February 4, 2016

Solid corporate earnings reports – weak equity markets

During the month of January, the NAV of AGCM Asia Growth Fund SEK decreased by -11.2% and the Euro share class by -12.3%. Chinese equity valuations are now so depressed they are trading at lower multiples than during the Global Financial Crises bottom in 2008 and on some metrics even lower than during the Asian crises in 1998. In other words, there is a huge upside potential from these levels just based on normalizing valuation multiples when the present wide-spread fears about a Chinese economic hard landing eventually fades. China faces challenges but the leadership in Beijing continues to take forceful and proactive measures to deal with them. These equity price levels we experience now seem highly unwarranted but markets tend to overshoot both high and low. Before we find a bottom in Asian equities we need to see firmer US and European markets which still have substantial downside to the 2008 valuation troughs.

While most global investors now seem to worry about the price of oil, central bank policies and the state of China's economy, AGCM:s investment team remains focused on the corporate level. For the fund, we maintain the heavy weight in growth companies, with a large share of our 33 holdings in the technology space where markets grow several times faster than the 6-7% overall GDP growth rate. These technological subindustries normally face little government participation or interference. In fact, China's government applauds the emergence of companies such as Tencent, Baidu and Alibaba since they play an important role in transforming China to a more consumption driven economy less dependent on industrial manufacturing and exports.

Full year financial reports are beginning to trickle in from the Chinese corporate sector. Speaking of Alibaba, China's e-commerce giant reported for the full year and beat expectations both on revenue and earnings. In Q4 revenue grew +32% year-on-year to 34.5 bn RMB and net income grew by +25%. The world's leading PC maker Lenovo also reported a solid quarter above expectations and remains on track for a normalization of margins after two ambitious acquisitions of US-based competitors. Car maker Great Wall Motor reported revenue growth of +22% last year to 76bn RMB, with volume growth of +17%. The volume target for this year is 950,000 cars, quite an achievement compared to the 50,000 units the company produced back in 2004 when we first met the company. Great Wall Motor is trading at 5 times 2016 earnings, a multiple which perhaps would be warranted for an automaker with little growth, but not for company with a top line growth around 20%. We could make quite a long list of healthy companies with exciting long term growth prospects trading at bargain multiples.

In summary, we continue to see vastly better opportunities in the Asian equity space in the coming years than in slow-growing developed markets. The current negative narrative on China, which is largely coming out of Wall Street, is overly negative and has resulted in distressed valuations with a big upside from here. At some point, multiples will come back up to more normal levels. Meanwhile, we continue to do what we can to stay invested in the best growth stories with the greatest long term earnings potential.

Gustav Rhenman
Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

January 2016

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/01/2016	1 month	3 month	YTD	Since launch Oct 3 , 2014
AGCM Asia Growth Fund RC SEK	-11.2%	-10.7%	-11.2%	-3.71%
AGCM Asia Growth Fund WP EUR	-12.3%	-9.5%	-12.3%	

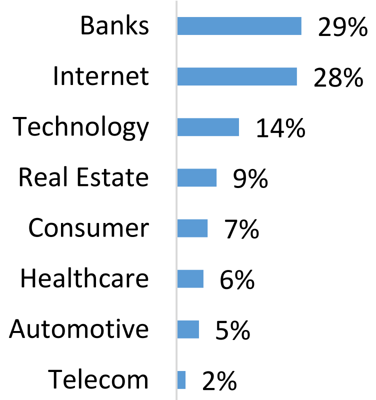
Top 5 holdings %

As of 31/01/2016

Company	Weight
Tencent Holdings	8.08%
Alibaba Group	6.30%
China Construction Bank	5.71%
Lenovo Group	5.11%
ICBC	4.87%
Total	30.07%

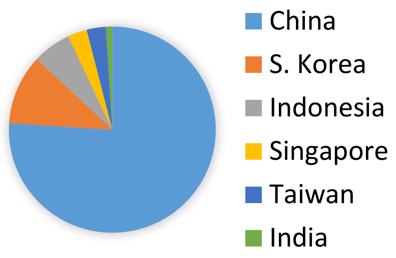
Industry breakdown

As of 31/01/2016



Geographic breakdown

As of 31/01/2016



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:	03-Oct-2014
Fund size:	SEK 600 million
Number of holdings:	33
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 96.29
	EUR 88.30
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909
	EUR WP LU 1163023143

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