



UCITS V

Apuano Foundation China Fund

7th of June 2023

2Q and 3Q 2023 Call





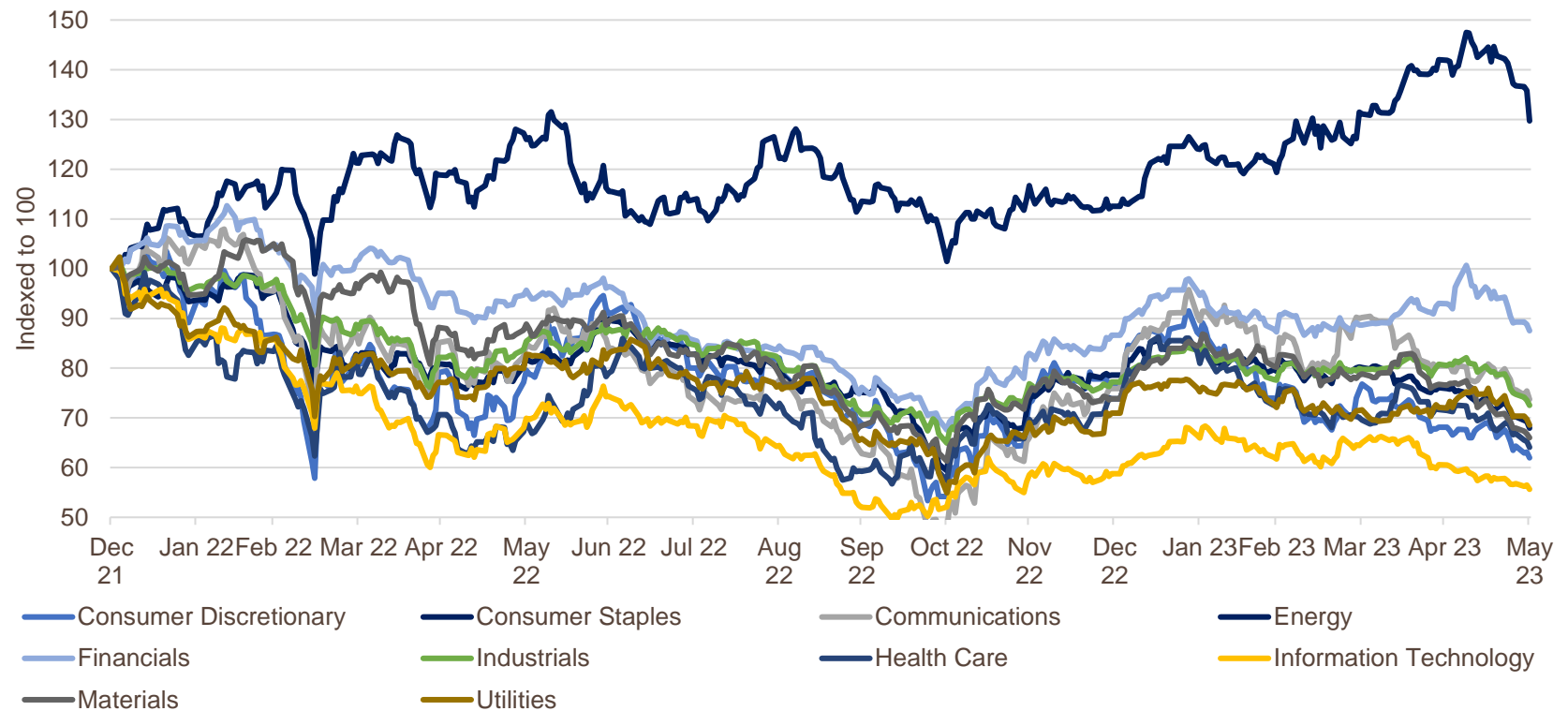
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A Market Review

- After a strong performance of the China index in January, the market suffered from a correction mainly due to doubts about the strength of the economic recovery, coupled with global headwinds
- 2023 YTD returns for indexes were -4.8% / -8.2% / -9.4% for CSI 300 / Hang Seng Index / MSCI China

