AGCM China Stars Fund

February 1, 2024

Premier Li Qiang puts a floor under China's equity markets

During the month of January, the NAV of AGCM China Stars Fund RC1 SEK decreased by -4.2%.

A highly significant development for equity investors unfolded on January 22 when Chinese state media reported that Premier Li Qiang has instructed his government to implement "more forceful and effective measures to stabilize financial market confidence". In November last year, Xi Jinping appointed Li Qiang as the head of the Central Finance Commission, the key agency for developing China's financial system. In this capacity, and as second in command after Xi, one can assume that what Li Qiang says, his administration will deliver. Separately, the State Council announced that it has decided to step up the already ongoing medium- and long-term fund injections in the capital market to "strengthen stability and promote a healthy development of the market". Another obvious, but not explicitly communicated objective, is to boost domestic consumer sentiment and consumption, which tend to follow from rising equity markets. China did the same thing successfully in 2015 when it put together a "national team" of institutional investors who bought into the stock market, making a healthy profit buying at the bottom.

The following day, January 23, Bloomberg ran a story, citing "unnamed sources" that Chinese policymakers are seeking to mobilize 2 trillion yuan (USD 280 billion), mainly from offshore accounts of state-owned enterprises, as part of a fund to buy shares. It is unclear how reliable this story is, but the news alone should unnerve some US-based hedge funds with large short positions in China. According to Bank of America's January global fund manager survey, "Short China equities" is deemed to be the most crowded trade of all only after "Long Magnificent Seven" which is now the most crowded trade. Betting against China's government is rarely a lucrative proposition.

So now there are three compelling arguments for Chinese equity markets. First, after three years of falling prices, Chinese equities are trading at previous record low valuations. Second, China's top leadership has decided to intervene and support its equity markets using a range of tools. Not for the short-term but for the medium and long-term. Third, as inflation comes back down, the US Federal Reserve will begin cutting interest rates during 2024. This normally leads to a weaker US dollar and in turn rallying emerging market equities.

The Hong Kong court order to liquidate the troubled developer Evergrande weighed on the Hong Kong market. China's real estate market is undergoing a government initiated downsizing and de-leveraging program which began already in 2018. The rationale for downsizing this industry is to free up capital and resources for the ten growth industries in the Made in China 2025 program. China's government views these new industries as key vehicles to grow China's economy and to increase export revenues. Industries include electrical vehicles, commercial jets, industrial robotics, nuclear energy, semiconductors, consumer electronics, shipbuilding, high-speed trains, pharmaceuticals, and much more. The downsizing of the real estate sector has come a long way and we expect it to bottom out and resume healthy growth well within two years. The highly fragmented real estate industry will consolidate. The financially strong developers like China Resources Land are prospering and remain great investment opportunities, and the less financially strong like Evergrande will be acquired or dissolved.

China's largest EV maker BYD said its 2023 net profit increased by +75-86% year-on-year to RMB 29-31 billion.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

January 2024

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/01/2024	1 month	YTD	2 year	5 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-4.2%	-4.2%	-16.9%	+7.4%	+10.5%
AGCM China Stars Fund RC8 SEK	-4.2%	-4.2%	-16.0%	+10.1%	+14.8%
AGCM China Stars Fund RC9 SEK	-4.2%	-4.2%	-17.4%	+7.7%	+13.4%

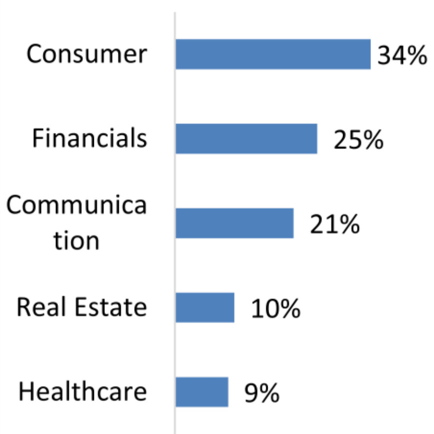
Top 5 holdings

As of 31/01/2024

Company name
Alibaba Group
Midea Group
Tencent Holdings
Trip.com
ICBC

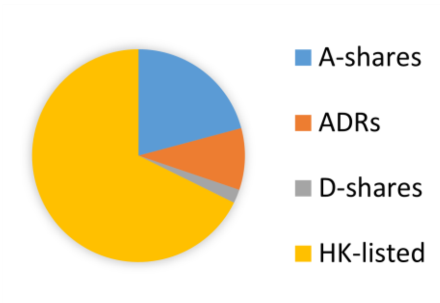
Industry breakdown

As of 31/01/2024



Market breakdown

As of 31/01/2024



About Asia Growth Capital Management

Asia Growth Capital Management AB (AGCM) is a specialized investment management company managing investment funds investing in listed equities in Asia. The company was founded in Sweden in 2013 by a group of investment professionals and executives with extensive experiences from a wide range of different industries. The Chief Investment Officer has twice before been awarded by Lipper (Thomson Reuters) for managing the best performing Asia Fund among all regulated Asia funds registered for marketing in any EU country.

Fund Facts

Portfolio manager:	Gustav Rhenman
Inception date:	28-August-2017
Fund size:	SEK 118 million
Number of holdings:	37
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 110.5
	(RC8) SEK 114.8
	(RC9) SEK 113.4
Minimum subscription:	n.a.
ISIN code:	SEK RC1 LU 1608617111
	SEK RC8 LU 1608617384
	SEK RC9 LU 1608617467

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