



ASIA GROWTH CAPITAL MANAGEMENT

September 2, 2016

## China increasingly a nation of innovation and new technology

During the month of August, the NAV of AGCM Asia Growth Fund SEK increased by +7.1% and the Euro share class by +7.2%.

Continued strong revenue and earnings growth characterized most of the recent Q2 reports delivered by the Fund's major holdings during August. Several of the companies beat market expectations supporting the upward momentum of share prices. Here are some examples from our largest holdings and the magnitude of the current growth rates. During the first six months of 2016, Alibaba grew revenues by 50% and net profit by 37%. Tencent grew revenues by 48% and net profit by 40%. Netease grew revenues by 104% and net income by 92%. These reports serve as useful reminders why one, as an equity investor, should not waste too much time analyzing macro-economic indicators and statistics. What drives share prices of your holdings in the medium and longer term is earnings, earnings and earnings. The key is not if China's GDP growth rate will be 6% or 7% in the coming year, it is to make sure you tag along with the leading companies in the fastest growing industries.

Even if we focus on corporate details, we will not bore you with the details of all the Q2 reports of the Fund's 35 holdings, but rather high-light some of the major events in the region which we find significant. There is so much going on in Asia every month that keeping this monthly report to a readable one-pager is a challenge. Here are some examples of recent major events just in China.

Two of the world's largest stock exchanges, Hong Kong and Shenzhen, received on August 16 the long-awaited go-ahead by China's financial regulatory body, the CSRC. When this connection goes live in November, mainland Chinese investors will be allowed to buy shares in Hong Kong and international investors will be allowed to buy shares in mainland China, via the Hong Kong exchange. This is not just a significant milestone in the internationalization of China's capital markets but it should provide a major boost to the Hong Kong equity market. Especially so for the Chinese companies with dual listings since they are generally much cheaper in Hong Kong. In some cases the discounts are over 50% on Chinese H-shares listed in Hong Kong compared with the same company's A-share listed on the China mainland exchange in Shenzhen.

Regularly, we see signs of China becoming more self-assertive taking a more active role on the world stage. Ahead of the G20 meeting beginning this weekend in Hangzhou, China's foreign minister Wang Yi said that China will strive towards transforming the forum "from a crisis-response system to a long-term governance mechanism". The G20 economies collectively account for 90% of the world's GDP and 80% of global trade. China has in 40 years climbed from the bottom to second place among these 20 countries. Perhaps some of the other 19 members should pay more attention to the suggestions by this year's host on the key topic, how to boost global economic growth.

**Gustav Rhenman**

Chief Investment Officer



## Performance

As of 31/08/2016	1 month	3 month	YTD	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+7.1%	+17.5%	+8.4%	+17.5%
AGCM Asia Growth Fund WP EUR	+7.2%	+14.7%	+4.8%	n.a.

## Top 5 holdings %

As of 31/08/2016

Company	Weight
Tencent Holdings	8.5%
NAVER Corp	7.9%
Alibaba Group	7.4%
Lenovo Group	4.6%
JD.com Inc	4.4%
<b>Total</b>	<b>32.8%</b>

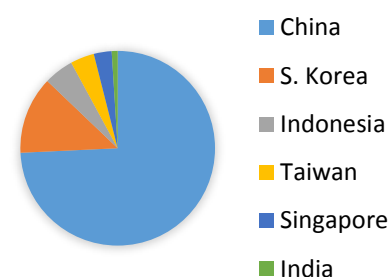
## Industry breakdown

As of 31/08/2016

Internet	38%
Banks	23%
Technology	15%
Real Estate	8%
Consumer	6%
Automotive	4%
Healthcare	3%
Telecom	3%

## Geographic breakdown

As of 31/08/2016



## 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

<b>Portfolio manager:</b>	Gustav Rhenman
<b>Inception date:</b>	03-Oct-2014
<b>Fund size:</b>	SEK 735 million
<b>Number of holdings:</b>	35
<b>Management fee:</b>	1.85%
<b>Fund management Company:</b>	SEB Fund Services Luxembourg
<b>NAV:</b>	SEK 117.5 EUR 105.5
<b>Minimum subscription:</b>	n.a.
<b>ISIN code:</b>	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](http://www.agcm.se) before you make an investment. You can also request such information via e-mail to [info@agcm.se](mailto:info@agcm.se).