



UCITS V

Apuano Foundation China Fund

08th of March 2023

First Quarter 2023 Call



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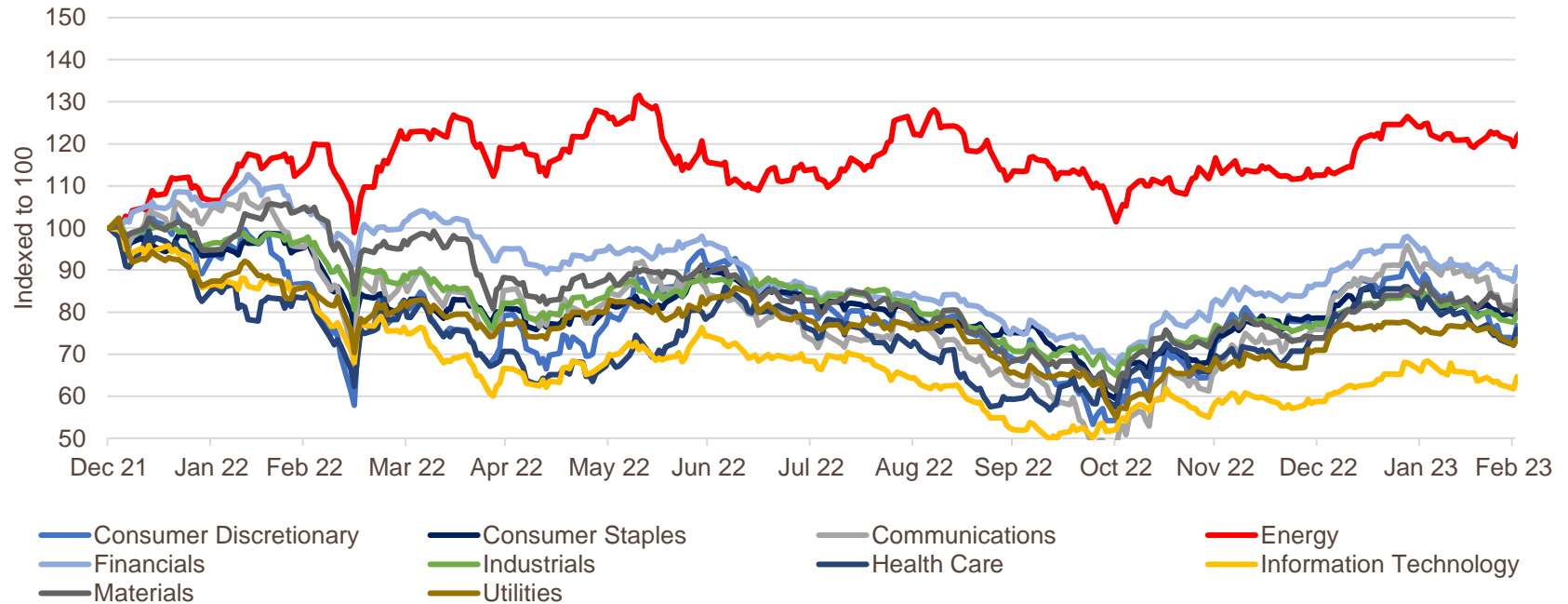
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Market Review

- China indexes experienced drawdowns in 2022 due to lockdowns, property market risks and political uncertainties, but rebounded towards year end. 2022 returns for indexes were -27.8% / -15.5% / -23.6% for CSI 300 / Hang Seng Index / MSCI China
- China indices continued their strong performances in January, but suffered in February due to extended expectations of economic recovery as well as global headwinds

