



ASIA GROWTH CAPITAL MANAGEMENT

Stockholm, December 1, 2015

Chinese H-shares remain in a sweet spot – substantial upside

During the month of November, AGCM Asia Growth Fund SEK increased by 3.7% and the Euro share class by 5.7%. By November 30, the fund NAV was up 11.8% since inception on October 3, 2014.

It is becoming increasingly clear to European and US investors that the China-hard landing scenario that was marketed this summer by a number of brokerage firms, hedge funds and market gurus was totally off the mark. Even “Doctor Doom” Nouriel Roubini now admits to having been overly negative on China. Instead of the projected hard landing, China delivers 7% GDP growth this year and the leaders in Beijing have committed to a 6.5% annual growth target for the coming five years. Instead of the projected collapse in exports, China delivers an all-time record high trade surplus. Instead of a projected housing crisis, China’s residential housing sector is thriving. It is fortunate for the doomsayers that their target audiences tend to have short memories.

China continues on its high-speed economic reform program and writes history by clearing yet another major hurdle. On November 30, after years of intense lobbying by China, the IMF announced that it will add the yuan to its basket of reserve currencies with an 11% weight as of October 2016. This will create a huge incremental demand for RMB denominated assets and will add to the nation’s capacity to fund continued rapid expansion.

Last week we visited ten companies in southern China, some of which we have been shareholders in for a decade. No signs of a slowdown in the province of Guangdong. On the contrary, private consumption is booming on the back of an expanding private sector and a strong labor market. Rising wages encourages producers to move up the value chain, rationalize production or relocate. China Telecom and its two domestic competitors are expanding 4G coverage at a furious pace, adding over 100 million users per year in the next few years. Telco infrastructure supplier ZTE confirmed continued massive capex by the Chinese operators and 5G development is on track for rollout around 2020. What an incredibly favorable backdrop for companies like Tencent and Vipshop, market leaders in different businesses based on mobile high speed internet.

One interesting take away from our company visits in Guangdong was that the “One Belt One Road”, the giant infrastructure plan mainly for central Asia which China’s leaders have talked about repeatedly, is more than just a concept to the large Chinese companies we visited. They are already integrating this government initiative into their respective business plans.

Despite the recent uptrend, Chinese shares listed in Hong Kong are trading at substantial discounts compared to historic averages and other markets. MSCI China is trading at slightly above 9x twelve-month forward price/earnings and 1.2x trailing price/book value. Both of these metrics indicate a substantial upside just from normalizing valuation multiples. More important for share price appreciation in the long term are the contribution from earnings growth. We see strong earnings growth among the Fund’s holdings in the next few quarters at least and a high probability of upward earnings revisions by analysts who may realize they too have been too negative on China’s economy.

Gustav Rhenman

Chief Investment Officer



Performance

As of 30/11/2015	1 month	3 month	YTD	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+3.7%	+14.6%	+3.0%	+11.8%
AGCM Asia Growth Fund WP EUR	+5.7%	+18.7%	n.a.	n.a.

Top 5 holdings %

As of 30/11/2015

Company	Weight
Lenovo Group	6.7%
Tencent Holdings	6.1%
JD.com Inc	6.0%
Baidu Inc	5.9%
Alibaba Group	5.0%
Total	29.7%

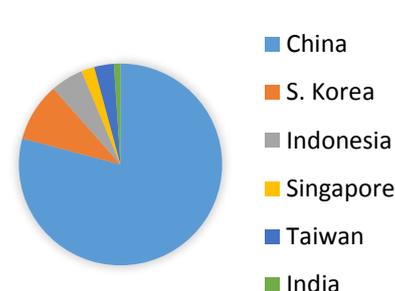
Industry breakdown

As of 30/11/2015

Internet	33%
Banks	22%
Technology	15%
Real Estate	9%
Automotive	6%
Healthcare	6%
Consumer	5%
Telecom	3%

Geographic breakdown

As of 30/11/2015



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 700 million
Number of holdings:	35
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 111.84 EUR 103.11
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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Risk information: Money you invest in the Fund can both increase and decrease in value. Historic performance is no guarantee of future return. Saving in funds should be viewed in a long-term perspective, which then may potentially offer a better return than traditional savings in fixed income. We recommend that you read the KIID and prospectus available at www.agcm.se before you make an investment. You can also request such information via e-mail to info@agcm.se.