

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

Mark W. Yusko
CEO & CIO

NOTES FROM THE BUND¹

The RMB has continued to appreciate since April of this year. As of the end of May, the RMB to USD exchange rate had reached 6.36. This implies an appreciation of about 11.43% compared to one year ago.

USD to CNY Conversion Rate for the Past Decade²



One of the most important reasons for the surging yuan is the weak US Dollar, due to concerns over inflation given the massive US government stimulus to combat the coronavirus. As we can see from the graph below, the U.S. Dollar Index³ fell from 93.23 to 89.83 from March 31-June 1, 2021. The USD has also depreciated against

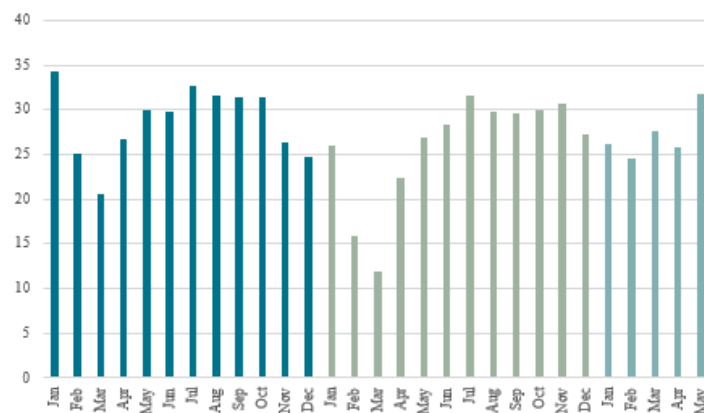
other currencies including EUR, GBP and JPY by 4.1%, 2.6% and 1.5%, respectively.

10 Year Historical Data of U.S. Dollar Index⁴



Aside from the external weakening dollar, the increase in China's trade surplus and foreign investments are two internal drivers of the appreciation of the RMB. Due to China being the first to enter and emerge from the coronavirus, the role of Chinese companies within the global supply chain has been significantly enhanced and has been reflected in the steadily growing trade surplus with the US. In addition, the strengthened RMB has attracted foreign investors' attention into the Chinese capital market as displayed by the strong inflows into Chinese stock and bond markets. The net inflow of northbound capital into the A Shares market reached a record-high of \$16.9⁵ billion at the end of 2020.

China's Trade Surplus with the U.S. (Jan 2018 – May 2021)⁶



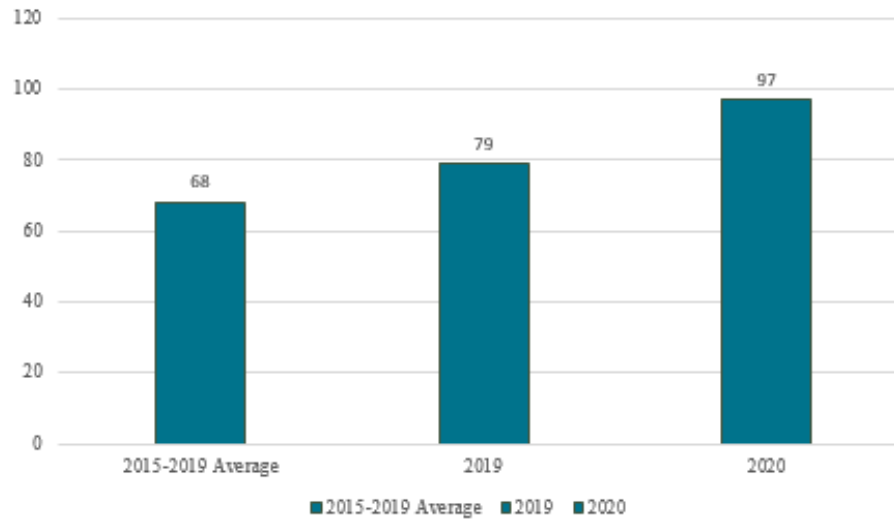
Monthly Net Inflows of Northbound Capital into A Shares Market (Jan 2015 – May 2021)⁷



At the end of May, the PBOC (People's Bank of China) announced it would raise the foreign exchange deposit ratio of financial institutions by 2% effective from June 15.