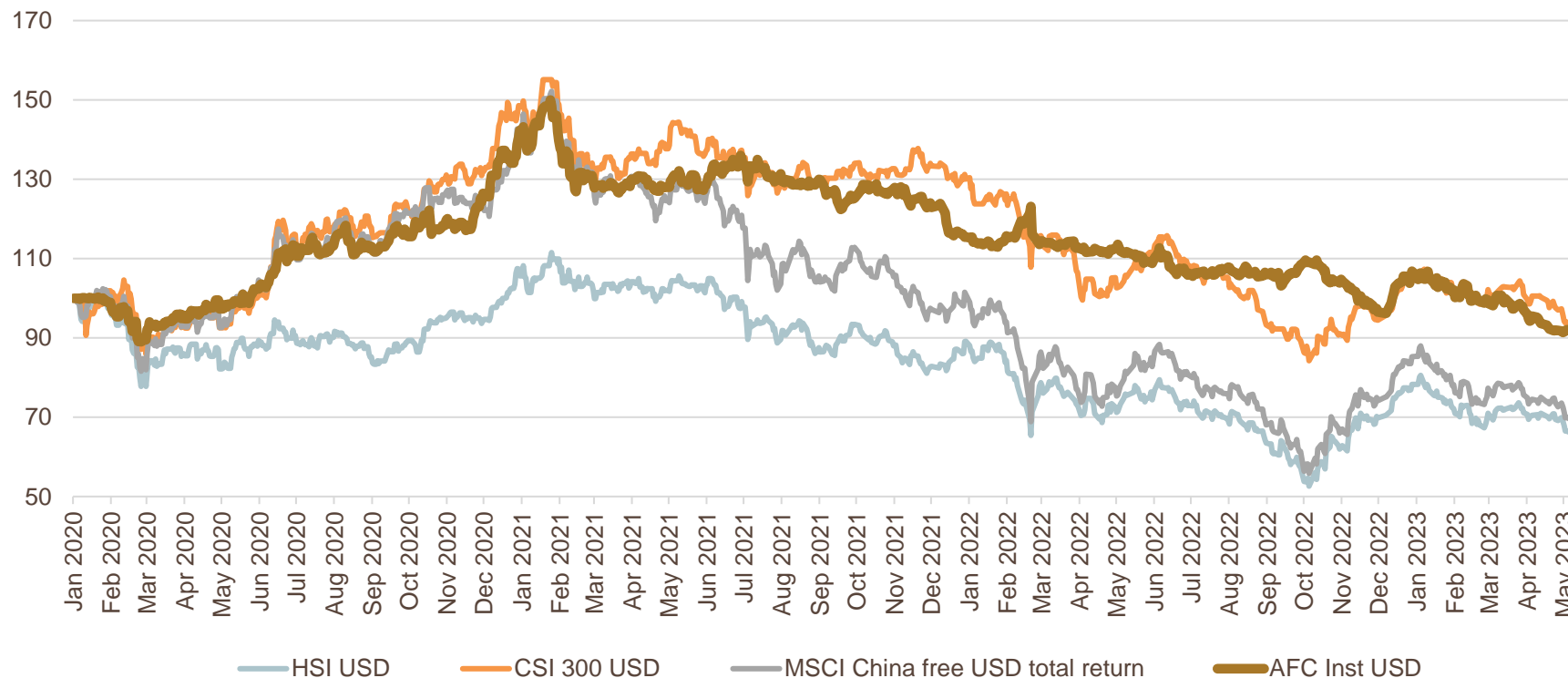
MSCI China Sectors Performances



A Performance Review

- Apuano Foundation China Fund recorded **-4.78% YTD, outperforming the -4.84% / -8.2% / -9.4%** returns of CSI 300 / Hang Seng Index / MSCI China in USD terms with a significant lower level of volatility
- Since inception, the Fund **recorded -8%, which is aligned with CSI 300, and outperforming the -35% / -32%** returns of Hang Seng Index / MSCI China in USD terms

