

MORGAN CREEK

CAPITAL MANAGEMENT

ALTERNATIVE THINKING ABOUT INVESTMENTS

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,

Handwritten signature of Mark W. Yusko

Mark W. Yusko
CEO & CIO

NOTES FROM THE BUND¹

This is the second installment of a four-week discussion on the Chinese political system, and the implications for both China's economy and the broader world economy.

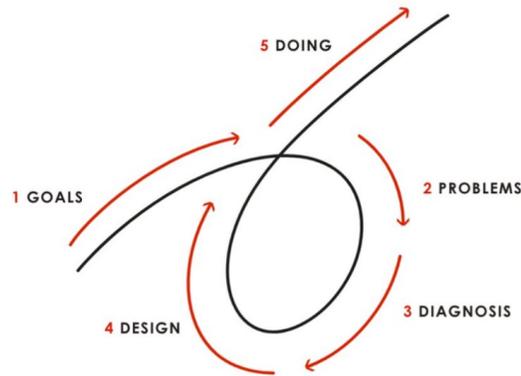
"Cross the river by feeling the stones"

Deng Xiaoping

Humanity's pace of progression has been exponential, with mankind's most significant breakthroughs in technology and standard of living only occurring in the last two centuries². However, this also means that the rate of change and transformation that a society faces today is unprecedented. In this modern world, uncertainty is the only certainty.

Highly successful individuals recognize how to operate in this complex environment. Mark Zuckerberg is famous for his "move fast and break things" motto, Jeff Bezos for his "Day One" dictum of incessant curiosity and experimentation. Ray Dalio highlights a similar idea of pursuing rapid cycles of testing and iterating to progress in his book "Principles".

Figure 1: Ray Dalio's Rules for Progress



When Deng Xiaoping began his reforms in the 1970s, he also [believed this method](#) was the most appropriate to adopt. Among the most famous of his experimental successes was the Special Economic Zones (“SEZs”) designed to encourage foreign investment and industrial development. The learnings gained from the experiences of the pilot cities were quickly replicated nationwide, and the rest is Chinese economic history.

Over time, the authorities recognized that there are necessary ingredients to institutionalize this approach, including access to capable, motivated officials to design and execute policies, and accurate and timely feedback mechanisms to iterate failures and replicate successes.

To that end, China developed important apparatuses to support this effort:

- National Civil Service Bureau (“NCSB”), which identifies and recruits talent en masse
- Central Organization Department (“COD”), which manages their deployment and “trial by fire”
- Survey organizations like the Public Policy Evaluation Centre (“PPEC”), which independently provide feedback from end users (citizens)

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

CHINA NEWS SPOTLIGHT

China new bank loans hit record in Jan as central bank eases policy: New bank lending in China more than tripled in January from the previous month, beating forecasts and hitting a record high, as the central bank seeks to shore up slowing growth in the world's second-largest economy. [Read more.](#)

China's family planning agency says it will ‘intervene’ in abortions for unmarried women, teens: China's family planning agency says it will “intervene” when unmarried women and teenagers seek abortions and promote traditional values to encourage people to have more children, as it tries to reverse declining birth rates. [Read more.](#)

Low Inventories Will Support Copper Prices Amid Diverging Macro Signals in

China and Overseas: The average daily spot price of SMM1# copper was 71,070 yuan/mt on the first day after the Spring Festival, an increase of 570 yuan/mt from January 28, and the closing price of SHFE copper was 70,430 yuan/mt, an increase of 140 yuan/mt. [Read more.](#)

Tesla to Locate China Design Center in Beijing: Tesla Inc. TSLA +4.85% is placing a design center in China's capital, according to a Beijing government document. [Read more.](#)

Oriental Semiconductor Completes Shanghai IPO: Suzhou Oriental Semiconductor Co., Ltd., a computer chip manufacturer based in China, on Thursday officially listed to Shanghai's Sci-Tech Innovation Board (STAR Market). [Read more.](#)

ASML Warns Chinese Rival May Be Infringing Its Trade Secrets: ASML Holding NV has warned that an affiliate of a China company it previously accused of stealing its trade secrets has begun marketing products that could infringe on its intellectual property rights. [Read more.](#)

FDA sets an example through Eli Lilly, Innovent's PD-1, rocking the boat for future contenders: By making an example of Eli Lilly and partner Innovent Biologics' practically denied application for PD-1 inhibitor Tyvyt, the FDA is sounding the alarm for companies working on "me-too" cancer drugs. [Read more.](#)

CStone announced new drug approval of China's first IDH1 inhibitor TIBSOVO® (ivosidenib tablets) as a new precision therapy for patients with acute myeloid leukemia: CStone Pharmaceuticals ("CStone", HKEX: 2616), a leading biopharmaceutical company focused on research, development, and commercialization of innovative immuno-oncology therapies and precision medicines, today announced that the National Medical Products Administration (NMPA) of China has approved the new drug application (NDA) of TIBSOVO® (ivosidenib tablets) for the treatment of adult patients with relapsed/refractory acute myeloid leukemia (R/R AML) who have a susceptible IDH1 mutation, providing a new precision therapy for this patient population. [Read more.](#)

US adds WuXi Bio and other Chinese entities to 'unverified list': The US Commerce Department said on Monday it had added 33 Chinese entities to its so-called 'unverified list', which requires US exporters to go through more procedures before shipping goods to the entities. [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 Civilization as we know it is 6,000 years old, and the modern humans (homo sapiens) evolved 200,000 years ago.

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.

