

November 15, 2023

Letter to Investors - 2023Q3

Bright Thematic Value Investing Fund

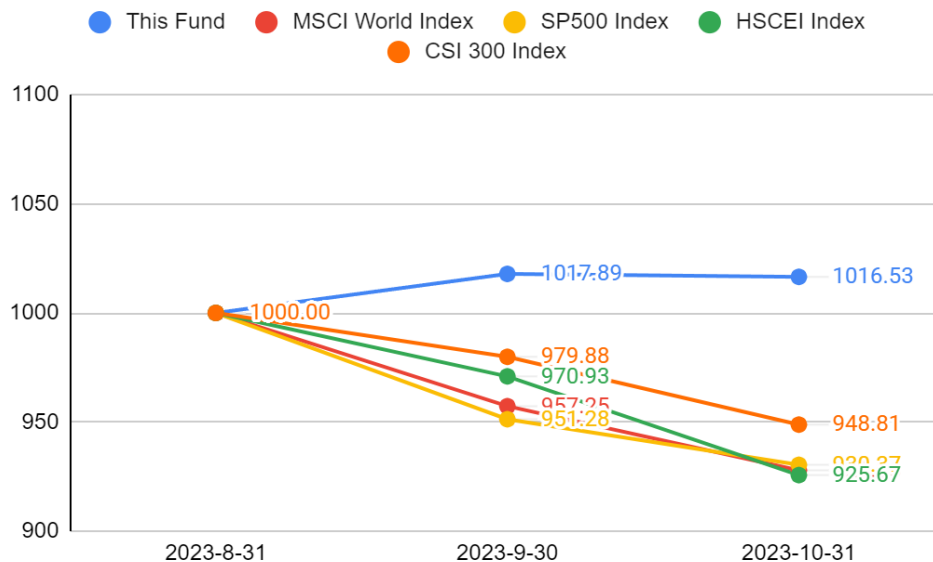
Dear investors,

Greetings from LC Capital, this is LC CAPITAL's first letter to investors. We would like to thank all investors for their support and trust in us when we started the fund. This letter will combine performances of 2023Q3 and Oct and report to investors. In the future, we will write letters to investors quarterly to share our progress and ideas.

1. Performance of the Fund Since Establishment

End Date	This fund	MSCI World Index	SP500 Index	HSCEI Index	CSI 300 Index
Oct 31, 2023	1.65%	-7.21%	-6.96%	-7.43%	-5.12%

Return comparison: The corresponding value of the initial investment of 1,000USD



*The fund returns shown above are after fees, with **August 31, 2023** as the initial date.

This fund commences its performance evaluation against the MSCI All Country World Index **starting on August 31, 2023**. The fund outperformed the index by 8.86% as of October 31, 2023.

*MSCI's ACWI Index, which captures large- and mid-cap returns across 47 developed and emerging markets, comprises 2,895 constituents (as of June 30, 2022) and is the industry's accepted gauge of global stock market activity.

The following two tables present the weighted average valuations and characteristic indicators of the fund's holding companies for investors' reference in order to have a comprehensive understanding of the fund.

Portfolio Valuation and Characteristics

Average Company Marketcap	9.14 Billion USDs
Price To Sales Ratio	1.66
Enterprise Value/Free Cash Flow	6.04
Free Cash Flow Yield	16.56%
Dividend Yield	2.92%
Estimated Long Term EPS Growth Rate (Annualized)	11.75%

Balance Sheet and P/L Statement Analysis

Net Debt/Ebitda	-0.13
Return On Assets	16.74%
Return On Equity	35.42%
Net Profit Margin	25.48%
Free Cash Flow Margin	36.12%

