

AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

September 3, 2018

Strong 1H earnings reports but trade conflict weighs on sentiment

During the month of August, the NAV of AGCM Asia Growth Fund RC SEK share class increased by +1.5% and the WP EUR share class decreased by -1.7%. The trade conflict between the US and China still weighs on Chinese equities but the roughly 15% decline over three months in the MSCI China index as well as China's mainland A-shares index are beginning to attract investor interest. Valuations are low both in historical terms and relative to other major equity markets. China's economy grows steadily around 6.5%. Corporate financial reports for the first half of this year were mostly very strong. Investors have in our opinion overreacted to the potential consequences from a trade conflict with the US. China is no longer an export driven economy, it is driven by consumption and investments.

A remarkable recent event was when President Trump's Chief Economic Advisor Larry Kudlow, at a cabinet meeting in Washington loudly proclaimed that "the US economy is crushing it" while "China's economy looks terrible". The perception that China is struggling seems to have become widespread also among investors in the US. From our perspective, we see little evidence that China's economy "looks terrible". In fact, China's service sector, which now accounts for 54% of GDP, is booming. The official August PMI number for services and construction published a few days ago, increased to 54.2 (+0.2) from an already very high level while the official manufacturing PMI increased to 51.3 (+0.1). Some commentators have pointed to weak fixed asset investment (FAI) numbers as a sign China is slowing. That is a total misunderstanding in our view. FAI, and in particular infrastructure spending, is actually one of the preferred tools used by China's government to boost the economy if other parts of the economy are slowing.

On the corporate side, most of our fund holdings have reported financial results for the first half of the year, and the overall picture is very impressive. Our largest holding Alibaba reported 61% revenue growth and guided for 60% revenue growth also for the fiscal year ending in March 2019. Tencent reported revenue growth of 39%, JD grew revenues by 32% and Baidu by 24%, year on year.

On October 1st, China will pass the first personal income tax cut in seven years. The annual standard deduction will be raised to 60,000 yuan (USD 8,760) from previously 42,000 yuan. State media reports have largely concentrated on the special deductions, which will allow taxpayers to subtract from their taxable income some spending on home mortgage, children's education and parental elderly care. Other noteworthy news from China include a draft civil code currently being discussed by the Standing Committee of China's National People's Congress (NPC). It has removed any mention of family planning from marriage and adoption laws, suggesting that the central government is considering lifting current restrictions on childbirth. On the technology front, the number of Chinese internet users continue to rise, now at 802 million. China plans to have a nationwide fiber network by year 2021, alongside world leading 4G and 5G mobile networks.

China continues to open new high-speed train connections around the country. The Hong Kong section of the Guangzhou-Shenzhen-Hong Kong high-speed rail will go into use on September 23. The new train from Hong Kong to Shenzhen will take 19 minutes. Continue another 8 hours and 37 minutes and you reach Beijing at a price of only USD 156. We look forward to a trial run later in the fall.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

August 2018



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Performance

As of 31/08/2018	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+1.5%	-4.6%	+3.2%	+15.3%	+49.6%
AGCM Asia Growth Fund WP EUR	-1.7%	-5.9%	-2.7%	+4.2%	n.a.
AGCM Asia Growth Fund RC USD	-2.3%	-7.8%	-7.5%	+0.6%	n.a.

Top 5 holdings %

As of 31/08/2018

Company	Weight
Alibaba Group	8.0%
Tencent Holdings	7.6%
Samsung Electronics	5.8%
China Overseas Land & Investment Ltd	5.3%
AIA Group	4.8%
Total	31.5%

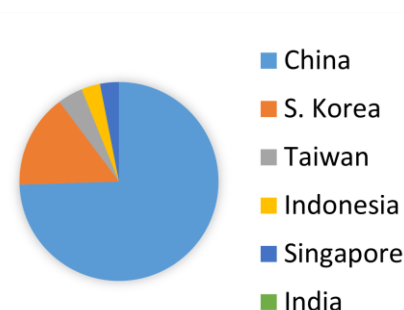
Industry breakdown

As of 31/08/2018

IT Internet	27%
Financials	19%
Semicondu...	14%
Consumer	12%
Healthcare	11%
Real Estate	9%
IT equipment	6%
Industrials	1%

Geographic breakdown

As of 31/08/2018



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 1095 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 149.6 EUR 122.2 USD 147.5
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.