Apuano Foundation China Fund vs Indexes

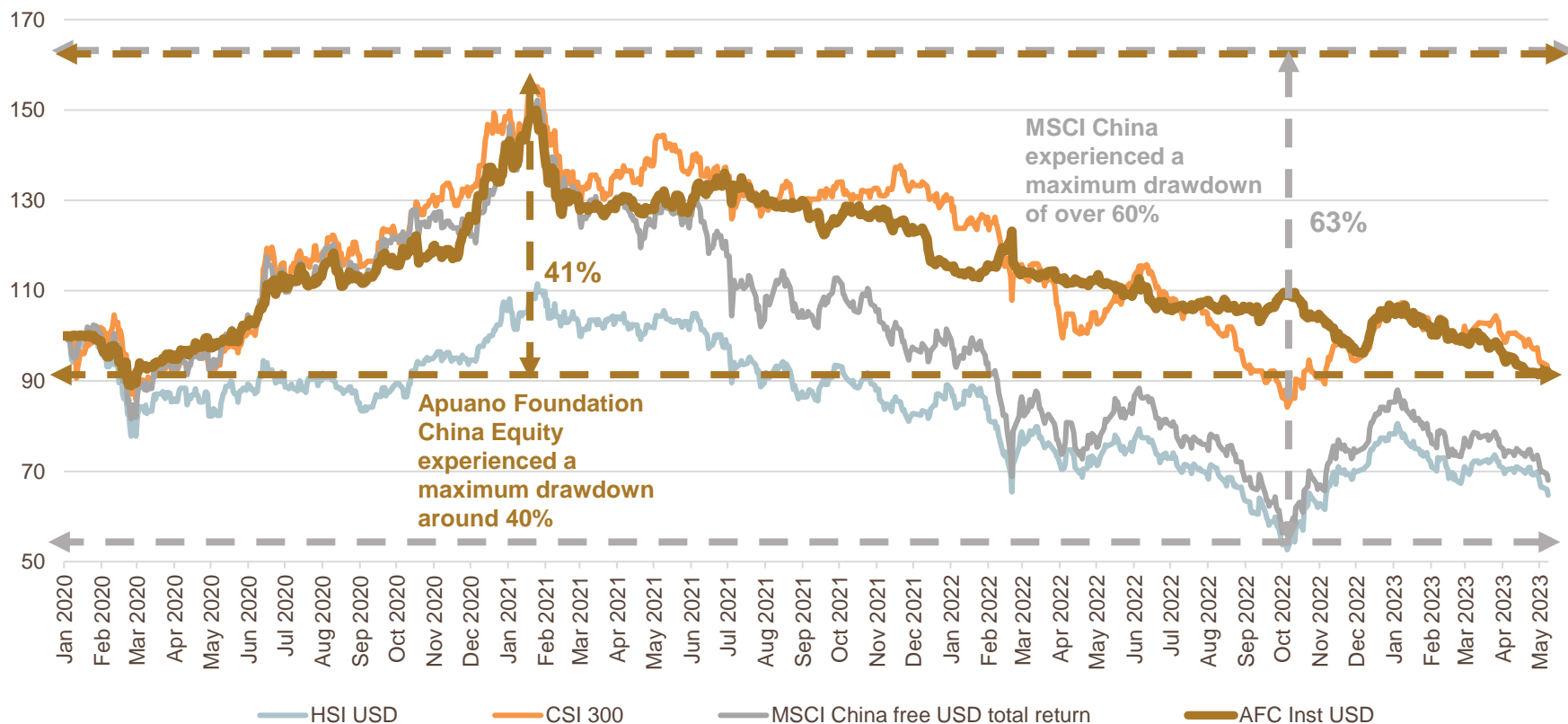




Performance Review - Resilient against market downturns

- **MSCI China / CSI 300 / HSI in USD terms** experienced a maximum drawdown of **63% / 46% / 53%** from Jan 2020 to May 2023
- Since inception, **Apuano Foundation China** fund experienced a lower maximum drawdown of **41%**

