

# AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

November 2, 2021

## Strong Q3 corporate reports and weak sentiment seems to be turning

During the month of October, the NAV of AGCM China Stars Fund RC1 SEK share class decreased by -2.3%. US and European equity markets outperformed most Asian indices in October. Chinese markets continued sideways as investors worried about China's real estate market, growth and policies.

On the bright side, our portfolio holdings have reported mostly strong financial reports for the third quarter. For example, China's telecom operators are rolling out 5G networks while subscribers are using more and more data. China Mobile, the World's largest operator, reported it now has 956 million subscribers. Revenues for the first nine months reached 647 billion RMB, an increase of +13% compared to last year, while net income grew by +7%. China Mobile's stock now trades at 7x current year earnings, has a huge net cash position and pays a 7% dividend yield. A mainland China A-share listing is underway, meaning a larger Chinese investor base and probably a rerating.

China's investment banks are also booming, riding on the wave of capital market transactions and a growing wealth management business. The country's leading investment bank CICC reported earnings growth of 60% for the first 9 months of 2021. In the healthcare sector, pharmaceutical distributor Shanghai Pharma reported steady growth and improving margins. For the first 9 months, revenues have increased by +15% to 161 billion RMB and net earnings are up +24%. Home appliance giants Haier and Midea reported strong revenue growth and rising margins.

The Chinese economy expanded 4.9% year-on-year in 3Q 2021, and the IMF projects 8.0% growth for the full year. Impressive, considering the power shortages, supply chain bottlenecks and some local covid-flares. The absence of major stimulus measures from Beijing confirms that the leadership is satisfied with the current growth rate. China noted another record trade surplus in October. During the first 9 months of 2021 it reached USD 429 billion, an increase of +36% compared to the same period of 2020. These large and persistent trade surpluses lead to upward pressure on China's currency over the longer term. RMB appreciation adds to the investment returns measured in foreign currency terms.

In mid-November, China's USD 13 trillion capital market gets its third stock exchange. When the new Beijing Stock Exchange opens, 82 companies in the first batch of listings will start trading simultaneously. The Beijing exchange will mainly suit smaller companies in advanced manufacturing and service industries. The new exchange will be fast and efficient, handling applications within 20 working days.

Xi Jinping is not back-peddling on capitalism or market economy principles. Recent regulation in China is not about a "crackdown" on entrepreneurs or the private sector, it is about protecting consumers, preventing monopolies and building a harmonious society. On measures such as taxes and wealth distribution, China is actually more capitalistic than most nations in Europe. The vital role of the private sector for economic growth is well recognized by China's leaders. Today, the private sector accounts for 60% of China's economy, 70% of innovation, 80% of urban employment and 90% of new job creation. The private sector is growing its share of the economy, not shrinking. It has been a rough period for China-focused investors, but we see great potential from here. When US-based hedge funds claimed Evergrande was China's Lehman moment, then we knew the sentiment should improve soon.

**Gustav Rhenman**, Chief Investment Officer

# AGCM China Stars Fund

Monthly Report

October 2021



## Performance

As of 31/10/2021	1 month	YTD	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-2.3%	-2.1%	+5.3%	+21.1%
AGCM China Stars Fund RC8 SEK	-2.2%	-1.6%	+6.3%	+24.4%
AGCM China Stars Fund RC9 SEK	-2.3%	-2.2%	+5.7%	+24.2%

## Top 5 holdings

As of 31/10/2021

Company name
Alibaba Group
COLI
Tencent
China Mobile
Midea Group

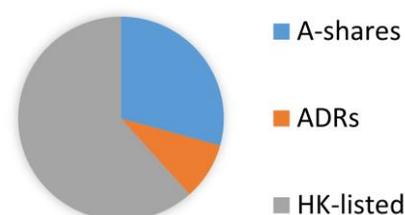
## Industry breakdown

As of 31/10/2021

Consumer	23%
Communi...	22%
Financials	22%
Real Estate	16%
Healthcare	14%
Info Tech	1%
Industrials	1%

## Market breakdown

As of 31/10/2021



## 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 150 million
Number of holdings:	33
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 121.1 (RC8) SEK 124.4 (RC9) SEK 124.2
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).