

# AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

July 2, 2020

## China leads the recovery, economy expected to grow in 2020

During the month of June, the NAV of the AGCM China Stars Fund RC1 SEK share class increased by +6.9%. Chinese equity markets defied the increased tensions between the US and China on a range of issues, and both Hong Kong and China's mainland A-share markets in Shanghai and Shenzhen gained during June, as investors became more sanguine on the reopening theme.

Some of the most noteworthy news from our fund holdings include Hong Kong based Asian insurance giant AIA Group's major step towards a full China expansion after it received regulatory approval to open a wholly owned Chinese subsidiary. Now AIA can seek licenses in all Chinese provinces and when obtained, AIA's addressable market will increase from today's 33% of China's economy to 100%. We will be following this development closely.

The US-listed Chinese e-commerce giant JD.com and gaming operator NetEase successfully concluded secondary listings in Hong Kong. These secondary listings are driven both by US and Chinese interests and tend to be very positive for valuations since Chinese investors have first-hand experience of these household names and have until now not been able to invest in them. The retail tranches of NetEase and JD.com in Hong Kong were oversubscribed by 361x and 179x respectively. The shares traded up significantly both before and after the secondary listings, contributing positively to the performance of the fund.

Telecom operator China Mobile reported it had signed up 56 million 5G subscribers by the end of May. The trend towards 5G is likely to lead to an acceleration in revenue growth for the Chinese telecom operators, as the average revenue per subscriber for 5G plans are higher than for their overall businesses. Capital expenditures have stayed elevated for the past 12 months and the operators are finally starting to get repaid on their 5G investments.

China's real estate sector has turned around with a major improvement in sales and new construction starts since April. China's leading investment bank CICC, estimates that the real estate investments will increase by 5% YoY in 2020, impressive considering the 0.3% decline in Jan-May 2020. With sector valuation and investor exposure low at this point, we see potential for a sector valuation rebound. The A-share real estate stocks we monitor are trading at 6.5x 2020e P/E, and dividend yields average 5.9%. During the month of May, we added to the sector exposure.

In June, IMF presented its latest forecast for the World economy, projecting a +1% full-year 2020 GDP growth rate for China, a stark difference to the US economy which IMF expects to contract by -8.0% and the Euro zone to contract by -10.2%. A leading Chinese investment bank which historically has been much better than the IMF at projecting Chinese economic growth, actually projects a 3% full-year 2020 GDP growth rate for China. It remains a mystery to us that Western investors in general have such high allocations to the expensive and vulnerable Western equity markets and so little in North Asia where growth is substantially higher and equity valuations a lot cheaper.

So as we progress into the second half of 2020, we believe investors will wake up to fact that the gap between the economic growth in China compared to developed markets will be huge in China's favor and that should favor international investor appetite for Chinese equities and help lift prices higher from the current low levels.

**Gustav Rhenman**, Chief Investment Officer

# AGCM China Stars Fund

Monthly Report

June 2020



ASIA GROWTH CAPITAL MANAGEMENT

## Performance

As of 30/06/2020	1 month	YTD	1 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	+6.9%	-4.6%	+6.3%	+15.7%
AGCM China Stars Fund RC8 SEK	+7.0%	-4.3%	+6.8%	+18.0%
AGCM China Stars Fund RC9 SEK	+7.1%	-4.5%	+6.8%	+18.7%

## Top 5 holdings

As of 30/06/2020

Company name
Alibaba Group
Baidu Inc
Midea Group
Haier Smart Home
Sinopharm

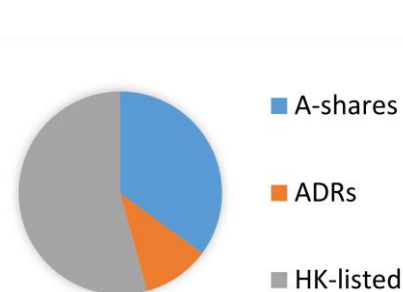
## Industry breakdown

As of 30/06/2020

Consumer	25%
Healthcare	23%
Communic...	18%
Financials	16%
Real Estate	10%
Info Tech	5%
Industrials	3%

## Market breakdown

As of 30/06/2020



## 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 192 million
Number of holdings:	30
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 115.7 (RC8) SEK 118.0 (RC9) SEK 118.7
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](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).