



The China Dream Absolute Return Fund

Closing Report, November 2024

At a glance (return and valuation data net of all fees and expenses)

Performance for Oct. to Closing NAV +0.3%	Performance since launch: 10-4-2015 +31.4% +2.9% CAGR	Closing NAV/Share H\$1,313.6 *Lifetime High*	Forecast P/E N/A	Forecast net. Yield N/A
Price to book N/A	Period Returns (CAGR) 1-Year +22.8% 3-Year +12.8% (+4.1%) 5-Year +13.5% (+2.6%)	Effective cash as a % of the portfolio 100%	Total number of positions (ex-cash) 0	Largest Positions N/A

Partners and Friends,

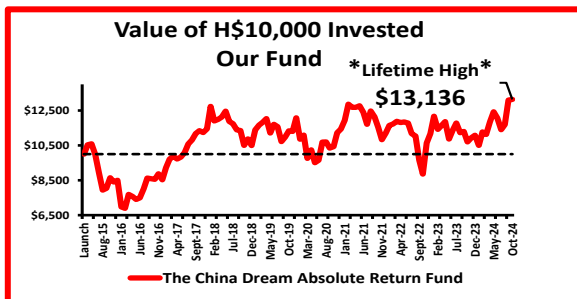
After nearly 10-years of successful operation I'm closing The China Dream Absolute Return Fund.

Over the Fund's life it's outperformed peers and benchmarks and winding up now cements a great track record with the benefit of being able to return investors' money at all-time high valuations.

Notwithstanding its satisfactory record, size coupled with legal, regulatory, and administrative burdens became headwinds I no longer wished to sail into.

As this is the last letter a performance review is appropriate, and I'll start with:

The Absolute Performance - +31%

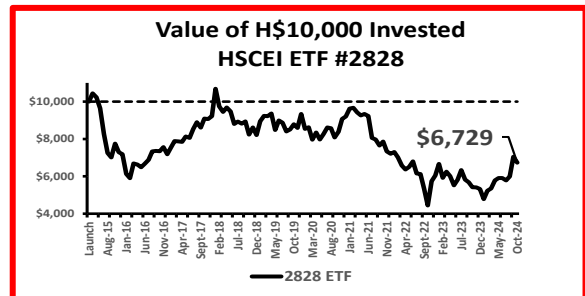


The Fund began operation on April 10th, 2015, and from then to October 17th* this year I'm not aware of another China-focused fund that's bested its return.

CAGR over the period may have been modest but compared to comparable ETFs the performance is a thumping affirmation of the benefit of active versus passive investment.

[*At the close of business on October 17th the Fund had become 100% cash and I believe this is the correct day for performance comparison. The formal NAV, fixed later, differs only from that day reflecting closing and other expenses. Therefore, I'm comparing the official final-NAV with Oct. 17th benchmark levels throughout.]

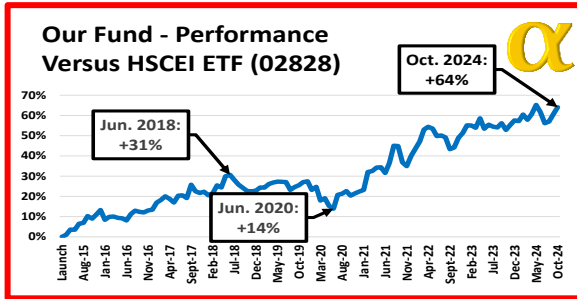
Speaking Of ETFs: HSCEI ETF - -33%



From the beginning, I've used the Hang Seng China Enterprises Index ETF (#02828, total return including dividends) as the Fund's unofficial benchmark.

What a miserable ride that's been. Made worse by Index compilers who delayed admission of major New-Economy stocks until near peak valuations. Outperformance from then has been a turkey-shoot.

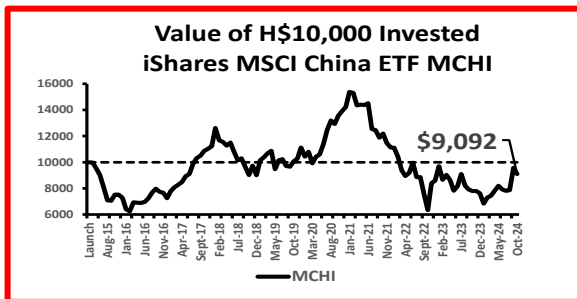
Speaking Of Outperformance - +64%



Since inception I've presented 'performance difference' as relative performance i.e. 'a-minus-b' not 'a-over-b'. This produces smaller numbers but, in my opinion, is a better summary.

