

AGCM China Stars 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 China Stars Fund RC1 SEK share class increased by +3.2%.

Most of our holdings have now reported for the third quarter and overall the growth outlook remains very solid. The fund's two large holdings in household appliances Haier and Midea, both reported strong quarterly results. The shares of both companies soared on the first trading day in November, so we got off to a good start of this month. Haier's leadership in the premium segment with its highly successful Casarte brand should benefit from the consumption upgrade trend, leading to higher average sales price and margin expansion. Haier is also the best among peers in terms of overseas expansion, with leading brands gaining shares in their respective geographies. We see good margin upside from synergies in procurement, product development and distribution.

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.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

October 2019



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Performance

As of 31/10/2019	1 month	YTD	1 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	+3.2%	+26.8%	+26.9%	+14.9%
AGCM China Stars Fund RC8 SEK	+3.3%	+27.4%	+27.6%	+16.9%
AGCM China Stars Fund RC9 SEK	+3.3%	+26.6%	+26.6%	+17.4%

Top 5 holdings

As of 31/10/2019

Company name
Alibaba Group
Haier Smart Home
Tencent Holding
Midea Group
Sinopharm

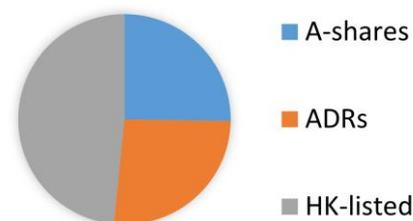
Industry breakdown

As of 31/10/2019

Consumer	35%
Financials	19%
Healthcare	18%
Communic...	15%
Real Estate	5%
Info Tech	4%
Industrials	3%

Market 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:	28-August-2017
Fund size:	SEK 205 million
Number of holdings:	32
Management fee (RC1):	1.35% + 10% perf. fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 114.9 (RC8) SEK 116.9 (RC9) SEK 117.4
Minimum subscription:	n.a.
ISIN code:	SEK RC1 LU 1608617111 SEK RC8 LU 1608617384 SEK RC9 LU 1608617467

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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 before you make an investment. You can also request such information via e-mail to info@agcm.se.