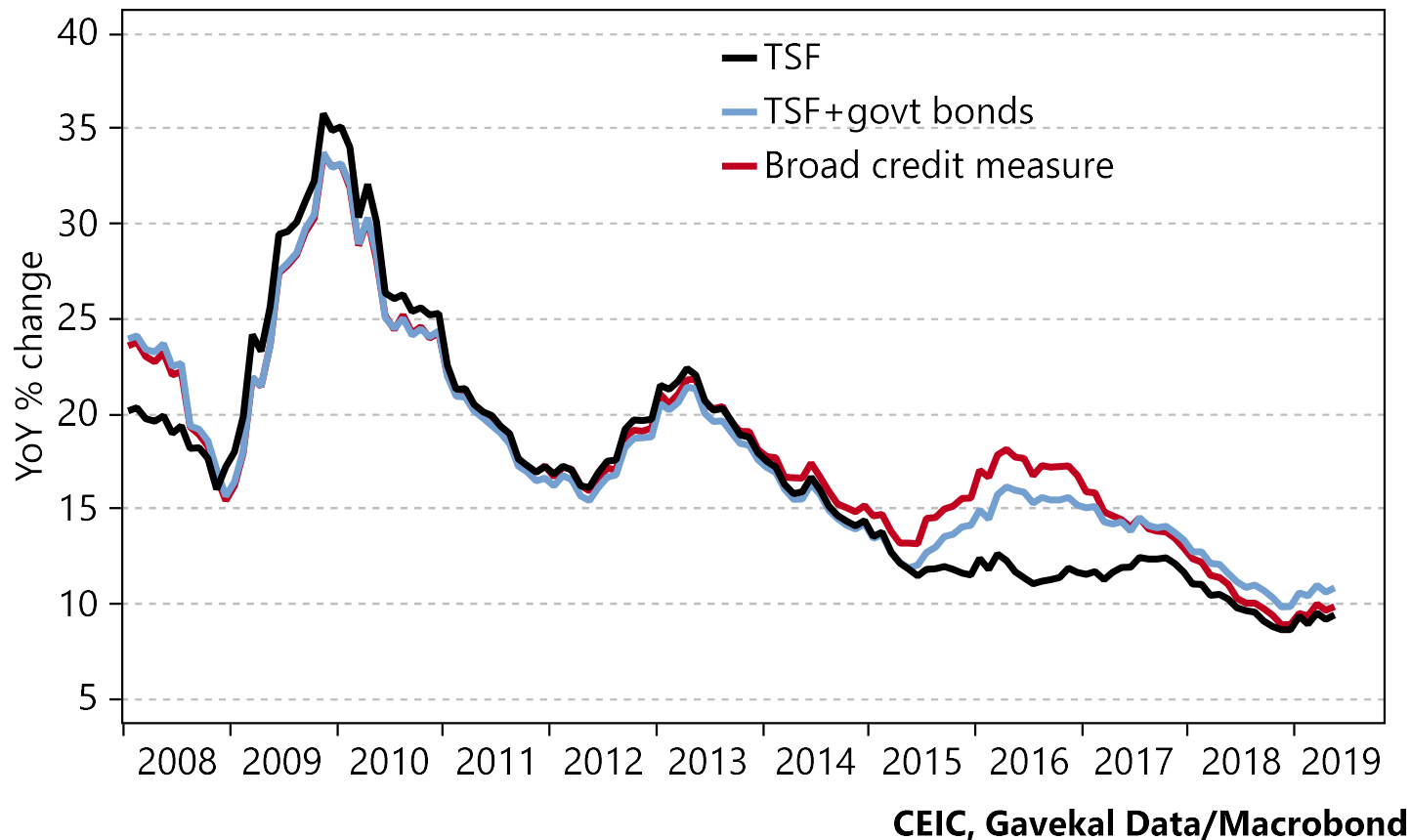
Nominal change in value-added by sector



Credit growth turning up from a low level

This is the most gradual credit slowdown no matter how you measure

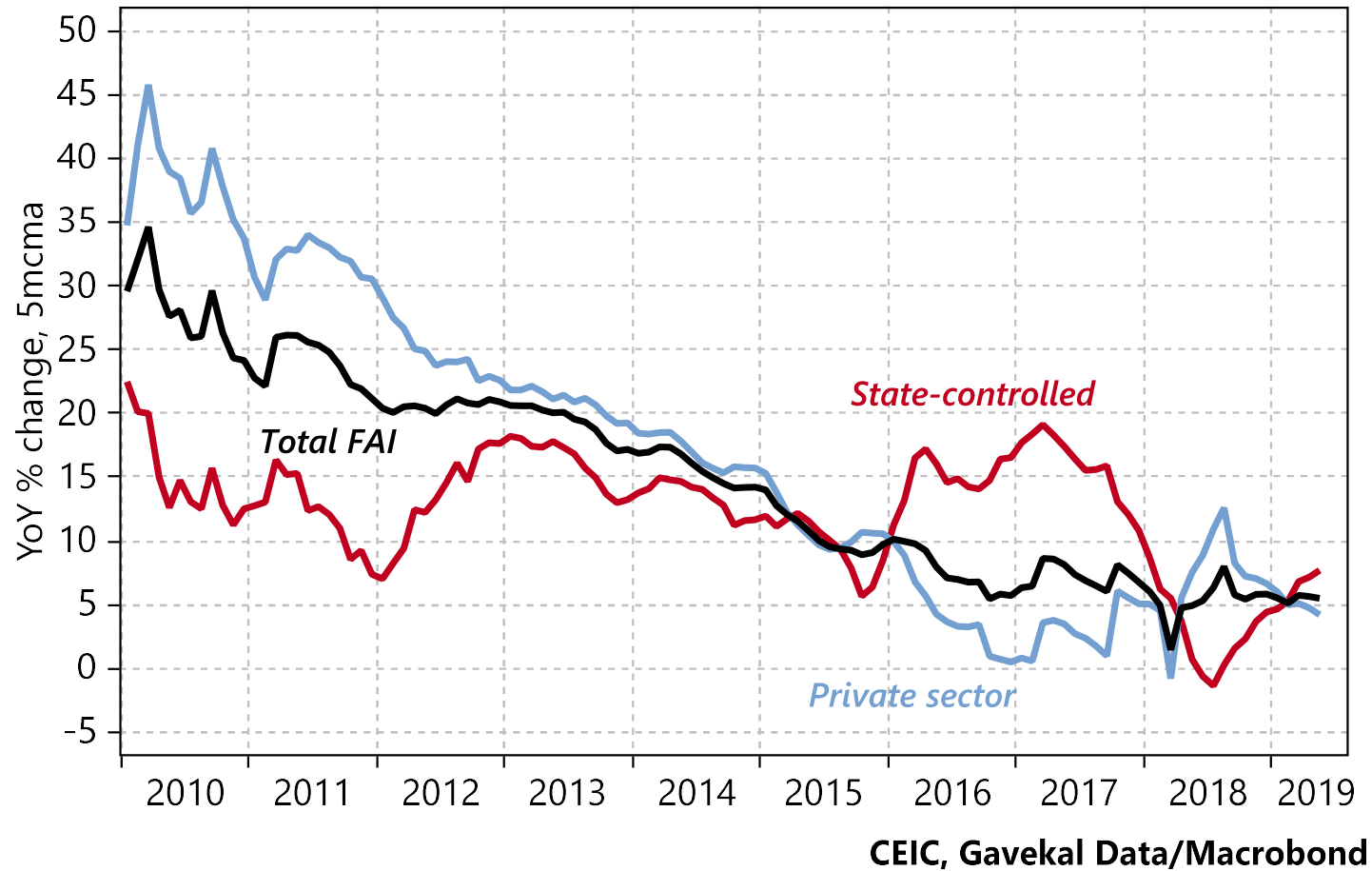
Growth in credit, various definitions



SOEs are reversing China's investment slowdown

State-led investment has been ramped up

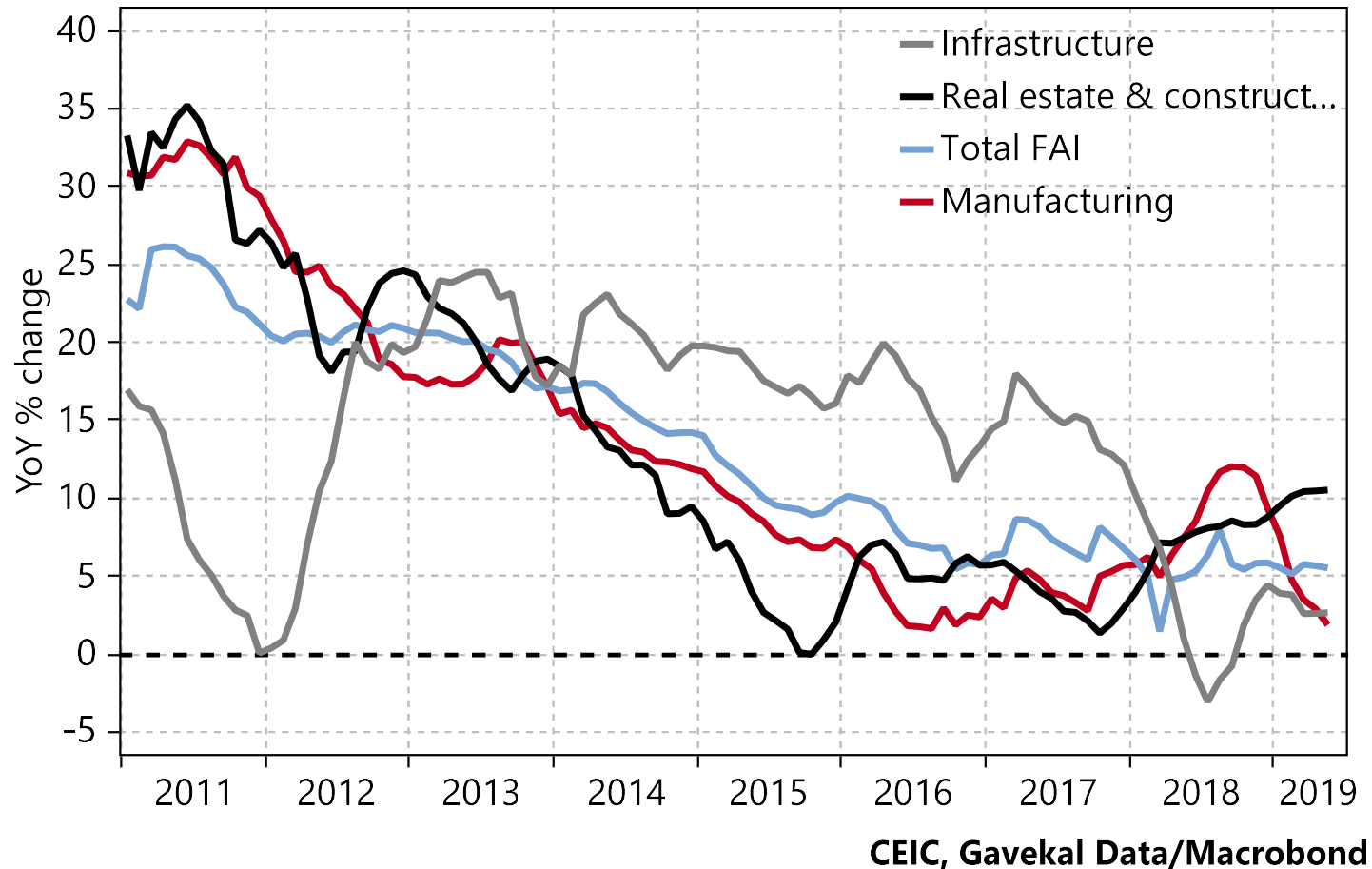
Fixed-asset investment, by ownership of firm, 5mcoma



Infrastructure spending is ramping up

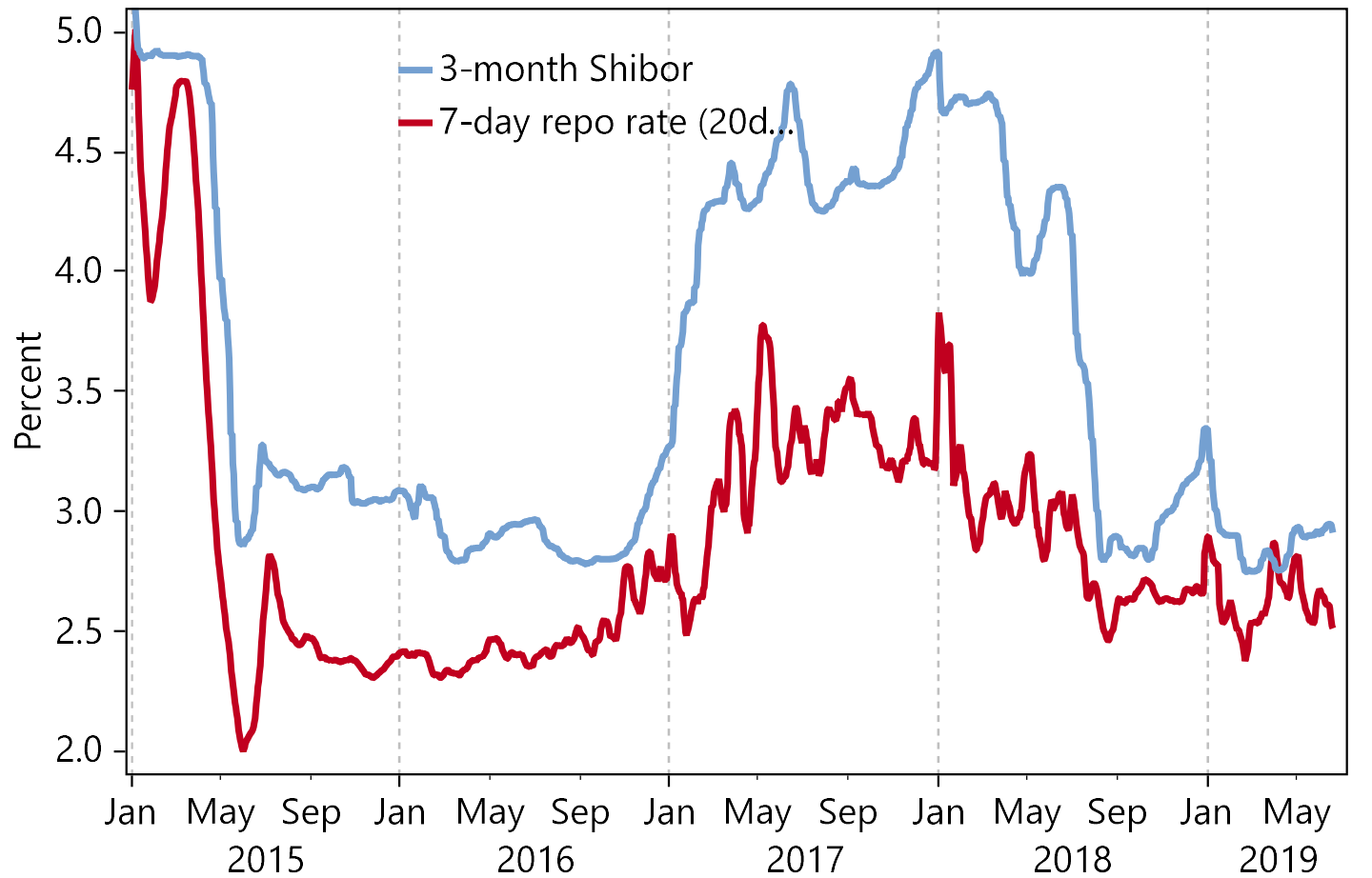
Construction rebound is offsetting manufacturing slowdown

