

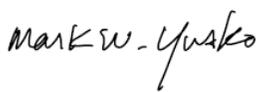
New China Perspectives



Welcome to the weekly issue of Morgan Creek's **New China Perspectives**. It is comprised of research from Morgan Creek's China-based investment team together with curated articles of interest. In addition to timely political and economic news covering greater China, Morgan Creek's China team seeks to provide in-depth perspectives on investing in the technology, consumer and healthcare sectors in the region. Our research leverages the "on the ground" insights of our team together

with Morgan Creek's decades-long experience in covering the region. Our team are focused, thematic investors primarily covering the technology, consumer, and healthcare sectors and investing in private companies and early-stage managers with deep local expertise. To learn more about our team and investment offerings, please email chinateam@morgancreekcip.com.

Best Regards,



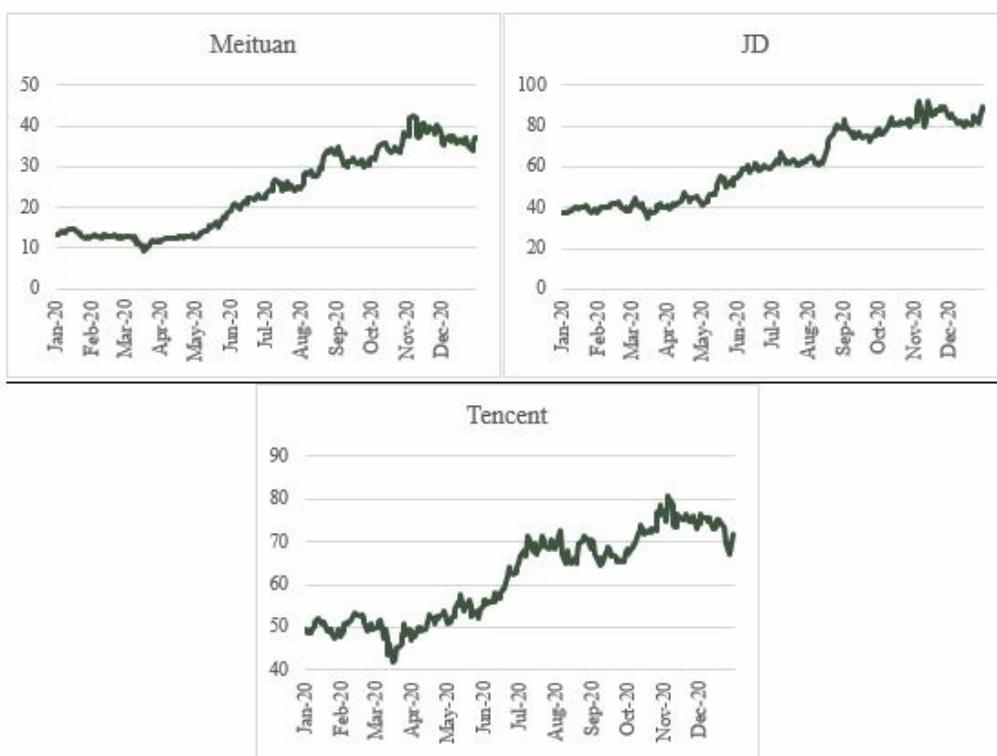
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CEO & CIO

NOTES FROM THE BUND^[1]

Over the next three newsletters, we will focus on anti-monopoly measures in China. This week, we will discuss the potential monopolism by Internet platform companies and the Chinese government's subsequent issuance of draft Anti-Monopoly Guidelines in November 2020.

The coronavirus outbreak has accelerated the pace of digitization, and platform companies like Meituan, JD.com, Tencent have all benefited from consumers shifting their purchases online. As illustrated below, the market capitalizations of these Internet giants all expanded significantly in 2020, in part due to a concentration of traffic on these platforms. At the expense of potentially more innovative new market entrants, this concentration has allowed the internet giants to consolidate their respective markets through various measures including potentially controlling trading prices through rule-setting and allocating information resources.

Stock performance of tech giants in 2020^[2]



Below are a few examples of how the "Internet Giants" have arguably made monopoly threats to the market:

- There have been complaints by merchants on Alibaba's Tmall platform who allege that they would be banned from selling on Tmall if they also sold goods on a rival platform; specifically, a local home appliance manufacturer sued Alibaba saying the e-commerce giant used its dominant market position to demand exclusivity^[3].
- The delivery app Meituan dominates meal delivery and levies high commissions of up to 23 percent on restaurants, which was revealed by an open letter from a restaurant association. The app is facing a backlash from restaurants that are tired of the high commissions, and some have even built their own digital platforms for takeaway orders^[4].
- Tencent, which has a dominant presence in areas like online gaming, social networking, and online music, has been accused by competitors of misusing user data across platforms, and/or blocking competitors' access to its WeChat ecosystem^[5].