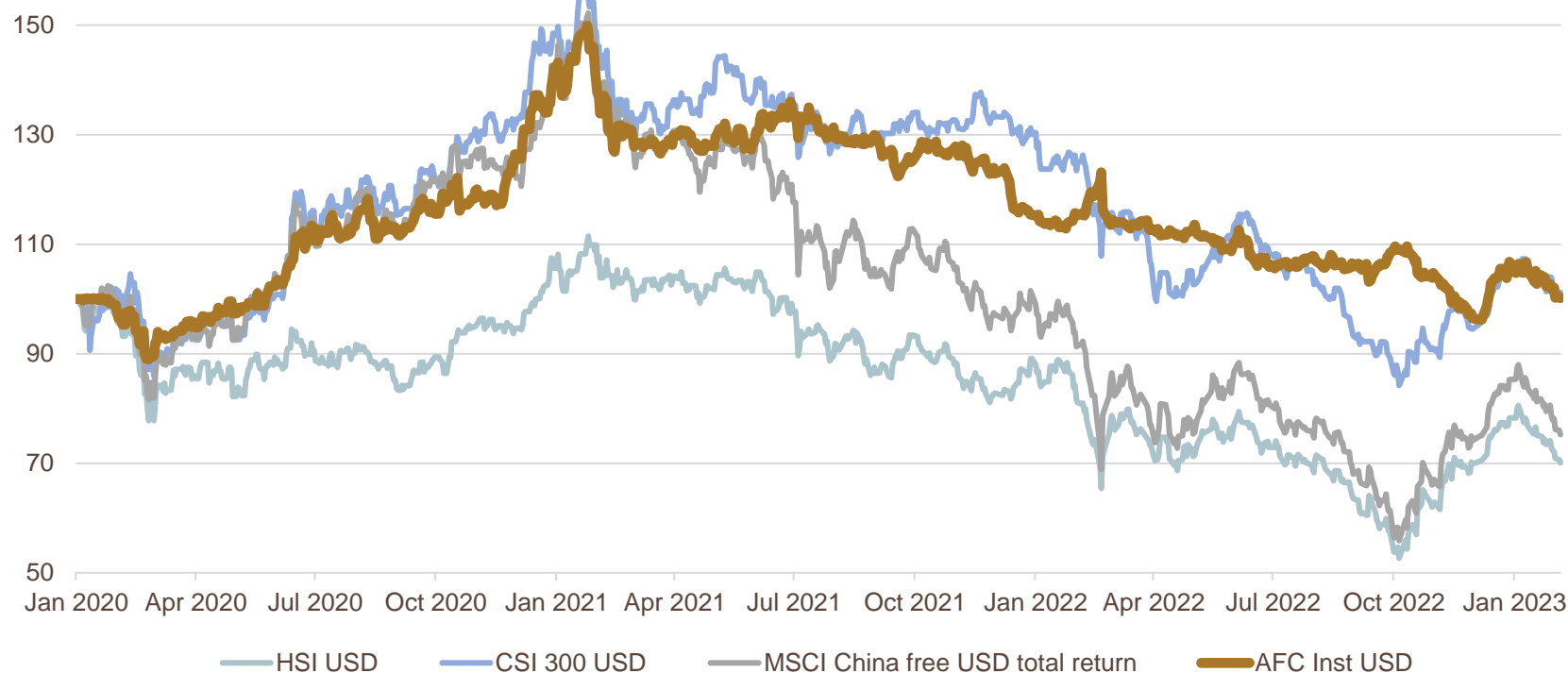
MSCI China Sector Performances



Performance Review

- Apiano Foundation China Fund recorded **4.3% return YTD**, **outperforming the 3.7% / 1.2% / 1.2%** returns of CSI 300 / Hang Seng Index / MSCI China in USD terms
- Since inception, the Fund achieved 0.4% return, outperforming the 0.4% / -29.3% / -24.0% returns of CSI 300 / Hang Seng Index / MSCI China

Apiano Foundation China Fund vs Indexes





Apuano Foundation China Fund – 3C

C

CAPTURE

Strong upside capture whilst limiting downside

C

CAPITAL

Value investing drives disciplined capital allocation

C

CONTROL

'Quantamental' model controls portfolio risks

Capture – Up & Downside

The Fund's upside outperformance comes in 2 parts:

1. Strong upside capture vs low downside capture, especially on a net exposure-adjusted basis
2. Higher % of positive months, lower % of negative months

	Apuano Foundation China Fund	Hang Seng Index
Upside Capture	60.5%	-
Beta-adjusted Upside Capture	127.4%	-
% of Positive Days	54%	49%
Downside Capture	30.1%	-
Beta-adjusted Downside Capture	66.9%	-
% of Negative Days	46%	51%

Source: FAM, Bloomberg as at 28 February 2023

*Beta-adjusted upside capture assumes a 50% historical net exposure

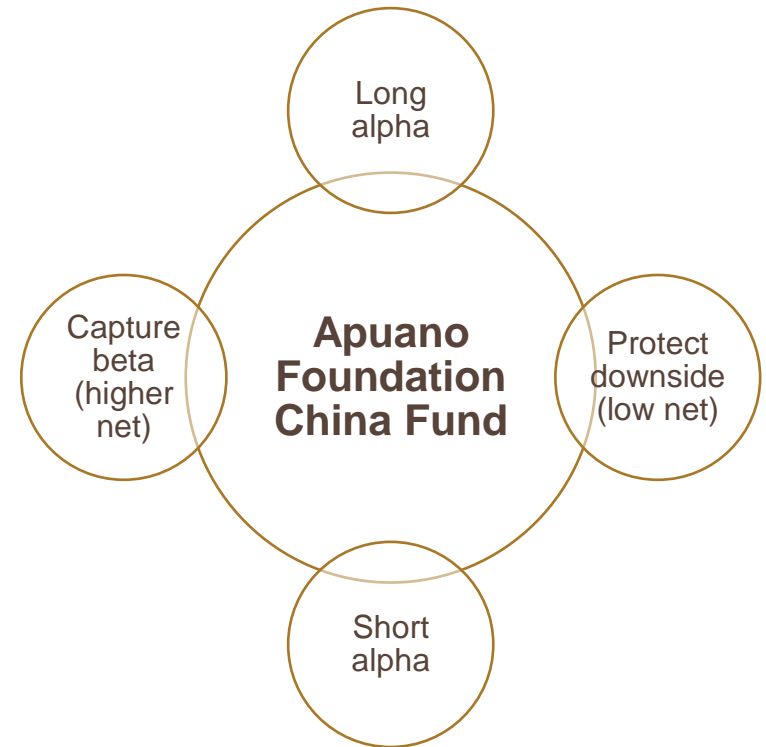


Capture – Strategy Tailored for China

- China indices have largely been flat since 2007, but have endured many up and downs
- Index returns of greater than +/- 20% happens 1 out of every 2 years