Fixed-asset investment by sector, nominal, 5mcoma



Monetary policy has eased and will ease further

Interbank rates have declined significantly

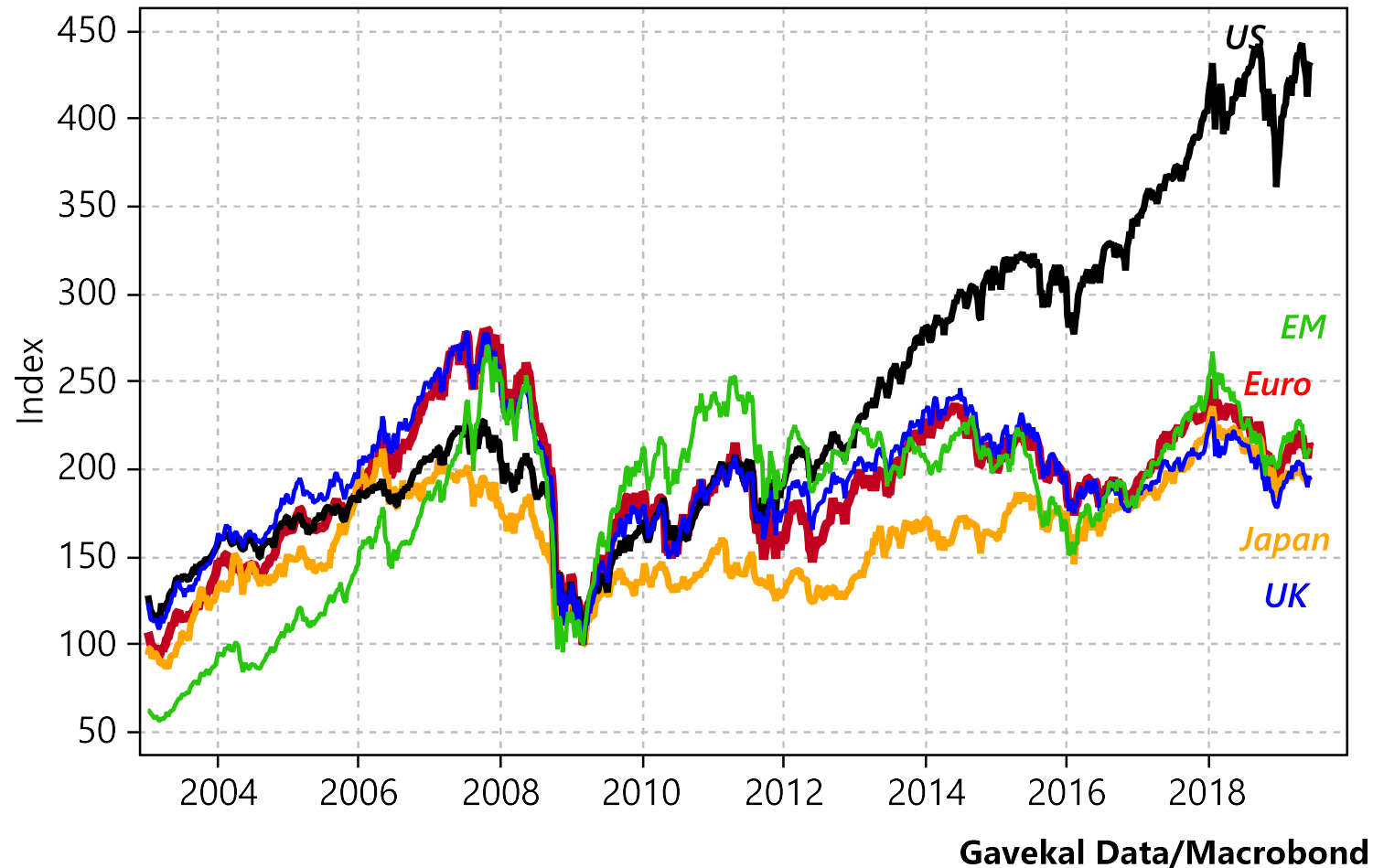


Gavekal Data/Macrobond

Best investment opportunities must be in non-US assets

US outperformance unprecedented - mainly since 2013

MSCI IMI all-cap country equity indices (US\$), rebased to March 2009



US out-performance mainly cyclical, not just structural

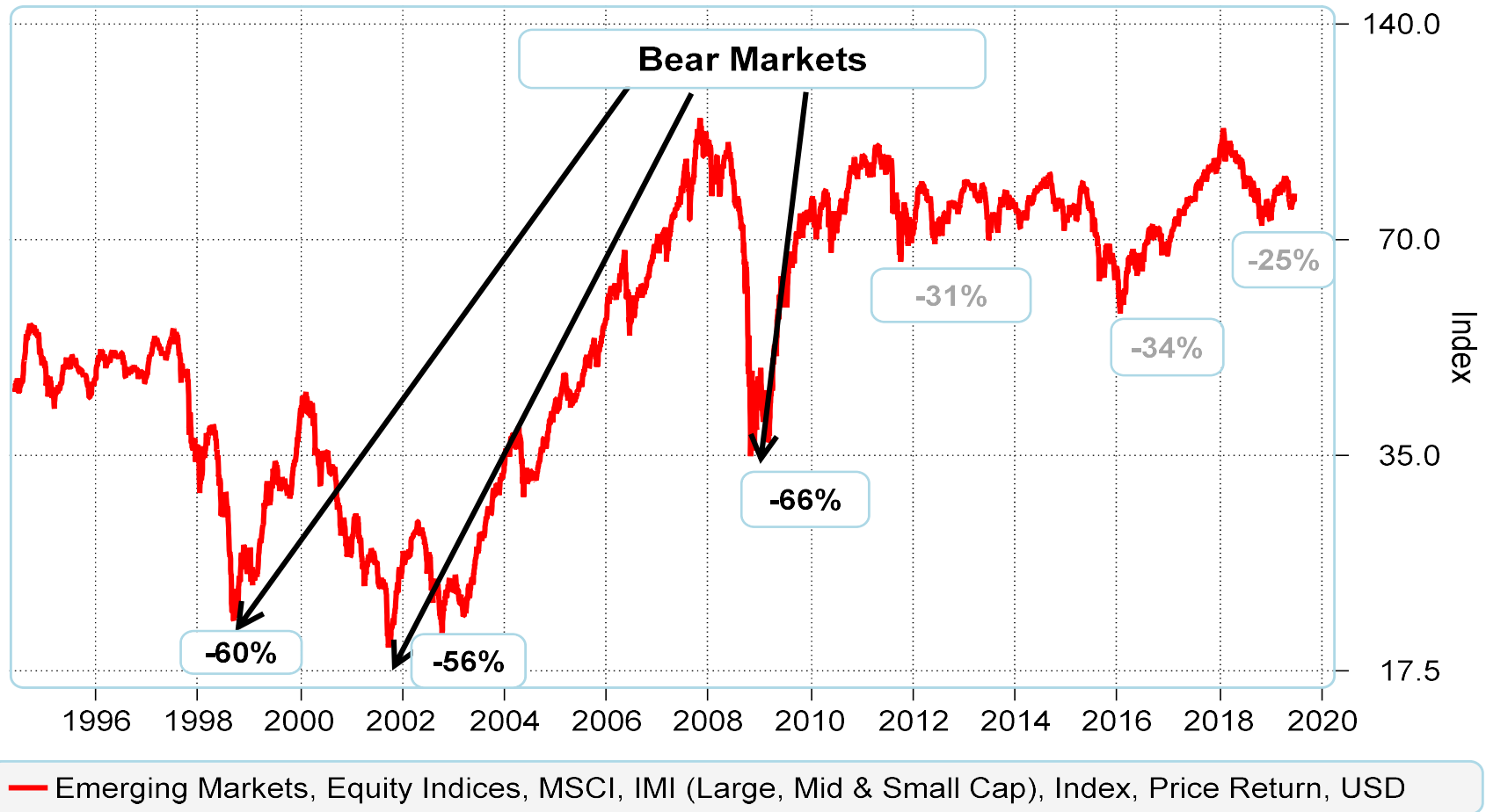
Outperformance by US mid-caps has been even more extreme

MSCI IMI mid-cap indexes (US\$), rebased to March 2009



Emerging Markets experienced a typical correction

MSCI Emerging Markets in USD



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EM and Europe: recovery or dead-cat bounce?

MSCI Emerging Markets



— USD — Local Currency

MACROBOND

MSCI Euro Zone in local currency and USD



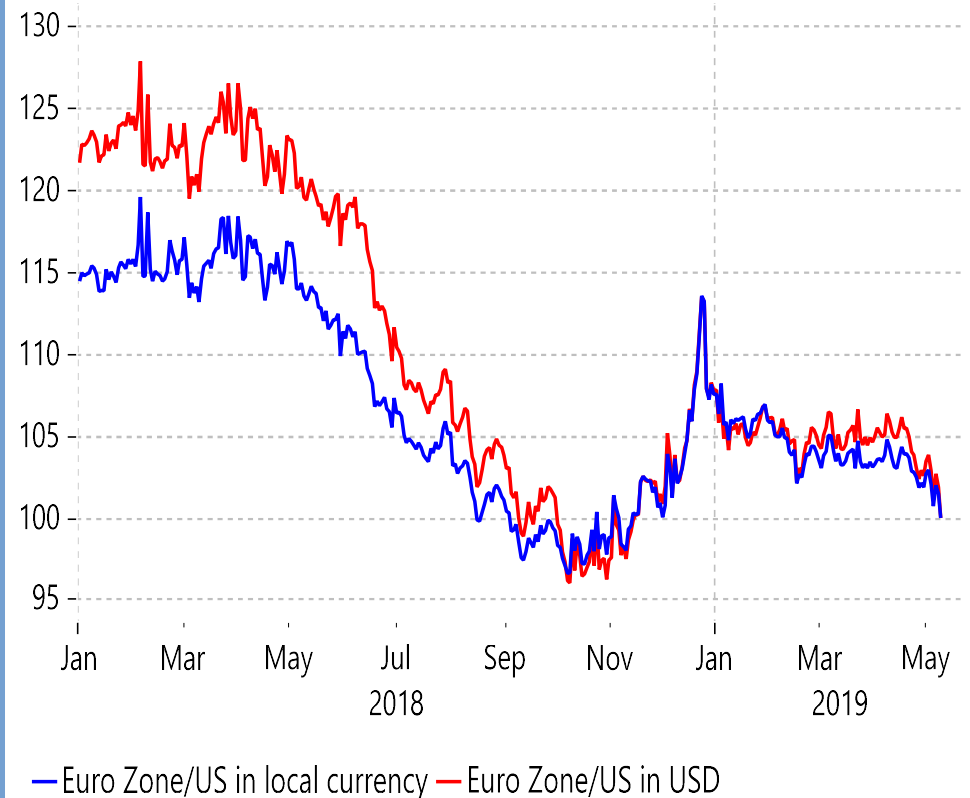
— Euro Zone/US in local currency — Euro Zone/US in USD

EM and EU still outperforming US since last October

MSCI EM and EM Asia relative to US in USD

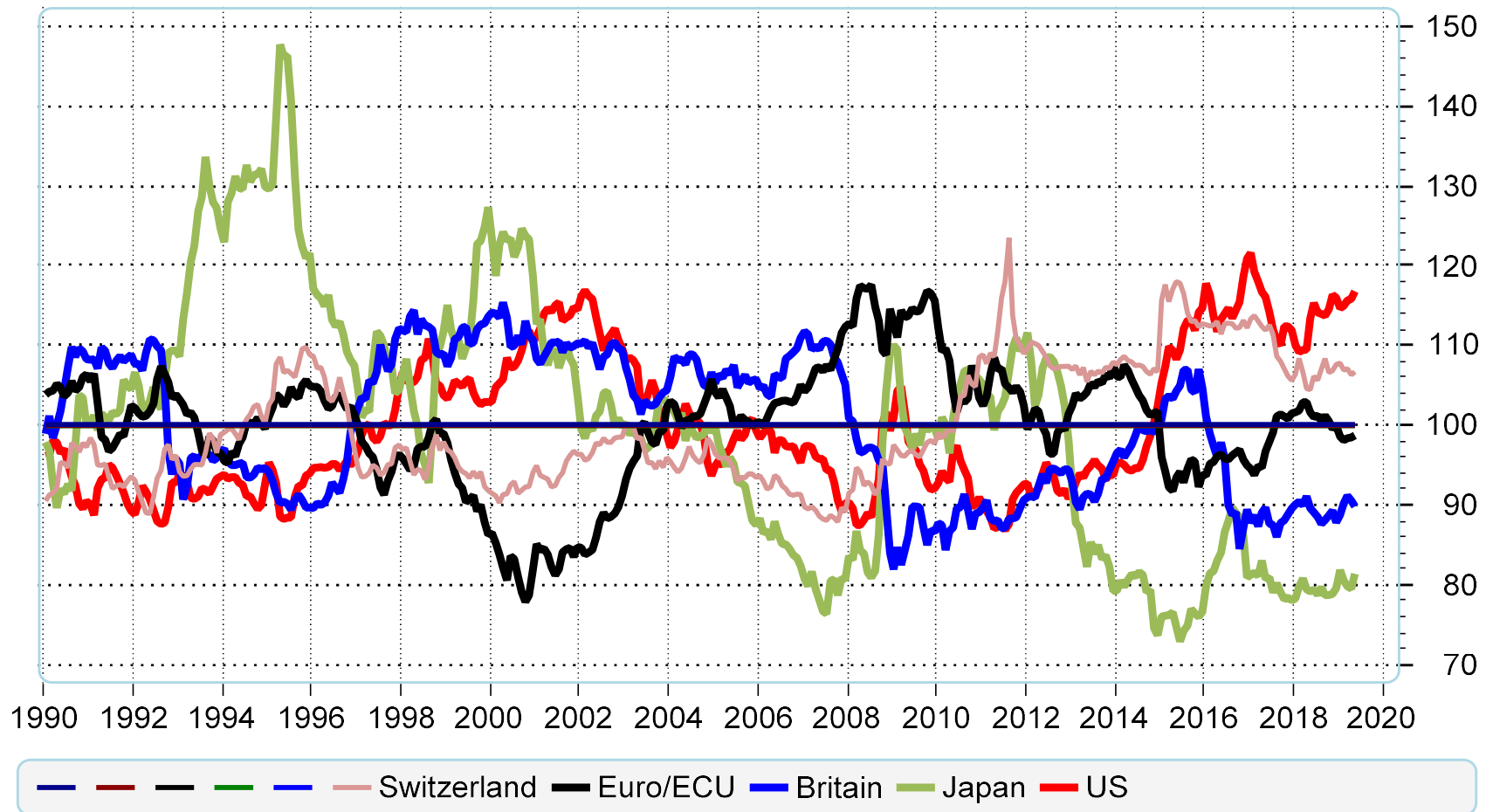


MSCI Euro Zone relative to US in local currency and USD



Dollar is the only currency that's clearly overvalued

Trade-weighted real exchange rates
BIS calculation based changes in relative CPIs (100 = mean since 1990)



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Will USD fall back into lower half of trading range?

