



J. SAFRA SARASIN
— ASSET MANAGEMENT —



JSS Equity – All China: Investment Update Q3

J. Safra Sarasin Asset Management
Q3 2020

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Commentary from the Portfolio Manager

Dear Investor,

We are very pleased to report an outstanding fund performance of 36.7% from the beginning of this challenging year until October 22nd. The fund outperformed the market by over 11%. Overall, a dynamic Chinese economy makes us optimistic for Chinese equity markets going forward.

Chinese Economy & Markets

China is expected to be the only major economy to show positive growth in 2020. This is in large part due to the successful containment of COVID-19 in China as well as targeted fiscal stimulus in infrastructure. While fiscal support is continuing we expect monetary policy to be neutral and the People's Bank of China to hold rates at the current level. The Renminbi (CNY), the Chinese currency, has gained significantly against the US Dollar over the recent months in line with a pick-up in export activity. As the Chinese balance of payments is expected to continue being positive, the Chinese currency should remain firm. Leading economic indicators like the Manufacturing and Services Purchasing Manager Indices reached levels of 53 and 54.8 respectively at the end of September. This points to an energetic Chinese economy going into the fourth quarter. Chinese equity markets showed strong performance since the beginning of the year, while at same time valuations are moderate in global comparison.

Managing the Portfolio

We believe that China is transforming from an export-led model to an economy based on domestic demand and innovation. Thus, we strategically overweight the new economy and underweight the old economy. We overweight consumer, technology and healthcare stocks, while we underweight financials, materials and utilities. Taken together, healthcare, consumer and tech names make up 80% of our portfolio. The five companies described below were the key drivers of performance in the third quarter:

- Alibaba, China's largest e-commerce platform continues to be successful with their cloud services offering Alicloud. Notably, ANT Financial, a fin-tech company spun-out of Alibaba, will IPO this fall. ANT offers payments (Alipay) as well as wealth management services for the young generation of Chinese, who invest, save and borrow all through ANT's app. Alibaba still holds a 33% share in the company.
- The traditional Chinese luxury liquor (Baiju) manufacturers Kweichou Moutai and Wuliangye also continued their strong performance during the quarter. We believe a tech-driven "winner takes all" world will continue to create great wealth for some and spur luxury consumption. While the total amount of Baiju consumed in China is shrinking, high-end liquor sales tripled over the last years. This allows our holdings to keep increasing their sales and margins.



Richard Pan
ChinaAMC, Portfolio Manager

- The "golden age of home delivery" as people's lives digitize in a post-COVID world, benefits Meituan Dianping. The company is the largest food delivery company in the world making more than 40 million deliveries per day. Meituan's market share in China is at 61% and growing. Interestingly, the Chinese market penetration rate for delivery is only 13% compared to 28% in Japan, indicating further room for growth in the segment.
- Finally, Haidilao is the largest hot pot chain in China with over 900 restaurants in the country and 70 overseas. The company continues to grow by opening new restaurants. As tourism during the Chinese Golden Week was back at ca. 80% of last year's levels, Haidilao benefited as well. The stock was up 70% during the quarter as international investors took note of the name.

In terms of detractors we saw a negative contribution from semiconductor manufacturer SMIC, which came into focus due to possible US supplier restrictions. Nevertheless, we believe that the semiconductor manufacturing industry in China has tremendous growth potential. China has for example just recently set up a new university entirely dedicated to chip making. We want to be an early investor in this field.

Our portfolio is fairly stable and we do not change many of the positions frequently. As the fund gathered inflows over the recent months we added mainly to Kweichou Moutai, Wuliangye and Tencent. We also participated to a small extent in an IPO for a non-alcoholic beverage company. We are open to participating in further IPOs as we expect many interesting companies to be offered this fall.

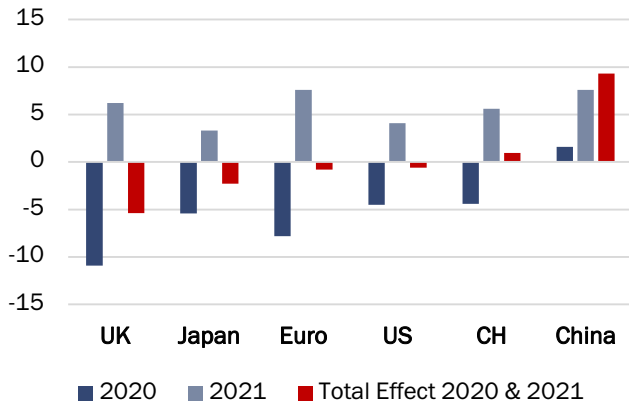
Outlook

For the near future, Chinese growth and activity numbers indicate a dynamic economy, which gives us an optimistic outlook on Chinese equities. We believe that some level of trade and technology tensions between China and the United States will continue irrespective of the acting US administration. In the long term however, strong R&D spending in China of over 2.2% of GDP, a large number of STEM graduates in China (over 4.7 million annually) and a large domestic market will continue to allow Chinese companies to develop rapidly and to gain market share.

