

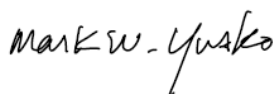
New China Perspectives



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@morgancreekc.com.

Best Regards,



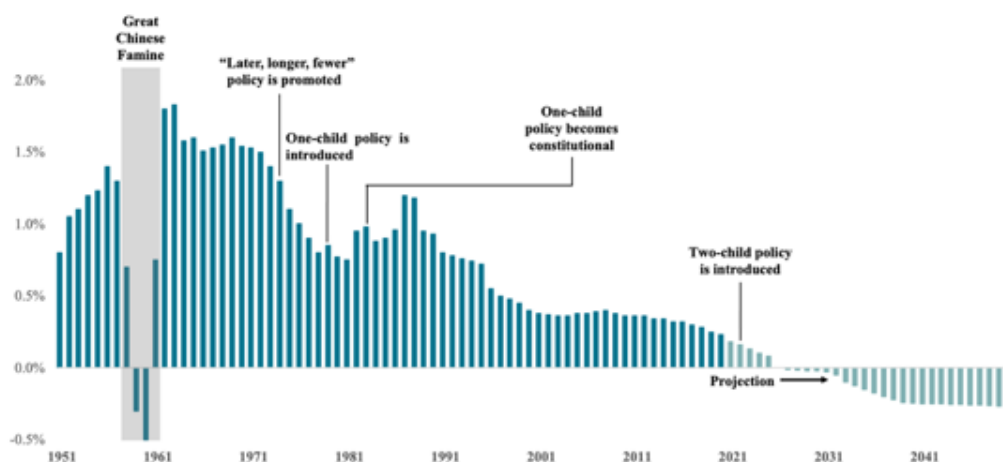
Mark W. Yusko
CEO & CIO

NOTES FROM THE BUND¹

Continuing from the last newsletter where we talked about the current China investment environment, we will discuss the challenge that China is experiencing and its consequences this week.

One of the biggest challenges that China will face in the coming decades is the rapid aging of its population. By 2025, it is expected that China's population aged 65 and above will hit 300 million², or equivalent to nearly the entire population of the US.

Figure 1. China's annual population growth³



The aging demographic challenge can result in two adverse consequences for China: a decreasing labor force and an increasing incidence of chronic disease.

Decrease in China's labor force

China has grown its economy historically through access to cheap inputs, most notably labor. But due to the aging population, China's labor force is projected to shrink dramatically; by 2035, the nation is expected to lose 100 million workers.⁴ As labor becomes scarcer and more costly, China must look to improve productivity if it wants to continue to grow its economy.

Increase in China's chronic disease incidence

Almost 80% of the deaths in China in the age 60+ demographic arise from chronic non-communicable diseases⁵, including stroke, heart disease and lung or liver cancer. Rising life expectancy and the adverse side effects of urbanization – pollution and a sedentary lifestyle – will continue to compound this challenge for China. There remains a lack of modern treatments available for patients despite this growing need, and the death rate from the aforementioned illnesses are 1.5 times higher in China than the global average⁶.

While the scale of China's current challenges is much larger than historically, China is not alone in dealing with an aging demographic. The US, Europe and Japan continue to similarly confront the consequences of their own respective aging population, and have outlined roadmaps and developed many innovations that China can build upon. The advanced nations have also trained many talented Chinese scientists, engineers and entrepreneurs that are returning with critical experience and expertise to the mainland.

We will continue to discuss the identified private technology and healthcare investment opportunities to address China's aging population in the following weeks' newsletters.

[Click here](#) to see back issues of New China Perspectives

New China Symposium 2021

An On The Ground Perspective on Investing in China

Please join Mark Yusko and Nic Lee, Managing Director, Shanghai as they discuss:

- The evolution of private equity markets in China
- Our long term China investment themes of healthcare and technology
- Implications of shifting geopolitics and coronavirus on China and our investment strategy

Mark and Nic will be joined by healthcare and technology fund managers in China as well as entrepreneurs from our portfolio companies to present opportunities in their specific sub-verticals.

Please hold the date and register here by clicking on the appropriate sessions.

