AGCM Asia Growth Fund

ASIA GROWTH CAPITAL MANAGEMENT

March 2, 2019

The stars have aligned for China. Multiple factors support the rally.

During the month of February, the NAV of AGCM Asia Growth Fund RC SEK share class increased by +5.6% and the WP EUR share class by +4.3%. Chinese equity markets continued on an upward trend in February, driven by several positive factors. As we have argued in monthly reports and meetings with investors since November last year, the prerequisites are in place for 2019 to become a very good year for Chinese equities. The main arguments for such an outcome are still valid.

1. Massive economic stimulus – China's leaders have gone from somewhat tight fiscal and monetary policies during a deleveraging campaign, to now introducing massive economic stimulus in the form of tax cuts (larger than Trump's), easier credit and accelerated infrastructure spending. These plans were well communicated in Chinese state media late last year, but strategists at the leading Western investment banks and brokers have been slow to recognize them. We expect the Chinese pro-growth measures to get a lot more attention in the West as the positive impact becomes obvious in the coming months, but the main driver of the A-share market will be more sanguine Chinese investors.
2. Low valuations – After a weak stock market in 2018, where Chinese equities fell around 20% despite earnings growing around 10%, valuations fell to deep and unjustified discounts to other major equity markets.
3. Trade dispute overreaction - Investors overreacted in 2018 to the trade dispute between the US and China. Having priced in a quite negative outcome, a growing share of investors seem to believe in an imminent deal between Trump and Xi, with a truce between China and the US, at least for the near term.
4. The influential US index provider MSCI can no longer ignore the growing global significance of Chinese equity markets to global investors. After several years of lobbying by various investor groups, MSCI on March 1, announced that the weight of Chinese mainland equities (A-shares) in several regional indices will increase significantly during 2019. The inclusion factor will quadruple in three steps from 5% to 20%, in May, September and November of this year. This will result in major inflows into Chinese A-shares from foreign funds and ETFs which are tied to the MSCI benchmarks.

During February, several of our holdings reported Q4 and full year 2019 financial numbers. E-commerce giant JD.com beat market estimates on the upside with revenue growing +22% year on year to RMB 135 billion for the quarter. Margins continue to rise from higher utilization rates in logistics and fulfilment. The World's leader in surveillance systems, Hikvision, reported revenue growth of +19% year over year to 49.8bn with net profit +20% to 11.3bn RMB. Game and e-commerce operator Netease beat expectations by a wide margin, total revenue up +36% in Q4 year on year and adjusted EBIT up +44%. A remarkable achievement given the delay in government approvals of new game titles in China.

We remain upbeat because the four tailwinds above are still in full force and there is more positive to come. We expect more policy stimulus announcements from China's annually-held "Two Sessions" meetings that commence on March 3 (Chinese People's Political Consultative Conference) and March 5 (National People's Congress), which usually last around two weeks. Traditionally, the Premier delivers the Government Work Report at the opening of the National People's Congress, announcing various economic and fiscal targets including GDP growth.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

February 2019

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Performance

As of 28/02/2019	1 month	YTD	1 year	2 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+5.6%	+19.5%	-2.7%	+19.5%	+48.1%
AGCM Asia Growth Fund WP EUR	+4.3%	+15.6%	-4.2%	+10.5%	n.a.

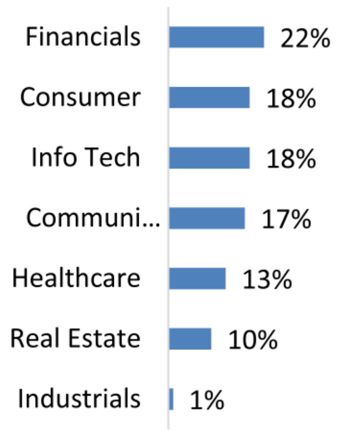
Top 5 holdings %

As of 28/02/2019

Company	Weight
Tencent Holdings	6.8%
Alibaba Group	6.2%
AIA Group	5.6%
Samsung Electronics	5.4%
Baidu Inc	4.4%
Total	**28.4%**

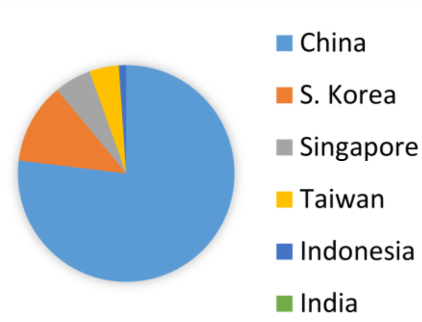
Industry breakdown

As of 28/02/2019



Geographic breakdown

As of 28/02/2019



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 1097 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 148.1 EUR 123.1
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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