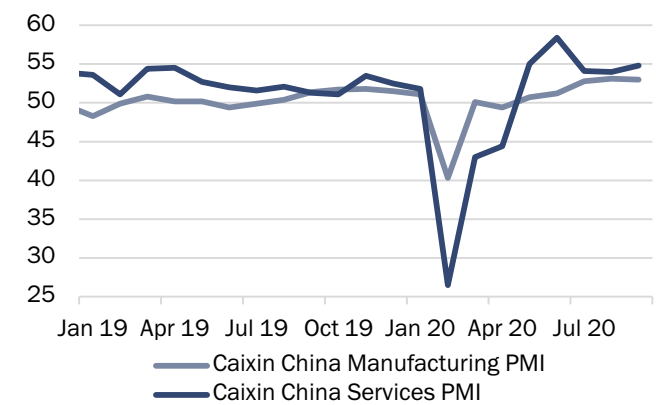
Richard Pan
Portfolio Manager

Market Update

China Standing Out: Growth Forecasts for 2020 & 2021
GDP change yoy in %



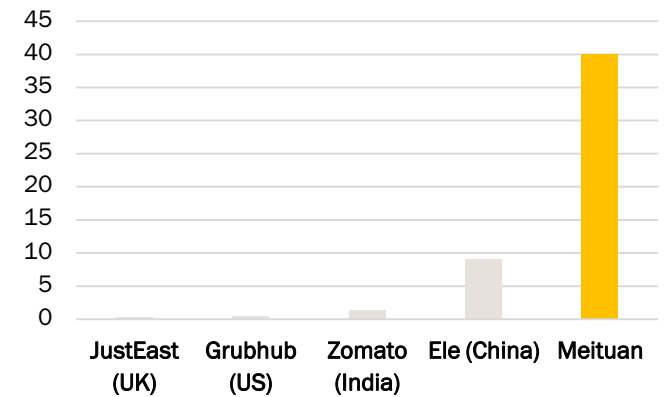
Business Sentiment Picking Up: Purchasing Manager Indices
Index Levels



Tailwind for the Currency: CNY/USD & Shanghai Container Index

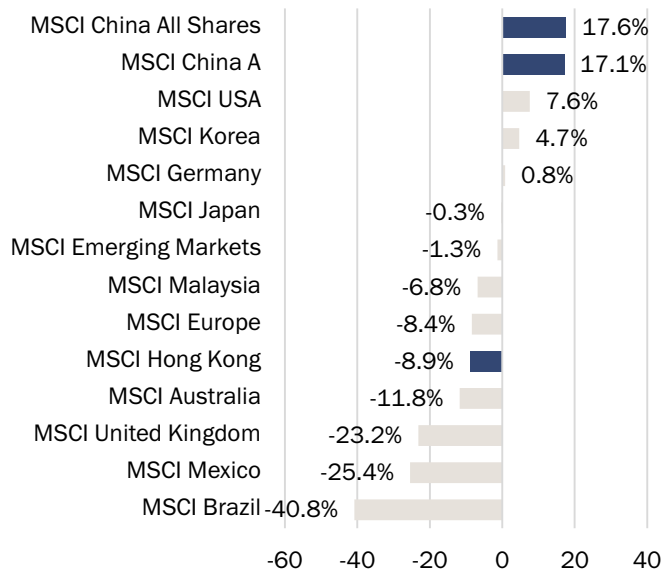


From Offline to Online: Meituan Dianping Tops Delivery Market
Daily Food Delivery Orders (million)



