

March 1, 2017



## Another strong month - Netease reports 72% earnings growth

During the month of February, the NAV of AGCM Asia Growth Fund SEK increased by +5.9% and the Euro share class by +4.6%. After Alibaba's stellar report in January, it was game operator and developer Netease's turn to shine in February. Netease grew revenues by 67% in 2016 over previous year to 38 billion yuan and earnings per share grew even faster at 72% year over year. The outlook for Netease remains bright with many new monetization opportunities in the gaming business.

During the fourth quarter, the fund faced some serious headwinds from Trump's surprise election win. Fortunately, we now feel a strengthening tailwind from a combination of factors.

First, several influential US-based brokerage firms seem to be seizing the opportunity of relatively cheap valuations in China to remind global investors about the compelling long term investment case. As we have argued for 13 years now, China's economy is not a fragile experiment, it is a stable long term growth story that will one day surpass the US economy in size. JP Morgan recently published a 118-page report titled "Why we are bullish on China" which is now marketed widely. Recent economic data and growth indicators render fresh support to this investment case.

Second, the rally in the US equity markets is now quite long in the tooth, as is Trump's honey moon with investors. Since the Global Financial Crises market bottom in early 2009, the S&P500 and Nasdaq valuation multiples have doubled, with prices now factoring in very a positive outlook for US corporate earnings growth. Valuation multiples on the S&P500 are 60-80% higher for the main US equity indices than for example the MSCI China index. Fund flows indicate that investors are reallocating some of their assets from more expensive Western markets to so called Emerging Markets. Not only have valuations of US equity markets become quite rich, but political uncertainty in Europe is on the rise. To global investors, Asian equity markets should seem increasingly attractive.

Third, the opening up of links between the stock exchanges of mainland China and Hong Kong are after a slow start beginning to have a meaningful positive impact on the prices of Chinese listed companies in Hong Kong. As an example, our investment in Guangzhou Auto is up 38% year to date, but is still about 50% cheaper in Hong Kong than on the China mainland A-share market.

We will refrain from making market projections but we would be surprised if the above tailwinds died all at once. There are plenty of uncertainties and imbalances out there, but to us China seems a lot less risky than many so called "developed markets" and still trade at deep discounts.

**Gustav Rhenman**, Chief Investment Officer



## Performance

As of 28/02/2017	1 month	3 month	YTD	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+5.9%	+6.2%	+11.4%	+23.2%
AGCM Asia Growth Fund WP EUR	+4.6%	+8.8%	+11.8%	n.a.
AGCM Asia Growth Fund RC USD	+2.8%	+8.7%	+12.4%	n.a.

## Top 5 holdings %

As of 28/02/2017

Company	Weight
Alibaba Group	8.5%
Tencent Holdings	8.3%
China Overseas Land & Investment	5.5%
Netease Inc	5.2%
NAVER Corp	4.5%
<b>Total</b>	<b>32.0%</b>

## Industry breakdown

As of 28/02/2017

Internet	39%
Financials	18%
Technology	15%
Real Estate	11%
Healthcare	7%
Automotive	4%
Consumer	4%
Telecom	2%

## Geographic breakdown

As of 28/02/2017



## 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

<b>Portfolio manager:</b>	Gustav Rhenman
<b>Inception date:</b>	03-Oct-2014
<b>Fund size:</b>	SEK 960 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 123.2
	EUR 110.9
	USD 123.1
<b>Minimum subscription:</b>	n.a.
<b>ISIN code:</b>	SEK RC LU 1091660909
	EUR WP LU 1163023143
	USD RC LU 1338434852

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