



ASIA GROWTH CAPITAL MANAGEMENT

June 1, 2017

## Young consumers drive Chinese technology giants – OBOR kick-off

During the month of May, the NAV of AGCM Asia Growth Fund SEK appreciated by +3.2% (+18.4% year to date) and the Euro share class by +1.8%. The large proportion of Asian technology stocks has served us well this year, not least Tencent, Alibaba and JD.

Growth in personal income and household savings are often more useful top-down indicators to equity investors than a country's overall economic growth. China has passed the stage where consumers spend most of their income on food and shelter. By now, Chinese households have accumulated savings close to USD 4 trillion and personal incomes continue to grow at 8-9% per year. A growing share of consumption, especially by young people, takes place over the internet. No wonder Chinese e-commerce has grown to become by far the largest in the world. China's online retail gross merchandise value will likely surge 30% to USD 1 trillion this year. This development was made possible by the nation's massive investments in 4G mobile technology.

These impressive numbers are mirrored in the recent quarterly reports by China's internet giants, Alibaba and Tencent. Alibaba's 4Q FY17 revealed the fastest growth since its IPO, revenues up +60% YoY to RMB 38.6 billion. Alibaba's cloud revenues grew +103%. Tencent's 1Q17 results were strong, revenue +55% YoY driven by gaming and digital content subscription growth.

One Belt One Road (OBOR), also known as the New Silk Road, is a Chinese initiative launched by China's president Xi Jinping in 2013. Some have called this the most ambitious infrastructure program in human history. On May 15, 29 heads of state and government leaders together with more than 1,000 foreign government representatives, met in Beijing for the Belt and Road Forum, the official launch of the OBOR program. With OBOR, China seeks to develop new export markets in Central Asia and facilitate trade with Europe. Beijing has promised to import USD 2 trillion worth of products from "Belt and Road" countries over the next five years. Chinese banks have agreed to provide USD 400 billion in credit to more than 1,200 projects New Silk Road infrastructure projects, mainly in Asia. At the OBOR forum, Xi Jinping said China would host a second Belt and Road Forum for International Cooperation in 2019. These summits look to become a regular showcase for China's diplomatic might and progress in its ambitious globalization plan.

Another significant event in May was the launch by Chinese and Russian aircraft manufacturers of a USD 12 billion, Shanghai-based joint venture aimed at developing a wide-body, long-haul passenger jet for the global market now dominated by Boeing and Airbus. COMAC of China and Russia's UAC announced the 50-50 joint venture along with plans to develop a 280-seat airliner with a range of 12,000 kilometers.

China continues to develop in line with the plans by the leaders in Beijing. It is probably only a matter of years until China becomes the world's leading stock market and home to many of the world's leading corporations. From an investment point of view, we see many good years ahead.

**Gustav Rhenman**

Chief Investment Officer



## Performance

As of 31/05/2017	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+3.2%	+12.6%	+18.4%	+31.9%	+30.9%
AGCM Asia Growth Fund WP EUR	+1.8%	+8.5%	+15.9%	+26.0%	n.a.
AGCM Asia Growth Fund RC USD	+5.3%	+13.4%	+24.1%	+26.7%	n.a.

## Top 5 holdings %

As of 31/05/2017

Company	Weight
Alibaba Group	6.9%
Tencent Holdings	6.4%
Netease Inc	4.6%
AIA Group	4.6%
China Overseas Land & Investment	4.4%
<b>Total</b>	<b>26.9%</b>

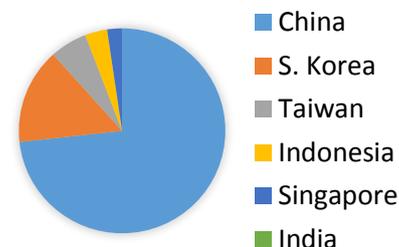
## Industry breakdown

As of 31/05/2017

Internet	35%
Financials	20%
Technology	15%
Real Estate	9%
Healthcare	9%
Automotive	7%
Consumer	5%
Telecom	0%

## Geographic breakdown

As of 31/05/2017



## 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 1066 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 130.9 EUR 115.1 USD 135.9
<b>Minimum subscription:</b>	n.a.
<b>ISIN code:</b>	SEK RC LU 1091660909 EUR WP LU 1163023143 USD RC LU 1338434852

## Disclaimers

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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).