Apuano Foundation China Fund vs Indexes

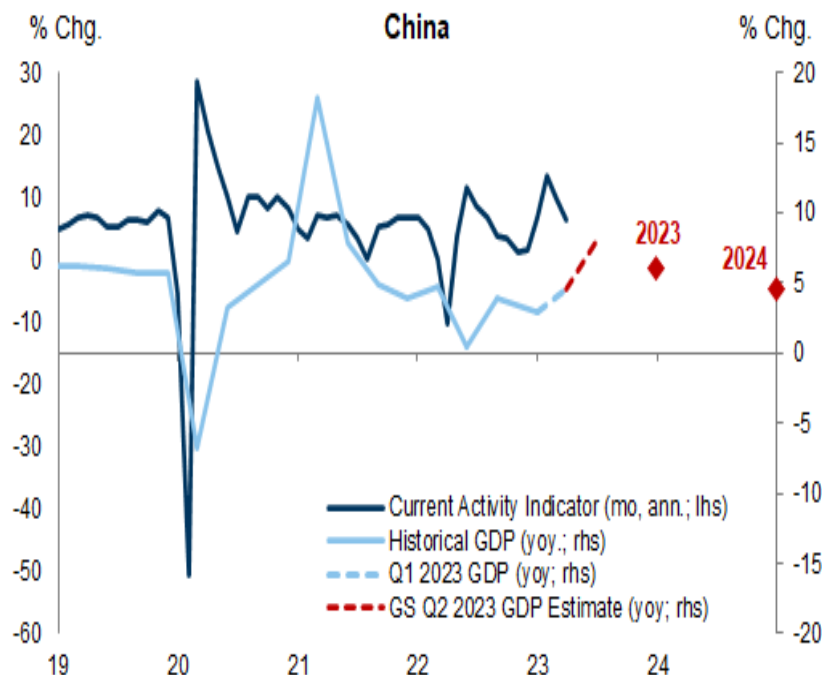




Market Outlook - Bumpy recovery, but improving 2H23

- China's post-COVID recovery has been bumpy, coupled with geopolitical risks
- **Chinese companies' earnings are expected to improve in 2H 2023** in sync with global economic recovery (e.g. global semiconductor cycle is expected to turn the corner) and Chinese policymakers' focus on growth

Real GDP growth to accelerate to 6.0% yoy in 2023



Greater China IC design/IDM coverage and revenue YoY by company are expected to improve

Company	Main products	Inventory days			Revenue YoY (%)		
		1Q23	Avg in 1Q 2020-22	1Q23 vs. Avg	1Q23	2Q23E	3Q23E
StarPower	IGBT	149	143	6	33%	53%	49%
Novatek	display driver IC	72	63	9	-39%	-7%	60%
Silan	MOSFET, IGBT	188	166	22	-4%	10%	25%
CR Micro	MOSFET	114	87	27	-13%	9%	35%
Espressif	MCU/Nor Flash	199	168	31	2%	30%	34%
Mediatek	Smartphone SoC	126	84	42	-38%	-40%	-18%
Chipown	PMIC	150	90	60	-6%	22%	71%
Amlogic	AP/SoC	195	111	85	-35%	-17%	44%
Realtek	WiFi, networking IC	193	83	110	-39%	-23%	-8%
GigaDevice	NOR flash, MCU	236	111	126	-44%	-35%	-6%
3Peak	PMIC	217	89	128	-36%	-13%	59%
SG Micro	PMIC, signal chain IC	284	147	137	-39%	-23%	24%
Goodix	Fingerprint IC	254	115	139	-11%	-13%	37%
Will Semi	CIS	317	175	142	-27%	4%	53%
Silergy	PMIC	260	107	152	-47%	-44%	-15%
Parade	T-con	223	62	161	-52%	-51%	-6%
Maxscend	RF	402	174	228	-50%	-23%	71%
SinoWealth	Analog overall	307	79	229	-42%	-20%	16%
Montage	Memory interface IC	356	110	245	-57%	-11%	57%
GalaxyCore	CIS	598	212	386	-54%	8%	61%
Rockchip	AP/SoC	606	131	475	-44%	1%	166%



