ASIA GROWTH CAPITAL MANAGEMENT

Stockholm, August 1, 2015

# Looking beyond the current market weakness

During the month of July, AGCM Asia Growth Fund SEK declined 6.5% and the Euro share class by 7.5%. By July 31, the fund NAV was up +11.6% since inception on October 3, 2014.

Asian equity markets had a weak July, in particular Chinese H-shares were dragged down as a consequence of the previous sharp declines of Chinese A-shares listed in Shanghai and Shenzhen. After a 30% fall from the peak in early June, China's A-shares are now trading at a more reasonable P/E multiple of 15, whereas H-shares have fallen to a P/E multiple of 8, close to all-time low valuations. The decline in the A-share market began in June when authorities stepped in to curb excessive speculation on the Shanghai and Shenzhen exchanges, introducing stricter limits on margin lending. The A-share market then fell around 30% from its peak in early June when the government again stepped in, this time to prevent a downward overreaction. A number of stocks were temporarily suspended from trading and various government controlled institutions were instructed to buy shares in the market to prevent further declines. These measures caused critics around the world to say that the market should be allowed to find equilibrium prices without government intervention. The leaders in Beijing could only repeat their long term commitment to deregulate China's financial markets, also stressing that it is a complicated task and will take time to achieve in an orderly manner. We remain optimistic about a substantial upward rebound in our H-share holdings some time during the coming six months. Investors around the world who have given up on China, have caused equity prices to drift too far away from underlying fundamentals. To quote Warren Buffett "In the short run the stock market is a voting machine, in the long term it is a weighing machine. Sooner or later the market mirrors the business."

On the subject of fundamentals, financial reports for 1H of 2015 are beginning to trickle in. Internet search engine Baidu reported an impressive 36% growth in revenues for the first six months of 2015. At 22 times expected next year earnings, a strong balance sheet and prospects to continue to double its revenues every two to three years, we a see substantial rerating in this stock and a number of other holdings in the internet space. China's internet sector is one of the fastest growing industries in the world as millions of new Chinese consumers go online every month to consume goods and services using Chinese 4G smartphones, PCs and phone operators. Our Indonesian holdings Bank Rakyat and Bank Mandiri both reported strong 1H reports as did DBS in Singapore. We eagerly look forward to the more 1H reports from our portfolio companies in the coming weeks and hope that the market again will focus more on company fundamentals and less on macro.

Finally, a note on how the tables are turning between Asia and the West. Twenty years ago, it was mainly European, Japanese and US manufacturers setting up factories in China to produce goods for the Chinese market. Today, we are seeing Chinese companies setting up and buying manufacturing facilities around the World. Just the two US states of North and South Carolina are now home to over 20 Chinese manufacturers in the textile industry. In the coming decade, we expect to see thousands of international acquisitions and green field operations by Chinese corporations. Perhaps investors should be less concerned about the economy that can afford to invest in all these new factories and look closer to home for structural issues to worry about.

**Gustav Rhenman**
Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

## July 2015

ASIA GROWTH CAPITAL MANAGEMENT

## Performance

| As of 31/07/2015 | 1 month | 3 month | YTD | Since launch Oct 3 , 2014 |
|---|---|---|---|---|
| **AGCM Asia Growth Fund RC SEK** | -6.5% | -14.1% | 2.7% | 11.6% |
| **AGCM Asia Growth Fund WP EUR** | -7.5% | | | |

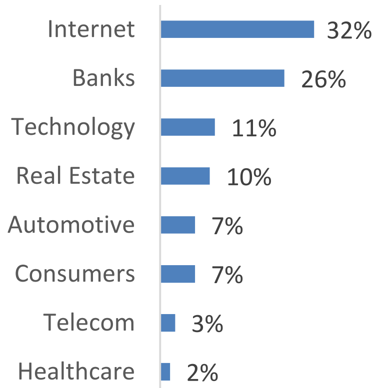
## Top 5 holdings %

As of 31/07/2015

| Company | Weight |
|---|---|
| Baidu Inc | 7.8% |
| Tencent Holdings | 7.4% |
| Lenovo Group | 5.0% |
| Alibaba Group | 4.8% |
| China Overseas Land & Investment | 4.4% |
| **Total** | 29.4% |

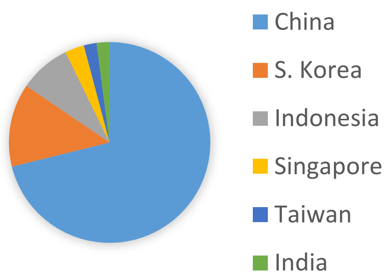
## Industry breakdown

As of 31/07/2015




## Geographic breakdown

As of 31/07/2015




## 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 500 million |
| **Number of holdings:** | 35 |
| **Management fee:** | 1.85% |
| **Fund management Company:** | SEB Fund Services Luxembourg |
| **NAV:** | SEK 111.6 |
| | EUR 99.6 |
| **Minimum subscription:** | n.a. |
| **ISIN code:** | SEK RC LU 1091660909 |
| | EUR WP LU 1163023143 |

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