



February 2, 2017

## Strong start in 2017 – Alibaba reports 54% revenue growth

During the month of January, the NAV of AGCM Asia Growth Fund SEK appreciated by +5.2% and the Euro share class by +6.9%. Our largest holding with a 9.4% weight in the fund, e-commerce giant Alibaba delivered an impressive financial report on January 24, beating market expectations by a wide margin. In Alibaba's December 2016 quarter, revenues grew 54% year on year and the free cash flow came close to 5 billion USD. The share price rose the following days and we have had to trim the fund's position in Alibaba several times to avoid sliding above the maximum 10% weight that the fund is allowed to have in a single company.

China's ongoing holiday to celebrate the Lunar New Year, is the biggest mass migration of people on earth. More than 400 million Chinese ride in planes and trains during the week long holiday, also called the Spring Festival. The AGCM team is thankful for not having to travel in China this particular week, and relieved by a week's pause in the usually intense news flow from corporate China. The new US leadership more than compensates for that. President Trump stirs up dust on several issues, not least on US trade policy. Trump's comments about Mexico, China and other nations with which the US has large trade deficits, means we can expect initiatives to follow from Secretary of Commerce Wilbur Ross. If the US can afford a major trade dispute with its key trading partners is a different matter. The last thing Trump needs ahead of his infrastructure spending program is to fuel inflation further. Tariffs on Mexican and Chinese imports would lead to precisely that. If inflation picks up further, both short and long term interest rates will rise even faster leading to negative consequences for the US economy. Trump, more than most in Washington, understands the link between interest rates and prices of real estate and financial assets.

China's dependence on exports to the US for its economic growth should not be exaggerated. First, China's economy is driven mainly by consumption and investments, not by exports. Second, China's trade surplus with the US is much smaller on a net number than the gross number suggests. A lot of goods which are imported into the US from China, say for example an iPhone, contains a large share of components which China imports from other countries such as Taiwan and South Korea.

As president Trump scales back US ambitions on the global stage, China goes in the opposite direction. China continues with large scale investments across Africa, Latin America, and via the "One Belt – One Road" initiative also in Central Asia and the Middle East. The Asia Infrastructure Investment Bank (AIIB) which China initiated in spite of opposition from the US, are accepting an additional 25 European, African and South American countries as members. Jin Liqun, president of the AIIB, said "Now that China has developed, it is our turn to contribute, China needs to do something that can help it be recognized as a responsible leader."

A recent reminder of the enormous scale of China's infrastructure investments came last week from the World Nuclear Association. China is planning for another 176 nuclear reactors and will triple its nuclear capacity to nearly 100 gigawatts by 2026, overtaking the US. Coal's share in the nation's energy mix would gradually fall to 54 per cent by 2026 from its current 70 per cent.

**Gustav Rhenman**, Chief Investment Officer

January 2017

## Performance

As of 31/01/2017	1 month	3 month	YTD	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+5.2%	-2.7%	+5.2%	+16.3%
AGCM Asia Growth Fund WP EUR	+6.9%	+2.2%	+6.9%	n.a.
AGCM Asia Growth Fund RC USD	+9.4%	+0.4%	+9.4%	n.a.

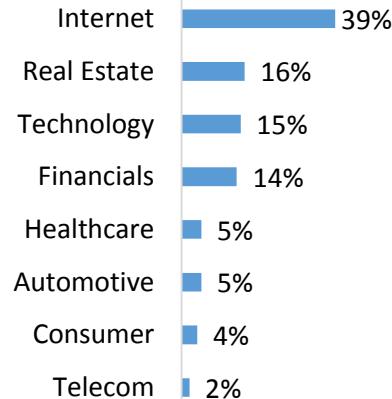
## Top 5 holdings %

As of 31/01/2017

Company	Weight
Alibaba Group	9.4%
Tencent Holdings	9.2%
China Overseas Land & Investment	7.8%
China Resources Land	7.6%
Netease Inc	4.6%
<b>Total</b>	<b>38.6%</b>

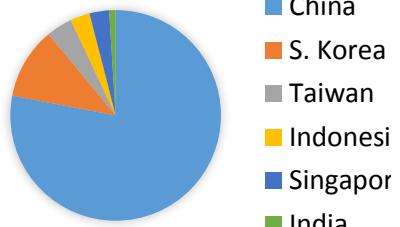
## Industry breakdown

As of 31/01/2017



## Geographic breakdown

As of 31/01/2017



## 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 827 million
Number of holdings:	35
Management fee:	1.85%
Fund management	SEB Fund Services
Company:	Luxembourg
NAV:	SEK 116.3
	EUR 106.1
	USD 119.8
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909
	EUR WP LU 1163023143
	USD RC LU 1338434852

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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 them 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.