

NATIXIS HAM CHINA 2.0

QUARTERLY REPORT

Q4 / DECEMBER 2022

INTRODUCTION

For the first time since 2020, we have conducted 21 on-site meetings in Hong Kong meeting both Hedge Funds and Long Only Managers.

PERFORMANCES

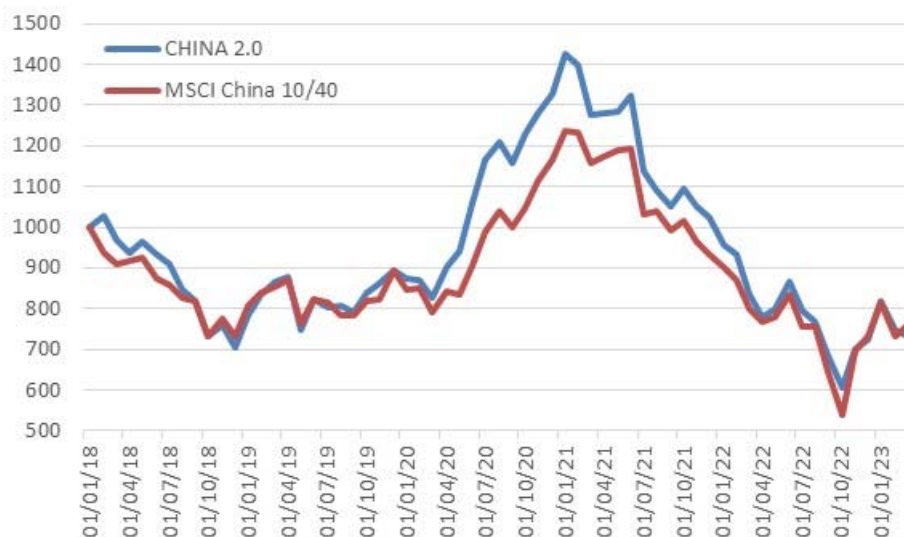
Natixis HAM China 2.0 finished this quarter up by +0.9% in USD (net of fees) under-performing the MSCI China 10/40 that posted a strong performance up by 4.1%. Remember that the MSCI 10/40 does not contain any A-Shares who strongly under-performed the Hong Kong market this quarter again.

Since inception of the Fund, we are at a shooting distance by 3% of the MSCI China 10/40 net of fees.

HAM Natixis China 2.0, USD, net of fees

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Year	Index
2018		2.60%	-5.64%	-3.28%	2.99%	-3.21%	-2.39%	-7.23%	-3.29%	-10.38%	3.65%	-7.35%	-29.66%	-26.94%
2019	11.42%	6.40%	3.89%	1.28%	-14.85%	10.19%	-2.50%	0.76%	-2.28%	6.11%	2.97%	3.31%	26.83%	22.18%
2020	-1.91%	-0.39%	-5.09%	8.76%	4.48%	12.81%	9.77%	3.69%	-4.00%	5.96%	4.32%	3.68%	48.86%	30.75%
2021	7.22%	-1.89%	-8.65%	0.25%	0.27%	3.17%	-14.06%	-4.23%	-3.63%	4.31%	-4.15%	-2.27%	-22.77%	-20.14%
2022	-6.85%	-2.27%	-10.78%	-6.32%	2.38%	8.58%	-8.16%	-3.45%	-11.03%	-11.30%	15.13%	3.61%	-29.40%	-21.53%
2023	13.06%	-8.67%	-2.26%										0.93%	4.11%
Since Inception													-26.91%	-23.85%

Index = MSCI China 10/40 Net USD



PORTFOLIO DISCUSSION

This quarter has been a rollercoaster ride to say the least. The Chinese market has been trading on positive and negative announcements. These included: the definitive end of covid measures with the opening of borders, the return of Jack Ma who demonstrated the government's willingness to return to "business as usual", but also the return of major geopolitical conflicts. We heard many times that "the new Premier is viewed more and more as positive leader in China whispering in the Xi's ears the right things to do". We all do hope so!

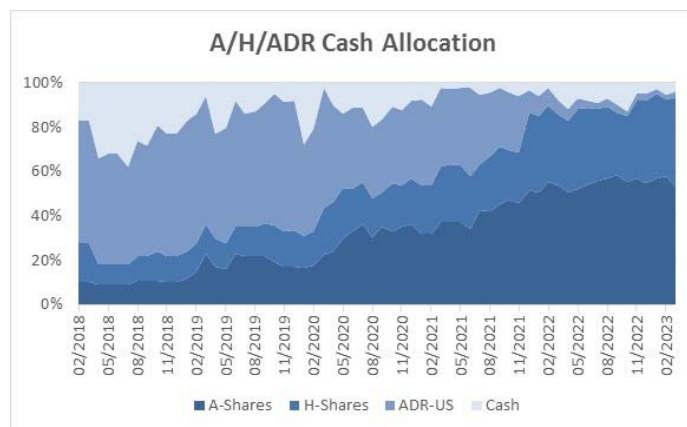
Our numerous visits to Hong Kong in March confirmed that China is in a much better economic situation than any of the G7 countries. China is the only country that has positive real interest rates that can activate a monetary economic stimulus without collateral damages and above all a domestic demand that remains strong. The only black spot remains the real estate sector, which has been totally washed out on the private side while its public side is largely supported by the government. In other words, China has behaved in a very capitalist way by sacrificing those who took reckless risks. This sector will need a few more quarters to recover, but there are already some positive signs coming from new projects being revived. The downside is that projects such as Hainan are still on hold and are emerging as a nightmare.

