

# AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

December 1, 2020

## The economic recovery in Asia continues

During the month of November, the NAV of the AGCM China Stars Fund RC1 SEK share class increased by +0.3%. We had a bit of a currency headwind with the SEK gaining almost 4% against the Hong Kong Dollar in November.

It is remarkable how totally wrong the bearish predictions on China have been over the past decade. The most recent scare story on China relates to the corporate bond market, which in our view is much healthier than in the Western world. The fact that Chinese authorities have allowed defaults is a sign of health, quite different to the situation in the West where Central Banks are forced into bailouts, in some cases breaching their own statutes.

In contrast with gloomy predictions made by Western analysts early this year for China, that Covid-19 would trigger economic disaster, a tumbling currency and the collapse of the Communist Party, precisely the opposite happened. China is the only major economy this year to grow, the Chinese leaders are as popular as ever, and the renminbi is up 6% against the USD this year. The latest data on foreign direct investments contradict another old bear prediction, namely that China's role as the factory of the World is over. China's share of annualized world exports has risen from a recent low of 12.9% in February 2019 to a new record high of 14.2% in August 2020. This year, China's retail sales is expected to overtake the United States for the first time to become the top consumer goods market which last year amounted to USD 6.2 trillion.

The Asian equity markets followed the same pattern as other major markets in November with an increased appetite for energy, financials and industrials, while technology, communication services and consumer related stocks underperformed.

On the corporate front, Chinese home appliance giant Midea showed a very strong recovery in the third quarter of 2020, with revenues up +16% compared to the same quarter last year. Midea's strong online exposure has helped drive market share gains during Covid.

Search engine operator Baidu continues on a recovery path. The online advertising market was relatively weak during Covid, but Baidu is now guiding for positive revenue growth in the fourth quarter of 2020. The operating margin in what is predominantly search engine business is now 35%, implying strong profitability in the advertising business. In addition, Baidu is exploring a sale of its loss-making video service iQiyi ("the Netflix of China"), a transaction that would make the value of Baidu's two main businesses more easy for investors to see.

Early in November, the IPO of Alibaba associate Ant Financial was delayed by the regulator which had concerns that Ant did not have enough skin in the game in its consumer lending business. Ant's partner banks took almost the entire credit risk with only 2% of Ant Group's Rmb 2.15 trillion of extended credit funded with its own money and the rest funded by partner banks or asset-backed securities. This is one more example of how Chinese financial regulators address issues early and proactively. We expect a new attempt to list Ant in the coming year.

**Gustav Rhenman**, Chief Investment Officer

# AGCM China Stars Fund

Monthly Report

November 2020



ASIA GROWTH CAPITAL MANAGEMENT

## Performance

| As of 30/11/2020              | 1 month | YTD   | 1 year | Since launch<br>August 28, 2017 |
|-------------------------------|---------|-------|--------|---------------------------------|
| AGCM China Stars Fund RC1 SEK | +0.3%   | +4.2% | +9.2%  | +26.3%                          |
| AGCM China Stars Fund RC8 SEK | +0.3%   | +4.7% | +9.7%  | +29.1%                          |
| AGCM China Stars Fund RC9 SEK | +0.3%   | +4.7% | +10.2% | +30.1%                          |

## Top 5 holdings

As of 30/11/2020

| Company name      |
|-------------------|
| Tencent Holdings  |
| Alibaba Group     |
| COLI              |
| Midea Group       |
| Ping An Insurance |

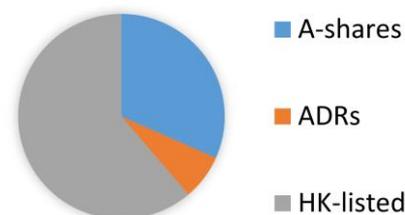
## Industry breakdown

As of 30/11/2020

|             |     |
|-------------|-----|
| Communi...  | 22% |
| Consumer    | 19% |
| Financials  | 19% |
| Real Estate | 17% |
| Healthcare  | 17% |
| Info Tech   | 3%  |
| Industrials | 1%  |

## Market breakdown

As of 30/11/2020



## 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 180 million   |
| Number of holdings:      | 30  |
| Management fee (RC1):    | 1.35% + 10% perf. Fee   |
| Fund management Company: | FundRock Management Company S.A.  |
| NAV:                     | (RC1) SEK 126.3<br>(RC8) SEK 129.1<br>(RC9) SEK 130.1                   |
| Minimum subscription:    | n.a.  |
| ISIN code:               | SEK RC1 LU 1608617111<br>SEK RC8 LU 1608617384<br>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).