Where we find value opportunities

High free cash flow & dividend grower



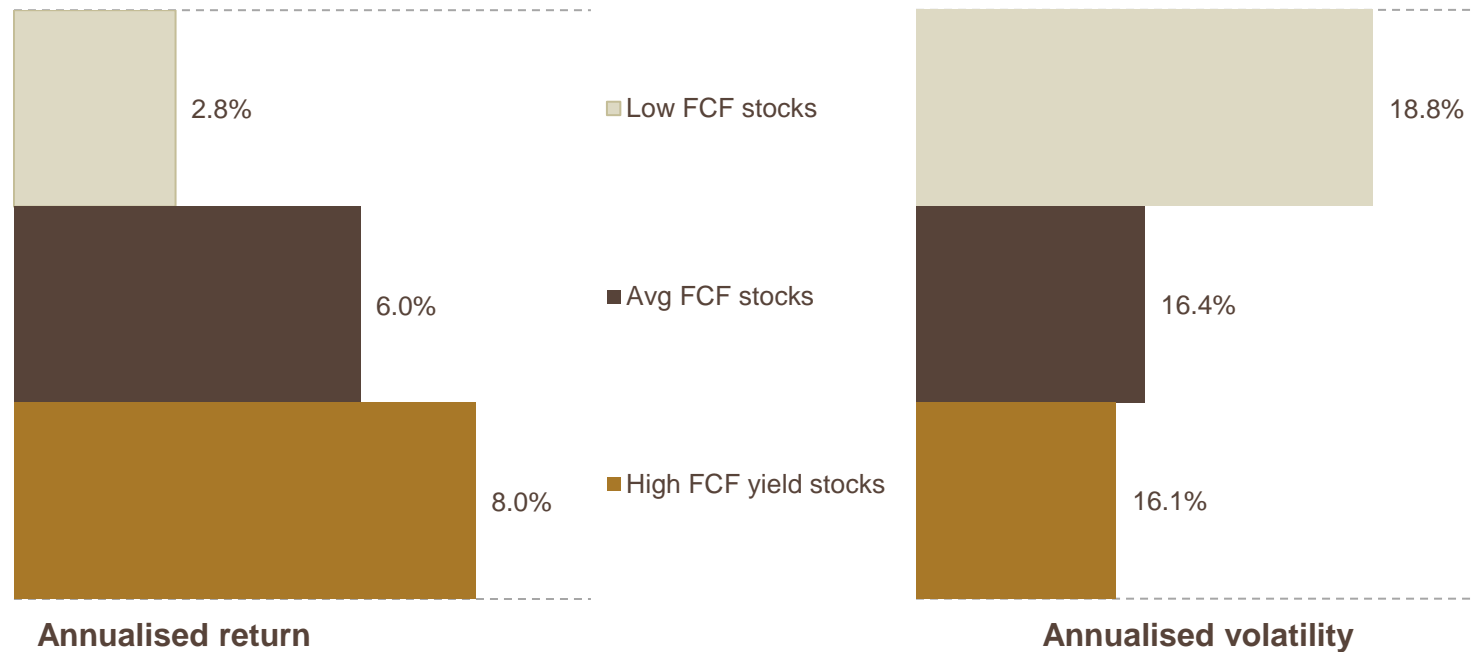
Quality growth companies with low valuation





High free cash flow & dividend grower

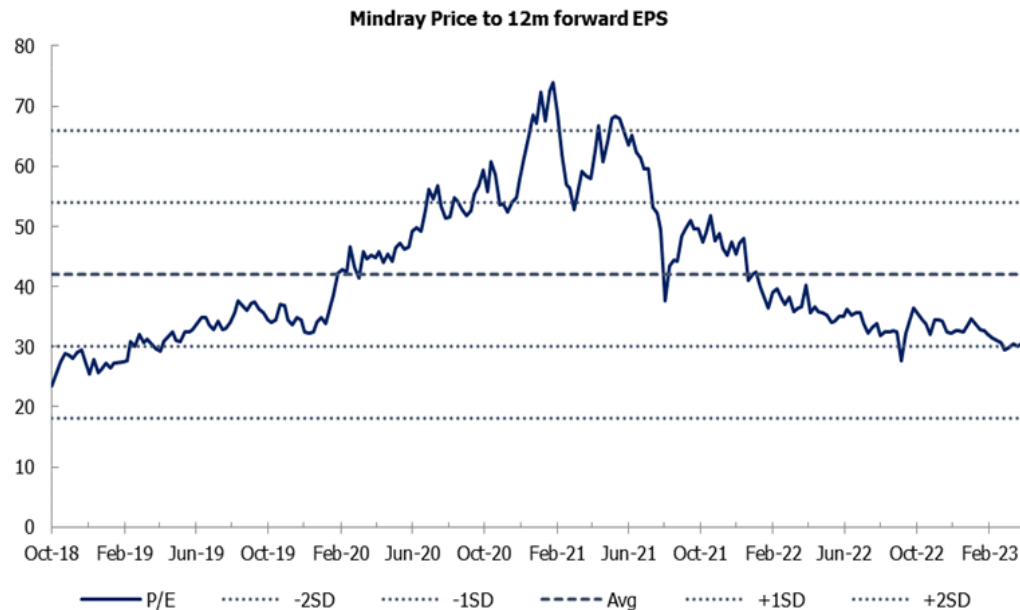
- We like quality companies can generate **high free cash flow** and **grow dividends**
- Companies with high free cash flow indicate **good financial health** and **the reliable ability to generate "real" profits**. And **being a dividend grower**, they also demonstrate **a commitment to creating long-term value** for shareholders
- Investors can benefit from **reliable income** and **long-term value growth**





