

# AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

November 4, 2019

## Big beat by our largest holding Alibaba. China launches mobile 5G.

During the month of October, the NAV of the AGCM Asia Growth Fund RC SEK share class increased by +3.3% and the WP EUR share class by +3.1%.

Most of our holdings have now reported for the third quarter and overall the growth outlook remains very solid. Our largest holding Alibaba, a good indicator of the health of the Chinese consumer, grew revenues by +40% year-over-year and net income by +288% GAAP (+40% non-GAAP, excluding equity gains), beating analysts' estimates by a wide margin on both top- and bottom lines. In contrast, Alibaba's US based peer Amazon, disappointed the market with an earnings decline of 26% in 3Q. Despite Amazon's substantially slower growth also in the longer term, its market valuation multiples are twice as high as for Alibaba. Why? Because global equity markets are still dominated by US and European investors who feel more comfortable investing at home where they better understand the market. We remain convinced that one day this will change, and many Asian quality companies will rerate. Meanwhile, our investment returns will be derived from attractive and competitive earnings growth.

Mobile 5G telecom services were officially launched in China on November 1. Analysts expect China to deploy another 800,000 5G base stations next year, covering all 290 prefectural cities. By 2025, China is expected to have close to 500 million subscribers on 5G and a global market share of over 35%. About ten different 5G handset models are already available on the market. The lowest-priced 5G plan is Rmb 128, offering 30% cheaper data rate and 5 times faster download speed compared with 4G. Mobile telecommunication now represents one more industry in the "Made in China 2025" program, where China belongs among the global leaders.

If all goes well, China and the US will meet in mid-November to sign what the White House calls "Phase One" of the long-awaited trade deal. The deal is said to include currency exchange rates, access to financial markets, intellectual property and technology transfer. Meanwhile, a survey by the US-China Business Council showed that intellectual property protection within China had improved by the greatest margin since 2011. China's willingness to cooperate may stem from the fact that Chinese patents last year accounted for 46% of global patent filings. A total of 1.5 million patents were filed in China, compared to close to 0.6 million in the United States and 0.2 million in the European patent office. Stronger intellectual property protection and other measures to level the playing field will probably be to China's own advantage. When it comes to US demands for access to China's financial markets, perhaps the US should be careful what it wishes for. China's Ant Financial now has 1.2 billion annual active users globally, of which 900 million in China. For Visa and American Express it may already be too late for credit cards in China, but Ant Financial and Tencent would love a reciprocal deal with access to the US digital payments market.

In another part of Asia, Singapore is increasingly looking to benefit from the unrest in Hong Kong. The city-state can attract capital thanks to its stable political and economic environment. Goldman Sachs analysts estimated in early October that as much as USD 3-4 billion had flowed to Singapore by the end of August. Confirming this trend is an up-tick in foreign currency deposits, as reported by the Monetary Authority of Singapore. The fund owns shares in two Singaporean banks with significant wealth management operations that we believe will benefit from the longer-term trend of Singapore gaining share in global wealth management.

**Gustav Rhenman**, Chief Investment Officer

# AGCM Asia Growth Fund

Monthly Report

October 2019



ASIA GROWTH CAPITAL MANAGEMENT

## Performance

As of 31/10/2019	1 month	YTD	1 year	2 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+3.3%	+27.7%	+26.5%	+10.3%	+58.1%
AGCM Asia Growth Fund WP EUR	+3.1%	+21.7%	+24.1%	+3.6%	n.a.

## Top 5 holdings %

As of 31/10/2019

Company	Weight
Alibaba Group	8.2%
Tencent Holdings	6.9%
Samsung Electronics	6.6%
Ctrip.com	5.6%
AIA Group	4.2%
<b>Total</b>	<b>31.5%</b>

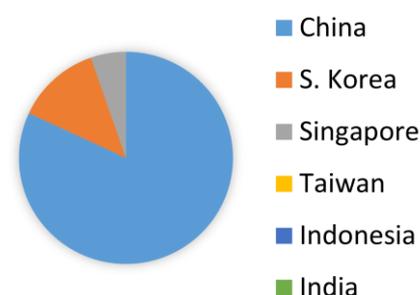
## Industry breakdown

As of 31/10/2019

Consumer	25%
Communi...	22%
Financials	20%
Info Tech	15%
Healthcare	12%
Real Estate	5%
Industrials	1%

## Geographic breakdown

As of 31/10/2019



## 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 1141 million
Number of holdings:	37
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 158.1 EUR 129.6
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

## Disclaimers

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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).