USD/JPY



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USD/EUR

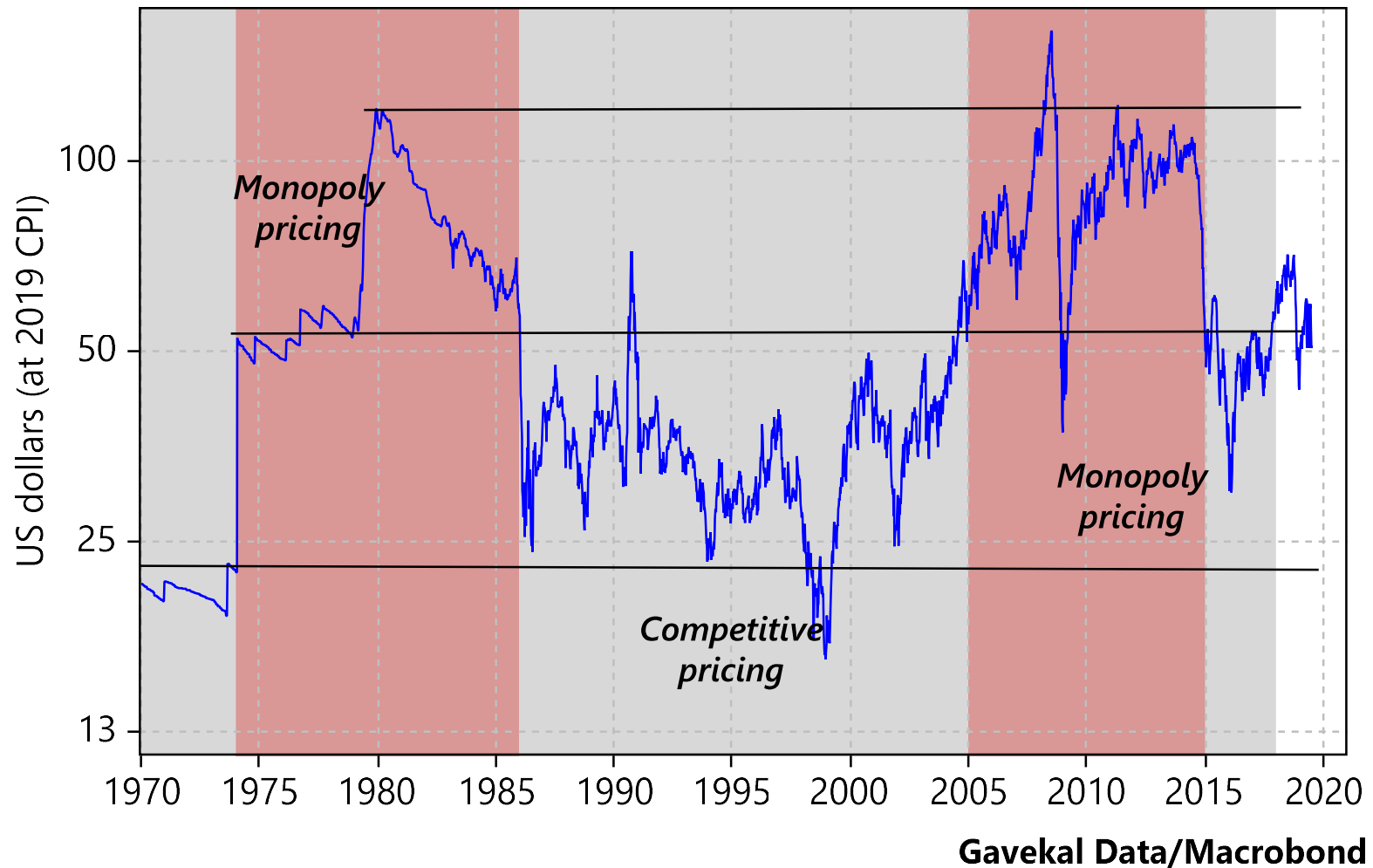


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My oil market "model" is looking better again

Maybe \$50-\$55 really is a ceiling for oil?

WTI spot price deflated by US urban CPI

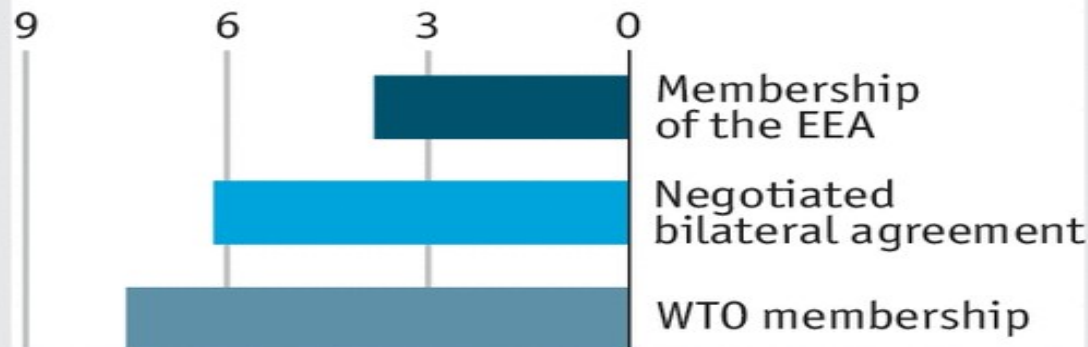


Finally: if anyone can still face thinking of Brexit

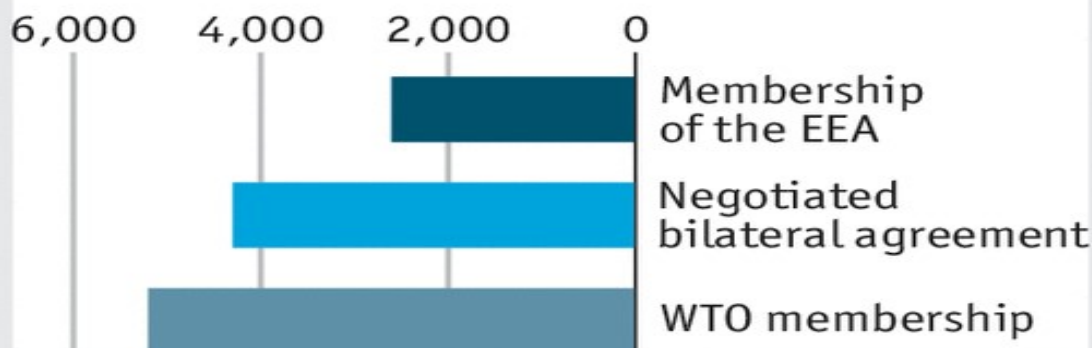
Bad economic news

Annual impact of leaving the EU on Britain after 15 years: three alternatives*

GDP decrease, %



GDP per household, constant £, loss



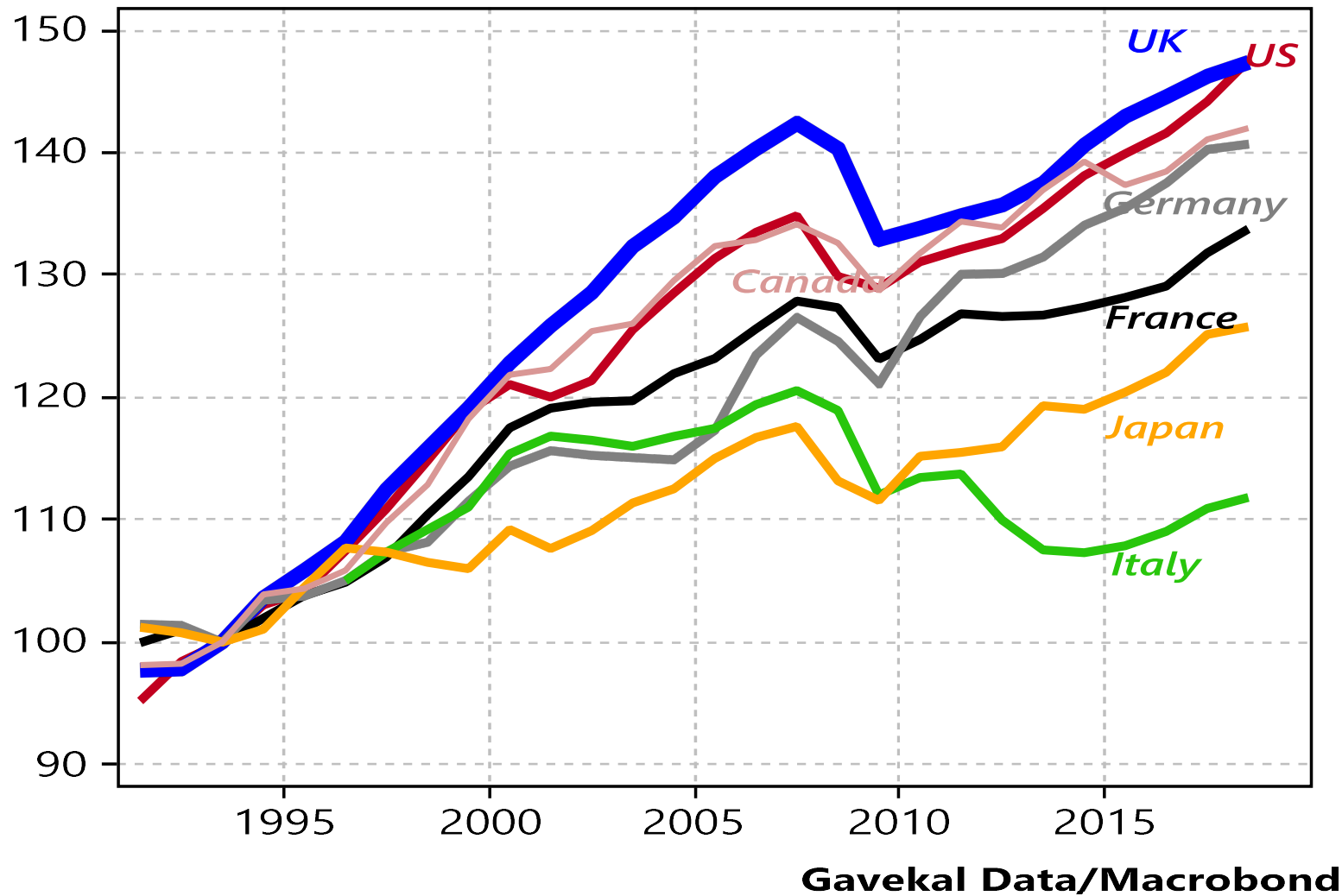
Source: HM Treasury

* Central case

Economist.com

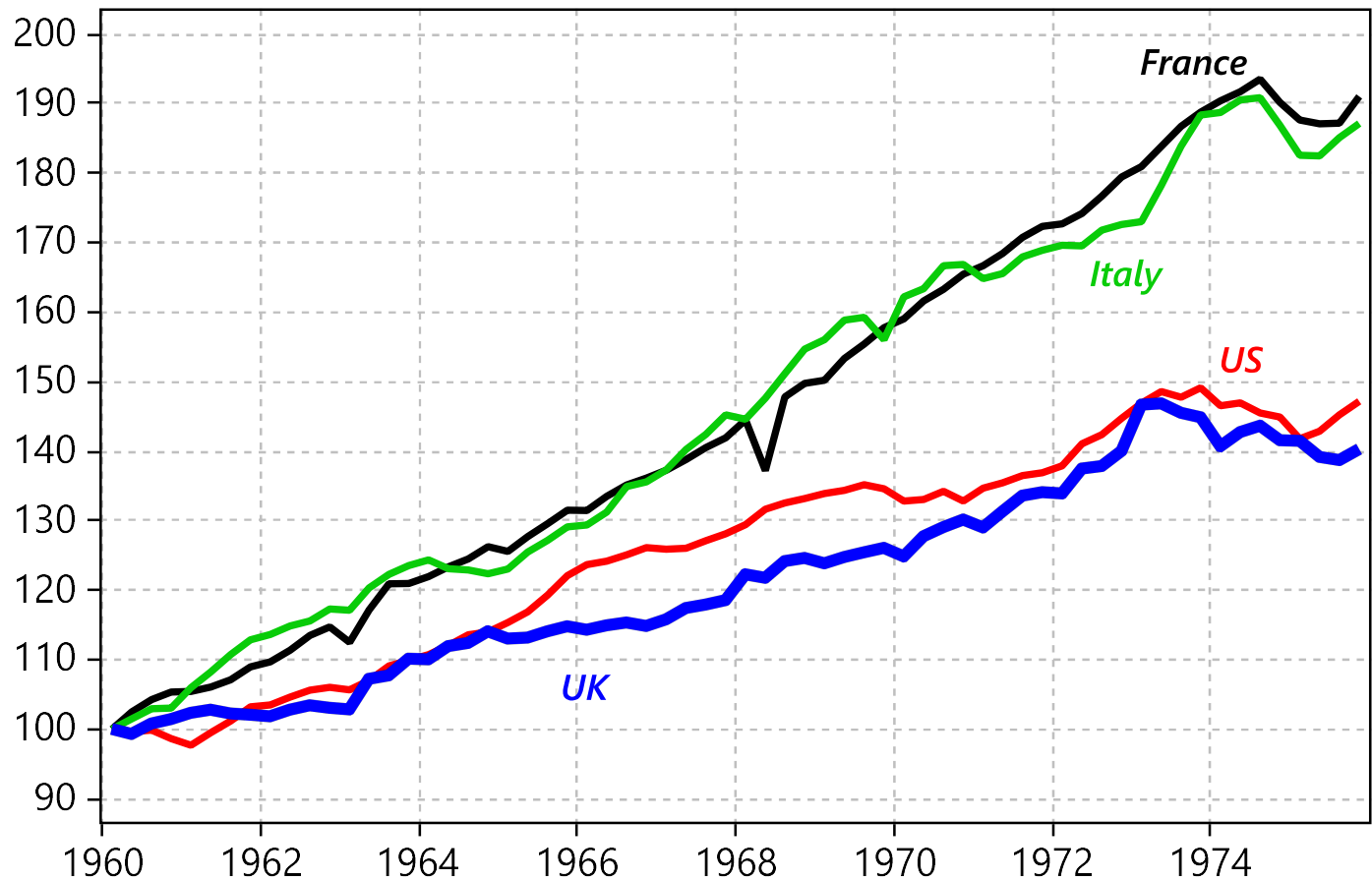
“Cool Britannia” = have your cake and eat it