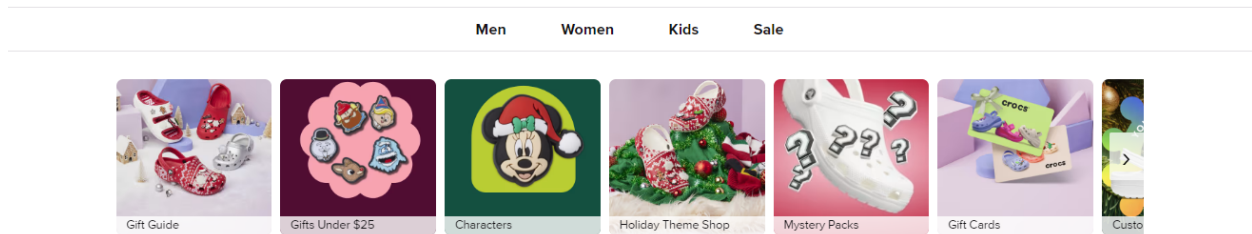
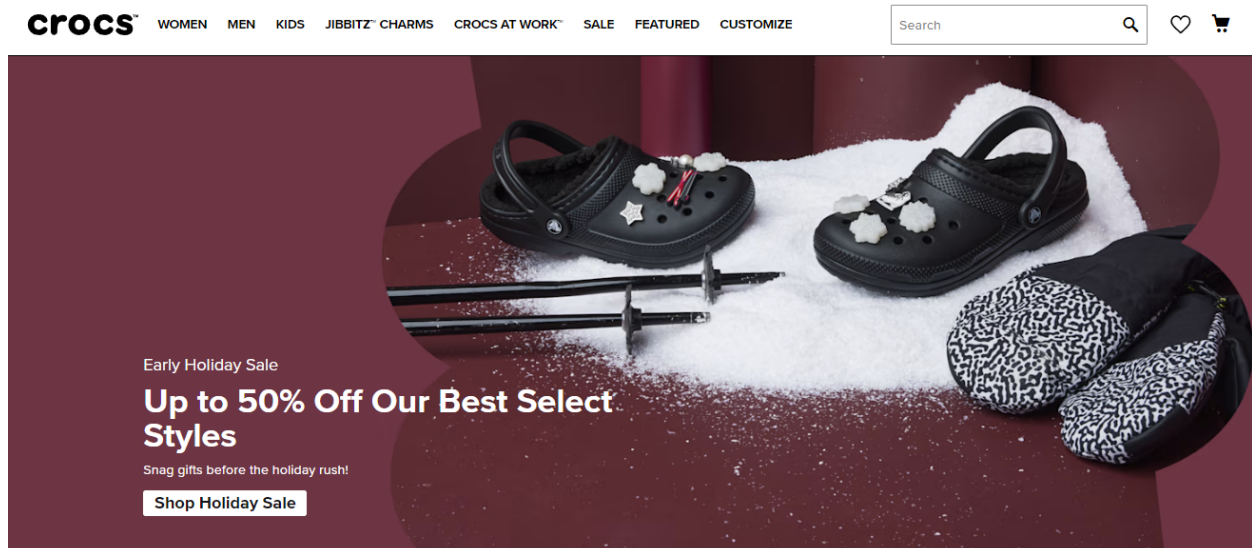
*Statistical data is based on the weighted average of data reported by listed companies over the past 12 months, and the statistical date is October 31, 2023. Expected growth figures are based on estimates for the future, Enterprise value/free cash flow is an adjusted figure that combines the latest statements and future forecasts. Because accounting standards are different, some data have been reasonably adjusted accordingly.

2. Update of holding companies

Recently, companies are releasing their third quarter reports for 2023. I will share our analysis of Crocs Inc. and Daqo New Energy Corp.

Crocs Inc (CROX.Nasdaq)

“PEG Valuation Method” Strategy



Crocs, Inc. is a company that designs, develops, manufactures, globally markets and distributes casual lifestyle footwear, apparel and accessories for men, women and children.

For this company, we mainly use the "PEG valuation method" to evaluate whether the company's intrinsic value is reasonable. We expect the company's earnings per share (EPS) to grow at 10-20%. As of the closing price of \$83.93/share on 11/04/2023, the company's adjusted PE is at the 7.1 level. The company's PEG level is between 0.35-0.7,

which meets the conditions for holding. According to industry standards, PEG should be between 1-2.

The company's third-quarter report shows that the company's short-term growth pressure is greater, but its long-term growth potential has become more solid. Since the company acquired Heydude, a popular casual shoe brand in the United States, two years ago, it is necessary to split the company's business into two parts for analysis: Crocs and Heydude.

Crocs and Heydude Analysis

The company had revenue of US\$1.046 billion in the third quarter of 2023, of which the Crocs brand accounted for US\$799 million, an increase of 11%. The Heydude brand accounted for \$247 million, a change of -9%. Among them, the Crocs brand's growth rate in Asia was 29%, and the growth rate in China was above 90%.

