Lundgreen's Invest
CHINA

# QUARTERLY NEWSLETTER

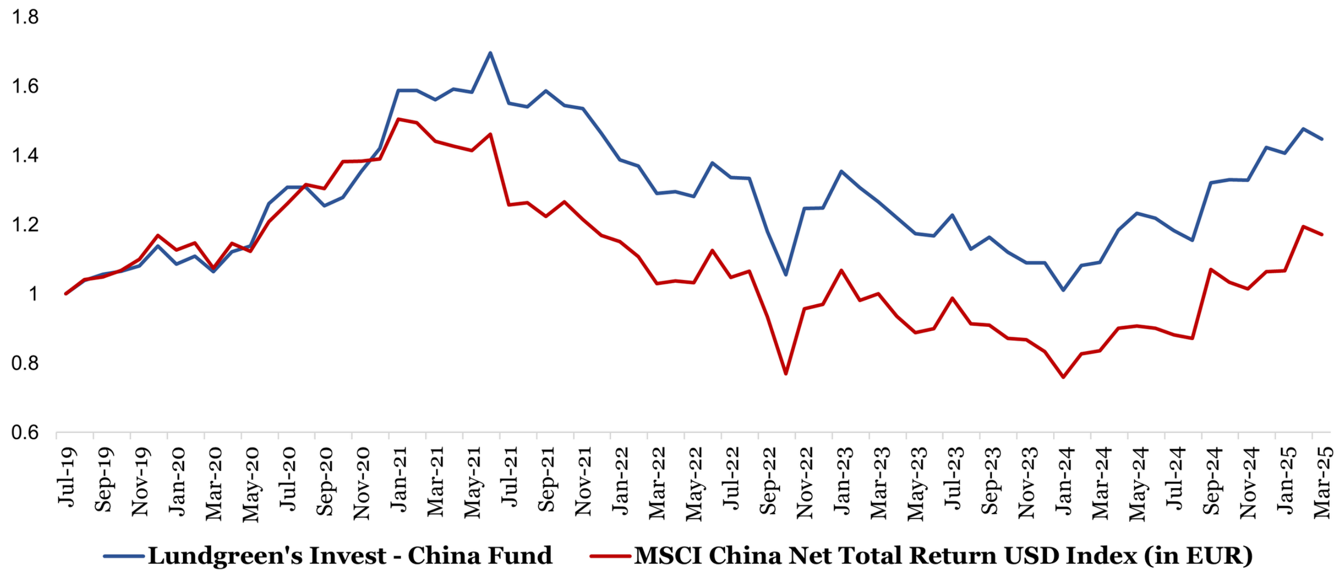
## Q1 | 2025

Co-produced with Yiyi Capital Limited,
a China specialist based in Hong Kong.

Lundgren's Invest CHINA

# THE FUND
## JAN-MAR 2025

## CUMULATIVE RETURN (IN EUR)




## TOP 5 POSITIONS

| | Weight % |
|---|---|
| Tencent Holdings Ltd | 7.32% |
| China Suntien Green Energy | 6.12% |
| Bj Jingneng Clean Energy | 4.92% |
| ZJ Express | 4.37% |
| Towngas Smart | 3.57% |

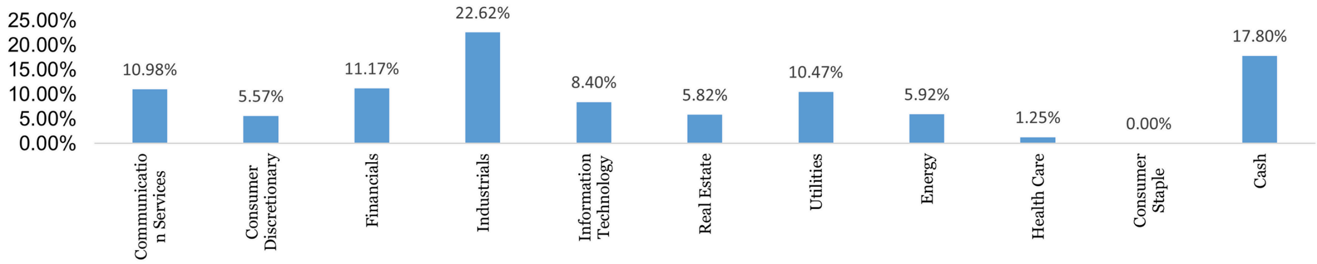
## PERFORMANCE

| | 3 months | 6 months | 1 year |
|---|---|---|---|
| Lundgreen's Invest - China Fund | 1.70% | 9.54% | 32.53% |
| MSCI China Index | 10.10% | 9.50% | 40.14% |

