

# AGCM Asia Growth Fund



October 2, 2019

## China doing much better than the US in the trade war

During the month of September, the NAV of AGCM Asia Growth Fund RC SEK share class increased by +0.2% and the WP EUR share class by +1.0%.

It seems like a fair share of Western financial media and market commentators have bought into the false Trump-Kudlow narrative that China is suffering hard from the US tariffs and that the US is doing much better than China. The latest economic data from both China and the US is just further proof that the situation is actually the reverse. Despite higher US tariffs, China's manufacturing sector is on the rise. China's NBS Manufacturing PMI rose to 49.8 in September, versus 49.5 in August. China's Caixin Manufacturing PMI, a survey conducted by a private institute, and which better reflects the situation in smaller and mid-sized private companies, rose to 51.4 in September. This is the highest reading since February 2018 and markedly higher than August's 50.4. For the US on the other hand, the manufacturing PMI number released yesterday by ISM, fell sharply to 47.8. It seems that Western observers have still not recognized China's giant 20-point stimulus package that was announced by the State Council in late August. This stimulus package is intended to ensure that China's economy continues to grow at the targeted 6% annually, driven by consumption of domestically produced goods and services, as well as accelerated infrastructure projects. We remain of the opinion that China's economy will do just fine and that Western investors should perhaps be more concerned about the vulnerable economies and political infighting in the US and Europe.

In mid-September, our largest holding Alibaba, held its annual investor conference in Hangzhou. A two-day exercise where the company displayed its huge ecommerce platforms which now serve over 860 million consumers. Alibaba is now the undisputed global leader in ecommerce having grown revenues by a factor of seven during the past five years. In terms of value of goods sold, Alibaba is now three times the size of Amazon. Alibaba communicated a target of no less than 1 billion buyers and 10 trillion Rmb (USD 1.4 trillion) in value of goods sold, by 2024. Ant Financial, its associated fintech company, is the world's leader in online payment services with 1.2 billion customers globally. Management discussed ambitious plans for wealth management, loan and insurance.

China continues to open up its markets to foreign companies. Early last year, China's central bank announced that it was opening the country's domestic market to foreign third-party electronic payment firms. US digital money transfer platform PayPal has obtained Beijing's approval to buy a controlling stake in a Gopay, a domestic payments platform, which will make PayPal the first foreign firm to enter China's payment services market. A move probably not only intended to promote competition in China, but also to make it more difficult for US authorities to deny Alibaba's Ant Financial and Tencent's Tenpay access to the US market in the future.

This week, China celebrates the 70<sup>th</sup> anniversary of the People's Republic of China, showcasing the progress that the country has made since 1949. As an example, Beijing's new USD 11 billion Daxing airport opened last week. The new airport will have an annual capacity of 100 million passengers when fully ramped up. It illustrates well a key component of China's economic growth strategy. Building airports and railroads creates jobs within construction, later leads to many years of high growth in the travel and tourism industry. Our funds are benefitting from this growth by investments in companies like Ctrip - China's leading online travel agent.

**Gustav Rhenman**, Chief Investment Officer

# AGCM Asia Growth Fund

Monthly Report

September 2019



ASIA GROWTH CAPITAL MANAGEMENT

## Performance

As of 30/09/2019	1 month	YTD	1 year	2 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+0.2%	+23.6%	+8.2%	+13.7%	+53.1%
AGCM Asia Growth Fund WP EUR	+1.0%	+18.1%	+5.6%	+5.2%	n.a.

## Top 5 holdings %

As of 30/09/2019

Company	Weight
Alibaba Group	8.2%
Tencent Holdings	7.5%
Samsung Electronics	6.5%
AIA Group	4.2%
Hangzhou Hikvision	4.0%
<b>Total</b>	<b>30.4%</b>

## Industry breakdown

As of 30/09/2019

Consumer	22%
Communi...	22%
Financials	19%
Info Tech	15%
Healthcare	13%
Real Estate	8%
Industrials	1%

## Geographic breakdown

As of 30/09/2019



## 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 1109 million
Number of holdings:	37
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 153.1 EUR 125.7
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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**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](http://www.agcm.se) before you make an investment. You can also request such information via e-mail to [info@agcm.se](mailto:info@agcm.se).