The Heydude brand is restructuring its strategic accounts, which has led to negative revenue growth. The growth rate of DTC (direct-to-consumer) business is 15%.

The company's adjusted operating net profit margin was 28.3%, +0.4% YoY. Adjusted earnings per share were \$3.25. It also repaid US\$90 million in debt and repurchased US\$150 million of its shares.

Crocs is developing steadily. Even under the influence of weak consumer data and the recovery of student loans, Crocs has maintained a revenue growth rate of 11%, which is more commendable. In addition, the company's inventory is declining rapidly, and the capital utilization efficiency has increased significantly. Inventory dropped from \$514 million in the third quarter of 2022 to \$390 million in the third quarter of 2023.

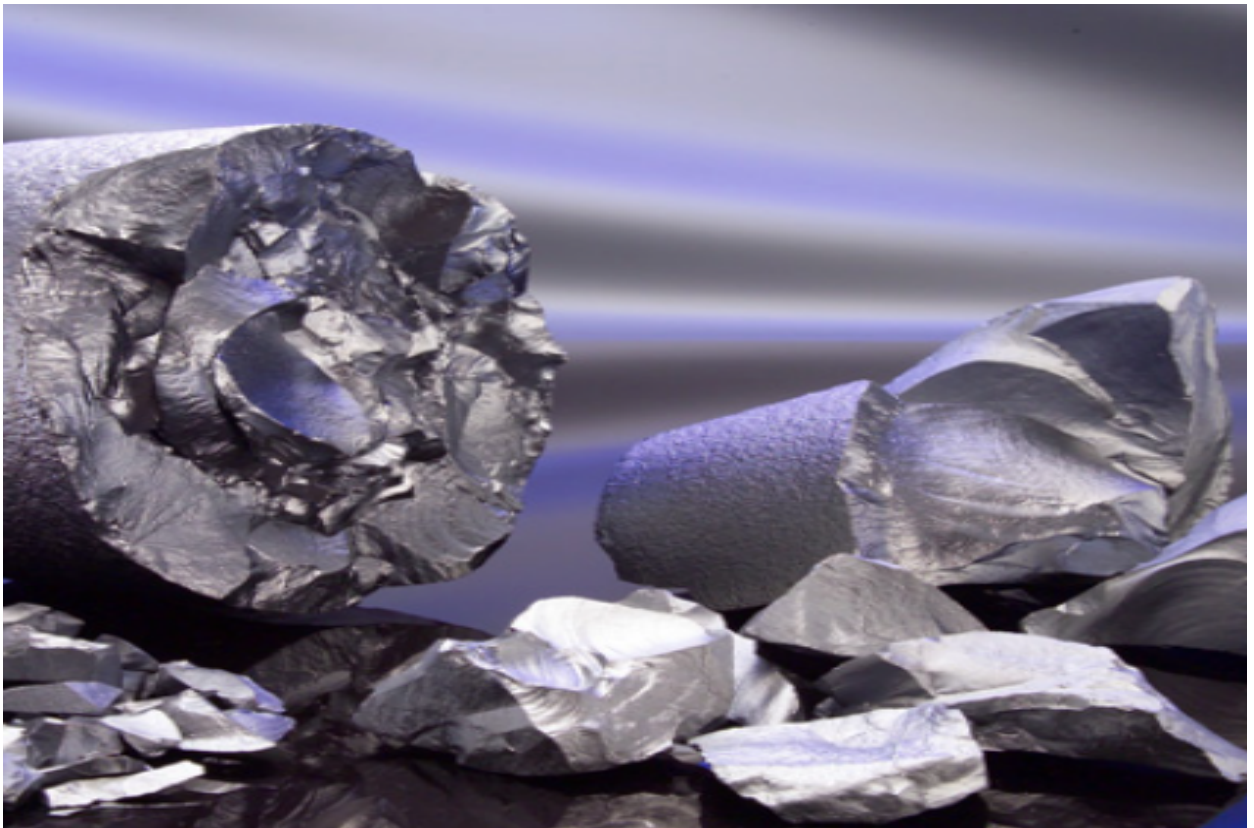
The company has already shown the problem of merging newly acquired brands this time, and at the same time, it has partially solved the original problem of too many strategic accounts. The number of strategic accounts has been reduced from 1,300 to 600, and the power of online sales has been taken back. The ability to control the brand has been greatly enhanced. I personally think it is reasonable in the long run, but it puts pressure on short-term sales. An interesting point is that although sales have decreased, ASP (average selling price) has increased slightly, which is very good.