Performance (%)	2023 YTD	2022	2021	2020	2019	2018	2017	2016
MSCI China	12.3%	-23.5%	-22.4%	26.7%	20.4%	-20.3%	52.3%	1.4%

Performance (%)	2015	2014	2013	2012	2011	2010	2009	2008	2007
MSCI China	-10.1%	4.7%	0.4%	18.7%	-20.4%	2.6%	58.9%	-52.2%	63.5%



Capital - Value Investing

1. Pioneers of adopting value investing in China

- CIO Michael Liang was one of the pioneers of value investing in HK, brought over from his experiences at Macquarie Bank, Australia

2. Value investing in the past decade

- Past decade was difficult for value investing as money was free
- Value investors pushed away as new wave of investors chased growth and duration

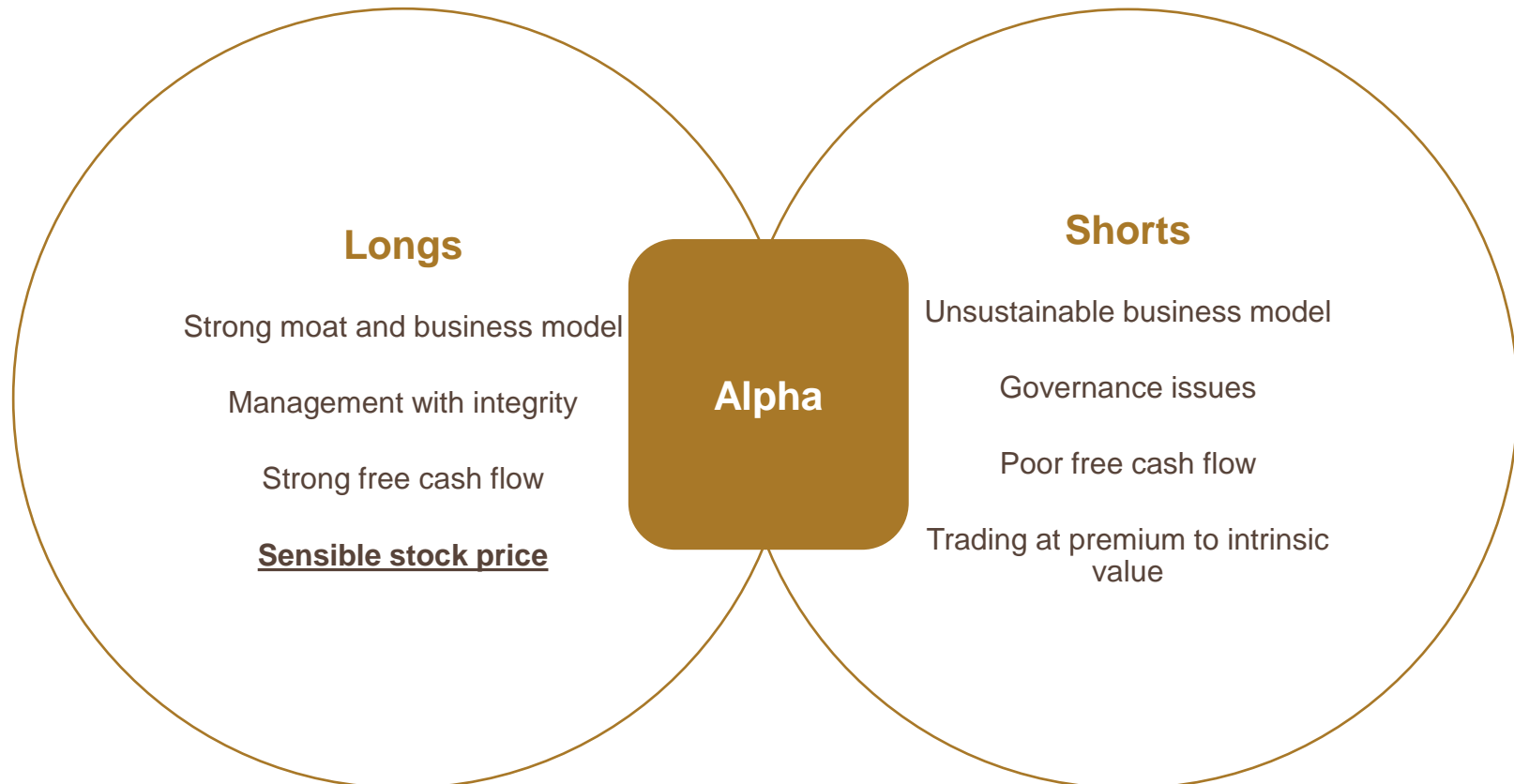
3. Interest rates returning to normalcy

- Interest rates unlikely to go back to zero-bound
- Successful track record during these type of periods is key



Capital – Bottom Up Analysis

- **Top holdings are potential multi-baggers**, often underfollowed and out of consensus
- Private equity-like approach ensures **differentiation and discipline**

