

AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

June 5, 2019

Earnings keep growing but trade conflict weighs on equity markets

During the month of May, the NAV of AGCM Asia Growth Fund RC SEK share class decreased by 11.7% and the WP EUR share class by 11.0%. The trade negotiations between the US and China hit a roadblock in early May when the White House accused China of backtracking on a trade deal that was near completion. President Trump announced in a tweet on May 5, that the US would raise tariffs to 25% on USD 200 billion of Chinese goods coming into the US. China responded by announcing it would raise tariffs on USD 60 billion of US imports to China. Chinese state media initially played down the event in order not to worry consumers to an extent which could harm the economic growth. It was not until the US imposed export restrictions on Huawei that the mood in Beijing changed markedly. On Sunday June 2, China's government presented a "white paper" on the trade dispute which placed the blame for the stalled negotiations on the US government. Beijing has hinted at countermeasures ranging from blocking exports of rare earth minerals, going after US business interests in China and punishing companies that have restricted access to high-tech components. As a result of the intensified trade conflict, the MSCI China index has fallen 14% in one month. The 12-month forward P/E for MSCI China has fallen to 10.8x which is about 10% from the bottom during the global sell-off in December last year.

Alibaba's share price development illustrates the irrational investor reactions to the trade dispute. Alibaba is a pure domestic Chinese consumption story with almost no exports to the US. Since the trade negotiations between the US and China stalled in early May, investors have sold off Chinese equities to such an extent that Alibaba's share price has fallen by 20%, erasing USD 80 billion of its market capitalization. This is in a period when the company is growing revenues at an annual rate of 40-50%. Just a few days ago, global communications group WPP and consulting firm Kantar ranked Alibaba's brand value at USD 131 billion, soaring 48% from 2018, overtaking McDonald's, Home Depot, Nike and Louis Vuitton. In addition, recent reports by leading financial media, claim that Alibaba is planning a secondary listing in Hong Kong. Alibaba does not comment on market rumors but Charles Li, the Chief Executive for Hong Kong Stock exchange, said on April 29th that Alibaba "will 100 percent come back, it's just a matter of timing". A Chinese listing would most likely lead to a higher valuation since Alibaba is an admired company in its home country, currently unavailable to most Chinese investors since it is only listed in the US.

During the month of May, we received a few additional 1Q result announcements by our fund holdings which were even better than most 1Q-reports from April. Alibaba reported revenue growth of +51% and earnings growth of +42% year-over-year with ever higher user numbers and growing ARPU (Average Revenue per User). Tencent reported revenue growth of +16% and earnings growth of +14% year-over-year, while indicating that its ability to monetize games will normalize. NetEase reported revenue growth of +30% and earnings growth of +125%. In other words, our holdings continue to develop very well, growing rapidly along with the rising Chinese consumers.

We maintain a relatively defensive positioning with a high share of less volatile holdings such as healthcare and consumer stocks. It seems like the trade conflict will continue for some time, but we feel confident about the long-term growth potential and earnings power of all our holdings.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

May 2019



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/05/2019	1 month	YTD	1 year	2 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-11.7%	+12.5%	-10.1%	+5.4%	+39.3%
AGCM Asia Growth Fund WP EUR	-11.0%	+8.1%	-10.9%	-0.6%	n.a.

Top 5 holdings %

As of 31/05/2019

Company	Weight
Samsung Electronics	5.9%
Alibaba Group	5.5%
Tencent Holdings	5.4%
AIA Group	5.2%
Sinopharm	4.5%
Total	26.5%

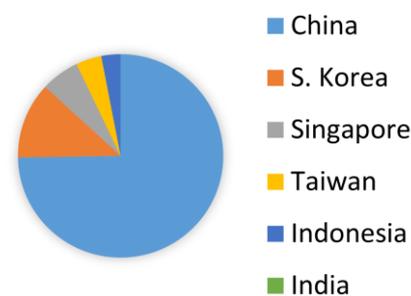
Industry breakdown

As of 31/05/2019

Consumer	19%
Info Tech	18%
Healthcare	18%
Financials	17%
Communi...	17%
Real Estate	8%
Industrials	1%

Geographic breakdown

As of 31/05/2019



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 1036 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 139.3 EUR 115.2
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

Disclaimers

According to Personuppgiftslagen (PUL): AGCM can use such personal data which has been given to the company by the registered person or which the company has sourced from other sources (name, e-mail and telephone number) to, via e-mail or telephone, give information about and market its products and services, including direct marketing. The personal data is used mainly in relation to people who orally or in written form have indicated interest to AGCM. If you want to receive information about which personal data about yourself the company is handling, you can in writing, signed by yourself, make a request to Asia Growth Capital Management AB, Birger Jarlsgatan 10, 5 tr, 114 34 Stockholm. You can also make a request in writing to the same address that you wish not to have your personal data used for purposes of direct marketing. Request for correction of personal data can also be made to the same address.

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.