Summarize

Generally speaking, the company's quarterly report has provided stock investors with the expectation that problems will arise during the acquisition process, which will in turn increase the certainty of the future unless the new brand really deteriorates. Heydude's channel and logistics transformation will continue until the mid-term report in 2024 before growth can resume. But the main brand Crocs is still relatively strong. The current stock price is only 7.3PE, while the industry is 20+ PE level, which actually reflects the market's pessimistic expectations for it. Therefore, we still continue to hold the stock. If Heydude resumes normal growth, with a growth rate of about 20%, the company is expected to be valued back to the level of 10-20PE, corresponding to a 1-2 times increase potential.

Daqo New Energy Corp. (DQ.NYSE)

"Deep Value Investing" Strategy



The main business of Daqo New Energy Company and its subsidiaries is the production and sale of polysilicon to photovoltaic product manufacturers. This company is a company that we have been following for more than ten years. Recently, the company's official website has just been revised and become more user-friendly and clearly structured. From this perspective, we can see that the management may pay more attention to the relationship with small shareholders. This update to the website structure is the first we have seen in more than ten years, and we think it is very positive.

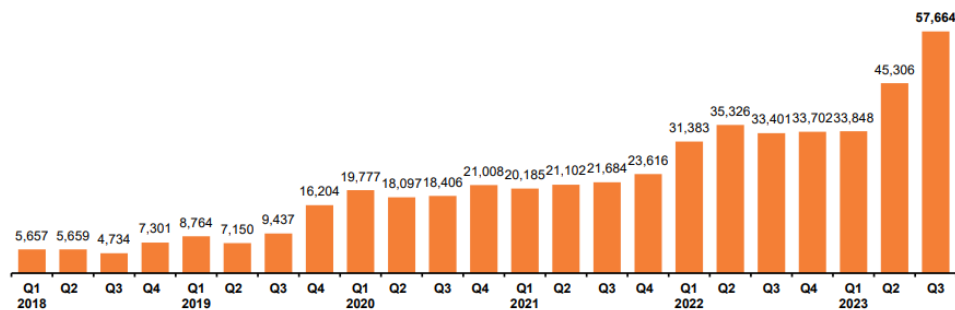
The Company's Production

Daqoqo Energy's third quarter report stated that the company produced 57,664 tons of polysilicon and sold 63,263 tons. The average sales price is \$7.68/KG, and the total production cost is \$6.52/KG. With the completion of Phase 5A in Inner Mongolia, the company's total production capacity has reached 205,000 tons. It is expected to produce 59,000-62,000 tons of polysilicon in the fourth quarter and 196,000-199,000 tons for the whole year. Q3 is a new high for the company's polysilicon production in history.

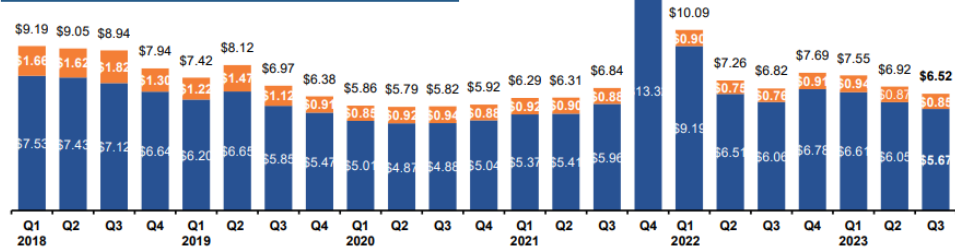
Polysilicon Manufacturing Overview



Production Volume (MT)



