



ASIA GROWTH CAPITAL MANAGEMENT

Fårö, July 1, 2015

## China continues to ease as global uncertainties weigh on markets

During the month of June, AGCM Asia Growth Fund SEK declined 6.8% and the Euro share class by 4.3%. By June 30, the fund NAV was up +19.4% since inception on October 3, 2014. Global equity markets were weak in June in part due to concerns over Greece. In the Asian equity space, the global weakness was reinforced by fears around the South Korean outbreak of Middle East Respiratory Syndrome (MERS), as well as a sharp correction in China's inflated mainland A-share market.

We remain hopeful that most of these concerns now weighing on Asian equities will recede during the summer, that markets will stabilize and the bull market resume. The MERS epidemic in South Korea is now under control and the Korean government will introduce economic stimulus measures to compensate for lost economic activity. The correction in China's inflated A-share market was long overdue and serves as a well needed lesson for local retail investors about the perils of margin lending. We have no direct exposure to China's local A-share market and few non-Chinese investors do. Valuations of Asian equities have come back to very low levels, with MSCI Asia ex-Japan index trading at a price-to-book (P/B) of 1.47x on June 30, back to the January 2014 lows. This is the fifth lowest P/B level for Asian equities over the past 20 years, with P/B only lower during the financial crises of 1998 and 2008, the 2001 global recession and the 2003 SARS episode. In contrast, S&P500 in the US trades at 2.9x P/B, twice the valuation level of MSCI Asia ex-Japan.

While Europe is busy trying to keep its currency union together, China continues to internationalize its financial markets and make its currency more freely tradeable. The goal is to persuade the IMF to award the yuan a reserve currency status at its review meeting later this year. A team from the IMF is now in Beijing to assess the progress. Similar to the Hong Kong – Shanghai stock market connect which opened earlier this year, a link between Shenzhen and Hong Kong is under good progress and expected to be launched before 1 October, 2015. Given the higher valuations generally in Shenzhen than in Hong Kong, the opening up of fund flows between the two markets should be positive for Hong Kong equity prices.

The inventory of unsold apartments in China which increased last year as a consequence of the high construction activity, is now coming back down to healthier levels. The overall commodity residential inventory period (including properties still under construction but with pre-sale permits) has continued to fall as property sales started to recover in April after PBOC's relaxations on home mortgages and the cut in interest rates. The overall inventory period in China's key 40 cities is about 12 months in June 2015, down from a high of 18 months in 2014. Inventory periods are now falling back to the historical average and we continue to see a substantial rerating potential among the listed quality developers.

China's leadership continues to implement its long term vision for the nation. Grand projects such as the Asia-Europe infrastructure corridor, the high tech industry program called "Made in China 2025" and the Asia Infrastructure Investment Bank are just some recent examples of Beijing's long term strategic thinking.

**Gustav Rhenman**

Chief Investment Officer



## Performance

As of 30/06/2015	1 month	3 month	YTD	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-6.8%	+6.0%	9.9%	19.4%
AGCM Asia Growth Fund WP EUR	-4.3%	-1.5%	n.a.	

## Top 5 holdings %

As of 30/06/2015

Company	Weight
Baidu Inc	8.3%
Tencent Holdings	7.3%
Alibaba Group	5.8%
Lenovo Group	5.8%
China Overseas Land & Investment	4.5%
<b>Total</b>	<b>31.7%</b>

## Industry breakdown

As of 30/06/2015

Internet	35%
Banks	24%
Technology	12%
Real Estate	10%
Automotive	7%
Consumers	6%
Telecom	3%
Healthcare	2%

## Geographic breakdown

As of 30/06/2015



## 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 531 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 119.4 EUR 107.7
<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).