National income per head 1993-2017



Before EEC: "The Sick Man of Europe"

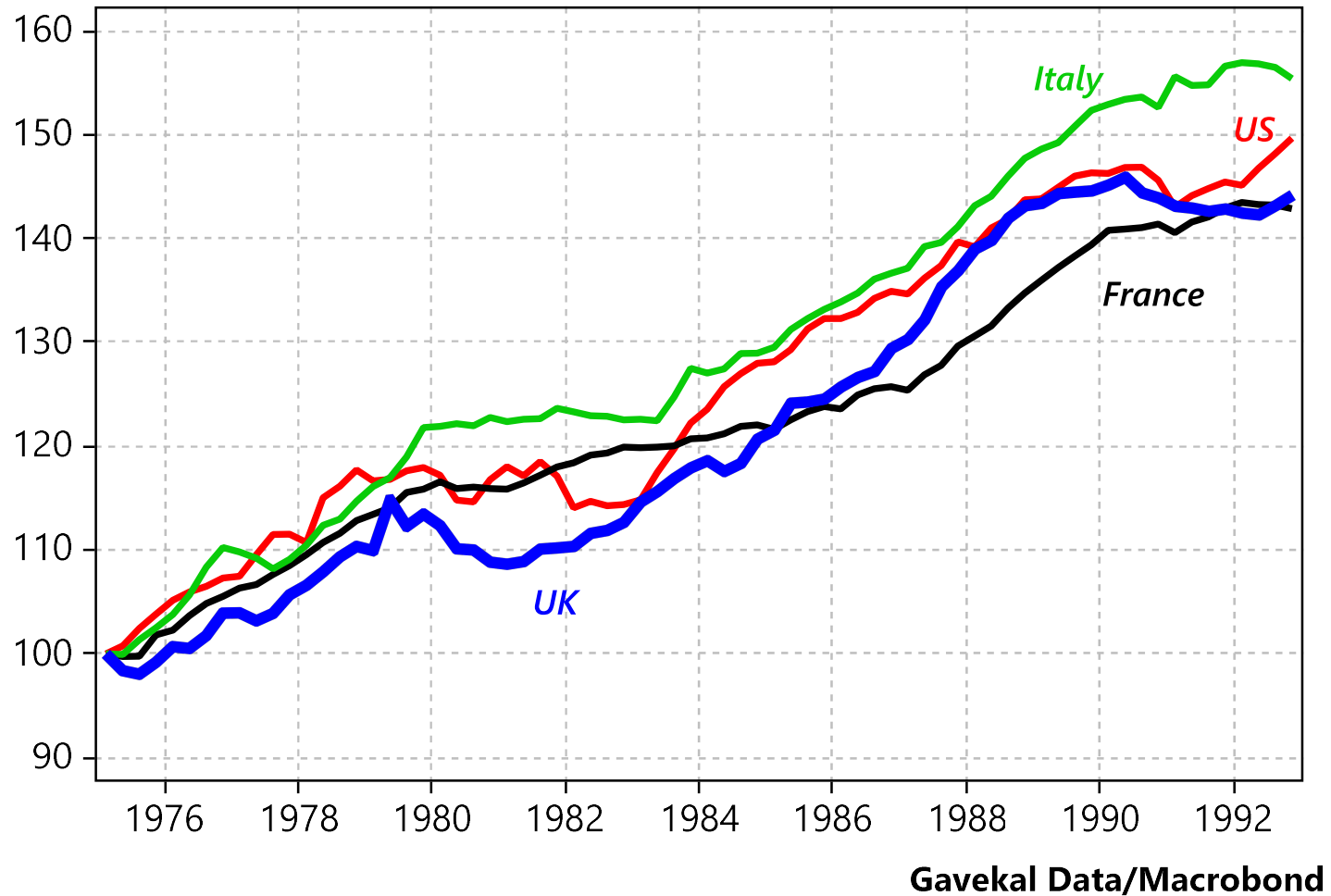
GDP per capita 1960-75



Gavekal Data/Macrobond

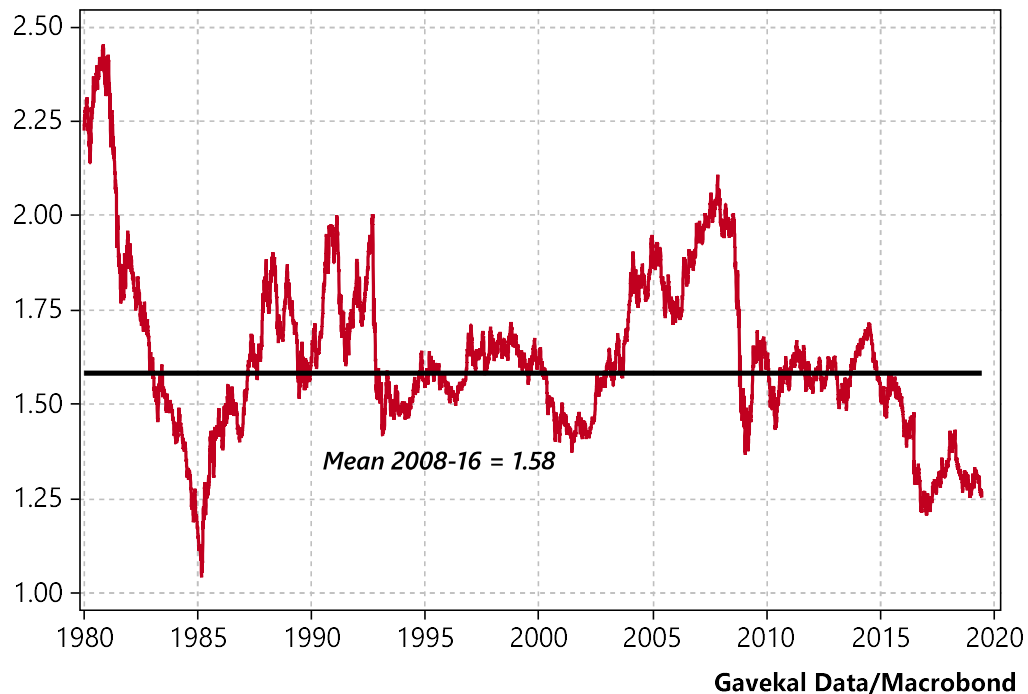
Thatcher "miracle" didn't happen until the Single Market

GDP per capita 1975-93

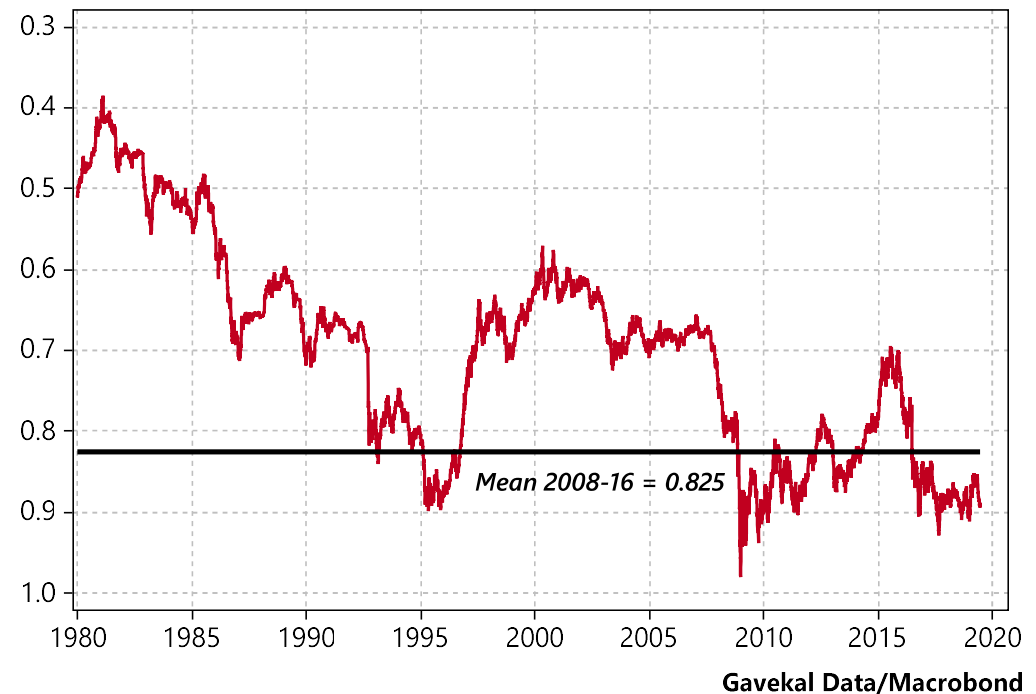


"Cable" is still very cheap but sterling/euro may not be

GBP/USD

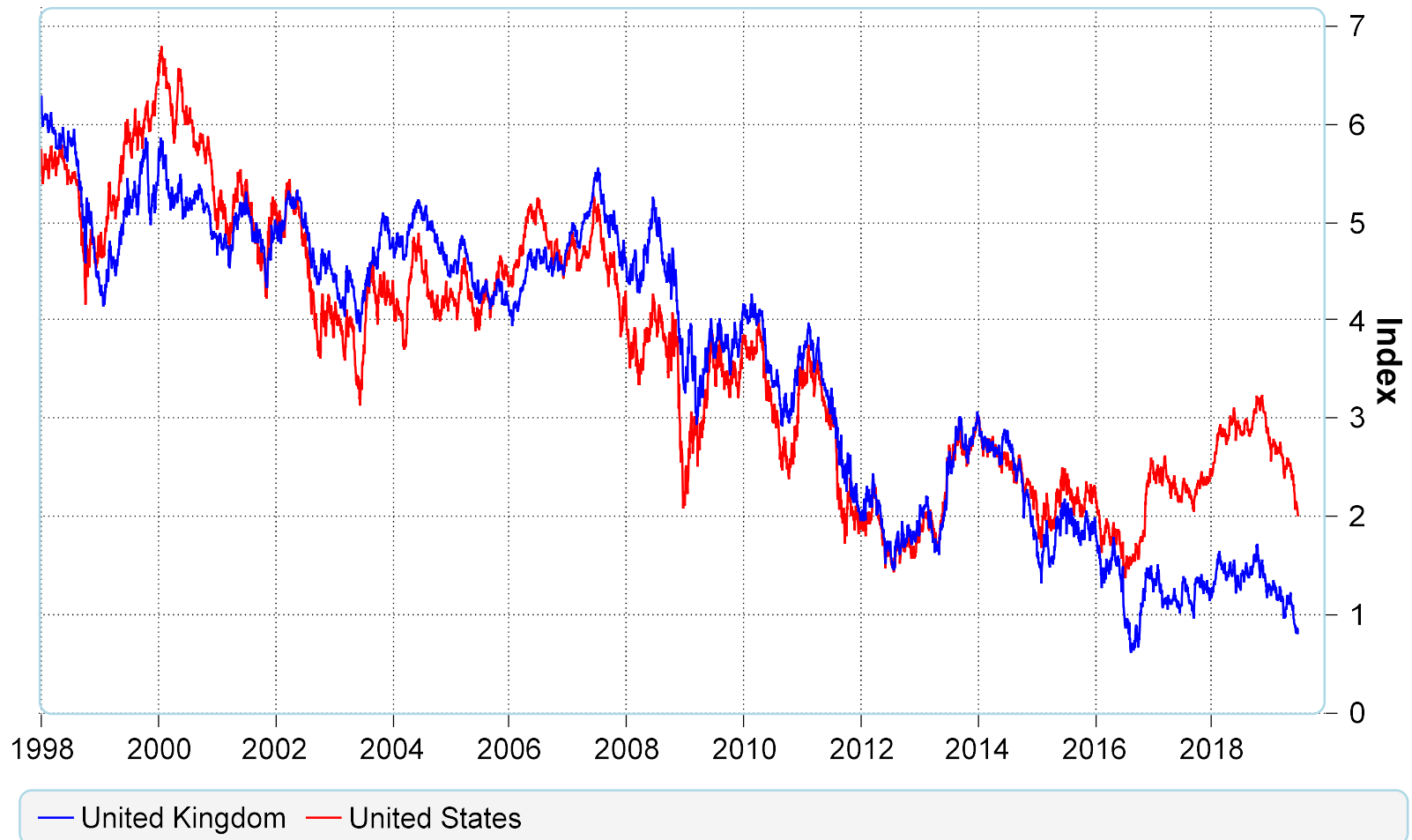


GBP to EUR/DEM



UK gilts: the world's worst investment ?

Government Benchmarks, Macrobond, 10 Year, Yield



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Interest expectations: still below 1 % in 2024

GBP 3-month interest rate futures



LyGH CAPITAL

Investing in China's Critical Mass

June 2019

Investing in China's Critical Mass

- China has 143 cities with 1mn+ population vs. only 10 cities with 1mn+ population in the US.