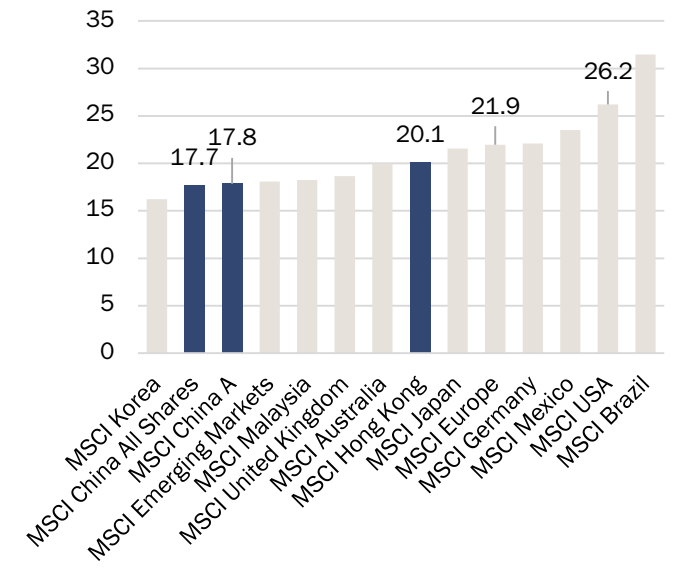
Outperforming: China in Global Equity Markets

YTD Total Return, September 30, 2020



Attractive Valuations: China A-Shares vs. Global Markets

Global Markets Est. P/E Ratios, September 30, 2020



Source: Bank J.Safra Sarasin Ltd, ChinaAMC, JP Morgan, Bloomberg 30.09.2020. Past performance is no indicator or guarantee for future performance.

Performance Report

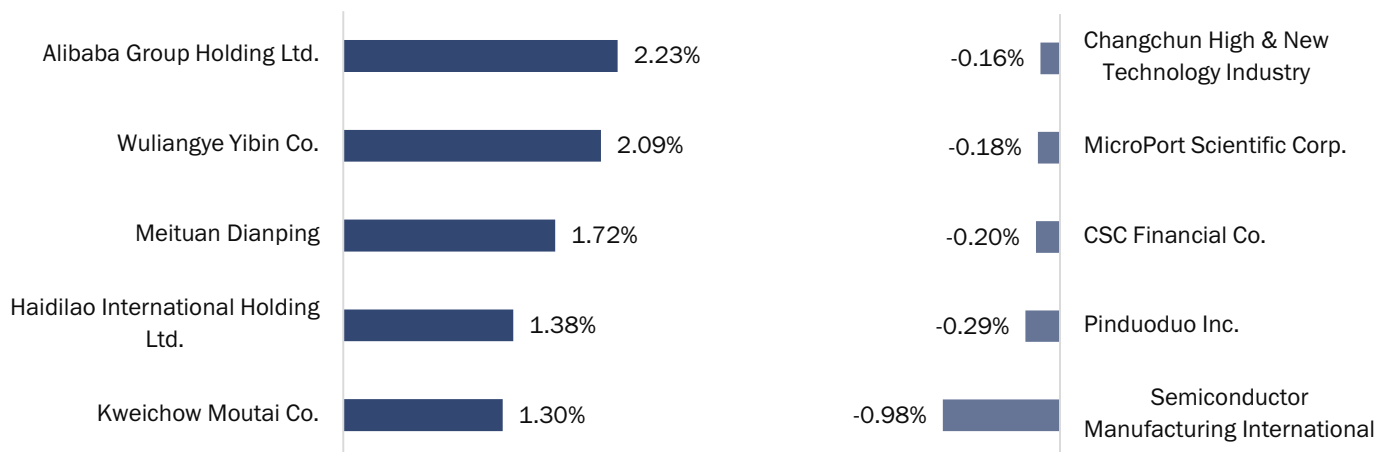
Historical Net Performance Since Inception (in USD, as of 17.12.2019 – 22.10.2020)



Monthly Net Performance Since Inception in % (P USD acc; in USD; period shown 17.12.2019 – 22.10.2020)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020													
JSS Equity – All China	-1.20%	-1.34%	-8.91%	8.82%	2.87%	14.38%	12.38%	4.54%	-3.03%	5.53%			36.69%
MSCI China All Shares	-3.35%	0.09%	-6.84%	6.59%	-0.91%	9.29%	11.27%	5.27%	-3.44%	5.99%			24.72%
2019													
JSS Equity – All China												1.15%	1.15%
MSCI China All Shares												1.65%	1.65%

Top 5 and Bottom 5 Contributors to Return (Period: 30.06.2020 – 30.09.2020, in bps)



Source: Bank J. Safra Sarasin Ltd, Datastream, Bloomberg, as of 26.10.2020. Past performance is no indicator or guarantee for future performance.

