

AGCM Asia Growth Fund



March 2, 2024

Year of the Dragon kicks off with a travel boom and market recovery

During the month of February, the NAV of AGCM Asia Growth Fund RC SEK increased by +5.4% and the WP EUR share class by +5.8%.

In February, China celebrated the lunar new year and the arrival of the year of the Dragon. It is normally a time of intense travelling to meet family and friends but this year broke previous records with nine billion trips on planes and trains over the holiday. During the pandemic, the Chinese built up an enormous appetite for travel, as well as huge savings. Household savings have now grown to around CNY 140 trillion (USD 20 trillion). Consequently, the travel industry is soaring. China's leading online travel agency Trip.com recently reported revenues in 2023 increased by +122% compared to previous year and with a 25% net profit margin. The company has grown to become one of our largest and best performing holdings in our funds.

The stock market intervention set in motion by China's newly installed Central Financial Commission (CFC) is already noticeable. Both the MSCI China index and the mainland A-share markets have been on an uptrend since the announcement on January 22. The sustainability of such an intervention has been questioned by Western observers but China's State Council has publicly stressed that this program to stabilize equity markets is intended for the medium- and long term and is not to be viewed as a short-term fix. To Westerners, this intervention may seem odd but also the governments in Japan, South Korea and India are pushing their respective equity markets in different ways. For China, the main objective now is to boost the consumer sentiment via the wealth effect from rising equity markets, whereas for Japan and South Korea it is more about pension systems. China's CFC oversees assets worth USD 55 trillion, more than five times the size of China's equity markets, and it is not difficult to reallocate some of these assets into equity markets. Just one of many tools and which alone may suffice is the new individual pension system (IPS). Over 50 million employees are now using the possibility to save up to 12,000 RMB per person per year, into a pension account with tax benefits. The IPS will this year be rolled out nationwide. Every 100 million people in the IPS could by our estimates result in fund flows to equity markets corresponding to around 0.7% of China's total market capitalization. In other words, a highly significant long-term driver of China's equity markets.

On two occasions in February, financial news network CNBC, which claims to have 350 million viewers, requested live interviews with AGCM. They wanted to hear our view on China's economy, equity markets and top investment ideas. It remains unclear how CNBC found AGCM, but we would like to think they have noticed that among all China funds, AGCM China Stars Fund is among the top 1% best performing funds over three years, according to Bloomberg. A perhaps better method for journalists to learn what is really going on in China's economy would be to study the Central Economic Work Conference's priorities for the economy. Among the present top five priorities, number one on the official list is to expand domestic consumption. The second priority is to accelerate the investments in high-technology industries to become self-sufficient and less vulnerable to foreign export restrictions. Third, to promote the growth of the private sector and ensure a level competitive playing field with any state-owned competitors. Around 80% of all companies in China are private and they account for 90% of new jobs created. The fourth priority is to prevent financial risks building up in China's financial system. The fifth priority is to attract more foreign companies to China and encourage Chinese companies to expand abroad. Practically all economic policy initiatives in China are aimed at reaching the objectives of the Central Economic Work Conference. China's leaders have an impressive track record of delivering on economic agendas, so they are worth taking seriously.

South Korea

The South Korean market has rallied over the past month amid the expectation of the corporate "Value Up" program, which is aimed at resolving the country's undervaluation of stock prices, or the so-called "Korea discount" of local shares. The Korean financial regulator announced the basic guidelines in February, which includes encouraging listed firms to boost their value and creating a related index and exchange-traded fund (ETF). Companies with management practices that prioritize shareholder returns will be given tax benefits and other incentives under the program, but it will be run on a voluntary basis. The voluntary component was met with a degree of disappointment by investors with concerns about the level of adoption of this program. The country will also introduce the "Korea Value-up Index" in the third quarter, composed of best-practicing companies, which will be used by pension funds and other institutional investors as a benchmark.

Vietnam

While chairing a conference in Hanoi on February 28, Vietnam's Prime Minister Pham Minh Chinh requested intensified efforts to upgrade Vietnam's stock market from the frontier market status to emerging market status by 2025. Vietnam's stock market could attract USD 25 billion from foreign investors by 2030 if it is upgraded, according to the World Bank. The upgrade is a strategic step for Vietnam to become a high-middle income country by 2035 and a high-income country by 2045. Tourism has become a rising growth engine for Vietnam. Total tourism revenues grew 8-fold over 2010 to 2019 and contributed to 10% of GDP in 2019. In 2023, tourism revenues recovered to 90% of pre-Covid levels. Tourist arrivals exceeded pre-Covid levels in January 2024 for the first time. In 2024, the government is targeting tourism revenues to be 11% higher than 2019, driven by domestic tourism growth and foreign arrivals recovery.

Singapore

Singapore's largest bank DBS reported a strong year-end result with full-year net profit growth of +26%. Asset quality remained stable with a non-performing loan ratio of 1.1%. Management guided for a flat net interest income in 2024 and a return on equity of 15-17% compared to 18% last year. The dividend was raised by 23% for 2023 and will be increased by 24% in 2024. Competitor UOB also reported +26% net profit growth for 2023 while guiding for modest loan growth, healthy fee income growth and low credit costs. The full integration of acquired consumer banking operations from Citi in Southeast Asia will contribute to growth.

Indonesia

The Indonesian general election went smoothly, and the former president's preferred candidate, Prabowo, won with a large margin with 58% of the votes. There were 205 million eligible voters who could cast their votes at 820.000 ballot stations and the event transpired peacefully. Prabowo's economic agenda includes investor-friendly policies with one of the objectives being for Indonesia to reach high-income status by 2045. At the same time, outgoing president Jokowi's 36-year-old son, Gibran rose to the position of vice-president. His call is for a "youth down-streaming" where students are encouraged to become data scientists, artificial engineers, and block-chain designers to equip them for higher-paying jobs.

India

Prime Minister Narendra Modi has struck an agreement with the leader of United Arab Emirates to continue working on a major trade corridor linking India through the Middle East to Europe. The IMEC corridor is an ambitious ship-to-rail network that is intended to connect India with the UAE, Saudi Arabia, Jordan and Israel. At the same time, agreements were reached on a bilateral investment treaty and pledges to work together on electricity connection and digital infrastructure. India plans to invest about 750 billion rupees (USD 9 billion) to install 40 gigawatts of solar capacity on 10 million rooftops by 2026.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

February 2024



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 29/02/2024	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+5.4%	+1.2%	-8.1%	+14.9%	+71.0%
AGCM Asia Growth Fund WP EUR	+5.8%	+0.8%	-10.6%	+13.7%	+40.3%

Top 5 holdings %

As of 29/02/2024

Company	Weight
Alibaba Group	8.6%
Trip.com	5.2%
China Construction Bank	4.9%
Tencent Holdings	4.9%
Ping An Insurance	4.9%
Total	28.5%

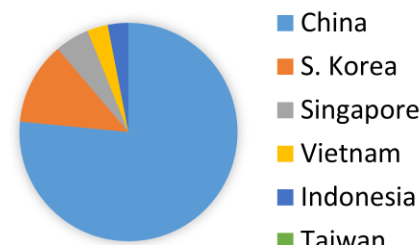
Industry breakdown

As of 29/02/2024

Financials	32%
Consumer	32%
Communi...	16%
Real Estate	7%
Healthcare	6%
Info Tech	6%

Geographic breakdown

As of 29/02/2024



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 526 million
Number of holdings:	37
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 171.0 EUR 140.3
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.