China Macro

May 4 - 10:30 am - 11:45 am Eastern

**China Private Markets –
Technology**

May 5 - 9:00 am - 11:30 am Eastern

**China Private Markets –
Healthcare**

May 6 - 9:00 am - 11:30 am Eastern

CHINA NEWS SPOTLIGHT

ECONOMY

China economy 2021: latest economic data about world's second-largest economy: China's economic data paints a comprehensive picture of the state of the world's second-largest economy. This includes figures pertaining to gross domestic product (GDP), the consumer price index (CPI), the producer price index (PPI), industrial production and profits, purchasing managers' indices (PMI), retail sales, foreign exchanges reserves, imports and exports, as well as the trade balance. [Read more.](#)

China approves investment projects worth \$6.96 billion in Q1: China's top economic planner approved 16 fixed-asset investment (FAI) projects in the first quarter, with combined investment totaling 45.4 billion yuan (\$6.96 billion), official data showed Monday. [Read more.](#)

PRIVATE EQUITY & VENTURE CAPITAL

ByteDance Takes Concrete Step Towards Hong Kong Listing: ByteDance has initiated formal procedures for an initial public offering (IPO) in the Hong Kong Stock Exchange after submitting a letter with details regarding potential underwriters to trade authorities, according to a Wednesday report by the China Securities Journal. [Read more.](#)

Trip.com, Another Top Chinese Internet Company, Goes Public in Hong Kong: "One good thing about going public in Hong Kong (for founders of Chinese companies) is that we don't need to give up sleep to ring the bell," said James Liang, founder and chairman of Trip.com (9961.HK), the one-stop online travel services provider in China, at his company's HKEX listing ceremony, marking yet another one of the top China concept stocks going back to list in either China or Hong Kong. [Read more.](#)

TECHNOLOGY & CONSUMER

Baidu to Speed up Installation of Apollo Self-driving System in Mass-produced Cars: Chinese search engine and AI giant Baidu Inc plans to have its Apollo autonomous driving system pre-installed in at least one mass-produced car model each month in the second half of 2021, with a target of at least six car models in total, the company announced on Monday. [Read more.](#)

Gojek, Tokopedia Finalizing \$18 Billion Merger: Indonesian ride-hailing unicorn Gojek and popular e-commerce platform Tokopedia are in the final stages of an \$18 billion merger, The Information said. The two companies will form a combined entity called GoTo, and the deal is expected to be completed this month, according to the report. [Read more.](#)

HEALTHCARE

Nation set to move up global biopharm value chain: Chinese companies are now vying aggressively with multinational corporations for domestic market share in the country's innovative drugs sector, thanks to strong industry support, said global consultancy Boston Consulting Group. These incentives, including funding, policy, infrastructure and talent recruitment, are propelling homegrown companies to continue improving their innovation capabilities to allow them to eventually compete with MNCs outside of China. [Read more.](#)

SciNeuro Pharma, Eli Lilly accelerate antibody therapies in Greater China: SciNeuro Pharmaceuticals, an innovative biopharmaceutical company focused on delivering transformative therapies to patients with neurological diseases, has entered into an exclusive license agreement with Eli Lilly and Company for the development and commercialization of alpha-synuclein targeted antibody therapies in Greater China, which includes mainland China, Hong Kong, Macau and Taiwan. [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 [China to tap elderly population in bid to tackle looming demographic crisis, boost economy | South China Morning Post \(scmp.com\)](#)

³ [China's Looming Crisis: A Shrinking Population - The New York Times \(nytimes.com\)](#) US Census International Database

⁴ [China's labor force could decline by 100 million before 2035 - People's Daily Online](#)

⁵ [Frontiers | Editorial: Chronic Illness and Ageing in China | Public Health \(frontiersin.org\)](#)

⁶ The Road to the Rise of Chinese Pharmaceutical Innovation; Boston consulting Group, Mar'20.

Important Disclosures

The above information reflects opinions of Morgan Creek Capital Management, LLC ("Morgan Creek") as of the date it is written and, as such, all such opinions are subject to change. No representation or warranty, express or implied, is given by Morgan Creek as to the accuracy of such opinions and no liability is accepted by such persons for the accuracy or completeness of any such opinions. Further, Morgan Creek does not warrant the accuracy, adequacy, completeness, timeliness or availability of any information provided by non-Morgan Creek sources.

