



ASIA GROWTH CAPITAL MANAGEMENT

September 4, 2017

## North Korea tempers investor sentiment despite strong Q2 reports

During the month of August, the NAV of AGCM Asia Growth Fund SEK decreased by -1.5% and the Euro share class by -0.3%. Nervousness about the developments in North Korea tempered investors' appetite for Asian equities despite mostly strong Q2 reports.

The fund's largest holdings Tencent and Alibaba beat investors' already high expectations with net earnings growing 64% and 51% respectively for the first six months of 2017 compared to the same period last year. The smaller Chinese internet and e-commerce names held by the fund also reported strong growth. Netease reported earnings growth of +33%, Vipshop +17% and Autohome +33%. South Korea's Samsung Electronics grew earnings in the first half of the year by 43% and Taiwan Semiconductor Manufacturing by +12%. Judging from the share price reactions, investors seem to have sold down the smaller players in the sector to buy the larger cap names which has led to an even larger discount for small caps than before.

During August, a key issue for investors in Asia was North Korea and the escalated tensions between Pyongyang and Washington. Military threats by North Korea have been recurring events for decades and for South Koreans it is part of life. North Korea's dictatorship needs a level of perceived external threat for domestic reasons but an actual war with a US-backed South Korea is not in its interest. China does not want a war in its backyard, nor a reunification of Korea and has declared that it will stand by North Korea if the US initiates an attack. By now Donald Trump understands that military action against North Korea would mean disaster for South Korea. We believe the the situation will soon calm down, at least for the short term. Trump is much more interested in passing his legislative agenda, especially the soon to be presented tax reform, than going to war.

In China, President Xi Jinping has declared a different war – a war on poverty. The official goal is to eliminate poverty, defined as annual income of less than 2,300 yuan, and to build an “all-round well-off society” by year 2020. As of last year, China still has more than 55 million people in rural areas who live below this poverty line. Twelve million people were lifted out of poverty last year and another ten million people will be taken off the rolls this year. Xi Jinping's program also includes improving public services such as medical care, education, vocational training, transportation and infrastructure to add jobs in some of China's poorest areas.

China's economic growth catches Western economists off-guard again. The IMF issued its annual review revising its 2017 growth forecast for China from 6.2 to 6.7 percent. China continues its investments in infrastructure. China's Railway Ministry announced that on September 21, travel time with bullet train between Beijing and Shanghai will be cut with one hour by increasing the top speed from 300 to 400 km/h. The China Aerospace Science and Industry Corporation (CASIC) countered by announcing that it had begun development of a supersonic transportation system similar to the Hyperloop, proposed by Elon Musk. The first stage of the CASIC's plan will be an intercity network of capsules operating at 1,000 km/h and later 2,000 km/h. Sounds like science fiction, but especially on infrastructure, China usually delivers according to plans.

**Gustav Rhenman**

Chief Investment Officer



## Performance

As of 31/08/2017	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-1.5%	-1.3%	+16.9%	+10.0%	+29.2%
AGCM Asia Growth Fund WP EUR	-0.3%	+2.0%	+18.2%	+11.0%	n.a.
AGCM Asia Growth Fund RC USD	+0.1%	+7.7%	+33.6%	+18.1%	n.a.

## Top 5 holdings %

As of 31/08/2017

Company	Weight
Tencent Holdings	7.2%
Alibaba Group	7.0%
JD.com Inc	4.2%
AIA Group	3.8%
Samsung Electronics	3.7%
<b>Total</b>	<b>25.9%</b>

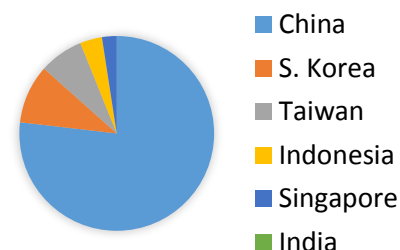
## Industry breakdown

As of 31/08/2017

IT Internet	27%
Financials	21%
Consumer	20%
Semicondu...	9%
Healthcare	9%
IT equipment	7%
Real Estate	6%
Industrials	2%

## Geographic breakdown

As of 31/08/2017



## 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 1119 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 129.2 EUR 117.4 USD 146.3
<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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**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).