

AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

June 3, 2020

Stimulus worth 4 trillion yuan and 10,000 new companies per day

During the month of May, the NAV of the AGCM China Stars Fund RC1 SEK share class decreased by -4.4%. Increased tensions between the US and China, most recently on the issues of Hong Kong politics and China's handling of Covid-19, turned the Hang Seng into Asia's worst performing index in May. Last weekend, international media's center of attention shifted away from Hong Kong to the riots in the US and the Hang Seng index rallied sharply during the first days of June, making up for the decline in May.

Despite China's remarkably rapid economic recovery, more economic stimulus is underway. On the final day of the National People's Congress (NPC) last Thursday, Premier Li Keqiang announced a stimulus package worth CNY 4 trillion (USD 560 billion) in 2020 for the country's manufacturers and merchants. This huge program is similar in magnitude to the giant stimulus package in 2009 during the Global Financial Crisis and has received surprisingly little attention in the West. Since China is the single most important contributor to global economic growth, this topic should be of more interest to the Western financial community. The new support program includes tax exemptions, lower interest rates, waived contributions to social welfare funds and reduced price on electricity. This package will be carried out on top of CNY 2 trillion in additional fiscal spending.

Premier Li Keqiang also said China will introduce an aid package with the target to facilitate a net increase of 10,000 new companies per day this year as well as support existing small companies struggling after the pandemic. China's central bank recently introduced two new policy tools that will provide CNY 1 trillion (USD 140 billion) in new loans for small enterprises. To be eligible for these policies, companies only need to maintain stable employment. Separately, President Xi Jinping said China will scrap the economic growth target for 2020 and instead focus on poverty reduction and jobs. President Xi said that by year-end, poverty will be eradicated in China. The government expects to an urban unemployment rate of around 6.0% this year, up from around 5.5% in 2019.

From the fund holdings, mostly good news. Tencent reported a strong first quarter, with overall revenues increasing +26% year-on-year. The online gaming segment was particularly strong with revenues +64% year-on-year as Chinese citizens turned to mobile games during the lock-downs. The advertising segment grew +32% year-on-year as the WeChat platform increased the number ads that it is showing to users. The payments business lagged with only +22% y-o-y growth, but mobile payments are picking up now that most of the lock-downs have ended.

China's leading investment bank CICC performed well throughout the pandemic. Recurring net profit grew +18% year-on-year, driven by strong investment banking fees. CICC has become the leader in underwriting IPOs on China's new STAR board for technology companies. Brokerage commissions rose strongly along with higher trading volumes. CICC will benefit from the relisting of Chinese American Depositary Receipts (ADRs) in Hong Kong.

JD.com continues to outperform the broader market. The e-commerce operator has been a key beneficiary of the social distancing protocols implemented in China. Its world-class logistics network has operated at almost full capacity throughout the pandemic. First quarter 2020 results beat expectations and the company guides for 20-30% year-on-year revenue growth in 2Q. We look forward to JD's secondary listing in Hong Kong, scheduled for June 18.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

May 2020



Performance

As of 31/05/2020	1 month	YTD	1 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-4.4%	-10.8%	+1.7%	+8.2%
AGCM China Stars Fund RC8 SEK	-4.4%	-10.6%	+2.2%	+10.3%
AGCM China Stars Fund RC9 SEK	-4.4%	-10.8%	+1.9%	+10.9%

Top 5 holdings

As of 31/05/2020

Company name
Alibaba Group
Tencent Holdings
Midea Group
JD.com
Haier Smart Home

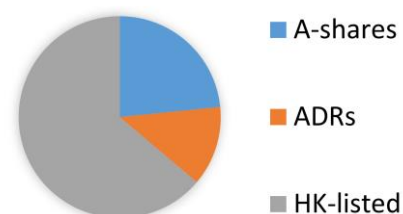
Industry breakdown

As of 31/05/2020

Consumer	30%
Healthcare	21%
Communic...	21%
Financials	16%
Info Tech	4%
Real Estate	4%
Industrials	3%

Market breakdown

As of 31/05/2020



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 190 million
Number of holdings:	29
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 108.2 (RC8) SEK 110.3 (RC9) SEK 110.9
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.