On November 10, 2020, China's State Administration for Market Regulation ("SAMR") issued a draft of the Anti-Monopoly Guidelines for the Platform Economy Sector ("Platform Guidelines") to guide the industry on anti-competitive practices for the first time. The guidelines aim to promote a level playing field in the digital market in order to foster continued innovation for the public. China's regulators are specifically aiming to limit e-commerce marketplaces from leveraging their dominant position to unfairly segment and discriminate against customers based on payment ability, consumption preferences and usage habits.

CHINA NEWS SPOTLIGHT

ECONOMY

China's December CPI up 0.2%: China's consumer price index, the main gauge of inflation, rose by 0.2 percent year-on-year in December, compared with a 0.5 percent decline in November, the National Bureau of Statistics said on Monday. Dong Lijuan, a NBS statistician, attributed the rise mainly to the pickup in consumer demand, the cold weather that pushed up food prices, and rising production costs. [Read more.](#)

Shipping containers becomes new buzz word as coronavirus leaves industry struggling to meet demand: Until recently, it was not that common to use the word container within the shipping industry, with concerns more focused on the bigger picture of vessels and capacity. The coronavirus and its impact on the global supply chains, though, has changed that, and amid surging demand and record freight rates, it is a trend that industry insiders expect to extend into the second half of the new year. [Read more.](#)

PRIVATE EQUITY & VENTURE CAPITAL

China's A-share IPO Fundraising to Reach New High in 2021: A-share IPOs in China are expected to reach a 10-year high in 2021, Chinese state-owned media China Daily reported, citing PwC's announcement. The accounting firm forecast that the number of IPOs in China this year will range between 430 and 490, with the total funds raised hitting between 450 and 480 billion yuan (\$70-74 billion). [Read more.](#)

Big money backing China's market for NEVs: Global investors have shown confidence in China's new energy vehicle market, with record financing in 2020. The emerging new energy vehicle industry raised 129.21 billion yuan (\$20 billion) last year. [Read more.](#)

TECHNOLOGY & CONSUMER

Huawei's Removal of Tencent Games Signal Shift Away from "Platform Is King" Era: On Jan. 1, 2021, Huawei removed all Tencent Games titles from the Huawei AppGallery after two companies disagreed on revenue sharing. According to a statement issued by Tencent, relevant products of Tencent Games were suddenly removed because "Huawei's mobile game platform neglected to renew the contract with Tencent's Mobile Game Promotion Project Agreement as scheduled." [Read more.](#)

In About-turn, NYSE Reverses its Decision Again to Delist Chinese Telecom Firms: The New York Stock Exchange ("NYSE") said it would move forward with its plans to delist three Chinese major telecommunication companies after all. The stock exchange last Wednesday announced in a press release that it will drop the shares of China Telecom, China Mobile and China Unicom on January 11, "following new specific guidance received on January 5, 2021, that the Department of Treasury's Office of Foreign Assets Control provided." [Read more.](#)

HEALTHCARE

2020 brought a huge boom in healthcare investment. How big? SVB analysts have the record-

breaking answer: As the past year developed, it became clearer that 2020 was proving to be massive for the biopharma industry. But just how big did the sector boom? The financial gurus over at Silicon Valley Bank attempted to answer that question Thursday, as their top healthcare advisors released their 2020 Annual Report. [Read more.](#)

Fast-expanding Shanghai Pharma breaks ground on \$1.8B biotech park focused on next-gen R&D, antibody production: One of China's biggest biopharma companies is hitting the ground running in 2021. Shanghai Pharmaceuticals broke ground Monday on a \$1.8 billion, 3.2 million-square-foot industrial park dedicated to R&D work in the bustling field of cell and gene therapies as well as manufacturing therapeutic antibodies, the firm said. [Read more.](#)

[1] The Bund is a historic waterfront area in central Shanghai, where Morgan Creek's office is located. From the 1860s to the 1930s, it was the rich and powerful center of the foreign establishment in Shanghai, operating as a legally protected treaty port. The picture above is part of the historical waterfront.

[2] Google Finance.

[3] <https://www.caixinglobal.com/2019-11-06/alibaba-sued-by-home-appliance-maker-over-e-commerce-marketing-101479288.html>

[4] <https://www.scmp.com/lifestyle/food-drink/article/3088427/chinese-food-delivery-apps-face-backlash-restaurants-tired>

[5] <https://www.cnbc.com/2020/11/12/morgan-stanley-chinas-draft-anti-monopoly-rules-impact-on-internet-firms.html>

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