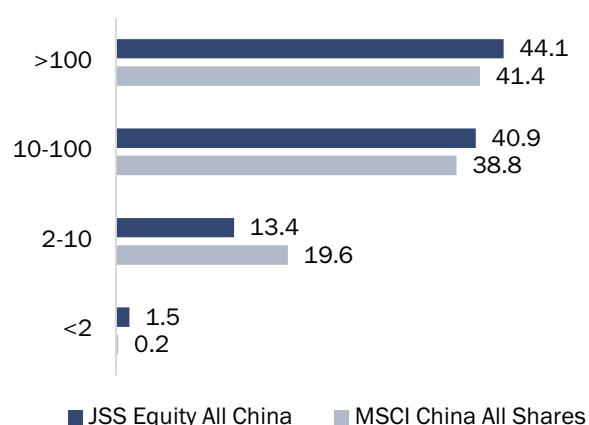
Allocations Report

Top 10 Holdings (as of 30.09.2020)

Security	Sector	in %
Alibaba Group Holding	Cons. Discretionary	9.07
Tencent Holdings	Comm. Services	9.05
Wuliangye Yibin	Consumer Staples	7.46
Kweichow Moutai	Consumer Staples	7.28
Meituan Dianping	Cons. Discretionary	4.10
Haidilao International	Cons. Discretionary	3.60
Tianjin Zhonghuan Semicond.	IT	3.07
China Tourism Duty Free	Cons. Discretionary	2.29
China Resources Beer	Consumer Staples	2.29
Contemporary Amperex Techn.	Industrials	2.27
Total		50.48

Exposure by Market Capitalization (bn USD) in %

(as of 30.09.2020)

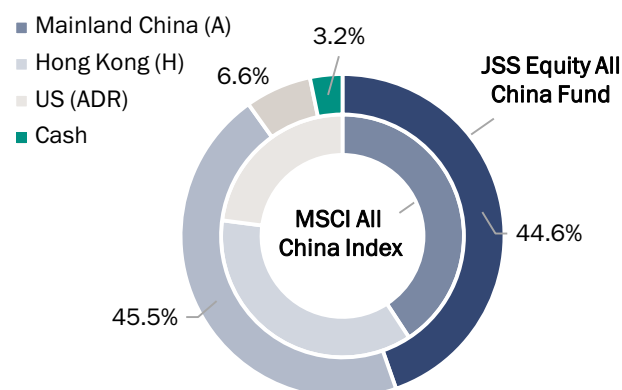


Portfolio Statistics

(as of 30.09.2020)

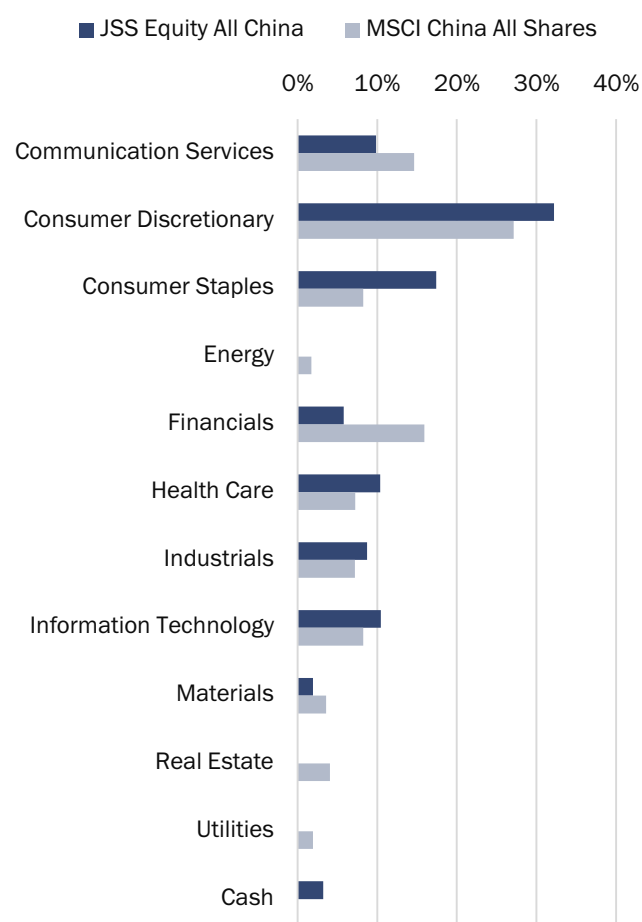
	JSS Equity – All China	MSCI China All Shares
Price / Earning (LTM)	36.74	17.09
Price / Earning (NTM)	29.54	14.62
Price / Book Value	6.79	2.16
ROE (%)	19.34	17.12
# of Securities	59	756
Active Share (%)	72.83	
Fund AuM	USD 254 mn	

Listing Allocation (as of 30.09.2020)



Sector Allocation in %

(as of 30.09.2020)



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