This contractionary monetary policy will shrink the base currency, leading to a decrease in liquidity of US dollars in the market. The market thinks the rising momentum of RMB has changed based on the government's possible actions and the increasing probability of the US economy's recovery.

Greater China Deal Value Rebounded Sharply in 2020⁸



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CHINA NEWS SPOTLIGHT

ECONOMY

Chinese ride-hailing giant Didi files for IPO in the US, targeting a valuation of \$70 billion: Chinese ride-hailing giant Didi Chuxing filed its IPO papers on Thursday, showing that the company will raise billions of dollars in funds and begin public trading in the US in July. Didi, which filed under its formal name of Xiaoju Kuaizhi Inc., could fetch a valuation upward of \$70 billion, Wall Street Journal reported, citing people familiar with the matter. [Read more.](#)

Shanghai to distribute \$3 million worth of digital yuan through red envelope: China is pushing forward its digital yuan trials with the distribution of \$3 million worth of the digital yuan lottery. [Read more.](#)

Alibaba to Develop Self-Driving Trucks, Eyeing Next Potential Hot Spot in China's Tech Sector: Chinese internet giant Alibaba announced on Thursday it will develop driverless trucks with its logistics unit Cainiao, as the company ramps up efforts to follow a trend that may revolutionize the transportation industry. [Read more.](#)

Meituan goes on hiring spree amid fast expansion into community group buying: Meituan, operator of China's largest food delivery and local service platform, goes on hiring spree, planning to add 60,000 new jobs in 2021, Chinese media Latepost reported on Thursday, deepening its expansion into community group buying despite an investigation by antitrust regulators. [Read more.](#)

Chinese online grocers MissFresh and Dingdong Maicai file for the US IPO: Chinese online grocer MissFresh and Dingdong Maicai have filed for an initial public offering in the US on Tuesday. [Read more.](#)

Chinese E-pharma Platform Dingdang Health Raises \$220 Million to Expand O2O Strategy: Chinese online-to-offline (O2O) medicine platform Dingdang Health has raised \$220 million in its latest financing round led by TPG Capital Asia, the company announced on Tuesday. [Read more.](#)

Samantha Du's Quan Capital, Lilly Asia back China's first big kidney play: It's been a good couple of years for kidney biotechs. Once a barren field, it has since been filled with new companies from blue-chip VC firms such as Arch, Versant and Third Rock. Now some top-flight Chinese investors are getting in on the action. [Read more.](#)

Kinase inhibitor specialist Kinnate launches Shanghai subsidiary with \$35M to market its programs in China: A little more than five months after going public with a \$276 million IPO, Kinnate Biopharma is back raising money — this time for a new subsidiary launching in China. [Read more.](#)

Trailing the Big Pharma players, a lesser known BCMA CAR-T candidate comes into the spotlight: Bristol Myers Squibb and bluebird cleared the first BCMA CAR-T therapy for multiple myeloma patients back in March, and J&J and their partners at Legend Biotech aren't far behind. [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 Data source: Investing <https://www.investing.com/currencies/usd-cny-historical-data>

³ U.S. Dollar Index is an index of the value of the USD relative to a basket of foreign currencies which are mainly US trade partners' currencies.

⁴ Data source: MarketWatch <https://www.marketwatch.com/investing/index/dxy>

⁵ Data source: EastMoney <https://www.eastmoney.com>

⁶ Data source: United States Census Bureau <https://www.census.gov/foreign-trade/balance/c5700.html>

⁷ Data source: EastMoney <https://www.eastmoney.com>

⁸ Data source: Bain & Company <https://www.bain.com/insights/asia-pacific-private-equity-2021/>

Important Disclosures

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