Infrastructure for the Masses

- Larger infrastructure scale and quality: China's high speed railway network is higher in coverage & 2x in speed vs. US passenger train network



Investing in China's Critical Mass

- (1) An enormous and growing domestic market;
- (2) Huge efficiencies in manufacturing, services and infrastructure investments;
- (3) World's biggest talent pool

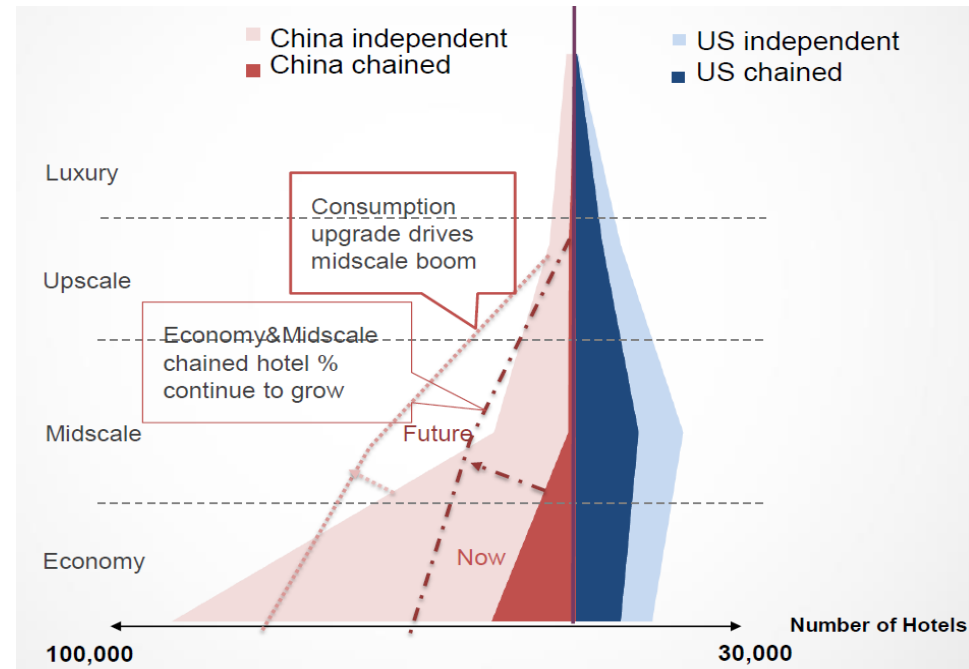
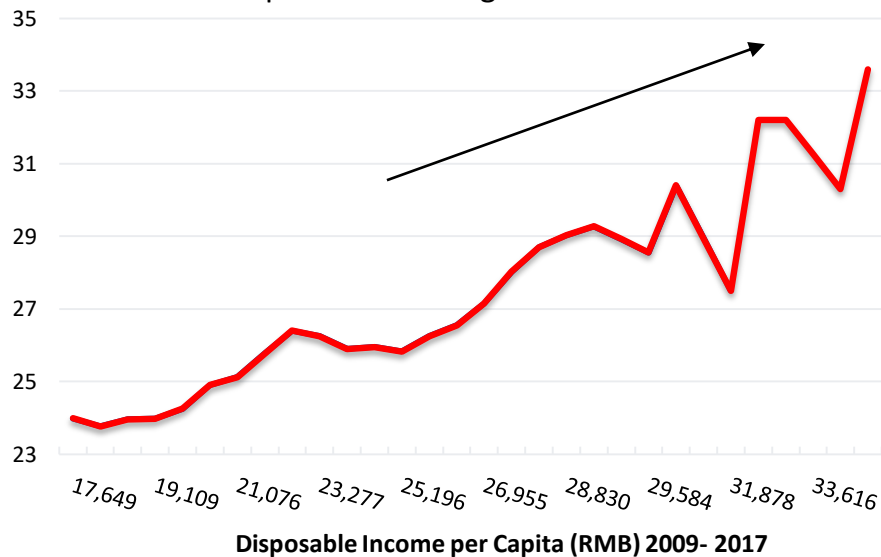
Large markets and scalable business models lead to long term compounding returns.

(1) Tourism Craze

- High speed railway and increasing affluence provide solid support for domestic travel;
- Mid-scale hotel chains benefit the most, aided by a consolidating market

Chinese Willingness to Travel

% of respondents willing to travel in next 3 months



(1) Stock Example – BTG Hotels Group (600258 CH)

A Hotel as Comfortable as Home

Feb 2019

Stock Summary

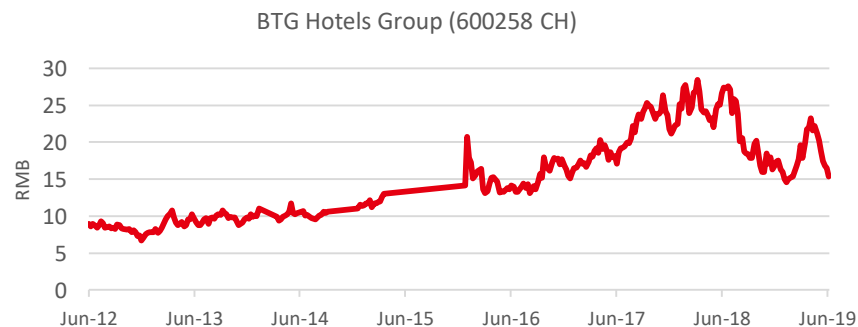
- BTG Hotels Group operates and manages hotel chains in China. As of 2018, BTG manages 3858 hotels with 387,000 rooms and with an expected annual revenue of RMB 8.7bn.
- BTG was founded in 1999 by the municipal government of Beijing and is headquartered in Beijing. In its early days, BTG consisted of luxury hotels located in Beijing City. In 2015, BTG acquired HomeInns Co. The acquisition transformed BTG into one of the largest hotel management groups in China.
- HomeInns Co. was founded by Chinese hotel mogul Ji Qi in 2001. In October 2006, it became the first Chinese budget hotel chain to be listed in NASDAQ. HomeInns was famous for its brand motto “Comfortable like home and clean like moon” and later became one of the largest budget hotel chains in China.

Risk/Reward

- Reward: BTG is trading at 8.5x EV/EBITDA (as of Feb 13, 2019) with a 23% discount to its closest peer Jinjiang Hotels. It is also the cheapest among the three major hotel chains in China. Assuming a stable net debt level of RMB 3bn, we expect BTG’s stock price to yield +70% return in the next 24 months as its valuation normalizes.
- Risk:
 - i. Over expansion of midscale hotels that results in price war among the major hotel chains. This is less likely as the top three players are much more disciplined compared to the last cycle;
 - ii. Sharp decline in the Chinese economy growth that puts pressure on BTG’s RevPar growth.

Investment Case

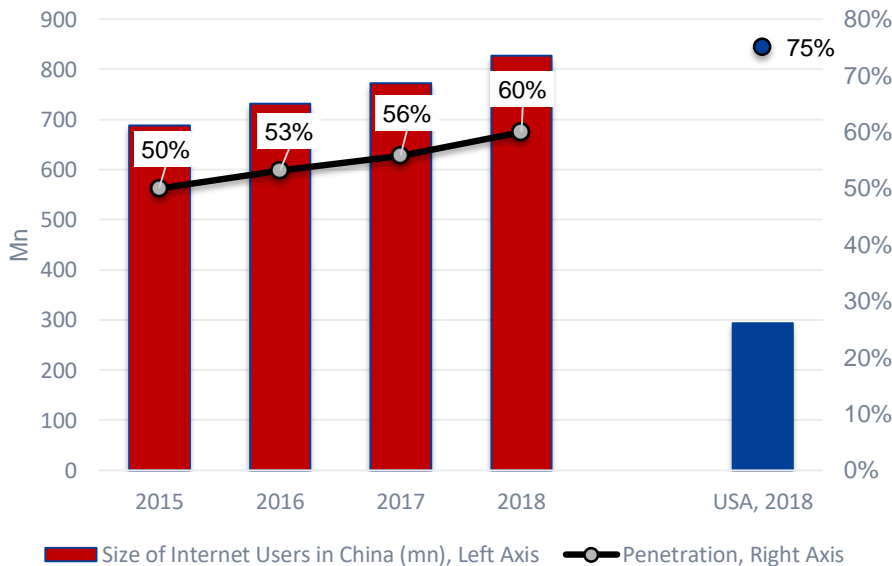
- The growing travel market offers a structural tailwind: China’s working population is 5x that of the US. The Chinese hotel sector benefits from:
 - i. Consumption upgrade, as Chinese travelers upgrade from cheap mom-and-pop motels to quality midscale hotels;
 - ii. A high-speed train network that promotes mid-to-long distance travel across the country.
- Hotel consolidation and asset light expansion: Midscale hotels are too large for mom-and-pops to manage. The growth in midscale hotels naturally leads to market consolidation that favors large hotel chains like BTG. We expect BTG to open 400-500 new midscale hotels annually for the next three years, almost all of them through its asset light franchise model. This leads to a high single digit topline growth and double digit bottom line growth for the next three years.
- Incentives aligned: In Nov. 2018, BTG adopted a share incentive scheme that awarded 9.7mn shares (worth 200mn RMB) to 286 management members. We expect the improving ownership structure and interest alignment to further propel the growth of BTG. Given a stable annualized RevPar growth of 4%, we forecast BTG’s EBITDA to reach RMB 2.9bn in 2020, a 20% 3 year CAGR.



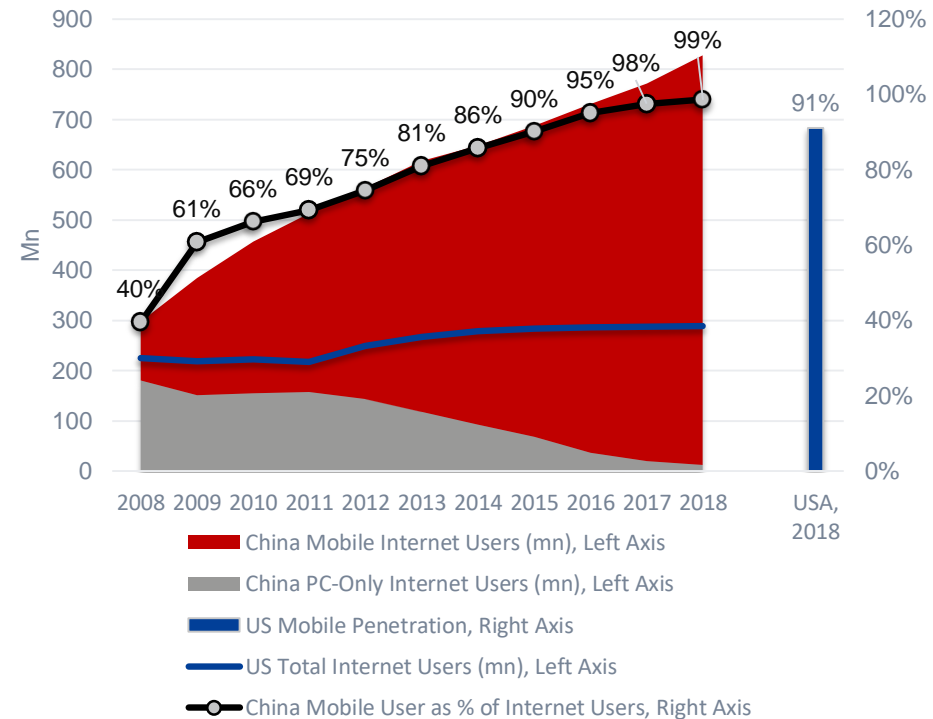
(2) Extensive Internet and Mobile User Base

- Largest internet user base: 828MM, +7% YOY, @60% Penetration, 72% new onboards by mobile

China Internet User Base and Penetration keeps Growing

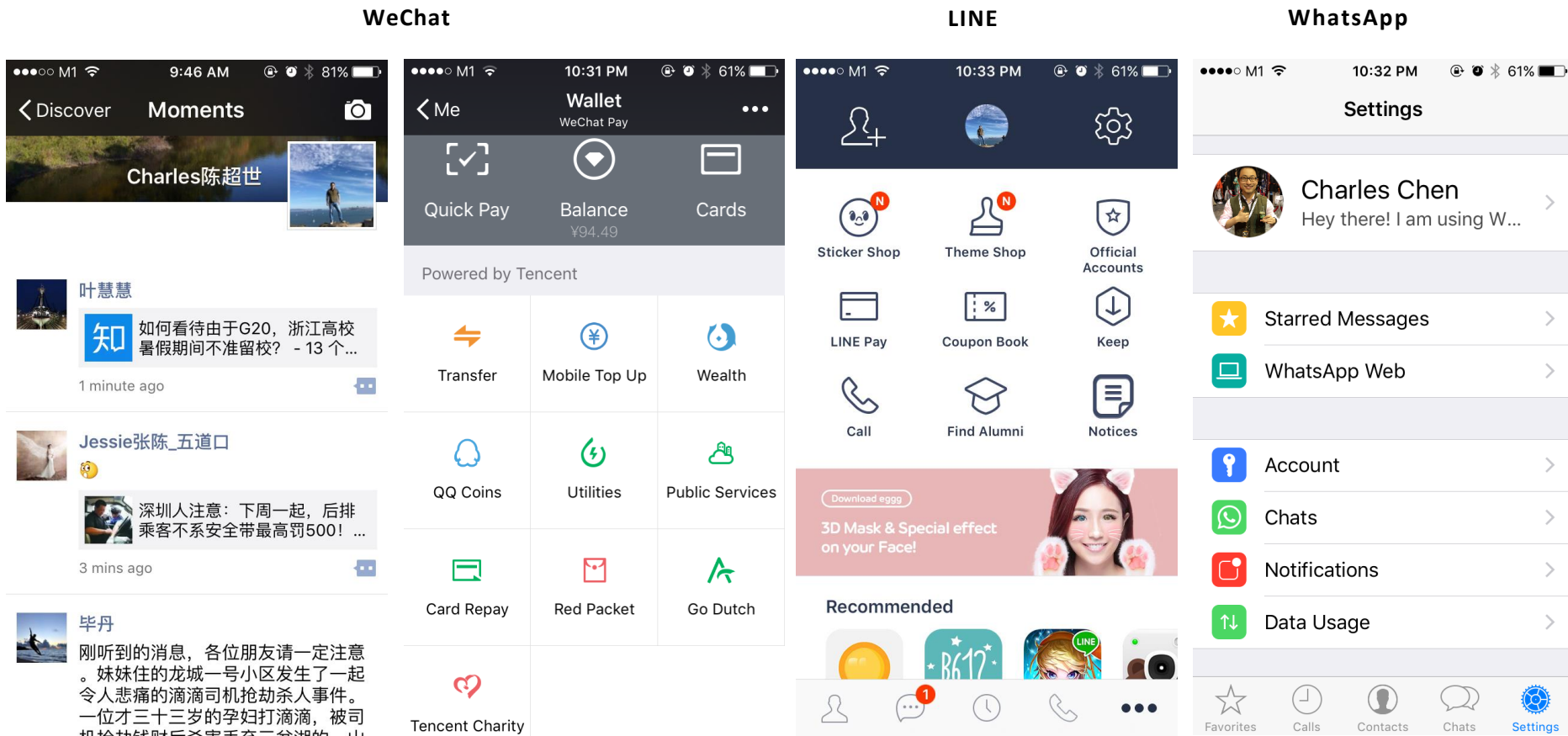


...Mobile is Main Driver for China Internet



(2) New Business Models

- China's scale advantage enables more innovative monetization models: People's Republic of WeChat = Messaging + Social + Financial Services; almost all free of charge



(2) Higher Scale Efficiency for Services

- 85% of JD's first party orders are next day deliveries while only 8% of Amazon's SKUs offer the same service

Fast Expansion and Best-in-class Fulfillment Capabilities



Fulfillment Centers	7 cities
Front Distribution Centers	19 cities
Warehouses	213 in 50 cities, including 6 Asia No.1 warehouses
GFA	Over 4 million sq.m.
Geography Coverage	2,356 counties and districts
Delivery and pickup Stations	5,367
Same day and next day delivery as % of 1P orders ²	Over 85%
Full-time delivery employees	Over 59,000

Breakdown of Amazon's Delivery Options

Service	Where it's available	Product SKUs
Standard Delivery on Amazon.com	All cities in the U.S.	365,000,000
Prime Two-Day Delivery	All cities in the U.S.	30,000,000
Prime Same-Day Delivery	27 metro areas	1,000,000
Prime Now (1-2 hour delivery)	25 metro areas	25,000

Source: Amazon.com Inc., Robert W. Baird & Co.