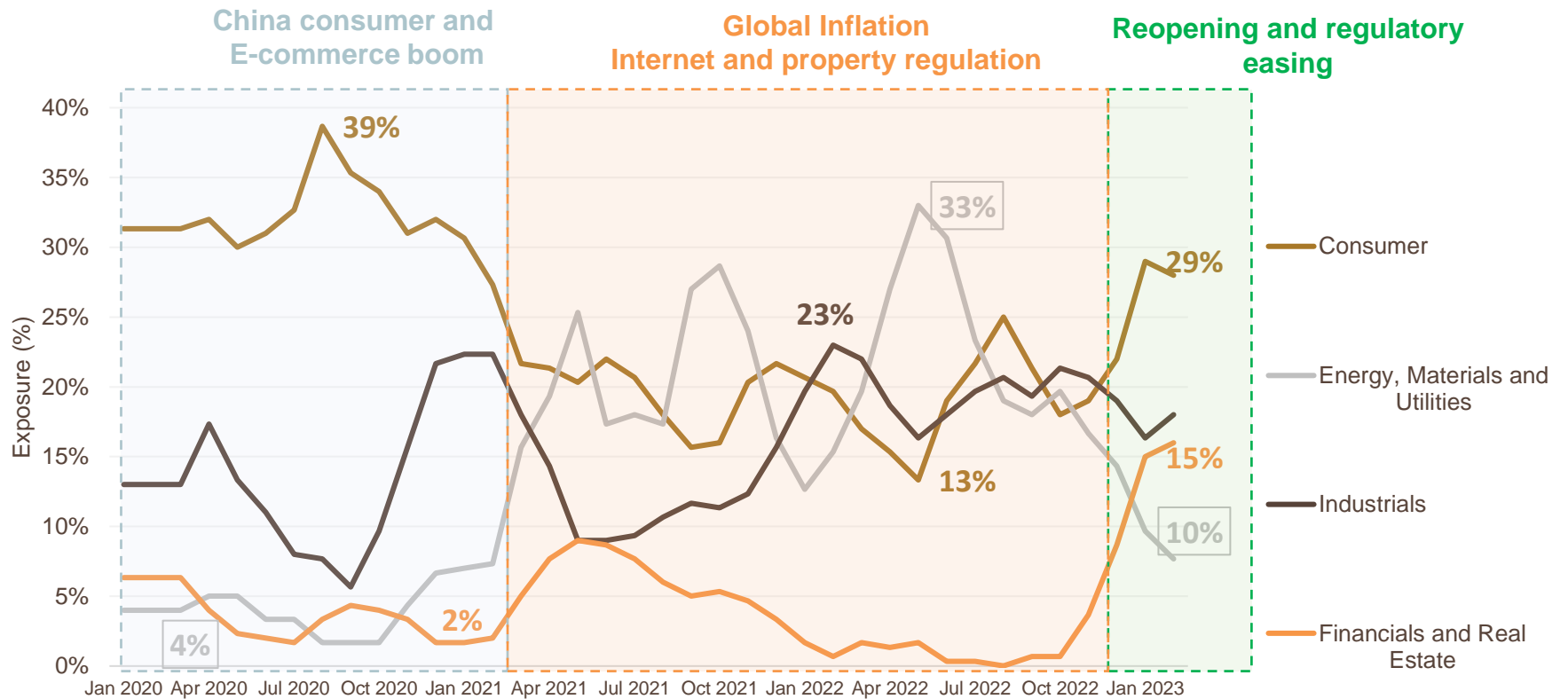




Capital – Flexible Sector Allocation

- CIO oversees 4 specialist analysts – dedicated coverage in consumer, cyclicals, technology and health care

Historical Long Sector Allocation



A Capital - Investment Themes

- “The choice is not between value and growth, but between value today and value tomorrow.” - Howard Marks