Cash Cost and Depreciation (\$/kg)*

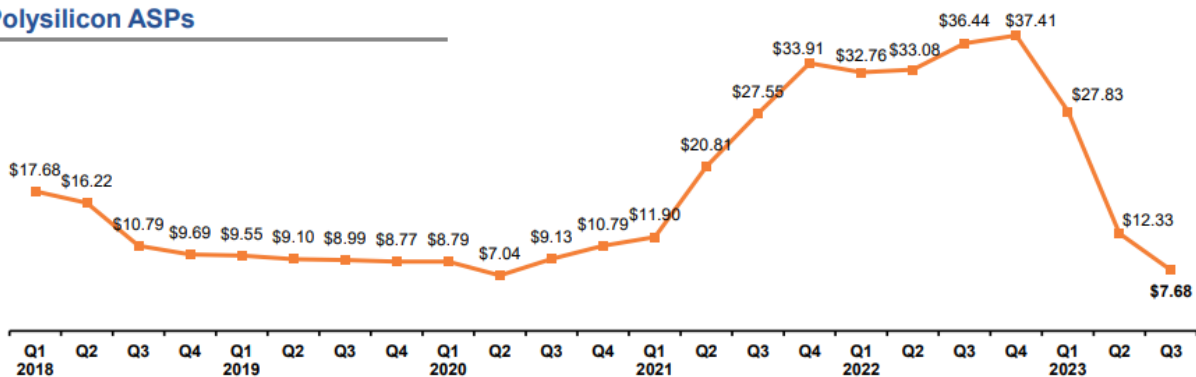


Daqo New Energy's polysilicon production (tons) and cost statistics (USD/kg) in past quarters

Company prices and costs

The current price of polysilicon is the second lowest since 2018 (the lowest point was in the second quarter of 2020 when the epidemic first broke out). The power of low cost, the company's core competitive advantage, began to show. There are four major polysilicon manufacturers: Tongwei, Daqo, GCL, and Xintek(four kings). Among them, Xintek started to lose money, while Daqo's EBITDA for this quarter was still US\$70 million and adjusted net profit was US\$44 million. At current prices, it is difficult for new entrants in the past two or three years to make money (their cost is about \$10.9/KG), so there has been news in the market of production capacity suspension and construction suspension. Looking forward to 2024, if we only calculate the production capacity of the four kings, the supply should be 1.2 million tons. The market estimates that global photovoltaic demand will be 450GW next year, corresponding to 1.39 million tons of polysilicon. Because some countries have punitive tariffs on Chinese components, more than 100,000 tons of polysilicon from German Wacker and South Korea are mainly supplied to the US market. Generally speaking, it will be at a level where supply and demand are balanced.

Polysilicon ASPs



Historical average sales price of polysilicon (USD/kg)

Company Balance Sheet

*Unless otherwise noted, currency units are US dollars

As of the third quarter of 2023, the company had 3.281 billion in cash and equivalents, 276 million in notes receivable, a total of 3.556 billion in cash and cash equivalents, 130 million in inventory, and 3.238 billion worth of property, plant and equipment.

The company does not have any interest-bearing liabilities.

If polysilicon production capacity is newly built now, 10,000 tons will cost approximately 950 million yuan, and the replacement cost of a 205,000-ton production line will be approximately 19.5 billion yuan, which is equivalent to US\$2.67 billion.

Share Buyback

Daqo New Energy is conducting a US\$700 million repurchase plan, and has completed US\$360 million in repurchases this year. The company's management stated at the quarterly meeting that the remaining repurchase amount will be completed within two months. Assuming that the stock is at the level of 25 US dollars, and the company had completed the repurchase plan of 700 million by the end of 2023 and canceled all of them at the end of the year, the company's equity will only be about 51 million ADS shares, and the company's market value will be only 1.275 billion US dollars, corresponding to 3.2 billion US dollars in Cash and fixed assets valued at US\$2.67 billion, together is approximately US\$6 billion.