## STATISTICS

| Since Inception | Annualized Return | Annualized Volatility | Sharpe Ratio |
|---|---|---|---|
| Lundgreen's Invest - China Fund | 6.73% | 19.01% | 0.112 |
| MSCI China Index | 2.84% | 23.94% | -0.074 |

## ALLOCATION BREAKDOWN



Lundgreen's Invest CHINA

# OUR INSIGHTS

At the beginning of Q4 2024, driven by expectations of policy stimulus, Chinese equities experienced a significant rally. The fund quickly took profits on a substantial portion of its positions and promptly adjusted its portfolio, increasing cash reserves and shifting into defensive sectors and industries. This move provided strong downside protection during the subsequent market correction, allowing the fund to preserve most of its gains.

Entering Q1 2025, our defensive positioning remained in place. Firstly, the cash exposure was maintained on average at nearly 20%, close to theregulatory limit for theundertaking for collective investment in transferable securities (UCITS). However, this does not mean we left this portion of cash idle. In fact, the high cash weighting was primarily due to our continuous search for short-term trading opportunities across different holdings to generate returns with low correlation to the broader market. These trades had a high turnover, allowing funds to be frequently redeployed. Secondly, in terms of sector allocation, a significant portion of our holdings was concentrated in clean energy and infrastructure. This "high-quality, high-dividend" cluster has been our biggest theme since last year. We firmly believe that this theme can serve as the cornerstone for the portfolio, serving as our primary strategy to navigate various market volatilities and risks. Companies in these sectors are almost entirely focused on the domestic market, making them nearly immune to geopolitical tensions and global trade wars. At the same time, they represent both critical safeguards for national welfare and key drivers of future development.

*This "high-quality, high-dividend" cluster has been our biggest theme since last year.*

*We firmly believe that this theme can serve as the cornerstone for the portfolio, serving as our primary strategy to navigate various market volatilities and risks.*

The "high-quality" nature stems from the fact that state capital often holds a substantial stake in these companies, leading to more systematic oversight and performance evaluation of management, which in turn fosters better corporate governance. Additionally, their attractiveness lies in their compelling valuations. Taking the top five holdings at the end of the first quarter, aside from Tencent, the other four companies posted price-to-earnings (P/E) ratios below 10x, with the lowest at just 5x. High dividend yield is another key metric. The annualized dividend yields of companies in these sectors can reach nearly 8%, which is not only high compared to USD benchmark interest rates but also highly appealing to asset-allocating institutions, especially as China's domestic benchmark rates continue to decline.

Looking back at the first quarter as a whole, the China Fund's performance relative to the MSCI China Index was somewhat disappointing. The primary factor behind this was sector allocation. With the emergence of DeepSeek, China's Technology, Media, Telecom (TMT) stocks generally saw a boost, leading to significant price increases. The two largest weighted stocks in the MSCI China Index, Tencent and Alibaba, account for over 26% of that index, while UCITS constraints prevented our fund from allocating such a high weighting to them. Throughout Q1, these two stocks rose by 19% and 56%, respectively, driving much of the MSCI index's movement. Although our China Fund also held these stocks, their weightings were much smaller.
In the short term, we believe thatthe TMT sector's rally driven by DeepSeek is largely sentiment-led. In reality, the impact of AI on most companies in this sector may be limited, or even negative, as intense competition could leave some players behind. However, we also believe that AI will have a more favorable impact on companies in most other industries going forward, directly enhancing productivity and earnings per share (EPS), which should become evident in the financial results over the coming quarters.