(2) The Rise of Generation Z

- Young Chinese seek cultural satisfaction, universal connectivity, and self-expression, generating new business opportunities

E-Sports:

League of Legends 2018 World Final in Beijing Olympic Stadium



Offline Exhibition and Show: Bilibili World 2018 in Shanghai



Advertisement

Animated image for “LANCÔME”



Live-broadcasting:

A host singing for online audience



(2) Stock Example: Bilibili (Bili US)

Rise of Generation Z: Bilibili's Niche Leadership

Jun 2019

Stock Summary

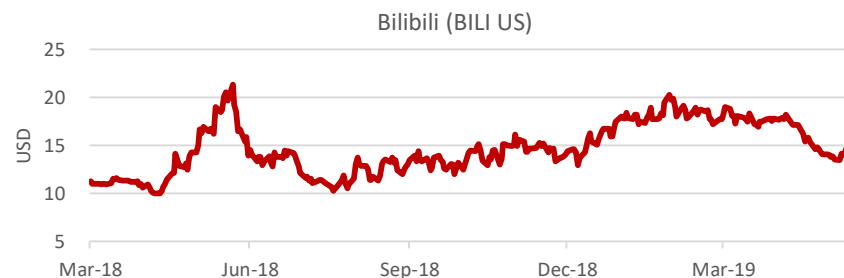
- Bilibili is a video-streaming website with 101 million monthly active users - 75% of them are Gen Z (born after 1990). In terms of user base, Bilibili is the fourth largest video streaming platform after Tencent Video, iQiyi & Youku.
- Founded in 2009, Bilibili is currently the largest PUGC (Professional User Generated Content) video platform in China. By introducing Japanese ACG (Anime, Comics and Games) to China, Bilibili accumulated a large group of young ACG fans and formed a community for them. With increasing new content generated, Bilibili is now also able to attract users who are not ACG-fans.
- Bilibili is in the early stage of monetization. There are four revenue sources: mobile game distribution (RMB 873m in Q1 2019), live broadcasting and VAS (RMB 292m), advertisements (RMB 112m), and e-commerce (RMB 96m).

Risk/Reward

- **Reward:** 50% upside with target price USD 20 at 30X 2020 forward PE. Topline growth for each segment is expected to be:
 - Mobile games: above 40% as the regulator has restarted approving games.
 - Live broadcasting and VAS: 80-100% as paying ratio and ARPPU would increase significantly from low base.
 - Advertisements: 50-70%, lower than previously estimated due to macro headwinds on the overall industry.
- Bilibili will be able to capitalize on the inherent operating leverage as its revenue grows, and we expect the potential net margin to be improved from -17% currently to 15-20%.
- **Risk:** 1. Strict regulation on cultural contents might hurt user experience and investment return on contents; 2. Unsuccessful CAPEX might slow down its pace to profitability.

Investment Case

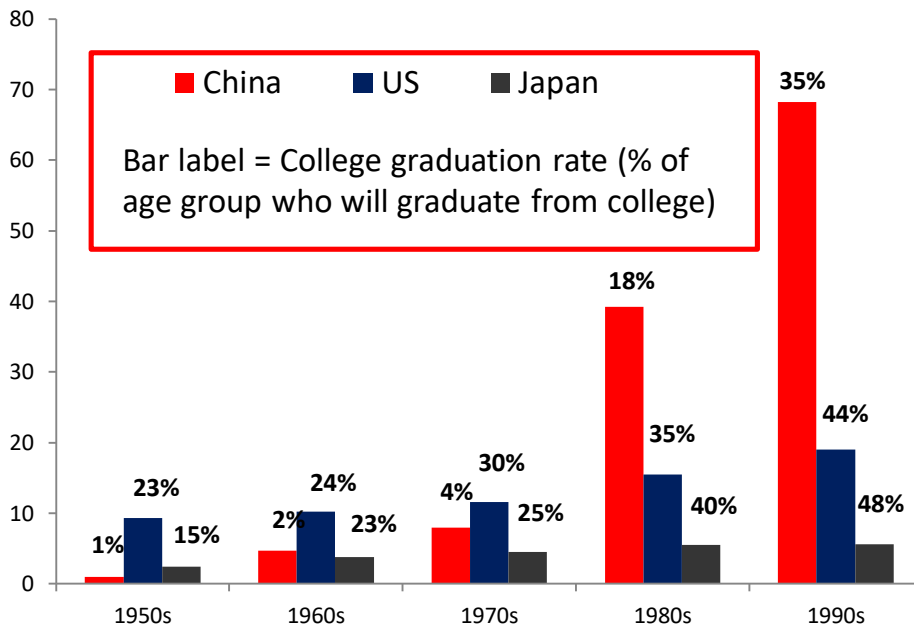
- Network effect around a loyal and solid user base.
 - i. New user traffic to Bilibili grows organically, largely via word of mouth. Bilibili's 30 days retention rate is 41%, much higher than other video-streaming platforms (30-35%).
 - ii. There are 49m official members who passed a community entrance exam consisting of 100 questions. 12 month retention rate for these core users is higher than 80%.
- Strong moat around sub-culture and user-generated content.
 - i. 89% of video views in Bilibili are contributed by PUG videos. Content creators grew 150% YoY to 732,000 and monthly video submission grew 130% to 2 million.
 - ii. Although there were many challengers in past, nowadays there is no significant competitor to Bilibili.
- Great positioning within Gen Z with high monetization potential.
 - i. The average age of Bilibili's users is around 20. More than 70% of users have or will have a Bachelor's degree or above. They have strong willingness to spend money and their buying power will grow quickly as they get older.
 - ii. The unique user profile of Bilibili gives it strong commercialization potential.



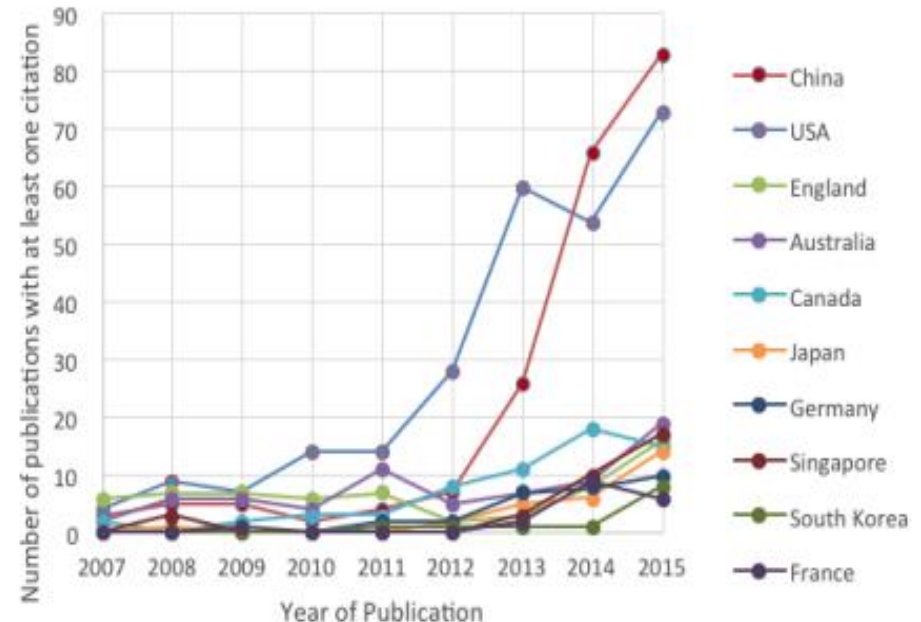
(3) Engineer Dividend

- China has the largest engineer force in the world - already No. 1 in artificial intelligence research paper citations.

Number of college graduates by birth year, mn



Deep Learning (Cited Publications)



(3) Stock Example – Zhuzhou CRRC Times Electric (3898 HK) **LyGH CAPITAL**

A Leader in High End Manufacturing in China

Apr 2018

Stock Summary

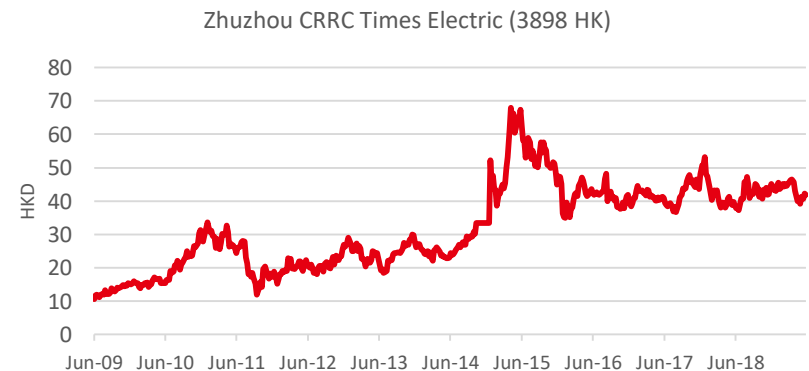
- Zhuzhou CRRC Times Electric (“ZCTE”) is the largest supplier of electric traction system of railway locomotive, Electric Multiple Unit (“EMU”) of high speed railway, and metro trains in China, with >50% market share. This segment (~60% of revenue contribution) will see a rebound after the weak delivery of EMUs in 2017.
- Maintenance segment (~20% of revenue contribution) will register strong demand growth in the next 3 years as many high speed railway EMUs are scheduled for maintenance after having been put in service for 10 years.
- The high R&D expense ratio (8.6% in 2017) is bearing fruit: its semiconductor business especially Insulated Gate Bipolar Transistor (“IGBT”) has started to replace imports and will break even in 2018; Electrical Vehicle (“EV”) powertrain system has accumulated over 1.9mn unit or >10bn RMB orderbook and will start to deliver this year.

Risk/Reward

- Reward: 30% upside with target price HKD 49-50 for traditional business, based on 15xPE. Another 30% upside potential if we factor in the new business (RMB 9.1bn = IGBT 3.4bn + deep-sea robot 1.2bn + EV 4.5bn) and net cash 3.5bn at hand.
- Risk: Locomotives and high speed railway demand and EV development slower than expected.

Investment Case

- Stock underperformed in 2017 due to weak EMU delivery but EMU will resume ~30% growth in 2018.
- As the largest metro train supplier, ZCTE has accumulated over 3 years orderbook and will see ~30% growth CAGR.
- IGBT, know as the CPU for power conversion, is widely used in power transmission, rail transport and industrial automation. China has been relying on import in the past and ZCTE is the only integrated local IGBT manufacturer.
- China EV sales reached 576k unit in 2017, +68% yoy. The government is targeting 1mn unit in 2018 and 2mn in 2020. ZCTE has orderbook of 1.93mn sets of EV control systems in 2017, and will start mass delivery in 2019 with 300-500k unit a year.
- Under-valued: only trading at 11xPE, vs its expected ~15% earnings growth cagr in the next 3 years.



We Buy Sustainable Growth at a Reasonable Price

- **Identify business franchises with idiosyncratic business models.**
 - We focus on structural growth sectors;
 - We seek business franchises with profitable and scalable business models;
 - We emphasize sustainable competitive advantage, sound financials, strong corporate governance coupled with management competence.

- **Focus on expectation gaps and catalysts.**
 - We look for expectation gaps and catalysts, preferring misunderstood and mispriced stocks that trade below their long-term intrinsic value.

