AGCM Asia Growth Fund

ASIA GROWTH CAPITAL MANAGEMENT

September 2, 2019

First half 2019 reports broadly positive. China worries overdone.

During the month of August, the NAV of AGCM Asia Growth Fund RC SEK share class decreased by 0.4% and the WP EUR share class by 1.3%.

Investors' appetite for Asia was under pressure in August due to additional tariff announcements in the US-China trade dispute, large demonstrations in Hong Kong perhaps amplified by a general nervousness around the global economic outlook, particularly in Europe with Brexit and an Italian government crisis. Despite the headwind faced by some of its export sectors, China's economic growth is holding up well according to the latest statistics and economic indicators. Still, to be proactive and on the safe side, China's State Council on August 28, issued a wide-ranging economic stimulus package with 20 specified programs. The 20-point stimulus package includes promoting private consumption of household appliances, smartphones, autos, travel and entertainment. Other programs include accelerated investments in rural logistics infrastructure, transportation and services. Also, in late August, the central bank PBOC replaced its key benchmark lending rate for new loans with a lower, market-driven rate. The new benchmark will lead to a mild boost in the demand for credit. On Sunday September 1, the State Council reiterated it will increase counter-cyclical adjustments in economic policy, so stay tuned for more stimulus announcements.

Of more interest to us were the financial reports by our holdings for the second quarter. With only a few exceptions, it was very satisfactory reading with impressive results and inspiring outlooks. The positive impact on consumption by the tax cuts in China earlier this year are now clearly visible. The fund's largest holding Alibaba for example, reported revenue growth of +42% year-over-year and earnings growth of +49%. It is remarkable, that a great company like Alibaba has only half of the market capitalization compared to Amazon, despite Alibaba's larger profits, faster growth rate and longer runway. It illustrates what we come across often and call "the China discount".

The fund's Chinese healthcare holdings rallied in August on eased concerns of negative consequences from a centralized procurement policy. Also, several drugs produced by the pharmaceutical companies in the fund's portfolio were included for the first time in the newly revised 2019 NRDL (China's National Reimbursement Drug List), released in late August. The list identifies the drugs eligible for reimbursement by the Government's health insurance schemes. The second-quarter reports for the fund's healthcare holdings were mostly above expectations, with second-quarter revenue and earnings growth typically in the range of +20% to 30% year-over-year.

A major event in China was the maiden flight of a prototype of a newly developed Chinese aircraft. The company COMAC is developing a narrow-body aircraft called C919 comparable to the Airbus A320 and Boeing 737 Max. The fourth prototype of the COMAC C919 aircraft recently completed its first test flight from Shanghai. COMAC has received 1,000 orders for the C919, and the plane is scheduled to enter regular service in 2021. Most components will come from overseas suppliers, but over time it is likely that they will be replaced by domestic suppliers. We will be on the lookout for listed companies involved in the development of future COMAC aircraft. China's aviation industry is just one example of an industry where China wants to become more self-sufficient and a global player.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

August 2019

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/08/2019	1 month	YTD	1 year	2 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-0.4%	+23.4%	+0.1%	+19.6%	+52.8%
AGCM Asia Growth Fund WP EUR	-1.3%	+16.8%	+0.6%	+7.5%	n.a.

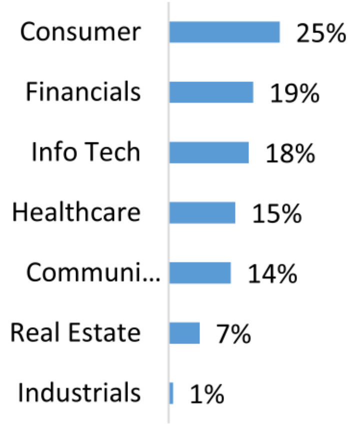
Top 5 holdings %

As of 31/08/2019

Company	Weight
Alibaba Group	8.4%
Samsung Electronics	7.8%
Tencent Holdings	5.2%
JD.com	5.1%
AIA Group	4.3%
Total	**30.8%**

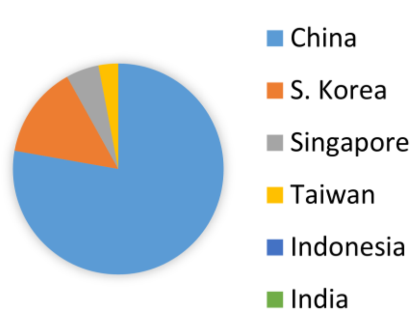
Industry breakdown

As of 31/08/2019



Geographic breakdown

As of 31/08/2019



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 1105 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 152.8 EUR 124.4
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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