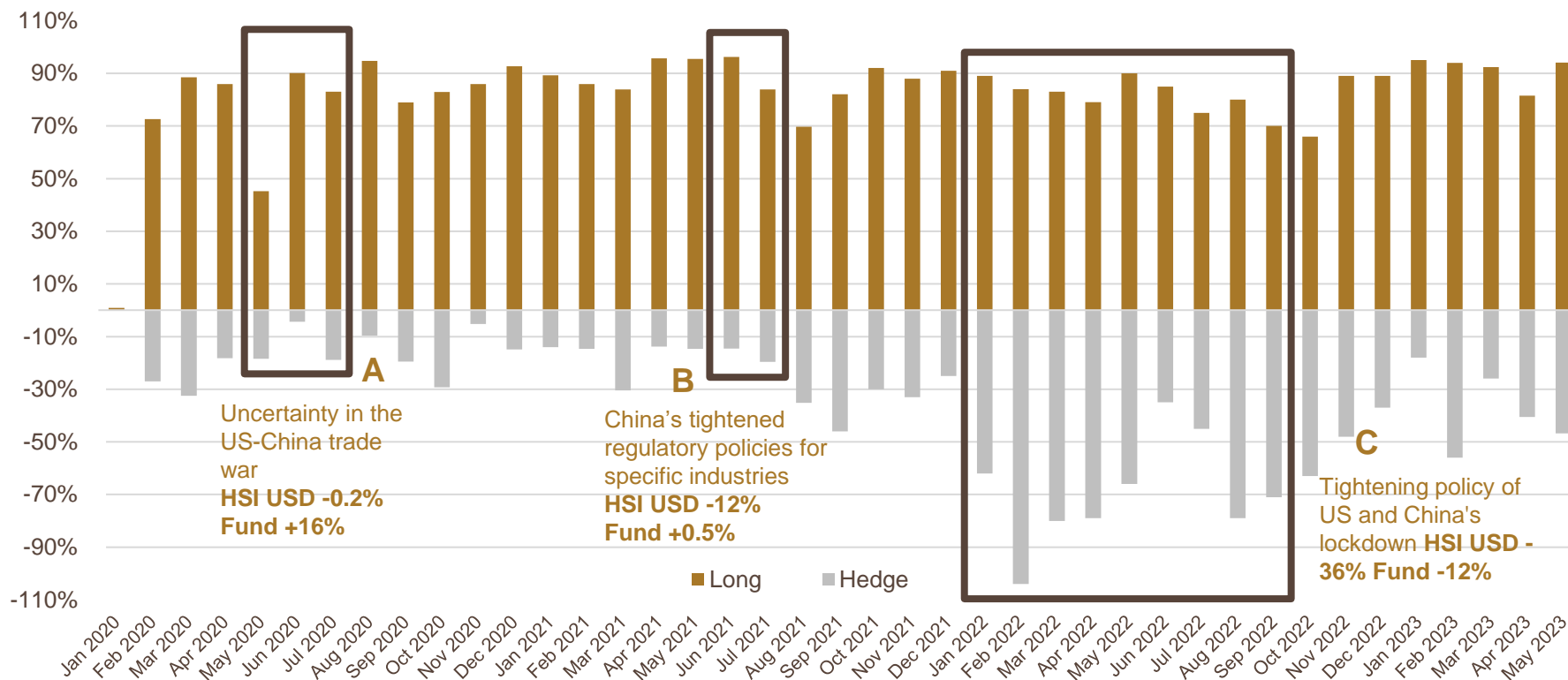
Quality growth companies with low valuation

- We also like companies with **consistent and predictable earning prospects at attractive valuations**
- Example: **Mindray Medical** listed in Shenzhen. It reported **double-digit growth** in key financial indicators for 2022, which has been the case for the past five years
- Mindray is a leading company in in-vitro diagnostics in China, with c40% market share, growing consistently c20% pa through taking market share and Chinese increasing need for better healthcare
- Trading at one standard deviation below historically PE, which we believe is **attractive**





Dynamic hedging strategy



Period A: From May to July , **HSI USD -0.2%**, while our fund saw a **+16%**. Our allocation to healthcare and e-commerce has allowed us to benefit from the market situation and outperform the index.