Following these meetings, we are also convinced that the themes of our China 2.0 fund are those of the future. In particular, we have focused the portfolio more on renewable energy, domestic consumption and luxury consumption, innovation in all technology sectors but also in the biotech sector in a very selective way, and tourism and catering.

In this spirit we initiated positions in **H Aidilao** and **Jiomaojiu** (the two well-known hot pot restaurant chains), in **Yihai** (the largest producer of condiments) and in **Shanghai Airport** which will benefit from the opening of China. We have temporarily decreased the battery manufacturer and everything related to EV cars which currently suffer from overcapacity such as **Eve Energy**, **Yunnan New Materials** and **Nio**. We initiated positions in **Bosideng** (a brand name in China in clothing), **Kanzhun** (the leader in job ads), **Ninebot** (the leader in electric scooters and robots) and finally **Akeso** (a biotech company in phase III in the treatment of certain cancers that has received pre-approval from the FDA in the US).

Currently we have 4% of cash which is the normal cruising speed. We believe that the second quarter will be still volatile but the second part of the year should be picking up.

Below we give the evolution of the portfolio since inception among the different "A-H-ADR" letters Chinese soup:



20-top positions of the portfolio as of April 13th, 2023

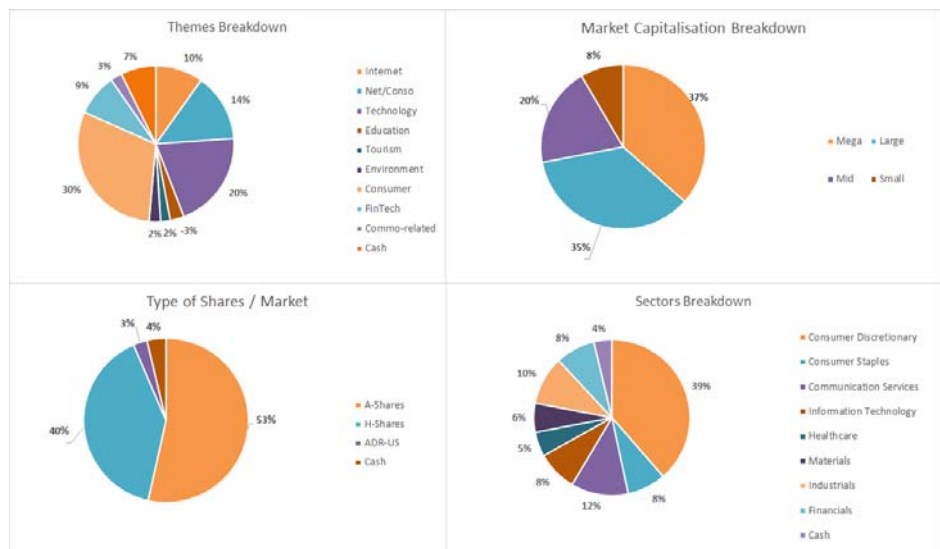
Company Name	Themes	Sub-sector	Weight
1 TENCENT HOLDINGS LTD	Internet	Games, Commerce, Holdings	8.41%
2 ALIBABA GROUP	Net/Conso	E-commerce, cloud servicing	8.09%
3 KWEICHOW MOUTAI	Consumer	Liquor baiju	4.14%
4 MEITUAN DIANPING	Consumer	Delivery food and service	3.51%
5 CHINA MERCHANTS BANK	FinTech	Banks	3.43%
6 JD.COM	Net/Conso	E-commerce	3.00%
7 MIDEA GROUP	Consumer	Home appliances	2.55%
8 WANHUA CHEMICAL	Commo-relat	Chemical, polymeric & polyurethane	2.54%
9 LUXSHARE PRECISION	Technology	Electronic components, connectors, wir	2.51%
10 LONGI GREEN	Environment	Photovoltaic Cells devices	2.51%
11 CONTEMPORARY AMPEREX	Technology	Battery for EV cars	2.46%
12 NETEASE INC	Net/Conso	Game online platform + ecommerce	2.43%
13 PING AN INS (C1)	FinTech	Insurance	2.40%
14 EAST MONEY	FinTech	Brokerage	2.36%
15 INNER MONGOLIA	Consumer	Food	2.17%
16 CHINA TOURISM GP DUTY FRE	Tourism	Duty Free	2.12%
17 HAIER SMART	Consumer	Home Appliances	2.09%
18 YUNNAN ENERGY	Technology	Film product battery	2.07%
19 SHENZHEN MINDRAY	Technology	Medical Equipment	2.04%
20 BYD	Consumer	Auto	1.98%

Below, we would like to stress the metric of our portfolio and the breakdown by themes, sectors, market typology and market capitalisation. For 2023, our portfolio has a top line growth by 21.2% and an EPS growth by 29.2%.