Also, since inception, I've believed comparisons a Manager should make are with appropriate ETFs. These include costs and dividends and are a viable alternative for investors. A theoretical index is not.

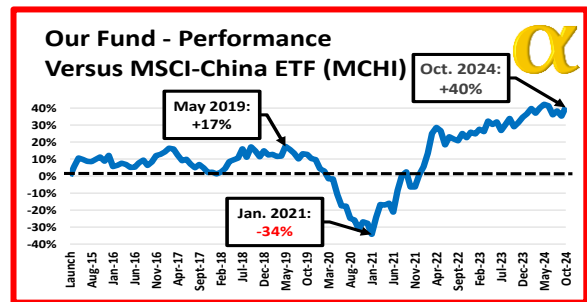
Sure, There Have Been Better ETFs – MCHI -9%



The iShares MSCI China ETF (MCHI, above) has fared better than the HSCEI ETF on account of it including major New Economy stocks from their initial listing.

Comparison is flawed though as the Fund invested only in Hong Kong. This is because minorities are poorly treated by Chinese listed companies everywhere; but protection in Hong Kong is better than elsewhere.

Flawed Comparison: Trounced Nonetheless - +40%



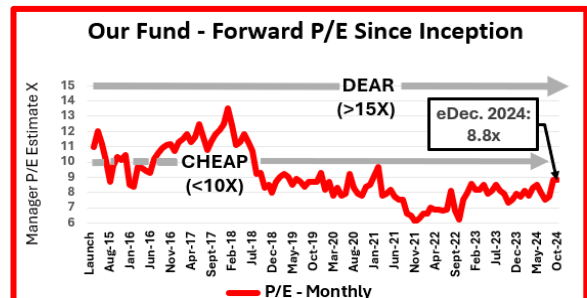
If there's a China-ETF that's bested the Fund's return, I'm also unaware of it. In addition, and to note, these comparisons significantly handicap the Fund's returns.

ETFs are cheap (you get what you pay for), but the Fund has had expenses of never less than c. 1.7% p.a. That comes out to a c. 18% performance drag over the life of the Fund.

In Plain English

More fairly compared the Fund has done at least 18% better than the analysis above shows. It'd be unethical to present results not including those costs; but the digression here usefully elaborates one of the earlier points about 'headwinds'.

A Parting Reminder On Valuation



I was able to liquidate the portfolio efficiently, but it grieved me to part with so much outstanding value.

Given my short-term plans and immediate necessity (of which more below) there's comfort in the fact that the prices of the stocks that were sold have mostly fallen, many sharply, from liquidation levels.

The Closing Portfolio

It may surprise some to see what a winning China portfolio looks like, but outperformance can only be achieved owning stocks the herd don't.

Minus only a tiny dividend-in-specie position acquired a while back these were the Fund's final holdings:

Code	Holding
03988	Bank of China
03983	China BlueChemical
01234	China Lilang
00688	China Overseas Land
01088	China Shenhua
01668	China South City
00966	China Taiping
00914	Conch Cement
03360	Far East Horizon
00709	Giordano
00014	Hysan
01398	ICBC
03306	JNBY
02689	Nine Dragons Paper
01122	Qingling Motors
02727	Shanghai Electric
00386	Sinopec
01157	Zoomlion

I've liked and continue to like (excluding Giordano) all these stocks pretty-much equally. There are no 'best' ideas here.

Some shine more radiantly from time to time, some have been a bit naughty, and some have yet to achieve their full potential; but, as a group?

The Fund's track-record can speak to the issue of methodology-effectiveness and thus, by implication, this portfolio's current potential and *collective* merit.

To Nirvana, And Beyond!

The dream of most fund managers is to invest unencumbered by performance-retarding costs, regulatory irritation or the oversight of AUM-fixated bosses.

I've avoided the latter, but the former have been ever present and debilitating. Absent them, henceforth I'll be tap-dancing to work. Work? Of course.

I need to buy back the stocks recently disposed of (yes, tiresome). This will take a while, and there are new names in addition to be added to the mix.

After that there will be monitoring, report reading, and the pleasure of prospecting for new opportunities. They're always there if you turn over enough rocks; and soon I'll be flipping more than ever.

Finally

China will remain my home and investment focus.

Perhaps at some stage I'll pen the odd report on how it's going? Suggestions for a name for these updates please? How about 'The Happy Investor'?

That may not reflect my disposition at all times in future, but it's the perfect descriptor for today!