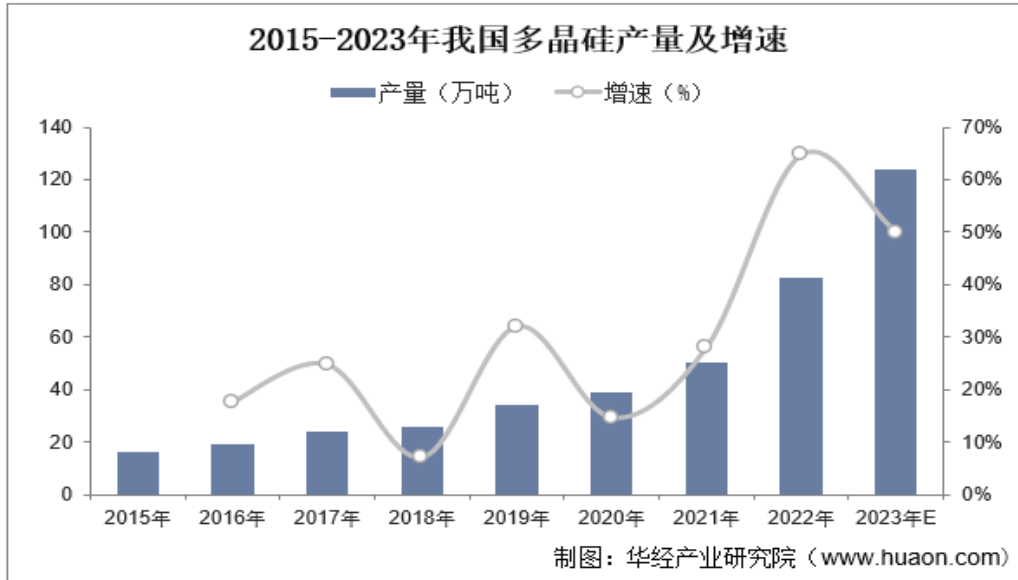
The company owns 72.4% of Daqo Energy (688303.SH), which is worth approximately RMB 75.1 billion * 0.724 = RMB 54.37 billion based on the closing price on October 31. If calculated based on the USD/RMB exchange rate of 7.3, it is worth approximately US\$7.5 billion.

Based on the above considerations, after the company's repurchase is completed by the end of 23, the market value will be approximately US\$1.275 billion, which corresponds to an asset replacement value of approximately US\$6 billion or a subsidiary equity value of US\$7.5 billion, which seems still very underestimated.

Therefore, once the polysilicon or photovoltaic market improves or the speed of capacity reduction exceeds expectations, the company's valuation may be repaired very quickly, and there may be opportunities for stock price increases.

Polysilicon Supply And Demand Trends

The following pictures show the supply and demand changes of polysilicon over the years. It is most likely that the price will bottom now.



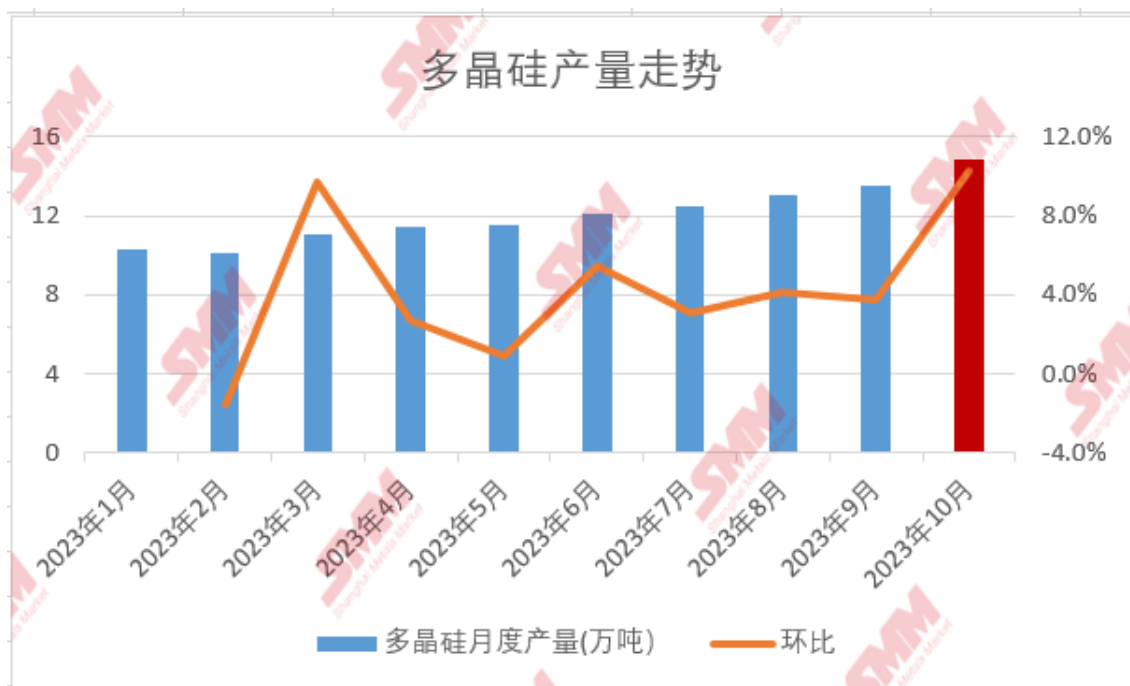
Production in 10000 tons and growth rate of polysilicon in China(2015-2023)



