



ASIA GROWTH CAPITAL MANAGEMENT

March 4, 2016

Soaring profits in China's internet sector – sluggish equity markets

During the month of February, the NAV of AGCM Asia Growth Fund SEK decreased by -2.1% and the Euro share class by -2.6%. Despite the unexciting performance of the share prices during February, we are pleased with the spectacular Q4-reports of our internet holdings, four of which were delivered last week.

China's leading internet search engine Baidu reported Q4 revenues grew 33% year on year and earnings by 663%. Mobile search monthly active users were 657 million by year end 2015, an increase of 21%. Mobile maps monthly active users were 302 million in December 2015, an increase of 43% compared to a year ago. PC- and mobile game operator Netease reported total net revenues grew 95% for the full year while Q4 revenues grew 128% year on year and earnings by 67%.

China's leading e-commerce operator JD.com reported Q4 net revenues grew 69% year on year. JD is on track to turn profitable by this year-end. Annual active users increased by 71% year on year to 155 million and fulfilled orders increased 100% year on year to 418 million. Vipshop, a leading online discount retailer for brands in China, reported Q4 revenues grew 65% year on year and earnings by 45%.

Despite the booming new industries in China, Western media maintains a preference to focus on China's economic challenges rather than its progress and potential. Chinese equities remain out of favor among US-based and European investors, and valuations are substantially lower than in the major developed markets. We see a substantial upside in the individual holdings from the current depressed valuations. As share prices move sideways and the underlying earnings continue to grow at a healthy pace as illustrated by our internet holdings above, the upward rerating potential just continues to grow. So in summary, despite the sluggish equity markets of the past months, we remain highly optimistic in the medium and long term.

The investment theme recently marketed by George Soros and other high profile hedge fund managers, namely that China would be forced into a major devaluation, was dismissed by PBOC governor Zhou in an interview in Caixin. With a trade surplus of USD 600 billion last year and a USD 60 billion surplus in January this year, Zhou made it clear that China has no interest in a major devaluation of the renminbi. Zhou stressed that the key objective for the PBOC is to keep the yuan broadly stable against a basket of major currencies, not only against the USD as was the case in the past. We would go even further and argue that China is now the only major economy pursuing a responsible currency policy, unlike the self-destructive competitive devaluation policies employed by the other major central banks, that is the Federal Reserve, the ECB and Bank of Japan.

This weekend, China's National People's Congress meets in Beijing and we expect various economic reform programs and possibly also some stimulus measures to be announced afterwards. Hopefully, this will help Western investors take a more positive view on the outlook for Chinese equities this year.

Gustav Rhenman

Chief Investment Officer



Performance

As of 29/02/2016	1 month	3 month	YTD	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-2.1%	-15.7%	-13.0%	-5.7%
AGCM Asia Growth Fund WP EUR	-2.6%	-16.6%	-14.6%	n.a.

Top 5 holdings %

As of 29/02/2016

Company	Weight
Tencent Holdings	7.5%
Alibaba Group	6.1%
China Construction Bank	5.6%
NAVER Corp	5.4%
Netease Inc	5.0%
Total	29.6%

Industry breakdown

As of 29/02/2016

Internet	32%
Banks	26%
Technology	13%
Real Estate	9%
Consumer	7%
Healthcare	5%
Automotive	5%
Telecom	3%

Geographic breakdown

As of 29/02/2016



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 584 million
Number of holdings:	32
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 94.3 EUR 86.0
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.