Fund Highlights

Fund Name **GH China Century Master Fund (incepted in Jan 2014)**

Fund Strategy A Greater China focused absolute return equity long/short fund

Investment Objective

- Seek only absolute return;
- Target 15-20% annualized return over a 3-5 year time horizon;
- As of May 2019, the Fund has achieved an annualized net return of 16.42% since inception

Fund Characteristics

- Focus on Greater China related opportunities and invest across the markets;
- Hold a concentrated portfolio with 20-30 names long and short combined;
- Long biased with average gross exposure of 80% and average net exposure of 60%, using shorts to hedge portfolio and generate alpha

Appendices

Fund Performance Key Metrics

Since Inception	China Century	MSCI China	HSCEI	CSI300
Annualized Return	16.4%	3.5%	0.2%	7.0%
Annualized Volatility	18.4%	20.8%	21.7%	26.4%
Max Drawdown	-19.7% (Jun – Sep 2015)	-39.3% (May 2015 – Feb 2016)	-45.3% (May 2015 – Feb 2016)	-44.0% (Jun 2015 – Dec 2018)
Positive Month (Total 63 Months)	44	36	33	36
Best Month Perf	25.3% (Apr 2015)	16.7% (Apr 2015)	16.9% (Apr 2015)	24.5% (Dec 2014)
Worst Month Perf	-11.2% (Apr 2014)	-13.5% (May 2019)	-15.1% (Jan 2016)	-22.1% (Jan 2016)
Sharpe Ratio	0.76	0.06	-0.10	0.18
Beta		0.65	0.61	0.45

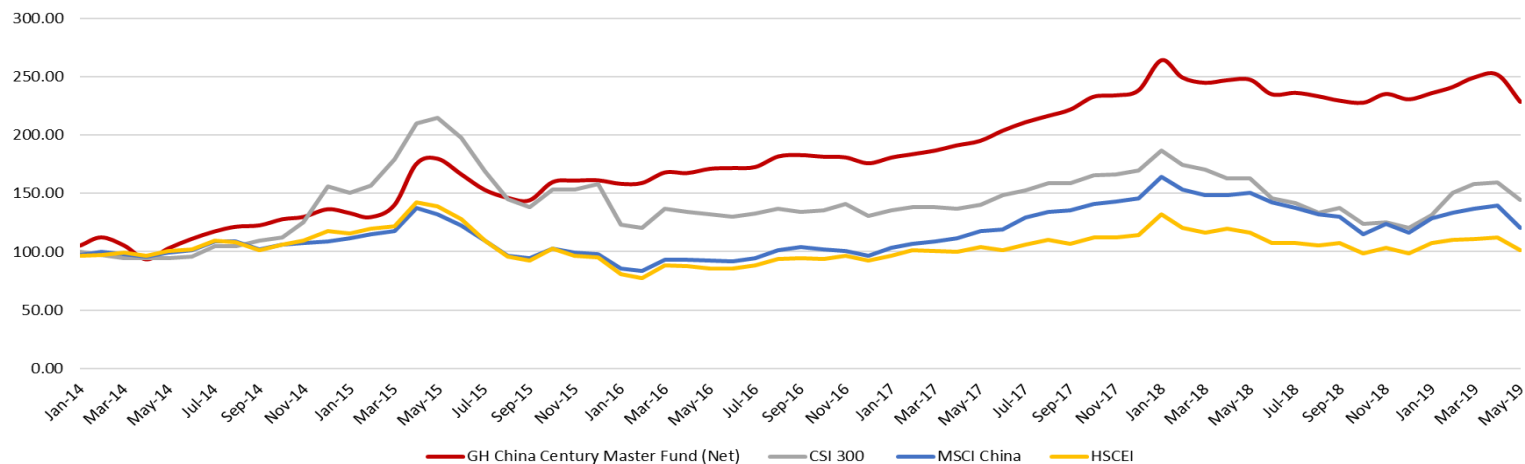
Fund Return Since Inception

	GH China Century Master Fund Monthly and Annual Net Return (%)												Year	Since Inception	Major Indices Annual Return (%)		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			MSCI China	CSI 300	HSCEI
2014	5.57	6.60	-6.22	-11.18	10.07	7.71	5.80	3.44	0.98	4.26	1.51	5.07	36.56	36.56	8.86	56.22	17.92
2015	-2.44	-2.59	7.83	25.29	2.51	-7.49	-7.81	-4.46	-1.49	10.75	0.78	0.20	18.13	61.32	-10.05	1.02	-19.35
2016	-1.84	0.41	5.67	-0.31	2.19	0.34	0.53	5.22	0.64	-0.76	-0.32	-2.76	9.02	75.87	-1.43	-17.06	-2.80
2017	2.76	1.57	1.72	2.34	2.06	4.41	3.57	2.59	2.52	4.77	0.54	1.74	35.16	137.71	51.21	29.88	23.70
2018	10.83	-5.62	-1.83	0.91	0.16	-5.02	0.52	-1.25	-1.56	-0.78	3.24	-1.92	-3.23	130.03	-20.52	-29.34	-13.75
2019	2.29	2.16	3.39	1.02	-9.26								-0.96	127.82	4.03	20.10	2.48

Source: LyGH Capital, Bloomberg; Fund Inception Day: 10 Jan 2014

Note: Fund and indices returns are calculated based on USD denominated prices; 2014 returns are calculated relative to indices levels on 10 Jan 2014.

GH China Century Master Fund and Major Indices Performance Since Inception (USD)



- **An On-the-ground Investment Team**

- Founded in November 2013, made up of experienced investment professionals based in Shanghai and Singapore;
- Two senior team members previously worked together at Fullerton Fund Management Company. In addition, COO also worked with senior investment members at Fullerton Fund Management Company

- **A Team of Greater China Equities Experts**

- A team of seasoned investment professionals with an average investment experience of 11 years in China equity market;
- A proven track record of superior returns in managing both relative return and absolute return China-focused funds for institutional investors, including sovereign wealth fund

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Builders Union

Investing with a view on young global consumer behaviour

Notz Stucki Investment Conference | Geneva, 25 June 2019

Checklist-based decision making framework to drive consistency and iterative learning

Position Checklist

BU Position Checklist	Booking (BKNG US)		Score
	Market	BU	Delta
1. Variant Perception			5
1.1 Growth	7	7	-
1.2 ROCE	8	9	1
1.3 Resilience	6	8	2
1.4 Democultural	6	8	2
1.5 Impact	5	5	-
1.6 Management	7	7	-
2. Timing			4
3. Expected Value			7
4. Classic Position			6
5. Portfolio Considerations			4
Position Score			5

Background

Calculation of variant perception (i.e. what we believe that is not priced in) across 6 fundamental categories

Industry growth and TAM; like-for-like and market share dynamics; expansion potential (organic and inorganic)

Unit economics & margins; cash flows; payback / marginal return on capex

Visibility on growth; cyclical / response to external shocks; source of defensive characteristics

Consumer view / voice of customer / value propositions; impact of demographics; impact of consumer behaviour

Impact on broad set of stakeholders, incl. natural environment and society (incl. sources of controversy)

Management quality; governance systems, incentive structure, and conflicts of interest; management culture

Score on timeliness of the position (incl. view on catalysts, events, peers, technical)

Probability-weighted outcome distribution, with a focus on the upside to downside skew ratio

Evidence-based score of credibility in calling this type of position/industry/company

Pro-forma contribution to risk and portfolio variables (e.g. correlations)

Checklist-based decision making framework to drive consistency and iterative learning

Position Checklist

BU Position Checklist	Booking (BKNG US)			Score
1. Variant Perception	Market	BU	Delta	5
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1.6 Management	7	7	-	
2. Timing				4
3. Expected Value				7
4. Classic Position				6
5. Portfolio Considerations				4
Position Score				5

DEMO-WHAT??

Markus Bihler



Investing in demographics

predictable

low beta

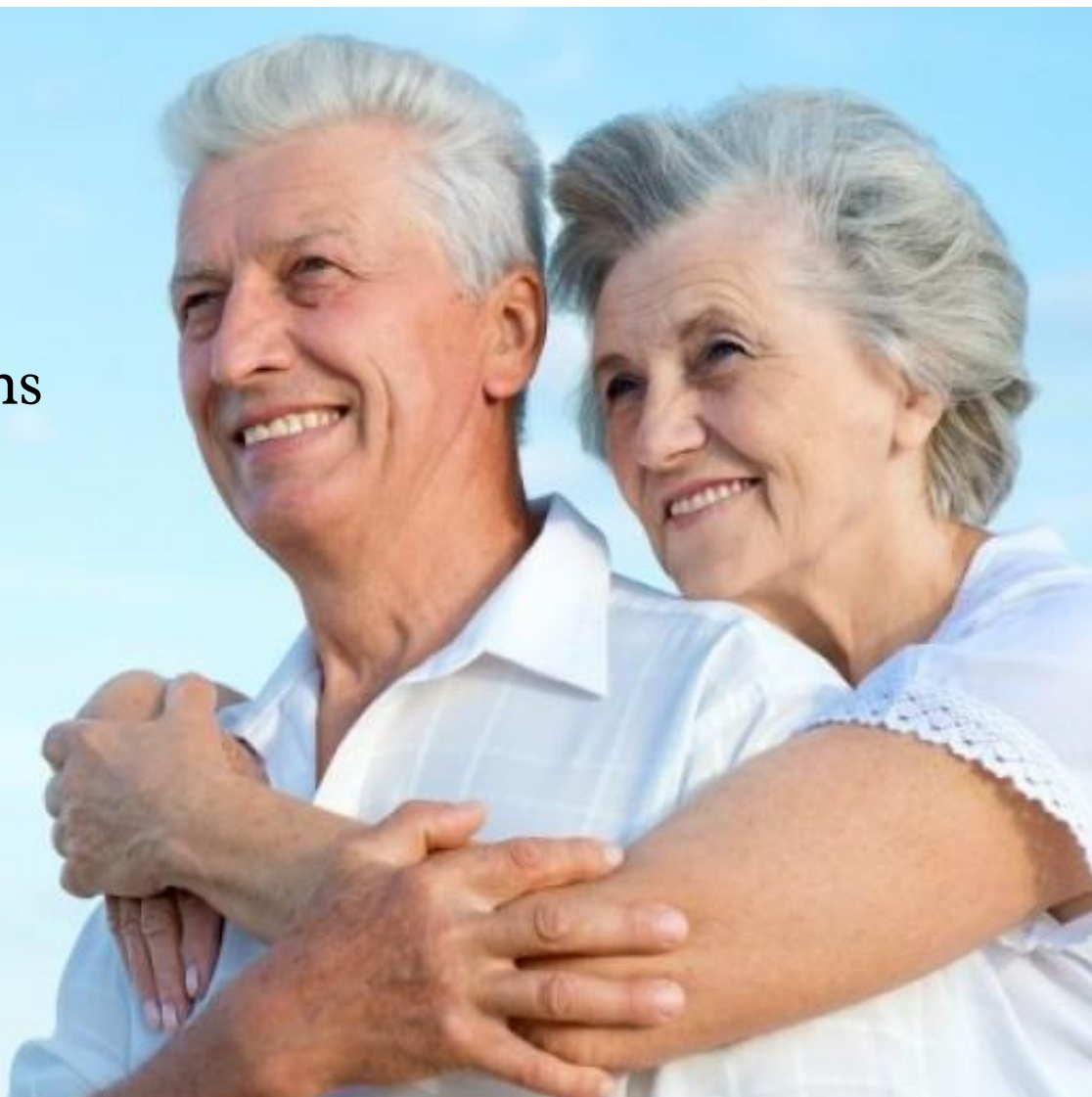
low correlations

bond-like

non-cyclical

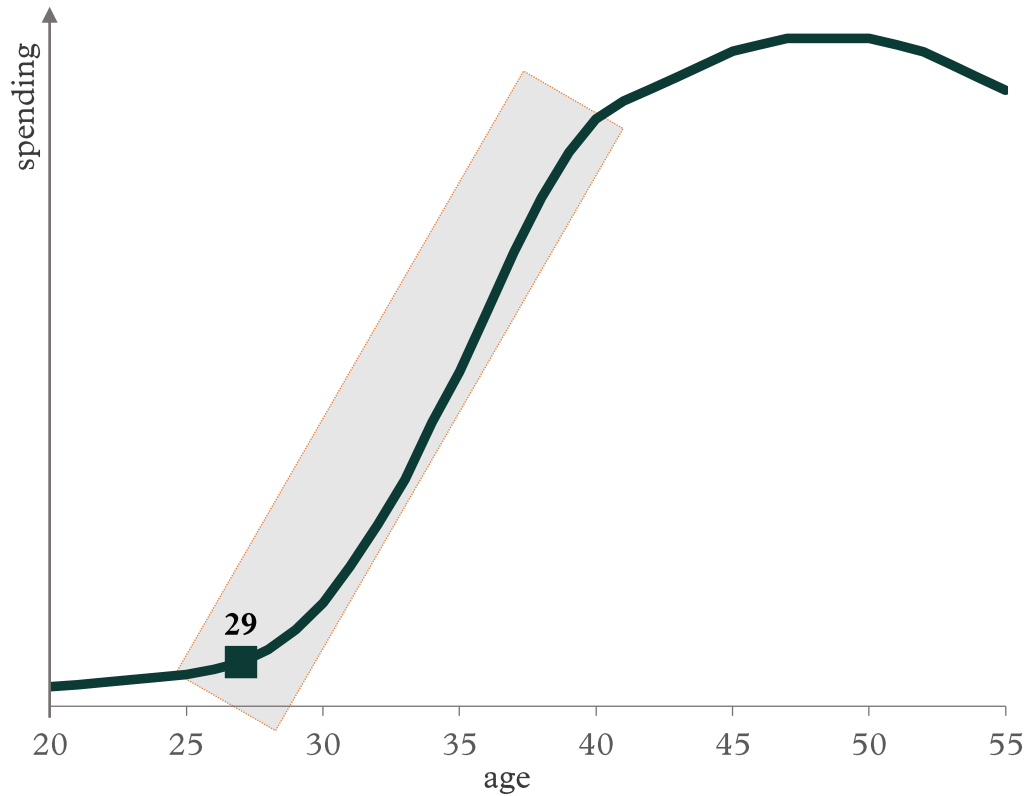
long-term growth

defensive



Overview of Generations

	Baby Boomers	Generation X	Millennials (Gen Y)	Centennials (Gen Z)
Average age	63	45	29	11
Birth date / Age	1946 – 1964 (52-71y)	1965 – 1980 (36-52y)	1981 – 1997 (19-36y)	1998 – 2015 (2-19y)
Global population / %	1.1bn / 15%	1.5bn / 20%	2.0bn / 28%	2.4bn / 32%
Key life events	Cold War	End of Cold War	9/11, social media	Artificial intelligence
Communication	Telephone, Email on Computer	Email on laptop / BB, SMS	Instant message on smartphone	Emojis, Memes on Snap & Instagram
Digital proficiency	Digital immigrants	Early adopters	Digital natives	Digital naturals
Deepest fear	No longer centre of attention	What about my generation?	Paying off student debt	Slow wi-fi & Low batteries



income
15% ↑
p.a.

