

ACATIS QILIN Marco Polo Asien Fonds (ISIN DE000A2PB655)

Investment report June 2023

Berlin, June 6, 2023

We invest in growth and value in Asia. We concentrate on Asian champions with a focus on the old and new world power of China.

Alibaba Group

Alibaba Group is the world's third-largest ecommerce conglomerate. In March, the group announced that it would split into six subsidiaries including domestic ecommerce, global ecommerce, cloud, logistics, local services, and entertainment. The overhaul led to a surge in stock price of 14% in one day, adding US\$33 billion in market value. Analysts believe that the reorganization would unlock value across Alibaba's diverse businesses, improve operational agility, and most importantly, placate China's anti-trust regulators.

Under the restructuring, domestic ecommerce will remain wholly owned by Alibaba Group and the other subsidiaries are expected to raise external capital through listings. Co-founder Trudy Dai will lead the domestic ecommerce business which accounts for 69% of revenues and subsidizes the other units. The reorganization will free up capital for the core business to increase sales in the world's largest ecommerce market.

Jiang Fan will lead global e-commerce. He was the previous president of the e-commerce business and grew Alibaba's user base to over 1 billion. He will oversee Alibaba's fast-growing international platforms in Southeast Asia and Latin America and aims to replicate Alibaba's success overseas.

Group chairman Daniel Zhang will oversee the Cloud Intelligence subsidiary and plans to spin-off the business to existing investors. Alibaba dominates China's cloud market and is aggressively expanding with new products and reduced pricing. Alibaba has also developed an AI large language model, Tongyi, similar to ChatGPT. Alibaba plans to integrate its generative AI across businesses, including its communication platform DingTalk (China's Slack), meeting assistant Tingwu, and smart speaker Tmall Genie (China's Alexa).

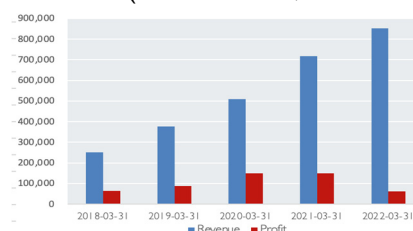
Yu Yongfu will helm Alibaba's Local Services, which include Ele.me delivery service (like UberEats), Fliggy online travel platform, and Amap mapping service. While Alibaba's local services have been an important source of growth, it competes head-to-head against stronger rivals like Meituan and Trip and will require heavy investment to gain share.

Fan Luyuan, the former president of Alipay and Ant Wealth Management, will head Digital Media and Entertainment, including film studio Alibaba Pictures and video-streaming platform Youku (China's Youtube). Alibaba has struggled to compete against larger rivals in this space but plans to revitalize growth by developing AI-produced films and AI-generated digital stars like Leah, who already has 820,000 followers.

Wan Lin will run the logistics business, Cainiao and is preparing to list the company in Hong Kong this year. Cainiao provides an asset-light logistic platform in China but has expanded overseas to offer international delivery and warehousing services in over 160 countries.

Shares of Alibaba have given up its 20% gains since the restructuring over concerns of an uneven consumer recovery and geopolitical tensions. Alibaba's PE is at 13, much lower than Amazon's PE at 135. We purchased Alibaba at fund inception, reduced exposure during the decline and increased again beginning of this year. We believe there is significant upside to the stock as it climbs out of the regulatory and pandemic overhang. The upcoming spin-offs will also help boost stock prices.

Financials (FY 2018-2022, millions CNY)



Performance versus MSCI AC Asia Gross Return (2019-2023), Percent



Sincerely yours

Prof. Dr. Beyer v. Morgenstern

Dr. Stefan Albrecht