



August 2, 2017

China grows faster than target and Moody's sees lower risk

During the month of July, the NAV of AGCM Asia Growth Fund SEK increased by +0.4% and the Euro share class by +1.2%. We are pleased with this development given that most Asian markets were down during July measured in SEK because the SEK strengthened significantly against most Asian currencies and the USD. Especially the fund's holdings in internet technology and consumer discretionary companies such as Baidu and Vipshop developed well, with share prices up by 27% and 17% respectively. Share prices of real estate developers in China such as China Resources Land and COLI also rose driven by strong Q2 revenue numbers.

On July 31, China's top leaders told Chinese media that for the remainder of 2017 they will focus on continued structural reforms, crackdown on financial irregularities, control over the property market and containing systemic financial risk. Proactive fiscal policy combined with prudent and neutral monetary policy will be maintained. The leadership in Beijing vowed to maintain continuity and stability in policies to "create a good environment" for the 19th National Congress of the Communist Party later this year. GDP increased by 6.9% in the first half of 2017, beating the government's full-year target for growth of about 6.5%.

Rating agency Moody's revised its outlook for China's banking system to stable from negative. Moody's expects China's non-performing loan formation to stabilize at its current level and cited the government's new policies to curb shadow banking as one reason for the upgrade.

Not only China's economy grows faster than expected, so does now its population. The surge began shortly after the central government ended the family planning policy in October 2015 that allowed most married couples to have only one child. Each family can now have two children. The population on the Chinese mainland grew to 1.38 billion by the end of 2016, up by 29 million from 2012. A total of 18 million babies were born in China in 2016, 1.3 million more than the average number of new births each year between 2012 and 2015, according to the National Bureau of Statistics.

China's online gaming industry is becoming ever more interesting to us as investors. About 560 million people – or seven in ten of the country's online population – now play games online. This huge pool of gamers is also willing to pay. The average Chinese gamer spends about USD 143 a year on games. The sheer number of Chinese gamers and their gaming expenditure has turned China into the world's top gaming market, with a market size of USD 24.4 billion. The number of mobile gamers is forecast to rise 10 per cent this year to 580 million – meaning two in every five Chinese play mobile games.

The International Monetary Fund (IMF) may move its headquarters to Beijing in the next decade if China's growth trend continues, said Managing Director Christine Lagarde to media during an event in Washington in late July. The IMF's bylaws require the headquarters to be located to its largest member country. "Which might very well mean, that if we have this conversation in ten years' time...we might not be sitting in Washington, D.C. We'll do it in our Beijing head office," Lagarde said. Our best bet is however, it will not be located to Beijing but rather to the new mega city under construction south of Beijing, namely Xiongan.

Gustav Rhenman
Chief Investment Officer



Performance

As of 31/07/2017	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+0.4%	+3.4%	+18.7%	+19.7%	+31.2%
AGCM Asia Growth Fund WP EUR	+1.2%	+4.2%	+18.7%	+19.7%	n.a.
AGCM Asia Growth Fund RC USD	+4.8%	+13.3%	+33.5%	+26.2%	n.a.

Top 5 holdings %

As of 31/07/2017

Company	Weight
Tencent Holdings	6.0%
Alibaba Group	5.8%
Vipshop Holdings	4.2%
AIA Group	4.1%
Samsung Electronics Co Ltd	4.0%
Total	24.1%

Industry breakdown

As of 31/07/2017

Internet	35%
Financials	22%
Technology	14%
Healthcare	9%
Automotive	9%
Real Estate	7%
Consumer	5%
Telecom	1%

Geographic breakdown

As of 31/07/2017



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 1079 million
Number of holdings:	35
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 131.2 EUR 117.8 USD 146.2
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 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 before you make an investment. You can also request such information via e-mail to info@agcm.se.