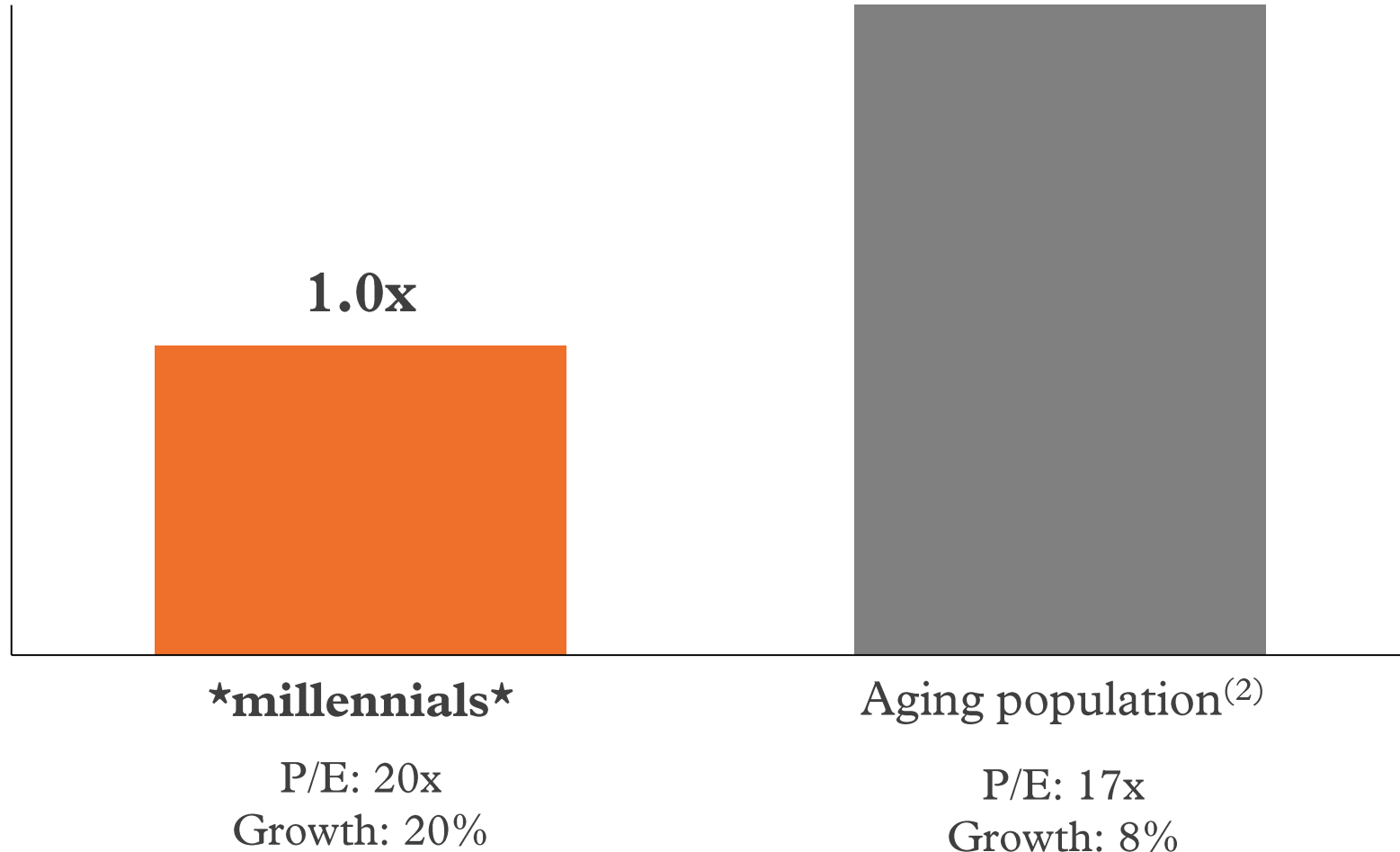






Mispricing of young consumer spend creates investment opportunity

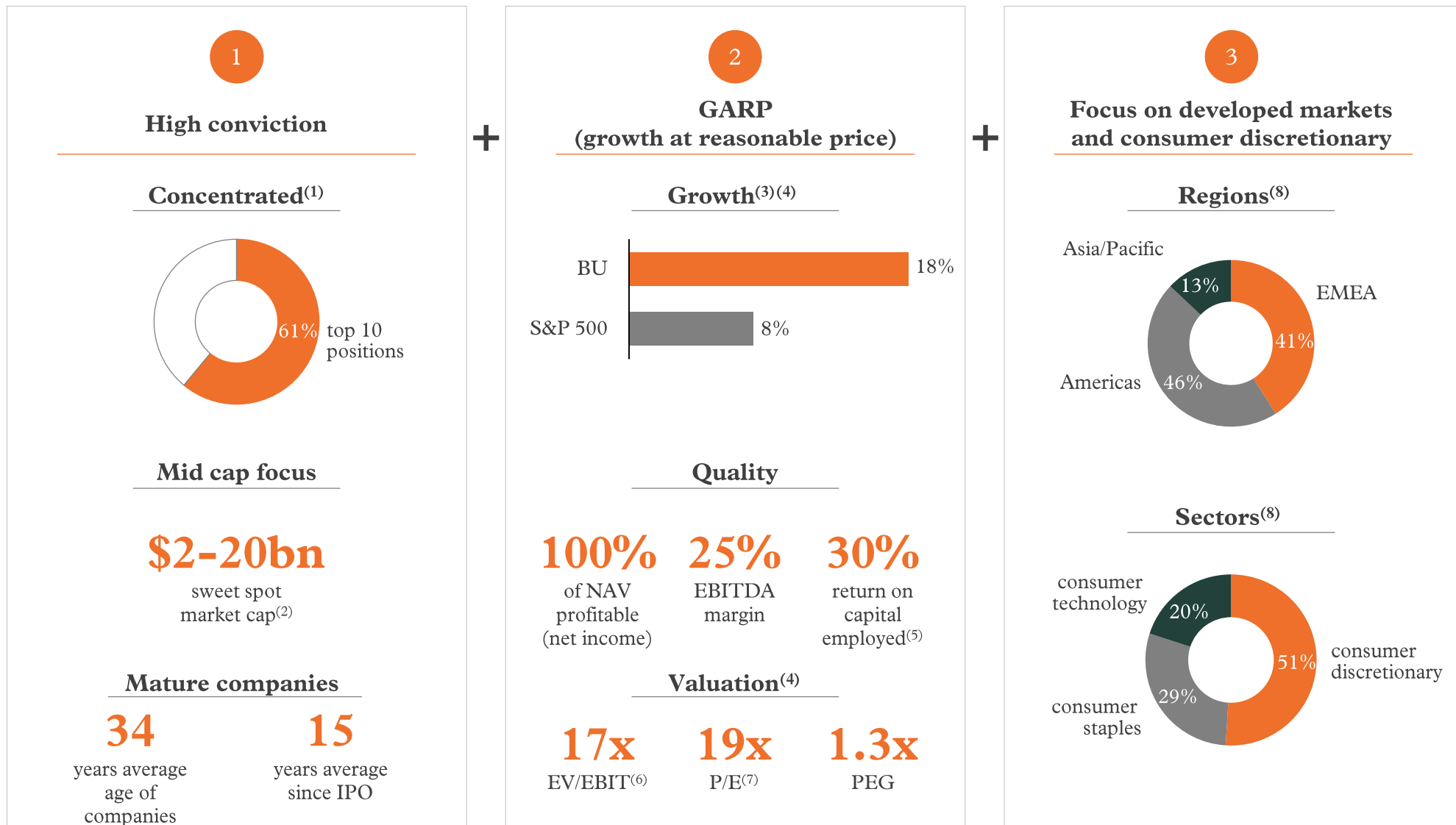
PEG⁽¹⁾



(1) PEG ratio divides the price/earnings multiple (2019E) by the 2018-2020E annualized percentage growth in earnings per share; broker consensus (Bloomberg).

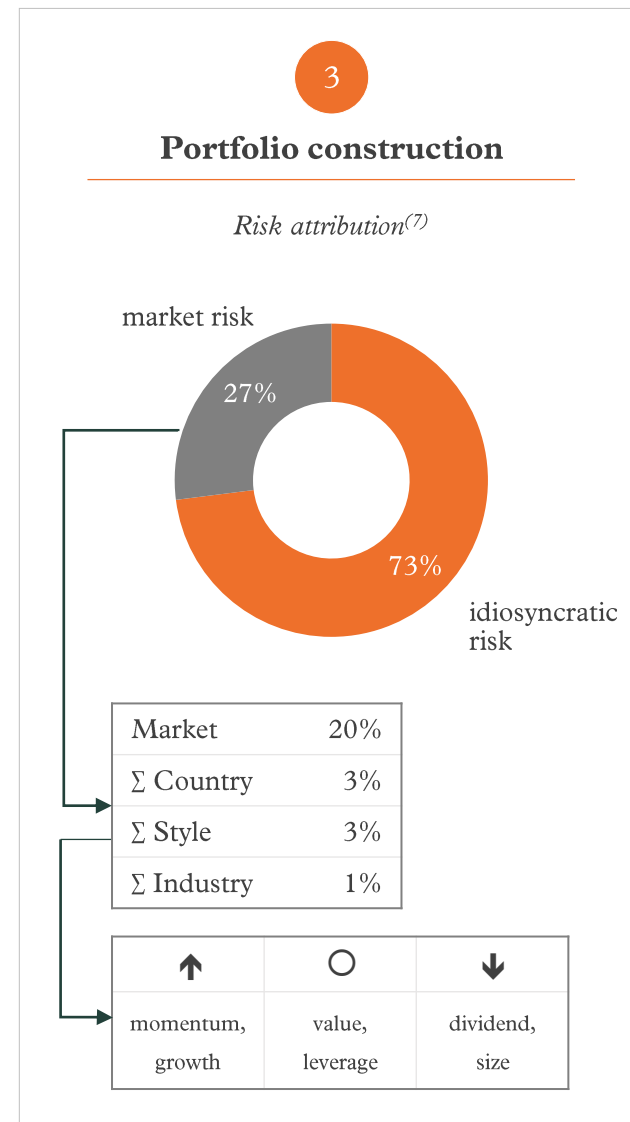
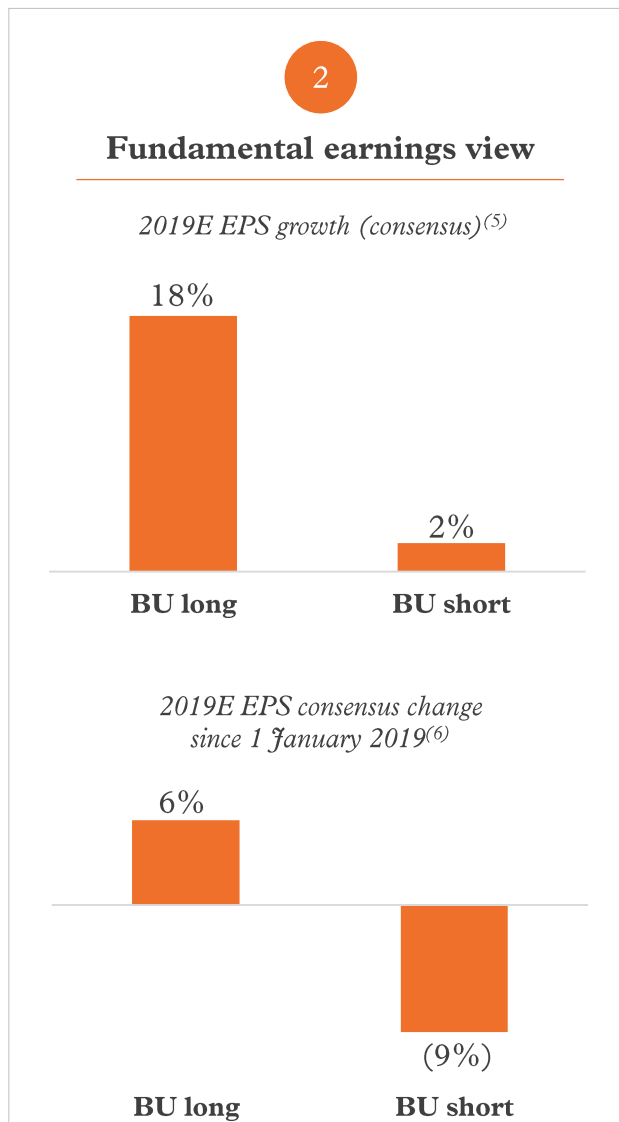
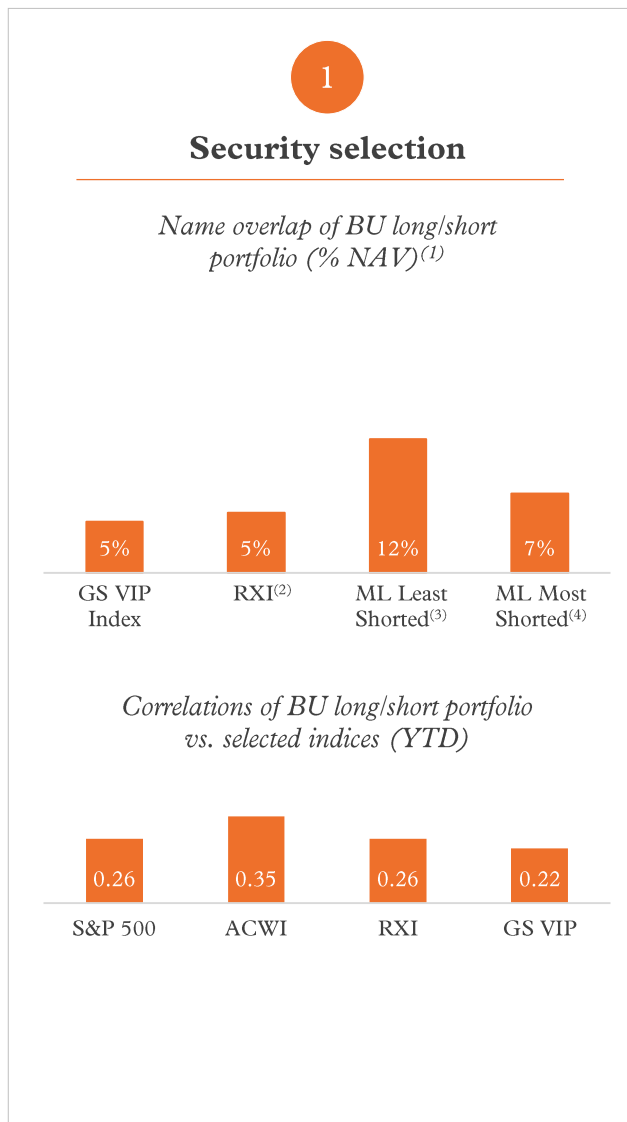
(2) Aging population basket includes 15 developed market stocks (Carnival, Royal Caribbean Cruises, Ameriprise Financial, Allergan, Vail Resorts, Ventas, Lowes, Home Depot, Pfizer, Eli Lilly, Kimberly Clark, The Ensign Group, All State, Chubb Limited, Hartford Financial Services).

Global mid-cap consumer focus – portfolio biased towards growth, quality and cash flow



(1) Percent of NAV in long book (2) \$1.5bn minimum market cap. (3) 2018-20E broker consensus growth in earnings per share (Bloomberg). S&P500 growth rate estimate as per Bloomberg (4) long positions only. (5) EBITDA/gross capital employed. (6) 2019E broker consensus. (7) 2019E broker consensus. (8) split of gross exposure by BU sector and BU key regions (sales)

Differentiation: (i) security selection, (ii) earnings view, (iii) portfolio construction



(1) BU Long portfolio vs. GS VIP Index / RXI / ML Least Shorted and BU Short portfolio vs. ML Most Shorted. (2) iShares Global Consumer Discretionary ETF. (3) Merrill Lynch Least Shorted Consumer Discretionary Index (49 constituents, MLLSCOND Index, proxy for long books of fundamental long/short). (4) Merrill Lynch Most Shorted Consumer Discretionary Index (39 constituents, MLTSCOND Index, proxy for short books of fundamental long/short). (5) NAV-weighted average (Bloomberg). (6) Four months annualized change in consensus EPS expectations. (7) Factor analysis as per MS HedgeBuilder













Q & A.

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