



ASIA GROWTH CAPITAL MANAGEMENT

Stockholm, September 1, 2015

## What China crisis? The summer sell-off presents a rare opportunity.

During the month of August, AGCM Asia Growth Fund SEK declined 12.5% and the Euro share class by 12.7%. By August 31, the fund NAV was down 2.4% since inception on October 3, 2014.

Wall Street hedge fund profiles, analysts and hyperventilating commentators at CNBC and Bloomberg have been competing during the summer in who could make the most dire projections for China's economy. Seemingly disappointed that China actually reported a strong 7% GDP growth for the first half of the year, the China-bears on Wall Street accused Beijing of falsifying its country's GDP statistics. How can China grow at 7% they asked rhetorically when the manufacturing PMI figure for July was weak, electricity output was down, and Shanghai's stock market corrected with 30%? The concept of a "China Crisis" has been spread around the world by some market participants causing retail investors to abandon ship.

The team at AGCM takes a totally different view on the developments in China. We see a continued strong economy, strong earnings reports for 1H this year and valuation levels nearing rock-bottom. Yes, manufacturing PMI was soft at 49.7% but the increasingly important service PMI was strong at 53.4%. Yes, auto sales slumped but as a result of inventory destocking- the growth will resume in the autumn and the industry will see positive growth for the full year. Yes, electricity production was slightly weak in July but is already picking up in August. It is not a good indicator anyways since the old energy consuming industries are no longer China's growth drivers. The small devaluation of China's currency is positive for China's economy, not negative. The Shanghai stock market was never in bubble territory and after the 30% decline this summer it is actually now cheap at 12 times earnings. The decline will not have a meaningful impact on the economy since the stock market is small relative to China's economy. We frequently remind ourselves and our clients that as equity investors, we must stay focused on corporate earnings and spend less time on commenting macro statistics.

Taking a step back we see a hard working nation which in only 35 years has developed from a very poor inward-looking agricultural economy to a global manufacturing powerhouse. Its homegrown model of investing and producing at home and exporting to developed markets has elevated China to the world's second-largest economy after the USA. We project that well within a decade, China will become the largest economy in the world and it will not stop there. China will be the home to the largest companies in a growing number of industries through hard work and massive investments. Just as an example, the country has announced it will spend around one trillion RMB (160 billion USD) in the next ten years to accelerate the growth in the strategic semiconductor industry. An incredible program but as a reference the cost actually only corresponds to 4% of China's currency reserve or a six month trade surplus. Coming back to the more important company fundamentals we see mostly very strong 1H reports from our holdings which are now trading at ever more attractive prices after the sharp decline in share prices during the summer. We believe the current overly negative sentiment toward China, combined with the strong corporate fundamentals and low valuations to represent a rare opportunity for long term investors.

**Gustav Rhenman**

Chief Investment Officer



## Performance

As of 31/08/2015	1 month	3 month	YTD	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-12.5%	-23.8%	-10.2%	-2.4%
AGCM Asia Growth Fund WP EUR	-12.7%	-22.7%		

## Top 5 holdings %

As of 31/08/2015

Company	Weight
Baidu Inc	7.7%
Tencent Holdings	7.6%
Alibaba Group	5.1%
Lenovo Group	4.9%
China Overseas Land & Investment	4.6%
<b>Total</b>	<b>29.9%</b>

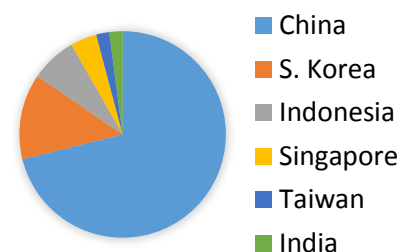
## Industry breakdown

As of 31/08/2015

Internet	30%
Banks	25%
Technology	11%
Real Estate	11%
Consumers	7%
Automotive	6%
Telecom	4%
Healthcare	4%

## Geographic breakdown

As of 31/08/2015



## 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

<b>Portfolio manager:</b>	Gustav Rhenman
<b>Inception date:</b>	03-Oct-2014
<b>Fund size:</b>	SEK 430 million
<b>Number of holdings:</b>	35
<b>Management fee:</b>	1.85%
<b>Fund management Company:</b>	SEB Fund Services Luxembourg
<b>NAV:</b>	SEK 97.6 EUR 86.9
<b>Minimum subscription:</b>	n.a.
<b>ISIN code:</b>	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](http://www.agcm.se) before you make an investment. You can also request such information via e-mail to [info@agcm.se](mailto:info@agcm.se).