

AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

March 1, 2018

Recovery from a US inflation scare and China gears up for NPC.

During the month of February, the NAV of AGCM Asia Growth Fund RC SEK share class increased by 0.8% and the WP EUR share class decreased by 1.8%. Strong macroeconomic numbers in the US in early February sparked investor concerns of accelerating inflation and faster than expected tightening by the US Federal Reserve. Long term interest rates in the US rose, and equity markets fell in the early days of February but made up most of the lost ground in the latter half of the month. Clearly, markets have become increasingly focused on the impact of rising interest rates and the the gradual reversal of quantitative easing by the major central banks.

In China, the month of February centered around the week-long celebration of the lunar new year. Several new world records were set in travel, shopping and “hongbao” (red packet gifts). The year 2018 marks the 40th anniversary of China's reform-and-opening-up policy initiated by Deng Xiaoping. During that period, GDP per capita increased by a factor of 40, from USD 200 to USD 8,000 and 700 million Chinese were lifted out of poverty.

Several of our holdings reported financial results for fiscal year 2017. Most noteworthy, China's leading internet search engine Baidu reported +62% growth in earnings per share and announced it will list its video-streaming subsidiary iQiyi on Nasdaq. iQiyi is a Chinese version of Netflix and accounts for 20% of Baidu's revenues. World leading video surveillance supplier Hikvision reported preliminary financials for 2017, revenues increasing by +31% and net earnings by +27%. Gaming and e-commerce operator Netease reported full year revenue growth of +47%. Asian insurance giant AIA Group beat market estimates by a wide margin, revenues in 2017 rose +18% to USD 26.1 bn and net profit jumped +47% to USD 6.1 bn.

Almost every week we witness amazing developments in China. Here is one example of relevance to our fund holdings. Mobile payment transactions in China reached a new record of USD 12.8 trillion during the first ten months of 2017, driven by the vast number of consumers across China who increasingly prefer to pay via the phone rather than with cash or credit cards. This number corresponds roughly to China's GDP and dwarfs all other mobile payment markets in the world combined. The mobile payments boom in China has been powered by the fast adoption of online retail and on-demand services. We expect Alibaba's Alipay and Tencent's Tenpay to be the key beneficiaries of this huge and rapidly growing market.

Next week, China's leaders will convene at the National People's Congress (NPC) in Beijing and announce targets for economic policies and key government tasks for 2018. We expect the government's 2018 target for GDP growth to remain at 6.5%. We also expect reforms which will allow the market to play a more decisive role in resource allocation as well as a further opening up of the financial sector with lower barriers to entry. State-Owned Enterprises are likely to be partially privatized by bringing in non-state-owned capital, and instructed to deleverage through debt-to-equity swaps. We also expect reforms to the IPO rules in order to encourage Chinese companies to seek listings on the domestic stock exchanges rather than abroad. There will also be important reforms to the social security system, household registration (hukou) and taxation.

Gustav Rhenman

Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

February 2018



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Performance

As of 28/02/2018	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+0.8%	+6.1%	+4.6%	+22.3%	+51.6%
AGCM Asia Growth Fund WP EUR	-1.8%	+4.0%	+1.8%	+14.8%	n.a.
AGCM Asia Growth Fund RC USD	-4.5%	+6.7%	+3.3%	+33.3%	n.a.

Top 5 holdings %

As of 28/02/2018

Company	Weight
Alibaba Group	8.2%
Tencent Holdings	8.1%
AIA Group	4.9%
JD.com	4.8%
Hangzhou Hikvision	4.4%
Total	30.4%

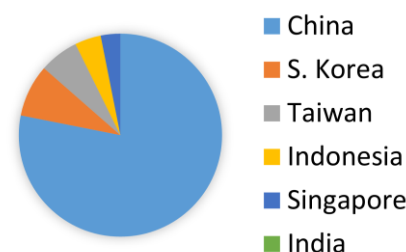
Industry breakdown

As of 28/02/2018

IT Internet	25%
Financials	21%
Consumer	18%
IT equipment	12%
Healthcare	9%
Semicondu...	8%
Real Estate	4%
Industrials	2%

Geographic breakdown

As of 28/02/2018



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 1135 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 151.6 EUR 127.8 USD 164.8
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.