

AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

February 4, 2020

Coronavirus weigh on Chinese markets. Massive stimulus from Beijing.

During the month of January, the NAV of the AGCM China Stars Fund RC1 SEK share class decreased by -1.9%. New Year Celebrations were overshadowed by the coronavirus epidemic that started in Wuhan, the capital of Hubei province.

The number of confirmed coronavirus cases in China are now in excess of 20,000 and the number continues to grow. The actual number of cases is of course much larger since only the most severely ill patients turn up at the hospitals and there has been a shortage of diagnostic test kits in some hospitals. The good news is that the mortality rate is stable at around 2% which is lower than initially expected and much lower compared to SARS and MERS. According to a pathologist in Hong Kong we listened to today, Dr John Nicholls, this disease “is a bad cold that will burn itself out in 6 months”. According to this expert, coronaviruses do not like sunlight, heat or humidity, so by the end of summer, the virus is likely to have died out. But until then, investors will be focused on the negative economic impact the epidemic will have on the World’s second largest economy. The Chinese government has taken severe measures to contain the epidemic including locking down 12 entire cities in Hubei, where most of the province’s 60 million people live and work. Hubei is a relatively well-developed region with high-tech industries. Hubei accounts for about 4% of China’s economy, so the key question is for how long these cities will be locked down and if more cities in China will be affected by similar restrictions on movement. In addition to the local travel restrictions, some 40 airlines in 29 countries have suspended flights to the Chinese mainland so the travel industry will take a major hit in the first half of 2020.

The MSCI China index has fallen by 8 percent since its peak on January 17, so a large portion of the negative impact on China’s economy has already been priced in, but we do not believe we have seen the market bottom yet. We expect more negative market reactions as both government statistics, corporate reports and broker estimates will be presented in the coming weeks and months. We prefer to maintain a relatively defensive positioning in the fund.

On the positive side, Beijing recently announced a range of measures to boost the economy and counteract the negative impact of the epidemic. On February 3, when equity markets reopened after the lunar new year holidays, the PBOC injected 1.2 trillion yuan (USD 174 billion) in reverse repo operations. This massive injection of liquidity is only one of several measures announced by multiple authorities last weekend to shield the economy. There are limitations to what monetary policy can do to make up from the decreased economic activity in cities which are closed for business, but Beijing will use its entire toolbox to minimize the economic fallout. Xi Jinping and the Politburo know that the whole World is watching.

On January 15 in Washington, China and the US signed the first phase of a long-awaited trade deal. The deal will lead to an improvement in the large US trade deficit with China, at least for next two years. It also ensures stronger protection of IP in China, bans the use of technology transfer as a condition for market access. The most interesting part to us was chapter 4 on the financial services sector whereby the US and China agrees to a mutual opening up of its financial markets to each other. We see major opportunities for several of our holdings in the US markets for insurance, investment banking, commercial banking and payment services.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

January 2020



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Performance

As of 03/02/2020	1 month	1 year	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-1.9%	+13.1%	+5.1%	+19.0%
AGCM China Stars Fund RC8 SEK	-1.8%	+13.6%	+6.2%	+21.1%
AGCM China Stars Fund RC9 SEK	-1.9%	+13.3%	+5.6%	+22.0%

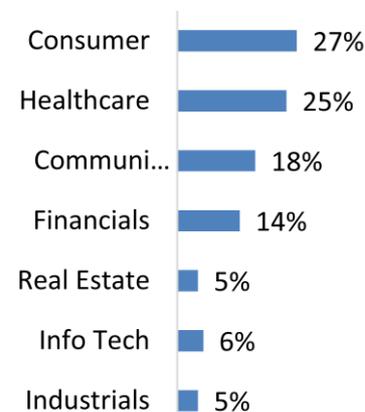
Top 5 holdings

As of 03/02/2020

Company name
Tencent Holdings
Alibaba Group
China Resources Pharma
Hangzhou Hikvision
Haier Smart Home

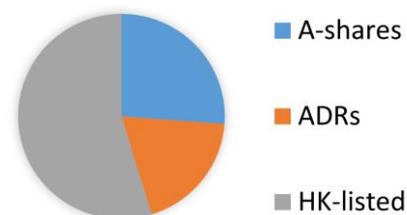
Industry breakdown

As of 03/02/2020



Market breakdown

As of 03/02/2020



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 251 million
Number of holdings:	32
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 119.0 (RC8) SEK 121.1 (RC9) SEK 122.0
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.