AGCM Asia Growth Fund

ASIA GROWTH CAPITAL MANAGEMENT

April 2, 2019

Impressive corporate earnings reports and China's economy gears up

During the month of March, the NAV of AGCM Asia Growth Fund RC SEK share class increased by +2.5% and the WP EUR share class by +3.5%. Chinese equity markets went largely sideways during March but rallied on the first quarter's final trading day on news that the US-China trade negotiations have passed major hurdles. An article in Bloomberg claimed that it was now down to details in translation to secure that the wordings are identical in the Chinese and English versions. One especially sensitive issue has been the monitoring and enforcement mechanisms which the American side has insisted on but seems to be a deal breaker for China. Our base case scenario remains that a China-US trade deal will be agreed and that markets will react positively.

The strong Chinese equity markets year-to-date has in part been a rebound after the steep decline in the fourth quarter of 2018, and to some extent a reflection of growing expectations by investors that Beijing's deleveraging campaign has peaked and will be replaced by pro-growth policies. As we have discussed before, massive stimulus measures have been introduced and are now becoming visible. China's manufacturing bounced back in March as evidenced by the official manufacturing PMI which jumped to 50.5 in March, up from February's 49.2. This reading marks the highest level in six months. The services PMI rose to 54.8 in March, up from 54.3 last month.

China's National People's Congress convened during the first two weeks in March. Premier Li Keqiang delivered the Government Work Report and announced various economic and fiscal targets including GDP growth. Here are some of the key takeaways with relevance for equity markets:

- The GDP growth target for 2019 is in the range of 6.0-6.5%
- CNY 2 trillion of tax- and fee cuts (USD 300 billion) and a budget deficit target of 2.8%
- Encourage consumption of new energy cars and environmentally friendly household appliances
- Promote tourism, film, health care, and the care of young children and the elderly.
- CNY 100 billion to fight unemployment, provide training for 15 million people to upgrade their skills
- Avoid a repeat of past credit booms but also "prevent deflation"

By now, most of our holdings have reported financial results for 2018 and with the exception of the automotive sector it has been pleasant reading. Alibaba grew revenues by 52% year-over-year, and China's second largest e-commerce player JD.com reported 28% revenue growth. Pharmaceutical company CSPC grew sales by 36% in 2018. Our Chinese real estate developers continued to grow nicely, Vanke grew 33% year-over-year and CR Land 18%.

For the following reasons we remain optimistic on the outlook for Chinese equity markets in 2019:

- China's government has shifted its policy early this year from tight to highly expansive with large stimulus packages in the form of tax cuts, easier credit and accelerated infrastructure investments. This development has in our view not been fully priced in by the market, especially not by Western investors.
- Valuations are still low, the MSCI China trades at 12.3x forward earnings and CSI300 (A-shares) at 12.5x.
- Investors have overreacted to the trade issue and the situation is more likely to improve than deteriorate.
- Chinese A-shares will be boosted by a quadrupled inclusion factor in several of MSCI's regional equity indices. The inclusion factor increases in three steps from 5% to 20%, in May, September and November.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

March 2019

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Performance

As of 31/03/2019	1 month	YTD	1 year	2 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+2.5%	+22.5%	+2.3%	+22.1%	+51.8%
AGCM Asia Growth Fund WP EUR	+3.5%	+19.7%	+2.5%	+13.7%	n.a.

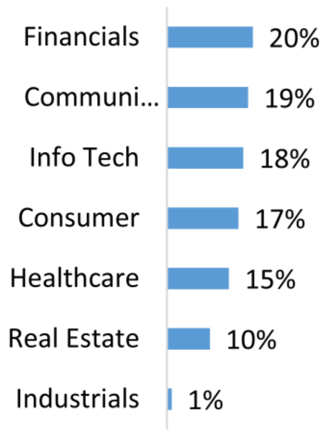
Top 5 holdings %

As of 31/03/2019

Company	Weight
Tencent Holdings	6.2%
Alibaba Group	6.0%
AIA Group	5.5%
Samsung Electronics	5.1%
Baidu Inc	4.8%
Total	**27.6%**

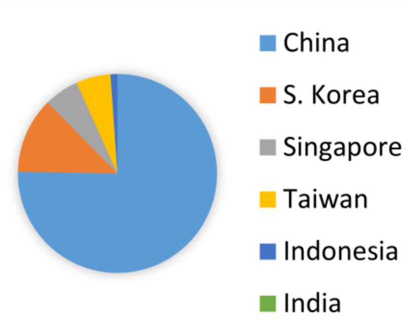
Industry breakdown

As of 31/03/2019



Geographic breakdown

As of 31/03/2019



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 1128 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 151.8 EUR 127.4
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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