Consumption in 10000 tons and growth rate of polysilicon in China(2015-2022)



Monthly Production in 10000 tons of polysilicon in China 2022



Monthly Production in 10000 tons of polysilicon and QoQ Growth in China 2023

3. Industries and Companies under study

In addition to tracking our existing holdings, we are also researching and exploring investment opportunities in other industries.

Research Pipeline:

In the global semiconductor industry, we have been tracking the high-tech industry for many years. There are long-term investment opportunities, but they need to be studied in detail.

In the lithium mining industry, the price of lithium carbonate has continued to correct recently and may have reached a bottom.

In the footwear industry, we added Birkstone (BIRK.NASDAQ), a newly listed company, to the footwear industry comparison.

In the shipbuilding industry, Singapore-listed Yangzijiang Shipbuilding (BS6.SI) has relatively good operating data.

The U.S. residential and commercial sectors are booming, and the population cycle is a boon.

After in-depth research, if we make an investment decision, we will share it with you in subsequent letters.

4. Interesting Phenomenon

The difference in stock returns in the restaurant industry between the United States and China is huge. There may be some opportunities here. Are these differences a matter of cuisine, stock returns, or major shareholder culture? These are worthy of our deep thought and we look forward to more discoveries to share with you.

Ticker	Company Name	MarketCap	1y Change	5y Change	10y Change	15y Change	20y Change
YUM.NYSE	Yum! Brands, Inc	35,401,894,110	100%	150%	201%	536%	2085%
WING.NASD	Wingstop Inc	6,084,181,945	151%	355%	1013%		
WEN.NASD	The Wendy's Company	3,970,493,874	88%	138%	275%	550%	
TXRH.NASD	Texas Roadhouse, Inc	6,964,143,881	116%	189%	445%	1247%	
SHAK.NYSE	Shake Shack Inc.	2,517,414,325	143%	131%	119%		
SBUX.NASD	Starbucks Corporation	117,287,891,743	105%	175%	313%	2745%	1565%
QSR.NYSE	Restaurant Brands International Inc.	21,155,538,947	107%	153%	219%		
PZZA.NASD	Papa John's International, Inc.	2,227,398,344	84%	184%	171%		
MCD.NYSE	McDonald's Corporation	194,297,362,284	103%	168%	357%	655%	1844%
KRUS.NASD	Kura Sushi USA, Inc.	735,054,778	139%	337%			
JACK.NASD	Jack in the Box Inc.	1,342,206,597	99%	94%	165%	346%	
DRI.NYSE	Darden Restaurants, Inc	18,132,628,793	113%	172%	374%	855%	1218%
DPZ.NYSE	Domino's Pizza, Inc.	12,624,823,072	106%	153%	576%	4992%	
CMG.NYSE	Chipotle Mexican Grill, Inc.	56,001,652,874	147%	473%	383%	3292%	3684%
CBRL.NASD	Cracker Barrel Old Country Store, Inc.	1,522,010,063	77%	52%	96%	338%	
CAKE.NASD	The Cheesecake Factory Incorporated	1,594,156,298	100%	78%	77%	205%	
BLMN.NASD	Bloomin' Brands, Inc.	2,051,415,763	121%	144%	114%	166%	
			112%	185%	306%	1327%	2079%
6862.HK	HAIDILAO	96,095,758,724	77%	102%			
2217.HK	TAM JAI INTL	1,864,201,108	56%	46%			
1443.HK	FULUM GP HLD	292,499,992	96%	47%	26%		
1314.HK	TSUI WAH HLD	261,076,897	66%	30%	5%	11%	
1181.HK	TANG PALACE	538,013,750	103%	60%	189%	107%	
573.HK	TAO HEUNG HL	760,761,000	89%	80%	24%	104%	56%
538.HK	AJISEN	884,146,447	105%	53%	17%	43%	22%
520.HK	XIABUXIABU	3,171,629,518	33%	25%	72%		
341.HK	CAFE DE CORA	6,114,749,859	72%	62%	57%	108%	285%
52.HK	FAIRWOOD HOL	1,432,853,801	83%	53%	107%	417%	2230%
YUMC.NYSE	Yum China Holdings, Inc.	18,478,000,000	124%	71%	52%		
			82%	57%	61%	132%	648%

