

AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

August 2, 2022

Equity markets and economic fundamentals go in opposite directions

During the month of July, the NAV of AGCM Asia Growth Fund RC SEK decreased by -6.2% and the WP EUR share class by -3.2%. Whereas Western equity markets had a very strong month in July, markets in Hong Kong and mainland China were down sharply. Contributing factors include renewed concerns around China's economy and Covid policy, as well as geopolitical tensions following measures by the US to restrict Chinese access to advanced technology. Tensions around a planned visit by senior US officials to Taiwan added to the selling pressure.

Economic fundamentals however tell a totally different story. In China, inflation remains low and stable. Even though its 5.5% growth target will not be reached this year, growth remains impressive given the drag from its zero-Covid strategy. Should China's leaders be seriously concerned about the economic growth rate, additional policy support would be forthcoming. But because China's leaders are more focused on long term growth and stability, it can pursue more responsible economic policies than those commonly pursued in the West where politicians look only as far as to the next election. In the EU and the US, central banks have painted themselves into a corner, now having to tighten monetary policies just as many countries are headed for recession. High inflation, rising interest rates and in the US case, a strong currency, does not bode well for corporate earnings.

On July 29th, China's Politburo released a statement detailing its most recent policies. The government aims to achieve "the best outcome possible" for the economy with "macro policies focusing on boosting demand". The statement infers further credit easing in the autumn, up from the already high 10.8% YoY growth in the first half of 2022. The Politburo's statement mentioned a heightened focus on containing financial risks and included pledges to "stabilize the property market", "ensure delivery of housing", and "resolve risks of local banks".

Comparing to a Politburo statement in April, there are a few nuances worth noting. The recent statement said China will stick to its zero-Covid strategy but this time adding "need to look at the relationship between virus prevention and economic growth" and "must ensure key functions of the economy and society". We believe China will over time soften its stance on Covid suppression, as public opposition to harsh lockdowns grows and vaccination protection increases. It is a process for a nation with a 1.4 billion population, but also for its leaders.

Chinese exports are holding up well, rising by +18% YoY in June. Exports are now up +14% YoY in the first six months of 2022. Chinese factory owners have managed to work around the Covid restrictions via pragmatic arrangements asking workers to sleep at the workplace or telling them to only come in if they test negative in the morning.

E-commerce giant Alibaba's share price took another beating on renewed fears that its US ADR listing is at risk. Under a US law passed in 2020, foreign companies may be delisted if they fail to submit their audit papers to a US accounting oversight body for three consecutive years. The more important news, implications of which many investors seem to have overlooked, is that Alibaba in late July decided to apply for a primary listing on the Hong Kong stock exchange, where it currently only has a secondary listing. A primary listing in Hong Kong will make Alibaba eligible for the Hong Kong- Shanghai stock connect through which hundreds of millions of mainland Chinese investors can then easily buy Alibaba shares. This important fact has yet to be more widely understood by investors.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

July 2022



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/07/2022	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-6.2%	-1.5%	+8.2%	+32.6%	+74.1%
AGCM Asia Growth Fund WP EUR	-3.2%	-1.7%	+8.6%	+27.8%	n.a.

Top 5 holdings %

As of 31/07/2022

Company	Weight
Samsung Electronics	7.0%
Alibaba Group	6.1%
China Mobile	5.4%
Tencent Holdings	4.9%
China Resources Land	3.8%
Total	27.2%

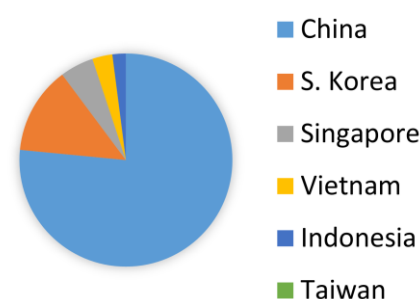
Industry breakdown

As of 31/07/2022

Financials	34%
Consumer	17%
Communi...	17%
Real Estate	11%
Healthcare	11%
Info Tech	9%

Geographic breakdown

As of 31/07/2022



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 890 million
Number of holdings:	42
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 174.1 EUR 150.7
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 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 before you make an investment. You can also request such information via e-mail to info@agcm.se.