Consumer Upgrade



Renewable Energy



Advanced Manufacturing



Resource Self-Sufficiency

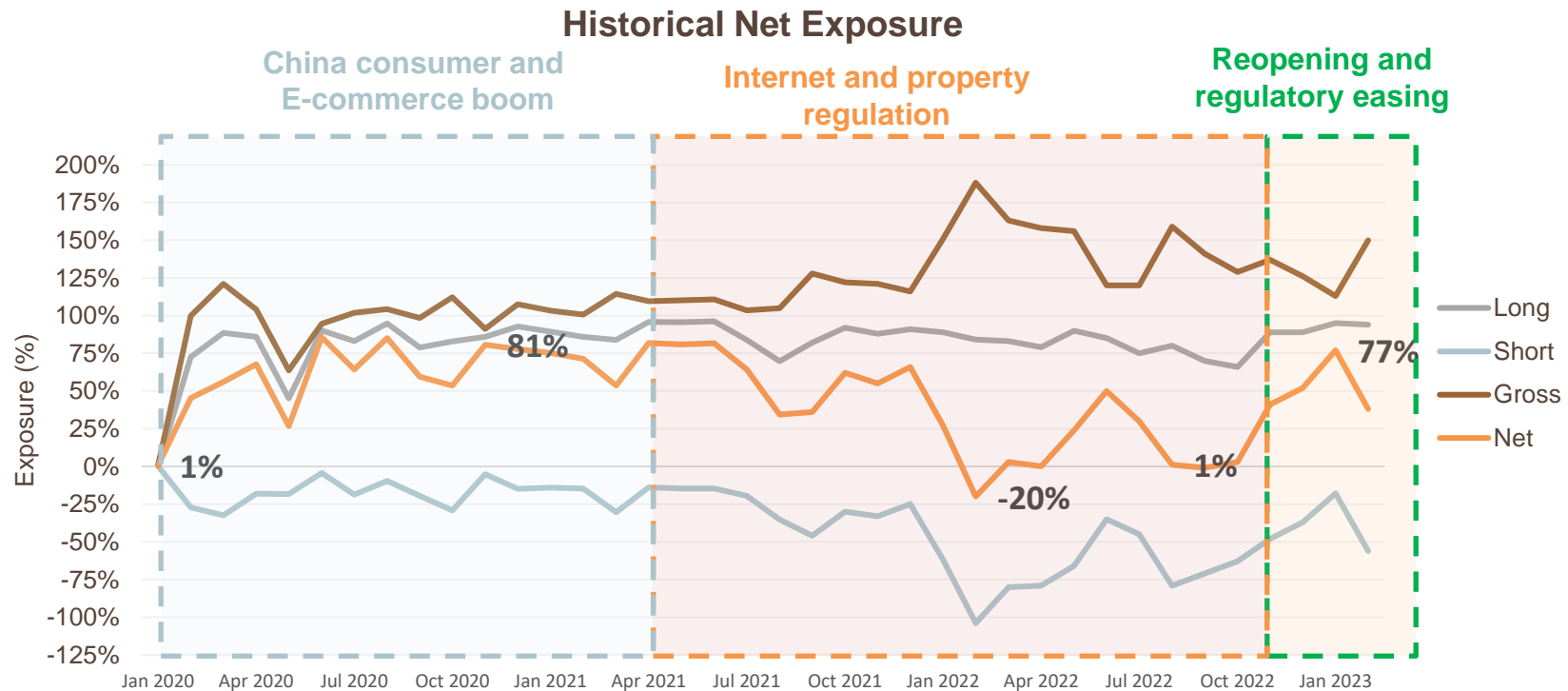


Control – ‘Quantamental’ Model

- **Consistently repeatable top-down model** that calculates shorts/hedging levels
- Michael Liang’s commodities/materials experience drives top-down understanding of China

‘Quantamental’ Model input categories

CH Earnings (yoy chg 2D)	1.7
Valuations	-1.7
Macro Indicators	-0.4
Leading Indicators	0.1



Source: FAM, as at 28th Febr 2023



Market Outlook

Property Market Recovery

- Property sector is the bedrock of the Chinese economy at 29% of GDP
- Property market has already showed signs of recovery
- We expect continued monetary and fiscal support

Rising Interest

The number of visits to second-hand homes jumped in China

/ Tier 1 cities
 / Tier 2
 / Tier 3 and below
 Days around Chinese New Year

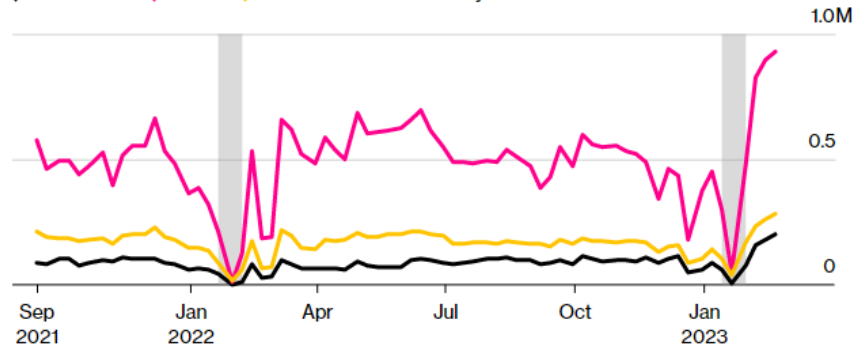
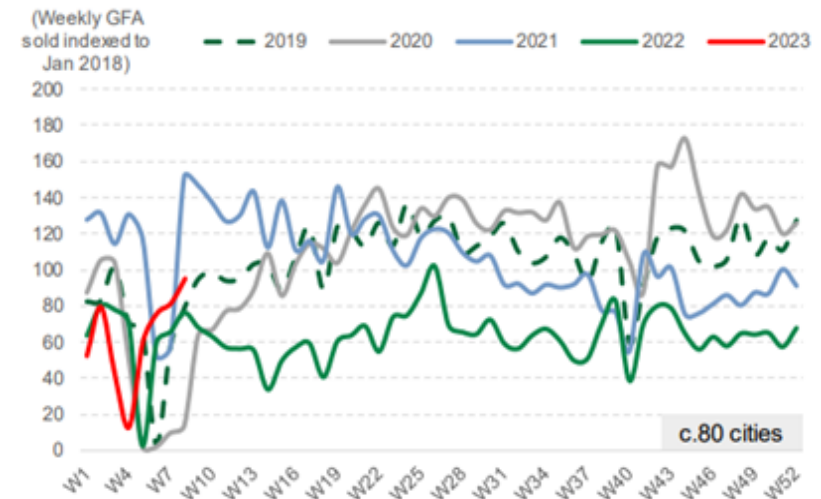


Exhibit 1: Primary GFA sold on average was +17% wow and +25% yoy amongst c.80 cities
Average weekly volume of primary property sales



