



ASIA GROWTH CAPITAL MANAGEMENT

August 1, 2016

## China's path to "cyberspace sovereignty" outlined by President Xi

During the month of July, the NAV of AGCM Asia Growth Fund SEK increased by +5.6% and the Euro share class by +4.2%. The positive performance in July can in part be attributed to a general relief rally as investors are getting used to the idea of a UK outside the European Union. In light of the fragile world economic recovery and uncertainties over Brexit effects, G20 officials reiterated during the recent meeting in China that member countries would use monetary and fiscal policy tools – on an individual and collective basis to keep growth on track. They also reaffirmed they would refrain from competitive currency devaluations.

After a long period out in the cold, investors seem to be warming up to what they refer to as "Emerging Markets". This term, coined in the USA, is becoming increasingly misrepresentative since it now includes some of the most developed economies and equity markets in the world. When it comes to the largest component of "Emerging Markets", namely China, a growing number of investors in "Developed Markets" begin to question the negative outlooks for China which have dominated media for quite some time. In terms of individual holdings in the fund, the top contributors in July was the discount e-commerce retailer Vipshop and the car manufacturer Great Wall Motor. Vipshop appears to be reaccelerating sales growth to the 40%-level while Great Wall Motor's new SUV models continue to surprise on the upside in their respective segments.

During the eight years since the Lehman crises in 2008, the world's top 50 central banks have cut interest rates 672 times - in some countries into negative territory. A series of massive asset purchases have been implemented by these central banks in futile attempts to spur economic growth. Despite record low interest rates and massive new money creation in the US, Europe and Japan, growth remains anemic. The American economy continues to be characterized by a lack of cyclical momentum and recent data actually indicate slowing growth on a year-on-year basis. The outlook for Europe does not look very bright either, with already high debt levels getting higher as weak governments struggle to balance national budgets. Political tensions within and between EU-member states appear to be on the rise. The strongest growing economies in the world are mainly to be found in Asia. Despite the comparatively much better growth dynamics in Asia, it remains fashionable in the West to question the sustainability of Asia's rapid development. Rather than to recognize that China is catching up in industry after industry, media in the West prefer to dwell on Asia's challenges and difficulties.

Here is one more recent example of Chinese long range planning which as far as we can tell, has not yet been picked up by reporters in the West. It was published last week in China mainland media and in Hong Kong's South China Morning Post. China, already with 700 million mobile internet users, has presented a plan with a three-step strategy to transform China into a leading cyber-power by the middle of this century. According to the plan, the country will become a leader in some key technologies in information and communications by 2020. Breakthroughs in 5G-related technologies are expected by the same time. The plan pledges to have an "impregnable" cyber system in 2025 by building up a group of globally competitive multinational companies and world-class mobile communications networks. The comprehensive plan, which will serve as a guideline for future policymaking, is an articulated document of the vision of the internet and "cyberspace sovereignty" that President Xi Jinping promoted at a major internet forum already last year. Take note. More to come.

**Gustav Rhenman**, Chief Investment Officer



## Performance

As of 31/07/2016	1 month	3 month	YTD	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+5.6%	+12.7%	+1.2%	+9.7%
AGCM Asia Growth Fund WP EUR	+4.2%	+8.8%	-2.2%	n.a.

## Top 5 holdings %

As of 31/07/2016

Company	Weight
Alibaba Group	8.9%
Tencent Holdings	8.5%
NAVER Corp	6.0%
JD.com Inc	5.5%
Lenovo Group	5.0%
<b>Total</b>	<b>33.9%</b>

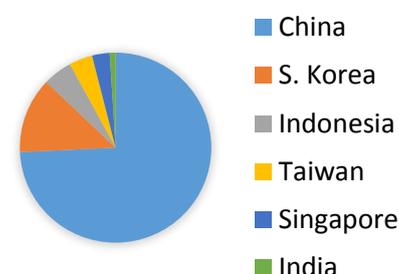
## Industry breakdown

As of 31/07/2016

Internet	40%
Banks	23%
Technology	16%
Real Estate	7%
Consumer	5%
Automotive	4%
Healthcare	3%
Telecom	2%

## Geographic breakdown

As of 31/07/2016



## 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

<b>Portfolio manager:</b>	Gustav Rhenman
<b>Inception date:</b>	03-Oct-2014
<b>Fund size:</b>	SEK 679 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 109.7 EUR 98.4
<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).