

# AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

December 4, 2017

## Chinese tech giants catching up quickly with US peers

During the month of November, the NAV of AGCM Asia Growth Fund RC SEK share class decreased by -1.2% and the WP EUR share class by -2.3%. The month was volatile with strong upward movement during the first three weeks, and a subsequent decline during the final week of November. Heading into the year-end holidays there are signs of profit taking mainly in technology stocks after the strong run up since January.

During November, our four-member investment management team visited 20 companies in Hangzhou, Shanghai and Hong Kong. We met mostly with companies we know well since many years such as Tencent, Alibaba and COLI, but also with some new companies in sectors including technology, healthcare and consumption. Our discussions with the company representatives focused on the near-term developments as well as the long-term outlook and strategy. The findings were with a few exceptions strongly encouraging.

With a stock market capitalization of over USD 500 billion, Tencent has now become the world's fifth-most valuable company, overtaking Facebook. Earnings continue to soar from social network advertising and smartphone games. Messaging and payment superapp WeChat, now has 980 million monthly active users, with 38 billion messages sent daily. Tencent Video, has become the video streaming service with the largest paying subscriber base in China. Only Apple, worth about USD 873 billion, followed by Alphabet, Microsoft and Amazon are worth more. We believe Tencent and Alibaba will continue to outgrow its Western peers since these Chinese companies have higher potential number of users and the users have faster growing disposable incomes than consumers in the West.

Over the past ten years, the technological gap between China and traditional electronic powerhouses such as the United States and South Korea has shortened from 15 years to five according to China's Ministry of Industry and Information Technology (MIIT). Over 85 percent of the key electronic components, computer chips and software used in the Chinese industry and defense sectors are now made in China, compared to only 30 percent ten years ago. China's rapid catch-up is remarkable considering how fast other countries also are developing.

In an interview with business journal Caixin, officials from MIIT said China intends to be at the forefront of the next generation of mobile communications, to ensure greater influence in the development of new technologies. MIIT said it has officially launched the third stage of trials for fifth-generation (5G) networks expected to replace current 4G technology in global markets starting in 2019. The new trials aim to speed China's commercialization of the technology that will facilitate data transfer rates of up to 100 megabits per second. That will boost efficiency for functions like video streaming and pave the way for a new generation of functions with big data requirements.

At the same time, China continues to press ahead with closures of overcapacity in the steel and coal industries. Combined employment in steel and coal has already fallen by 1.6 million people since the end of 2015, corresponding to almost a quarter of the total workforce in those industries. The campaign's success in reducing capacity has helped boost commodity prices and profits at Chinese state-owned enterprises. In total, earnings of China's industrial companies first 10 months rose 23.3% year-on-year to RMB 6,250 billion yuan (USD 945 billion).

**Gustav Rhenman**

Chief Investment Officer

# AGCM Asia Growth Fund

Monthly Report

November 2017



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## Performance

As of 30/11/2017	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-1.2%	+10.6%	+29.3%	+23.0%	+42.9%
AGCM Asia Growth Fund WP EUR	-2.3%	+4.7%	+23.8%	+20.2%	n.a.
AGCM Asia Growth Fund RC USD	-0.8%	+5.5%	+41.0%	+35.7%	n.a.

## Top 5 holdings %

As of 30/11/2017

Company	Weight
Tencent Holdings	7.9%
Alibaba Group	6.9%
Samsung Electronics	4.6%
AIA Group	4.4%
Netease Inc	4.1%
<b>Total</b>	<b>27.9%</b>

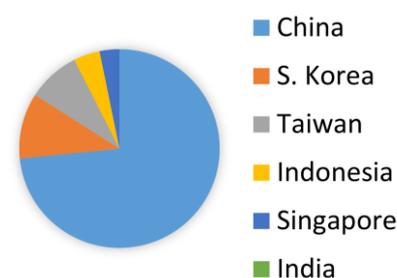
## Industry breakdown

As of 30/11/2017

IT Internet	27%
Financials	21%
Consumer	19%
Semicondu...	10%
Healthcare	9%
IT Equipment	7%
Real Estate	5%
Industrials	2%

## Geographic breakdown

As of 30/11/2017



## 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 1071 million
<b>Number of holdings:</b>	35
<b>Management fee (RC):</b>	1.85%
<b>Fund management Company:</b>	SEB Fund Services Luxembourg
<b>NAV:</b>	SEK 142.9 EUR 122.9 USD 154.4
<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).