Source: CREIS, Goldman Sachs Gao Hua Securities Research



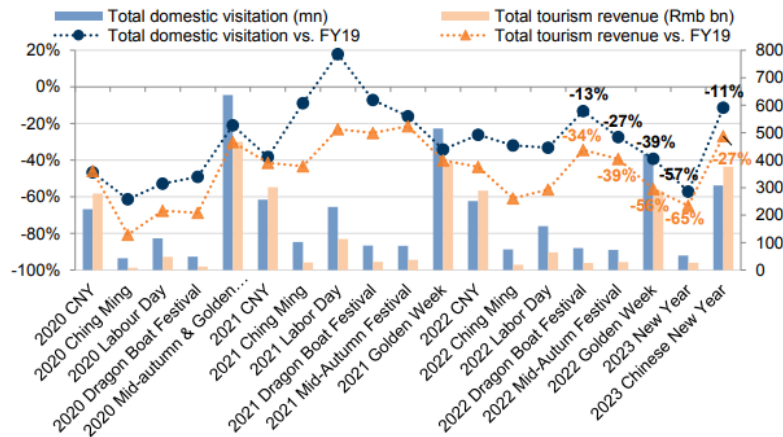
Market Outlook

China Reopening

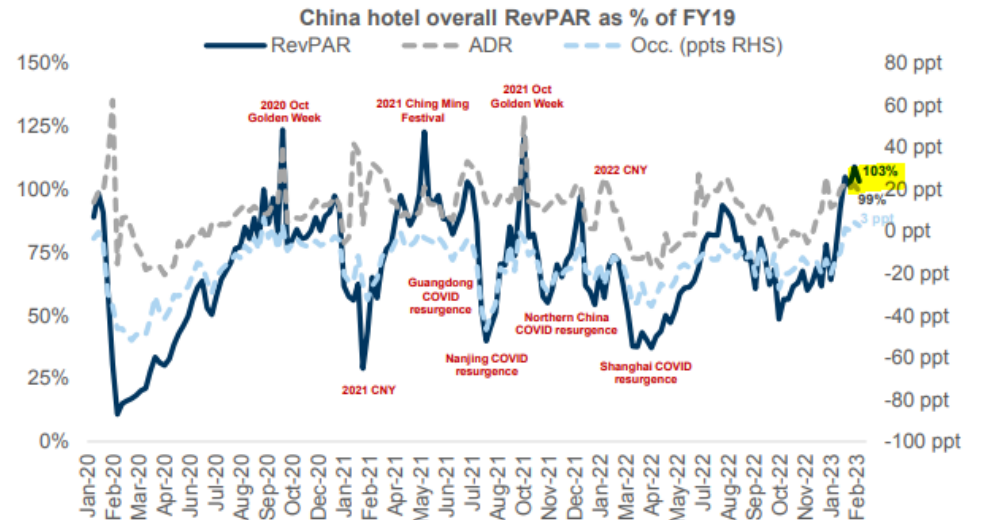
- China has completely reopened
- Pent up demand evident, especially in domestic services industries

Exhibit 5: During this 7-day CNY holiday, a total of 308mn people traveled domestically in mainland China (89% of 2019 level)

Total domestic trips and tourism revenue during public holidays



China hotel RevPAR weekly trend



Source: FAM as at 28 Febr 2023



Market Outlook

Resource Self-sufficiency

- We expect policy tailwind and continued investment in sectors that are critical for resource self-sufficiency

Exhibit 28: China import of major agriculture products per annum = 2000-2023E, and LT outlook and scenarios

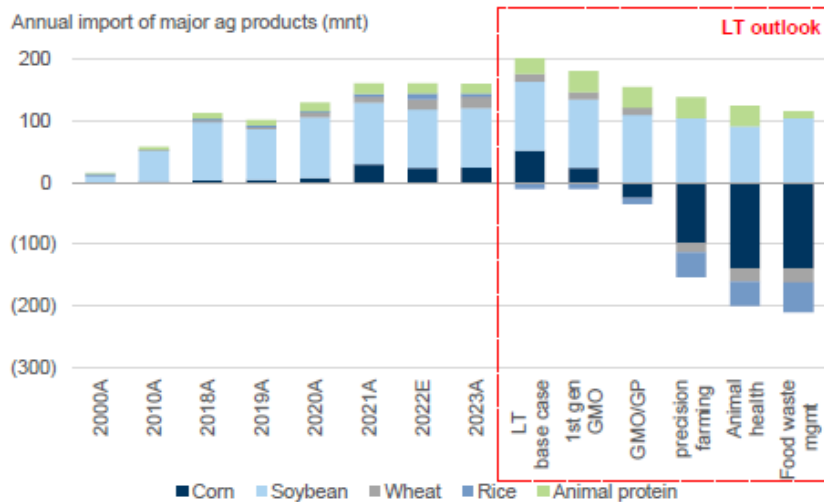
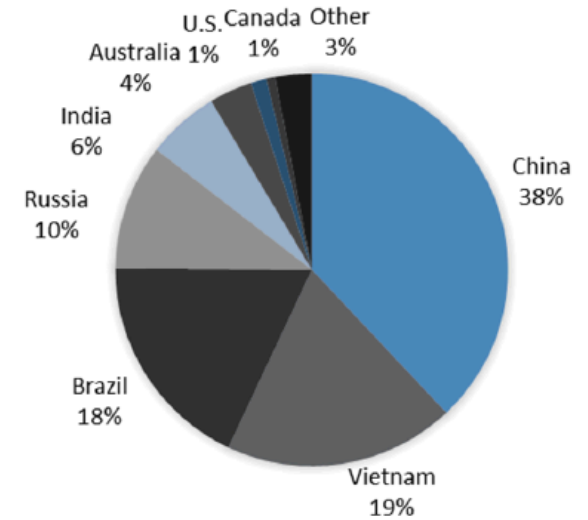


