AGCM Asia Growth Fund

December 2, 2022

Xi Jinping means business. The economy remains China's top priority.

During the month of November, the NAV of AGCM Asia Growth Fund RC SEK increased by +18.3% and the WP EUR share class by +17.9%.

Several factors contributed to the strong development in November.

First, even though China's Covid policies will take time to change because the country is so large, there are now many examples of Covid restrictions lifted or eased. Crowds of protesters in cities around China have made it clear to the central government that it needs to get ahead of the development and adapt the policies before the protests get out of hand. Investors are now betting that China's costly zero-Covid strategy will be gradually abandoned, as it has been in Hong Kong.

Second, additional rounds of financial support to China's real estate sector were announced in November. Already implemented support measures such as the government guaranteed corporate bond programs for qualified developers, have been successful. This was confirmed to us during meetings in Hong Kong last week with two of the nation's largest developers, COLI and China Resources Land. Also, the central bank, the PBoC, introduced a program whereby China's largest banks received close to USD 200 billion in basically free funding earmarked for loans to qualified property developers. This is good news both for the large banks as well as developers, and the measures have calmed investors who were concerned that the real estate sector could cause a financial crisis.

Third, the tensions around Taiwan which followed Nancy Pelosi's visit this summer, have subsided. China has chosen not to retaliate for the new restrictions by the US on exports of certain semiconductors to China. The meeting between Biden and Xi at the G20 meeting in Indonesia helped to ease investor concerns of escalating tensions between the two countries. After the Party Congress in late October, Xi Jinping went on a public relations tour to several countries to promote trade and attract more foreign direct investments into China, especially in the manufacturing sector. In this respect, it is worth noting that the US only accounts for 10% of global capital expenditures in the manufacturing sector, Europe another 10%, while China already accounts for over 60%. Some manufacturing has moved out of China, but that is more than compensated for by the colossal investments in high-end manufacturing.

Fourth, as investors have had some time to analyze China's new leadership that was presented in late October, they may have discovered that eight of the thirteen newly appointed members of the powerful Politburo, are people with impressive backgrounds in technology, business and economics. Now, the party's top seven leaders, the standing committee, are dominated by MBAs, engineers and one PhD in economics. Their backgrounds show that Xi Jinping means business in a double sense. As Xi mentioned several times in his two-hour speech at the party congress, economic development is the nation's number one priority. A strong economy is the key to solving all of China's problems. Fears expressed by western financial media that Xi Jinping was a threat to private companies and entrepreneurs, have eased.

Fifth, a large portion of the most influential global investment banks have now turned outright bullish on Chinese equities, recommending their clients to invest in China. That includes Morgan Stanley, JP Morgan, Citibank and Goldman Sachs. The influence of these brokers and asset managers on investor views and fund flows are noticeable.

The South Korean equity markets also recovered in November, with the KOSPI Index up 8% in local currency, or +12% in SEK terms. Bank of Korea raised interest rates by 25 bps taking the benchmark rate to 3.25%. The central bank Governor Rhee Chong-yong said the central bank is ready to readjust the pace of its policy tightening in response to the macro slowdown and property market conditions. The finance ministry said that the government will accelerate the purchases of corporate bonds and commercial papers to ease liquidity concerns in the short-term money markets. Inflation in Korea came in at 5% in November rising at the slowest pace since April. This allows policy makers more flexibility to engineer a soft landing in the property market.

One of Singapore's top three banks, UOB, announced in the beginning of the year that it would acquire the consumer businesses of Citigroup in Indonesia, Malaysia, Thailand and Vietnam with a customer base of 2.4 million, 5 000 employees and a net asset value of SGD 4.0 billion. The acquisition will further strengthen UOB's ASEAN franchise and will fit well into the group's strategic priorities to connect customers seamlessly across the region and provide financial services through an omni-channel approach as customers move up the wealth continuum. The acquisition is expected to double UOB's existing retail customer base in the four markets and accelerate the platform five years ahead of time. The acquisitions in Malaysia and Thailand have now been completed and the acquisitions in Indonesia and Vietnam are expected to be finalized in 2023.

Indonesia's economy is thriving, both from strong domestic demand but also from exports. Indonesia has successfully capitalized on the increased demand for nickel from the electrical vehicle ("EV") industry by stepping up nickel processing and thereby capturing a larger share of the value chain. The structural change has had a large impact on the current account which has now turned positive. The country is investing heavily into environmentally friendly minerals processing with its first green industrial park on the island of Borneo. The industrial park will be the largest in the world with a total area of 16 000 ha and is planned to be powered by hydro energy. The domestic mining company Adaro is building an aluminum smelter in the area and is seeking to form partnerships with major global players in the EV value chain. The objective is to develop the park into a hub for batteries for the EV industry. Government debt is low at 14% of GDP, down by 4 percentage points since 2021. Total external debt is also on a marked downtrend from 35% in 2021 to currently 30%. Demand for bank loans is picking up further driven by working capital and capex spending by industry as well as consumption. Bank of Indonesia expects loan growth of 10-12% in 2023.

Vietnam's equity markets stabilized in November, with the Ho Chi Minh Index edging up 2% in local currency, or staying flat in SEK terms. Vinhomes, the largest real estate developer in Vietnam, rebounded 21% in local currency, after the Vietnamese government took a series of steps to restore the confidence in the property market. The property market has been weak after a policy-driven tightening in the corporate bond market, and rising rates added to the market weakness. The government has set up a team of ministerial-level officials to revive the property sector, and it seems that credit restrictions will be eased. The demand for new housing units in Vietnam remains quite strong and prices are still highly affordable. Vietnam's GDP is well on track to grow by 8% in 2022 and around 6% in 2023, while corporate earnings are projected to grow by around 20% this year and next. The price-to-earnings ratio for the Vietnamese index has plunged from 17 times to right now 9 times, near record lows.

Gustav Rhenman
Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

November 2022

Performance

As of 30/11/2022	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+18.3%	+5.2%	+5.4%	+27.9%	+86.0%
AGCM Asia Growth Fund WP EUR	+17.9%	-0.2%	+0.8%	+22.6%	n.a.

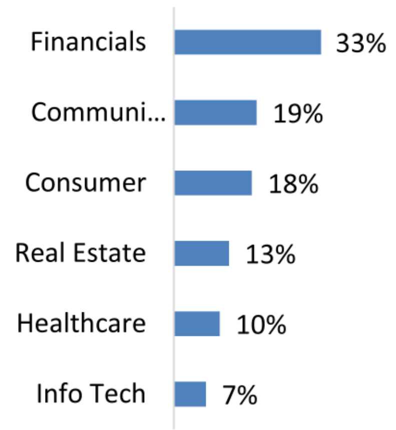
Top 5 holdings %

As of 30/11/2022

Company	Weight
Alibaba Group	6.8%
China Mobile	5.3%
China Resources Land	4.9%
Ping An Insurance	4.5%
Tencent Holdings	4.4%
Total	**25.9%**

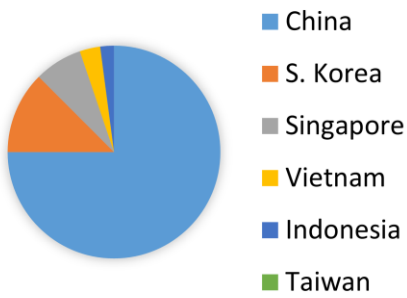
Industry breakdown

As of 30/11/2022



Geographic breakdown

As of 30/11/2022



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 803 million
Number of holdings:	42
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 186.0 EUR 153.1
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143