5. Summarize

This is LC CAPITAL's first letter to investors, thanking all investors for their support and trust when we started the fund. We will continue to work hard to provide investors with better returns. The first letter is relatively long because it contains updates and in-depth analyses of two companies. The following reports will be shorter, and I hope these sharings will give you a better understanding of the investment style and strategy of the fund. We will continue to update our letters to investors, and please feel free to contact us if you have any questions during this period. Thanks!

Liang Xiao

Xiao Liang

Chief Investment Officer

LC Capital Management

Main holdings of Bright Theme Value Investment Fund - as of October 31, 2023

Company Name	Stock code	Industry	Company Profile
WhiteHaven Coal	WHC.AX	coal	Whitehaven Coal is an Australian independent large-scale thermal and semi-soft metallurgical coal miner with mines located in the Gunnedah Basin of New South Wales. It also owns the large Vickery and Winchester South deposits in New South Wales and Queensland respectively.
Crocs	CROX.NASDAQ	footwear	Crocs Corporation engages in the design, development, promotion and sale of casual footwear accessories for men, women and children. The company's business regions include the Americas, Asia Pacific and EMEA.
Interactive Brokers	IBKR.NASDAQ	Brokerage firm	Interactive Brokers Group, Inc. is an investment holding company engaged in the business of broker or dealer and proprietary trading. It operates through the following segments: Electronic Brokerage and Market Making.
Daqo New Energy	DQ.NYSE	photovoltaic	Daqo New Energy Co., Ltd. is a leading manufacturer of high-purity polysilicon for the global solar photovoltaic industry. The company is headquartered in Shanghai, China, and its products are mainly sold to solar cell and module manufacturers. The company is one of the world's lowest-cost producers of high-purity polysilicon.
Teck Resources	TECK.NYSE	copper	Teck Resources is a diversified mining company with coal, copper and zinc operations in Canada, the United States, Chile and Peru. Coking coal is Teck's main commodity, followed by copper, with zinc making a smaller contribution to earnings. Teck is the world's second-largest seaborne coking coal exporter and one of the world's top three zinc miners.
Vitesco Technologies	VTSC.DE	auto parts	Vitesco is a global Tier 1 automotive supplier of powertrain components and systems for internal combustion, hybrid electric, battery electric and fuel cell electric vehicles, operating in four areas: electrification technology, electronic control, sensing and actuation, and contract manufacturing. The company was spun off from Continental in September 2021.
Occidental Petroleum	OXY.NYSE	Oil and Gas	Occidental Petroleum is the fourth largest oil and gas company in the United States, engaged in the exploration and production of oil and natural gas. Its business areas include: oil and gas, chemicals, midstream and marketing.
Marathon Oil	MRO.NYSE	Oil and Gas	Marathon Petroleum Corporation engages in the exploration, production and sale of liquid hydrocarbons and natural gas. It operates through two segments: United States and International.

Monthly Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	MSCI World Index	Outperform
2023	-	-	-	-	-	-	-	-	1.79%	-0.13%	-	-	1.65%	-7.21%	8.86%

*The fund returns shown above are after fees, and each investor's actual return may vary, depending on the specific time when funds enter the fund.

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Before making an investment decision with respect to the Fund, prospective investors are advised to read the Offering Documents carefully, which contain important information, including a description of the Fund' s risks, investment program, fees, expenses, redemption and withdrawal limitations, standard of care and exculpation, etc. Prospective investors should also consult with their tax and financial advisors as well as legal counsel. The Offering Documents are the sole documents on which a potential investor is entitled to rely in evaluating an investment in the Fund. The information in this letter does not take into account the particular investment objectives, restrictions, or financial, legal or tax situation of any specific prospective investor, and an investment in the Fund may not be suitable for many prospective investors. This letter is not intended to be, nor should it be construed or used as, investment, tax or legal advice.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.