Figure 25: Global Rare Earth Reserves

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Source: USGS

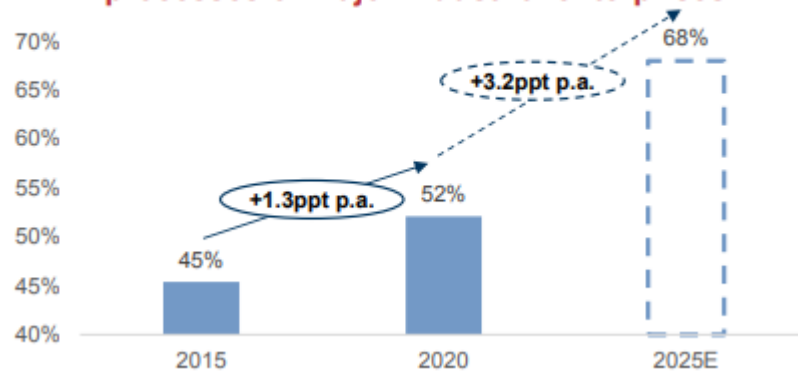


Market Outlook

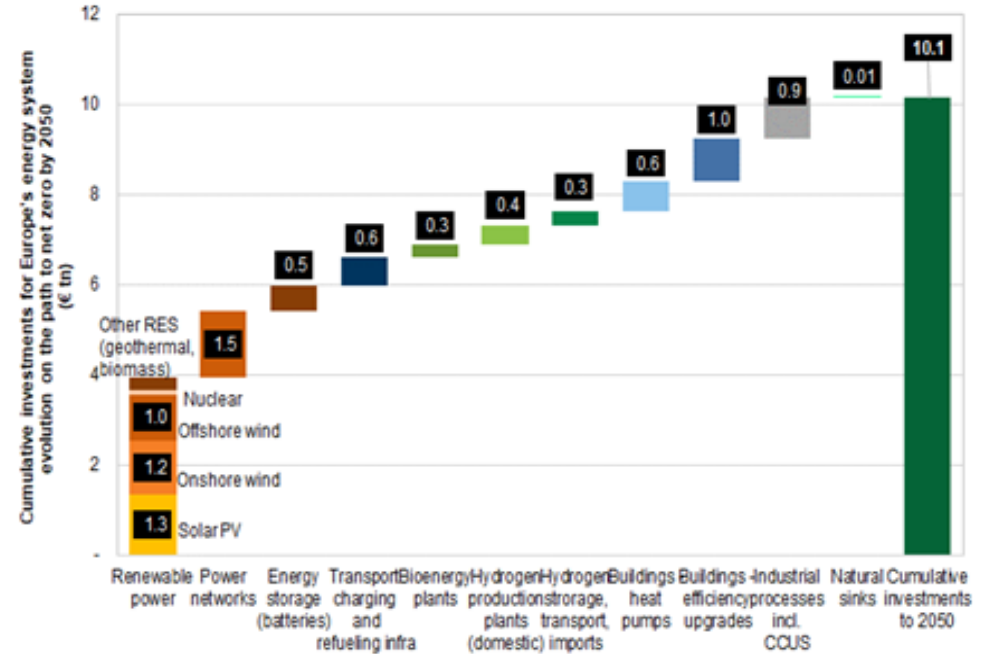
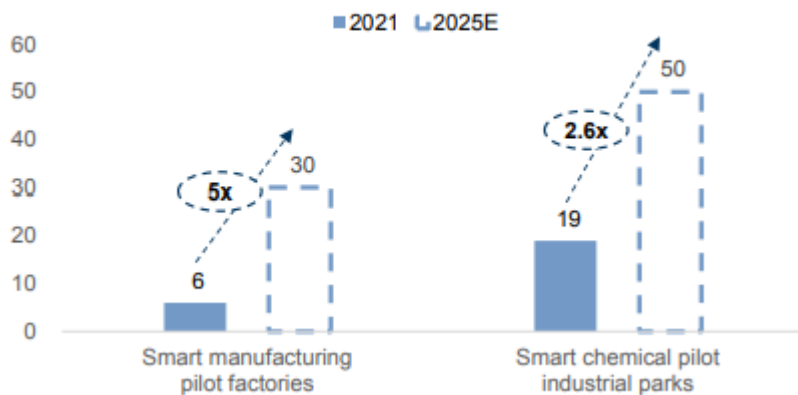
Advance Manufacturing and Renewable Energy

- China is entering a new wave of industrial revolution – still in the early stages of penetration

