

# AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

March 2, 2020

## China is winning the virus battle but new epicenters develop

During the month of February, the NAV of the AGCM Asia Growth Fund RC SEK share class decreased by 1.3% and the WP EUR share class decreased by -0.6%.

On March 2, there were only 202 new corona cases in China but a total of 1309 new cases reported outside of China. While China seems to be highly successful in containing the epidemic, new worrying epicenters have developed mainly in Korea, Iran and Italy. The global epidemic enters a second wave, as infected cases no longer had exposure to China-related travelers, but rather from secondary transmissions in other countries, making it even harder to trace the transmission routes and control effectively. On the positive side, China's leadership has shown that it is possible to control even a large outbreak of this virus. With the exception of Wuhan and a handful of other cities in the Hubei province, life in China is getting back to normal. It is also positive that new case additions in countries like Singapore, Taiwan and Thailand are looking less worrisome, and people there seem less concerned about the virus now than two weeks ago.

On the corporate front, some of our largest holdings have reported financial results for Q4 2019. Alibaba reported revenues up +38% year-on-year for the December 2019 quarter and operating profit growth of +48%. E-commerce penetration in lower tier cities and among less tech-savvy users increased through a variety of initiatives but also as a consequence of consumers preferring to shop from home because of fear of the disease. The number of monthly active users on Alibaba's platform grew +18% to 824 million compared to the same period last year. The company was particularly strong in overseas markets, where Alibaba is promoting its e-commerce platforms AliExpress, Lazada across South-East Asia, Europe and the Americas. Alibaba's management told us in the earnings call that while the company sees a notable impact from the coronavirus epidemic, markets outside of Hubei province were already on a path to recovery.

Baidu's fourth quarter 2019 revenue growth accelerated for the first time in almost two years. There are signs that the online advertising cycle has turned up again and ad prices increased sequentially throughout the quarter with particular strength among e-commerce and gaming clients. The operating margin for Baidu's core business rose to 32% as the company imposed strong cost discipline. The company is guiding for the recovery to continue as the coronavirus epidemic in China slows. Baidu's listed subsidiary iQiyi, a Chinese version of Netflix, reached 107 million subscribers, an increase by 22% year over year.

Internet gaming company NetEase also reported a decent fourth quarter result. Like-for-like revenue growth of 9.2% YoY is likely to have accelerated during the coronavirus epidemic, as gamers resorted to playing online games during their home quarantines. China's Amazon-like ecommerce platform JD.com just came out with a very strong report, with revenues growing at 25% in 2019 and adjusted net profit up 211% compared with a year ago. Its annual active users grew 19% to 362 million, posting the highest growth rate in six quarters. JD is guiding for 10% revenue growth for 1Q in 2020, as its self-controlling delivery network continues to operate during the virus outbreak.

We maintain a fairly defensive positioning in the fund as we see further risks of market turbulence ahead.

**Gustav Rhenman**, Chief Investment Officer

# AGCM Asia Growth Fund

Monthly Report

February 2020



ASIA GROWTH CAPITAL MANAGEMENT

## Performance

| As of 29/02/2020             | 1 month | YTD   | 1 year | 5 year | Since launch<br>Oct 3, 2014 |
|------------------------------|---------|-------|--------|--------|-----------------------------|
| AGCM Asia Growth Fund RC SEK | -1.3%   | -0.9% | +12.1% | +43.2% | +66.9%                      |
| AGCM Asia Growth Fund WP EUR | -0.6%   | -1.4% | +11.6% | +32.7% | n.a.                        |

## Top 5 holdings %

As of 29/02/2020

| Company             | Weight       |
|---------------------|--------------|
| Tencent Holdings    | 8.5%         |
| Alibaba Group       | 6.3%         |
| Singapore Telecom   | 4.4%         |
| SK Telecom          | 3.9%         |
| Samsung Electronics | 3.7%         |
| <b>Total</b>        | <b>26.8%</b> |

## Industry breakdown

As of 29/02/2020

|             |     |
|-------------|-----|
| Communi...  | 34% |
| Financials  | 20% |
| Consumer    | 15% |
| Healthcare  | 13% |
| Info Tech   | 11% |
| Real Estate | 6%  |
| Industrials | 1%  |

## Geographic breakdown

As of 29/02/2020



## 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:          | 03-Oct-2014                                  |
| Fund size:               | SEK 1190 million                             |
| Number of holdings:      | 35   |
| Management fee (RC):     | 1.85%  |
| Fund management Company: | FundRock Management Company S.A.             |
| NAV:                     | SEK 166.9<br>EUR 137.8                       |
| Minimum subscription:    | n.a.   |
| ISIN code:               | SEK RC LU 1091660909<br>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).