July 1, 2016

Alibaba soon larger than Sweden's GDP

During the month of June, the NAV of AGCM Asia Growth Fund SEK increased by +3.9% and the Euro share class by +2.6%. Global financial markets in June were rattled by the UK referendum on EU membership. The news flow centered on what Brexit means for British politics and economy, as well as the future of the EU. From our perspective as investors in Asia, we note that with the exception of Tata Motors and Lenovo, most of the portfolio holdings in AGCM Asia Growth Fund have little exposure to Europe. The fund's largest exposure by far is to China, which only has 2.4% of its trade with the UK. To the extent there were to be a negative spillover to China from lower activity in the EU post Brexit, the leadership in Beijing probably has the greatest policy flexibility among major economies to counter those effects. China has foreign reserves of USD 3.2 trillion, a massive trade surplus and a low public-debt-to-GDP ratio of 44%. The uncertainty Brexit has caused in Europe may serve as an excuse by G7 policymakers to introduce more stimulus. Financial markets seem already to be discounting that the next rate hike by the Federal Reserve will be delayed. China's central bank is likely to maintain a supportive policy stance with more cuts to the required reserve ratio for banks, and the government will continue with elevated fiscal spending combined with accelerated implementation of supply-side reforms. We note that a growing number of the leading global brokerage firms are turning more positive on emerging markets, some saying Asian equities are looking increasingly attractive relative to developed markets which continue to struggle with slow economic growth and increasing political division.

Recent macro statistics from China with a neutral manufacturing PMI and a strong services PMI, indicate that the transition from an economy driven by manufacturing and infrastructure spending, to one driven by services remains on track. On the issue of manufacturing, China vehicle sales were published in June with unit sales up +11.4% to 1.8 million units for the month of May. For the January-May period, vehicle sales rose 7.7% year on year. Our portfolio holding Great Wall Motor announced May vehicle sales increased by +10% year on year to 71,000 units.

In Indonesia, the parliament approved an important tax amnesty bill that will induce capital flows back into the country from tax havens like Singapore and Hong Kong. This will inject additional liquidity into Indonesia's economy, boost tax revenues, allow for funding of key infrastructure projects and boost GDP growth. The major banks in Indonesia will benefit from the jump in deposits.

As a reminder of the growing global ambitions by Asia's corporate sector, here are two recent examples. While telecom equipment suppliers in the West struggle with stagnant sales, China's Huawei declares a goal to overtake Samsung Electronics and Apple within the next five years and become the world's biggest smartphone maker with a market share of over 25%. At the capital markets day in Hangzhou, Alibaba's CEO Jack Ma said that during this year, Alibaba's Gross Merchandise Value (GMV) will likely surpass the GDP of Sweden (571 billion USD). Jack Ma also said that in 20 years, corporate objectives include having 2 billion customers, provide 100 million jobs and support 10 million profitable companies and have GMV surpass the size of the World's fifth largest economy. Certainly not all of these companies will succeed in meeting their ambitious long term objectives but we continue to hunt for the most promising candidates.

Gustav Rhenman
Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

June 2016

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 30/06/2016	1 month	3 month	YTD	Since launch Oct 3 , 2014
AGCM Asia Growth Fund RC SEK	+3.9%	+4.2%	-4.2%	+3.9%
AGCM Asia Growth Fund WP EUR	+2.6%	+2.6%	-6.2%	n.a.

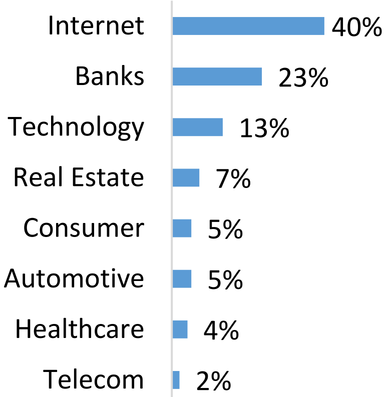
Top 5 holdings %

As of 30/06/2016

Company	Weight
Alibaba Group	9.0%
Tencent Holdings	8.4%
NAVER Corp	5.7%
JD.com Inc	5.6%
Netease Inc	5.1%
Total	**33.8%**

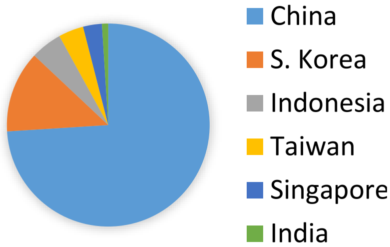
Industry breakdown

As of 30/06/2016



Geographic breakdown

As of 30/06/2016



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 639 million
Number of holdings:	35
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 103.9
	EUR 94.4
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909
	EUR WP LU 1163023143

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