Numerical control penetration in key processes of major industrial enterprises



Smart factories & industrial parks

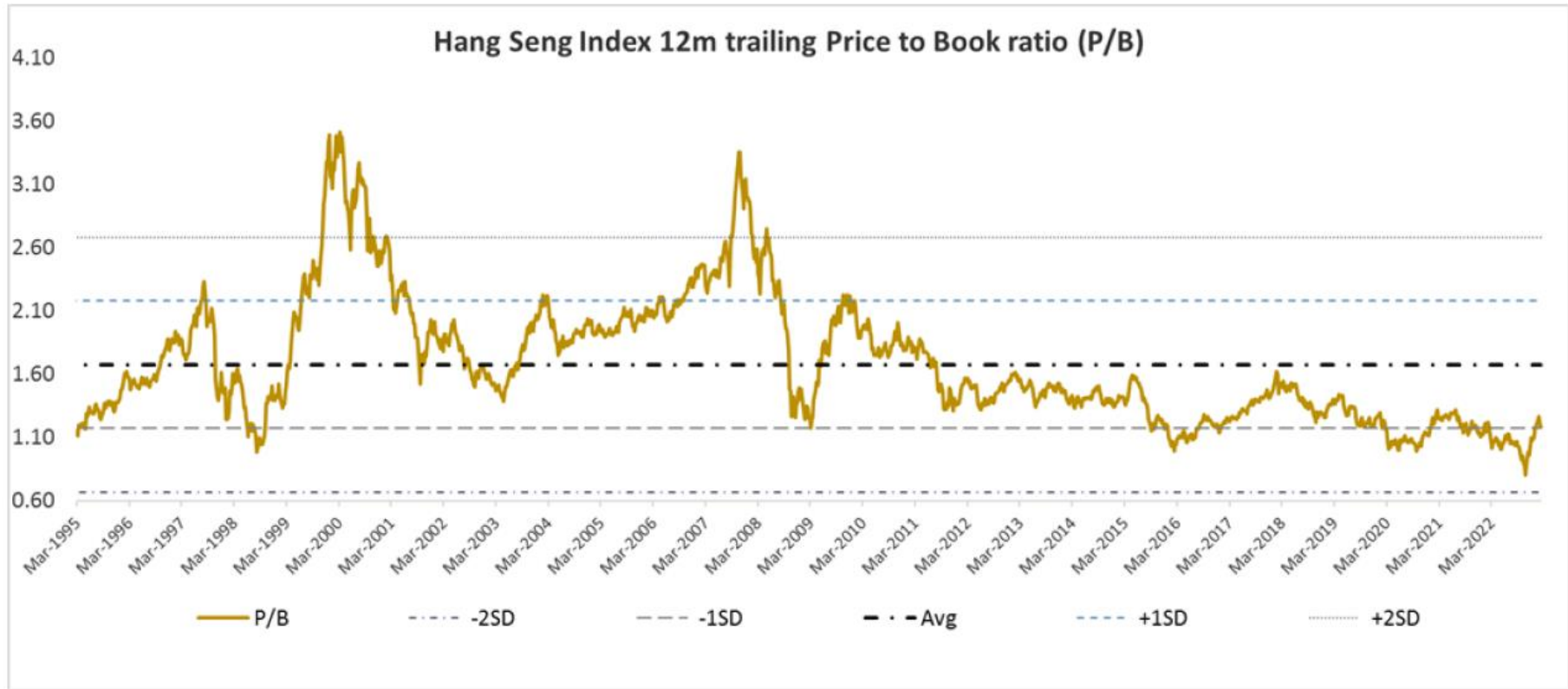


Source: FAM as at 28 Febr 2023



Market Outlook

Even with the recent rally, Hang Seng index valuation still at historically low levels





Founder and CIO: Michael Liang



- **Leader in Asia Hedge Fund Space**, founded Foundation in 2006 when China hedge funds were still at a nascent stage
- Foundation remains one of the **longest standing China hedge funds**
- **Differentiated industry knowledge**, experience in Australia during commodities boom, covered industrials during Asia Financial Crisis and China WTO cycle
- **Cycles take place in every industry**, commodities/ materials experience drives top-down understanding of China

Education and Qualifications

- Chartered Financial Analyst (CFA)
- EMBA, Peking University
- BA Economics, Renmin University of China
- BA Economics, Wollongong University, Australia

1997 – 1998

Societe Generale Securities

Hong Kong
Vice President
APAC industrials

2000 – 2003

DBS Vickers Securities

Hong Kong
Vice President
China industrials

2006 – Present

Foundation Asset Management

Hong Kong
Founder & CIO



1994 – 1997

Macquarie Bank

Australia
Analyst
Australian equity research - base metals

1998 – 2000

Daiwa Securities Capital Markets

Hong Kong
Vice President
China industrials

2003 – 2006

United Overseas Bank

Hong Kong
Director
Advisor to Asian families and global investors



Questions & Answer

Q&A



European and Global Investments Ltd

Pembroke House, 28-32 Upper Pembroke Street,
Dublin 2, D02 EK84, Ireland
T +353 1 237 4689

Apuano Capital SA

Via Canova 1
6900 Lugano (CH)
T +41 91 9222 513

Foundation AM Ltd

Suite 2703, Tower One Lippo Center, 89 Queensway
Hong Kong, China
T +852 2530 4986

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