AGCM Asia Growth Fund

ASIA GROWTH CAPITAL MANAGEMENT

February 1, 2019

Is China the winner from a trade deal? Great month. Happy New Year!

During the month of January, the NAV of AGCM Asia Growth Fund RC SEK share class increased by +13.3% and the WP EUR share class by +10.8%. Chinese equity markets rebounded in January along with global markets. The increased risk appetite by investors followed from a more dovish language from both the Fed and the ECB, as well as perceived progress in the US-China trade talks. After nine years and USD 14 trillion of quantitative easing by central banks, investors now worry about the impact on asset prices as central banks attempt to reverse the electronic money printing and shrink their balance sheets. After the recent Federal Reserve meeting, Chairman Powell said that “the normalization of the size of the portfolio will be completed sooner, and with a larger balance sheet, than in previous estimates”. This was perceived by investors as a retreat from the “autopilot” run-off that the Fed has signaled earlier. Contributing to the strong positive mood, was the message from ECB’s Mario Draghi that “the risks surrounding the euro area growth outlook have moved to the downside”. This was interpreted as also Draghi is backing off from the normalization narrative.

As regards the US- China trade talks, Trump tweeted that he believes he will soon sit down with Xi Jinping to sign the largest trade deal in history. As we have argued before, we believe investors have been too negative on the prospects of reaching a deal. Trump wants a deal because he wants to declare victory and move on. Xi Jinping wants to make friends to minimize foreign obstruction of China’s march up the manufacturing value chain. The positive comments from both sides are why hedge funds are closing their short positions on China and long-only investors take advantage of the low valuations. MSCI China still trades at only 11x earnings, compared to 14x a year ago.

Judging from the US list of demands going into the trade talks and the recent positive comments by China’s chief negotiators, we begin to think a deal may actually turn out to be a win for China in the longer term. Trump tweets: “Looking for China to open their Markets not only to Financial Services, which they are now doing, but also to our Manufacturing, Farmers and other U.S. businesses and industries”. Well this may sound good to US voters, but in reality, corporate America has substantially more business in China than Chinese have in the US. Once a US-China deal on trade and foreign investment has been reached, we believe China will begin to acquire companies and set up subsidiaries in a range of industries in the US. We know Chinese corporates have been eying the US market for years. If the US does not live up to its own demand for “reciprocity” in trade and investments, then the entire deal is in jeopardy and the US will be back to square one.

Massive economic stimulus is now underway in China to secure solid economic growth in 2019 and beyond. With lowered reserve requirements, banks are now able to lend more. Major tax cuts have been introduced, infrastructure spending accelerated, and consumer product subsidies are imminent. Today, China’s official PMI figures were released. Services PMI rose to 54.7 in January, up from December’s 53.8. Manufacturing PMI inched up to 49.5 in January, from December’s 49.4. Alibaba yesterday reported its December quarter results. Revenues grew +40%, with 33 million new monthly active users in the quarter, reaching a total of 699 million users. The core commerce business grew +41%. Alibaba’s cloud computing business grew revenues by +84% and overtook IBM to become the world's 3rd largest in cloud computing, trailing only Amazon and Microsoft. Next week China goes on holiday to celebrate the Lunar New Year. Out with the dog and in with the pig. In China, the pig symbolizes luck and fortune. Sounds good to us. Gong xi fa cai (Happy New Year)!

Gustav Rhenman, Chief Investment Officer

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AGCM Asia Growth Fund

Monthly Report

January 2019

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/01/2019	1 month	3 month	1 year	2 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+13.3%	+9.4%	-6.4%	+20.2%	+40.3%
AGCM Asia Growth Fund WP EUR	+10.8%	+9.5%	-9.1%	+10.7%	n.a.

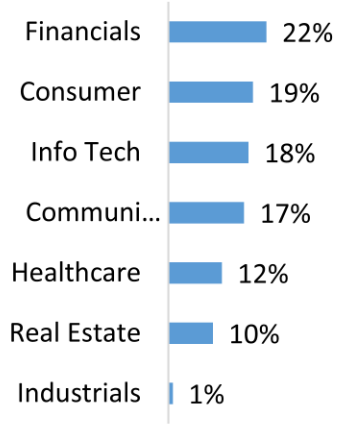
Top 5 holdings %

As of 31/01/2019

Company	Weight
Alibaba Group	8.0%
Tencent Holdings	7.2%
Samsung Electronics	5.7%
AIA Group	5.2%
Baidu Inc	4.8%
Total	**30.9%**

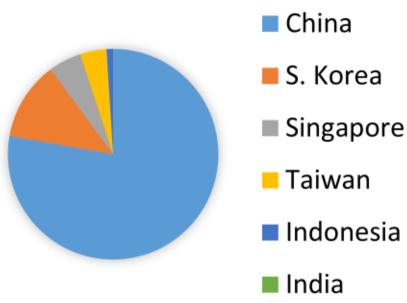
Industry breakdown

As of 31/01/2019



Geographic breakdown

As of 31/01/2019



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 1047 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 140.3 EUR 118.0
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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