

AGCM Asia Growth Fund



June 4, 2018

A positive month despite China-US trade friction and Euro worries

During the month of May, the NAV of AGCM Asia Growth Fund RC SEK share class increased by +1.8% and the WP EUR share class by +3.7%. Best performing sectors in May were consumer discretionary and healthcare while financials and industrials lagged. It was a busy month for four members of our investment management team who traveled in China, South Korea and Singapore for over 40 company meetings. Lots of information to digest.

Italian politics and the ongoing trade negotiations between the US and China caused some nervousness in the financial markets. In a tweet this past weekend, Donald Trump wrote: "When you're almost 800 Billion Dollars a year down on Trade, you can't lose a Trade War! The U.S. has been ripped off by other countries for years on Trade, time to get smart!". It remains however to be seen how successful the Trump administration will be in its attempts to reduce this massive trade deficit that the US runs mainly with China. The trade imbalance is the result of decades of US manufacturers outsourcing to China, a time during which China has become increasingly self-reliant also in advanced manufacturing. Even more alarming to the US are the Chinese plans to accelerate its move up the value chain by massive investments in technology as detailed in the "Made in China 2025" program discussed here before.

A lot is at stake also for China. The trade issues are complex and multifaceted, and before we have a deal on the table we should expect more noise and market jitters as recent US trade measures are met by Chinese countermeasures. Trump's aggressive stance towards China may succeed but could also backfire by increasing the resolve by the Chinese to win in the longer term. As an example, at the recent opening of the joint annual conference of the Chinese Academy of Sciences and Engineering, president Xi Jinping urged China to go all in on scientific self-reliance after the US banned sales of vital US components to Chinese telecom equipment provider ZTE. President Xi Jinping urged the country's top scientists and engineers to build China into a global hi-tech leader.

Index provider MSCI's long overdue inclusion of roughly 226 Chinese A-shares (yuan denominated stocks listed in Shanghai and Shenzhen) in the MSCI's Emerging Market index became effective on June 1. This index is tracked by passive investment funds which have assets under management of over USD 1.9 trillion. Funds which follow this benchmark will have to buy these stocks to avoid deviation, providing a boost to prices of the shares included. The inclusion as of June 1 was the first step in a two-step process with the second step taking place in September. Chinese A-shares now have an aggregate weight of 0.39% in the MSCI Emerging Markets Index, a ridiculously low weight considering that Chinese A-shares have become one of the largest equity asset classes in the world. We are not complaining, on the contrary. It means that the rapidly growing China A-share market is both under-owned and under-researched by Western asset managers. The rerating has yet to happen.

In the consumer space, there was an interesting research report published by Tencent recently, concluding that China's teenagers no longer think foreign brands are superior and that they are increasingly turning to Chinese home-grown brands be it smartphones, shoes, clothes, cars, bags or refrigerators. The result is explained by improving quality and diversity of Chinese brand names but there is also a patriotic element. Whatever the reasons, it is an important trend not least since it may contribute to further trade imbalances. China is moving up the value chain also in consumer goods. Exciting times for stock-pickers and we look hard to spot the winners early.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

May 2018



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/05/2018	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+1.8%	+3.4%	+8.2%	+18.6%	+56.8%
AGCM Asia Growth Fund WP EUR	+3.7%	+1.6%	+3.4%	+12.1%	n.a.
AGCM Asia Growth Fund RC USD	+0.8%	-3.0%	+0.3%	+17.4%	n.a.

Top 5 holdings %

As of 31/05/2018

Company	Weight
Alibaba Group	9.0%
Tencent Holdings	8.9%
AIA Group	5.6%
JD.com	5.2%
Samsung Electronics	4.5%
Total	33.2%

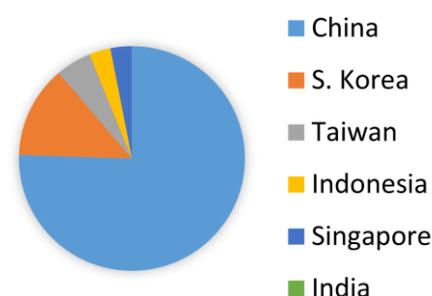
Industry breakdown

As of 31/05/2018

IT Internet	26%
Financials	21%
Consumer	16%
Semicondu...	11%
Healthcare	9%
IT equipment	7%
Real Estate	7%
Industrials	2%

Geographic breakdown

As of 31/05/2018



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 1164 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 156.8 EUR 129.9 USD 159.9
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.