Stockholm, October 5, 2015

Building up for a China H-share rally – Consensus is far too negative

During the month of September, AGCM Asia Growth Fund SEK declined by 3.6% and the Euro share class by 2.0%. By September 30, the fund NAV was down 5.9% since inception on October 3, 2014.

Rest assured, the commentators who received so much space in media this summer predicting a hard landing in China will be proven wrong. After a series of meetings we had in Asia during September with Chinese company executives, as well as large European and US-based fund managers, we remain convinced that the investment community is far too pessimistic on the Chinese economy. Supporters of the China hard landing scenario tend to focus on selected data points from especially weak sectors such as mining and materials while overlooking China's rapidly growing non-manufacturing sector which today represents the largest part of the economy. Retail consumption remains stable growing at a 10-11% annual rate. Personal disposable incomes are growing at a healthy 10% rate, three times faster than in most developed economies. The inventory of unsold apartments continues to decline. Monthly exports are slightly lower than last year's record levels, but China's trade surplus this year will reach an all-time high, in the neighborhood of 500 billion USD. This surplus corresponds to 5% GDP and will add to what is already the World's largest currency reserve.

Premier Li Keqiang repeated on September 30 that he is confident in achieving the economic goals for 2015, including GDP growth close to 7%. To ensure these goals are met, Beijing employs gradual stimulus to balance slower activity in some industrial sectors. Last week, Chinese authorities lowered the down payment requirement when buying a home from 30% to 25% to boost the residential housing sector. The State Council also cut the purchase tax on automobiles in half, from 10% to 5%. The tax cut applies to engines not larger than 1.6 liter which is about 69% of all cars, giving an advantage to the domestic producers since foreign brands generally have larger models with larger engines.

When it comes to our fund holdings, we saw a sharp re-rating of Great Wall Motor at the end of September on the back of the auto sales tax cut. Shares in ZTE rose on continued strong orders by the Chinese telecom operators who are installing another 1.2 million 4G base stations this year. Chinese real estate developers underperformed during the month but rallied sharply in the end after the cut in down payment requirements. Within our Asia ex-Japan universe, we remain especially bullish on China and have a 72% allocation there.

What could change the investment community's overly negative view on China and spark a rerating from these depressed valuation levels? We see several potential catalysts for a rally in the coming months. The Communist Party meets in October when a new five-year plan will be presented. A review by the IMF will show the progress in China's efforts to have the yuan formally included as a reserve currency. In November, index provider MSCI is scheduled to include a number of US listed Chinese stocks in the regional indices. In addition, we expect further fiscal spending announcements as well as more monetary easing – especially further cuts in bank reserve requirements. The leaders in Beijing have ample firepower in reserve if needed. Don't bet against China.

Gustav Rhenman
Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

September 2015

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 30/09/2015	1 month	3 month	YTD	Since launch Oct 3 , 2014
AGCM Asia Growth Fund RC SEK	-3.6%	-21.2%	-13.4%	-5.9%
AGCM Asia Growth Fund WP EUR	-2.0%	-20.9%		

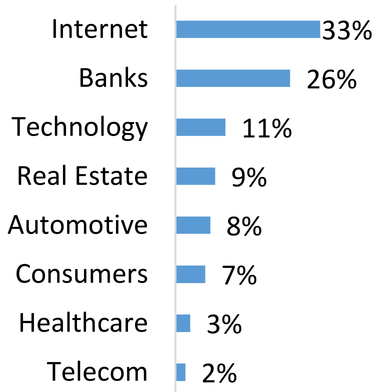
Top 5 holdings %

As of 30/09/2015

Company	Weight
Baidu Inc	6.4%
Tencent Holdings	6.1%
JD.com Inc	4.5%
Industrial & Commercial Bank of China	4.4%
China Construction Bank	4.2%
Total	25.6%

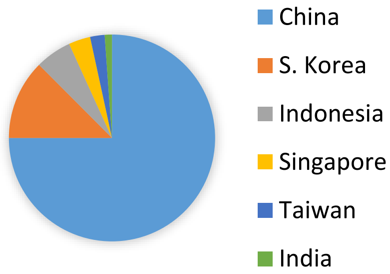
Industry breakdown

As of 30/09/2015



Geographic breakdown

As of 30/09/2015



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:	35
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 94.1
	EUR 85.2
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909
	EUR WP LU 1163023143

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