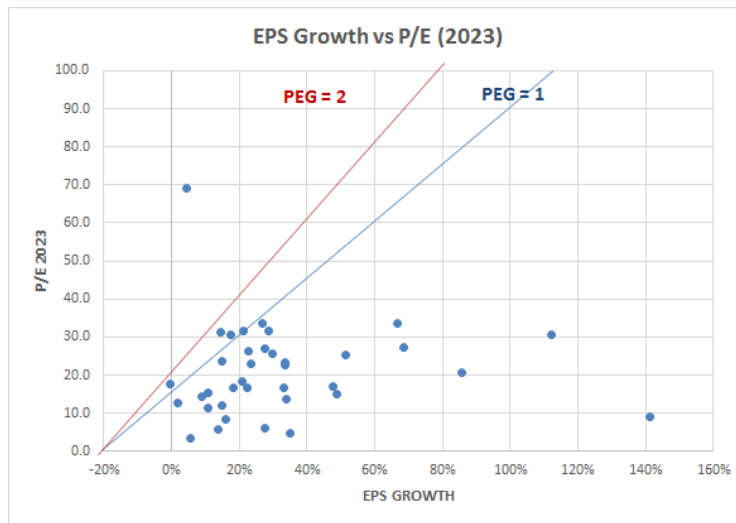
Natixis China 2.0 METRICS

METRICS	Portfolio
Sales Growth 23	21.9%
Sales Growth 24	17.4%
EPS Growth 23	29.4%
EPS Growth 24	25.1%
P/S 23	4.1
P/S 24	3.4
P/E 23	22.2
P/E 24	17.1
PEG 23	0.27
PEG 24	0.68
Return On Equity ROE	18%
EBITDA Margin 2022	24%
ESG rating (Morgan Stanley)	BB
Market Cap (bn USD)	113

Source: GS / IBES / MSCI FactSet



The following chart shows how our portfolio is positioned in terms of PEG position by position. Most of them are below 1.



MARKET VALUATION

Currently, MSCI China is trading at a forward PE 11.2x for 2022, 10.1x for 2023 which are still within the lowest historical range. However, huge disparities and dispersion still exist among sectors as the table below shows. But in terms of PEG, China stays one of the cheapest country in the world.

31.12.2022	2018	2019	2020	2021	2022	2023	S.I.	Volatility	EPS 23	EPS 24	P/E23	P/E24	PEG 23	PEG 24
MSCI China Comm Services	-9.23%	7.76%	34.95%	-22.77%	-24.12%	18.87%	-8.05%	30.23%	28.5%	21.7%	23.4	19.2	0.82	0.88
MSCI China Consumer Discr.	-43.92%	51.36%	49.16%	-35.50%	-23.76%	0.71%	-37.30%	35.98%	34.6%	30.4%	22.3	17.1	0.64	0.56
MSCI China Consumer Staple	-16.61%	37.14%	57.46%	-13.95%	-21.40%	1.95%	24.16%	23.91%	22.9%	15.4%	22.1	19.1	0.97	1.24
MSCI China Energy	-14.77%	-4.67%	-33.05%	23.38%	12.56%	16.48%	-12.00%	28.30%	-4.5%	-1.1%	5.5	5.6	N/A	N/A
MSCI China Financials	-29.15%	11.13%	-6.99%	-12.61%	-13.39%	2.38%	-43.25%	21.50%	11.9%	10.8%	4.7	4.2	0.39	0.39
MSCI China Healthcare	-29.06%	37.60%	60.99%	-19.23%	-26.17%	-5.76%	-11.68%	33.84%	42.0%	39.2%	36.5	26.2	0.87	0.67
MSCI China Industrials	-20.81%	2.64%	8.94%	9.95%	-22.75%	3.27%	-22.33%	20.93%	-2.5%	10.1%	8.5	7.7	N/A	0.76
MSCI China IT	-35.71%	40.68%	76.02%	-21.65%	-41.22%	10.54%	-18.95%	30.16%	8.0%	7.2%	9.8	10.8	1.23	1.50
MSCI China Materials	-29.44%	18.69%	24.20%	6.22%	-26.17%	6.83%	-12.86%	30.36%	16.3%	17.8%	9.3	7.9	0.57	0.44
MSCI China Utilities	5.16%	4.35%	1.21%	23.60%	-29.07%	1.01%	-1.66%	21.44%	19.7%	15.2%	9.7	8.4	0.49	0.55

Sectors were China 2.0 is the most exposed

Source: GS / IBES / MSCI FactSet

CONCLUSION

Bye bye Tiger, hello Rabbit!

We continue to accumulate stocks that are undervalued and currently neglected by the market, which only looks for large caps with little risk but little growth. We are confident that the portfolio will perform as it has in the past as soon as the market gives a correct valuation to growth.

Thank you for your trust.

MZ/ 04.2023

Strictly confidential