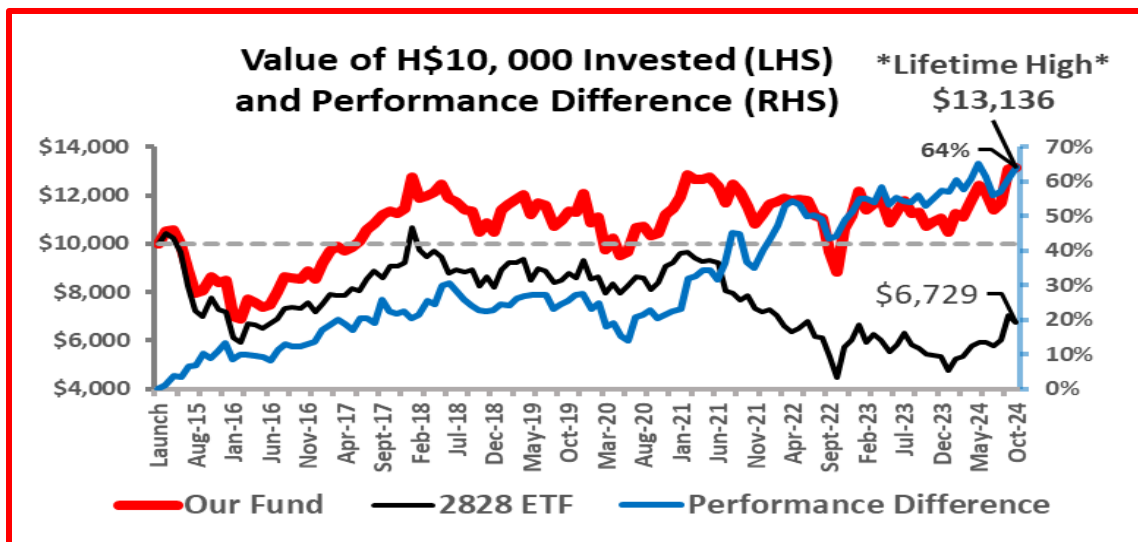
Nial Gooding CFA

Wednesday, November 20th 2024

nial@nialgooding.com for further correspondence.

The Fund is closed. This note is for information purposes only and intended only for recipients to whom it has been addressed. It should not be reproduced or passed on. Nothing in this note should be considered investment advice and where specific stocks are mentioned it's merely for the purpose of illustrating an overall strategy.

Year	Jan	Feb	Mar (YE)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	-	-	-	5.4%	0.5%	(5.7%)	(10.8%)	(11.0%)	1.3%	7.6%	(2.9%)	1.2%	(15.0%)
2016	(18.0%)	(1.2%)	11.7%	(1.5%)	(2.3%)	1.2%	7.0%	7.7%	(0.4%)	(0.5%)	3.7%	(3.9%)	0.3%
2017	8.2%	5.4%	1.6%	(1.6%)	1.1%	2.7%	4.9%	2.1%	3.5%	1.5%	(1.0%)	1.9%	34.3%
2018	11.3%	(6.6%)	0.8%	1.1%	2.8%	(4.8%)	(1.1%)	(3.0%)	(0.3%)	(7.6%)	3.6%	(3.5%)	(8.4%)
2019	8.6%	2.4%	1.4%	1.8%	(6.9%)	4.4%	(1.1%)	(7.4%)	2.4%	3.4%	(0.4%)	7.0%	15.2%
2020	(10.2%)	2.2%	(12.0%)	5.0%	(7.2%)	1.5%	10.8%	0.1%	(3.4%)	0.8%	7.7%	1.9%	(5.3%)
2021	4.4%	7.8%	(1.5%)	0.0%	0.7%	(3.0%)	(5.5%)	6.5%	(2.7%)	(4.9%)	(6.1%)	3.4%	(2.1%)
2022	4.0%	0.7%	1.3%	(0.6%)	0.3%	(0.5%)	(5.2%)	(1.2%)	(12.4%)	(8.4%)	20.1%	5.1%	(0.2%)
2023	8.9%	(6.2%)	2.0%	2.0%	(8.5%)	4.6%	3.7%	(4.6%)	0.6%	(5.3%)	2.2%	1.3%	(0.9%)
2024	(5.2%)	7.4%	(1.3%)	6.5%	4.9%	(2.9%)	(5.5%)	2.6%	12.0%	0.3%	-	-	18.6%



[Fund results are net of fees and taxes. Hang Seng China Enterprises Index ETF (#2828) results include dividends. We don't aim to reproduce the ETF returns but present them as the real-world alternative to our strategy of capturing China returns via HK Listed stocks.]