Period B: From June to July 2021, **HSI USD -12%**, while our fund saw a **+0.5%** , due to Chinese government's tightened regulatory policies for specific industries. Our **hedging strategy provided extra protection** during this period and allocated on some less-affected sectors such as **new energy and raw materials**.

Period C: Index **-36%**, from Jan to Oct 2022 (tightening policy of the USD and China's lockdown policy(compared to fund only **-12%**, due to the tightening policy of the US and China's lockdown policy. However, our funds effectively used a **hedging strategy for more than 60%** and well diversified into **industrial and energy sectors**. **Especially in Sep & Oct 2022**, our fund **+3%** vs Index **-25%**.

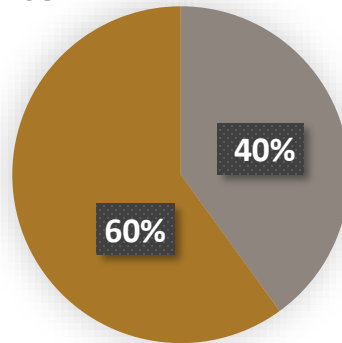


Portfolio Allocation

- **Comprehensively invest in onshore/offshore China market** to explore investment value in different industries
- We prioritize investing in high quality companies with **high free cash flow** and **dividend growers**
- These high-quality companies providing **stability in a portfolio** and **creating long-term value for shareholders**

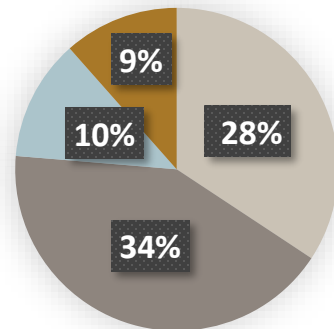
Investment Themes

- High Free Cash Flow & Dividend Grower
- Growth Companies with Low Valuation



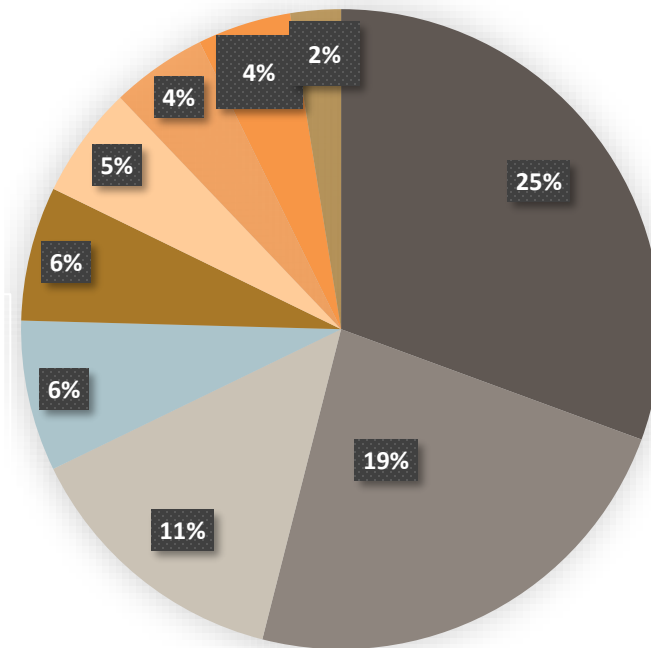
Geographical Exposure

- Hong Kong (China)
- China-A
- Others (China)
- United States



Sector Allocation

- Information Technology
- Industrials
- Consumer Discretionary
- Consumer Staples
- Communication Services
- Energy
- Utilities
- Real Estate
- Health Care





Sector comparison among China funds

Top 10 Sectors	Apuano Foundation China Equity Fund	Blackrock China Fund	UBS China Opportunity Fund	Value Partners Classic Fund
	%	%	%	%
Information Technology	25	7	2	22
Industrials	19	8	3	2
Consumer Discretionary	11	26	11	24
Consumer Staples	6	27	15	8
Communication Services	6	17	20	13
Energy	5	4	0	0
Utilities	4	3	0	3
Real Estate	4	5	10	4
Health Care	2	2	10	7
Financials	1	16	24	6

-More portion on IT, Industrials, rather than too concentrated on Consumption sectors.

-We saw the opportunities on Energy and Utilities sector as well

-Heavily focus on Consumption, Communication services and Financials

-Not much portion on Utilities and Energy sectors



Questions & Answer

Q&A



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Foundation AM 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