January 3, 2016

ASIA GROWTH CAPITAL MANAGEMENT

Weak end to 2016 for Chinese stocks but positive outlook for 2017

During the month of December, the NAV of AGCM Asia Growth Fund SEK declined by –4.1% and the Euro share class by –1.8%. The decline was in line with the Chinese H-shares and Chinese ADRs which are the two largest exposures of the fund. Expectations by investors that the incoming Trump administration will be positive for the US economy continue to boost both US equities and the US dollar. The divergence in share price development in December between the S&P500 which was up 2% in December, and Chinese H-shares which were down 4%, has further widened the valuation gap between Chinese and US equities. Chinese H-shares are trading at less than half of the earnings multiple of the S&P500 despite similar earnings growth. Chinese H-shares and ADRs have substantial upside potential from here, and to us appear relatively more attractive than the US market which is trading close to its all-time high. We expect continued positive development and respectable earnings growth for the fund holdings in the coming year. For our largest H-share holdings, earnings continue to grow at an 8-15% annual pace and we expect our largest Chinese ADRs to grow earnings by around 25-40% per annum in 2017 and 2018 at least. For the fund as a whole, the weighted average growth in earnings per share is expected to be around 18% in 2017.

While there were few major data points reported at the corporate level during December, there was plenty more on the macro-economic side. According to the China Beige Book, China demonstrated gains across most industries in the fourth quarter. Revenues, profits, jobs and capital expenditures improved from the third quarter while new orders were stable, according to the private survey released by New York-based CBB International, which collects anecdotal accounts similar to those in the Federal Reserve Beige Book. Retail led all sectors in quarterly improvement in both sales and profit. Caixin’s December China Manufacturing PMI data released on Tuesday climbed to 51.9, the highest in three years.

Of high relevance to AGCM Asia Growth Fund, was a recent report on China's retail e-commerce business which is expected to rise to Rmb 5.2 trillion (USD 750 billion) during 2016. The report indicates several more years of high growth since China's retail e-commerce still only accounts for 16% of total retail sales. China already accounts for 47% of the global e-commerce business.

China’s State Council just rolled out an ambitious plan to boost the development of what it calls “strategic emerging industries”. Beijing plans for five new pillar industries each with output of at least 10 trillion yuan (USD 1.44 trillion) by year 2020, which combined will correspond to about 15% of GDP. These five industries are IT, biotechnology, green and low-carbon technology, high-end manufacturing, and digital entertainment. The government will provide support with financing, education programs and intellectual property rights. China also plans to invest 2 trillion yuan (USD 290 billion) in tourism infrastructure aiming to boost tourism services to 7 trillion yuan (USD 1 trillion) by 2020. The tourism industry is expected to employ 50 million people by 2020, equal to more than 10 percent of the total workforce.

So despite a relatively unimpressive result for 2016 as a whole, we look forward to 2017 due to the combination of solid earnings growth for the fund holdings, a substantial rerating potential from the current low valuation multiples and a benign Chinese macro-economic backdrop with ample policy support.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

December 2016

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/12/2016	1 month	3 month	YTD	Since launch Oct 3 , 2014
AGCM Asia Growth Fund RC SEK	-4.1%	-8.5%	+1.9%	+10.5%
AGCM Asia Growth Fund WP EUR	-1.8%	-7.6%	-1.4%	n.a.
AGCM Asia Growth Fund RC USD	-3.3%	-13.6%	n.a.	n.a.

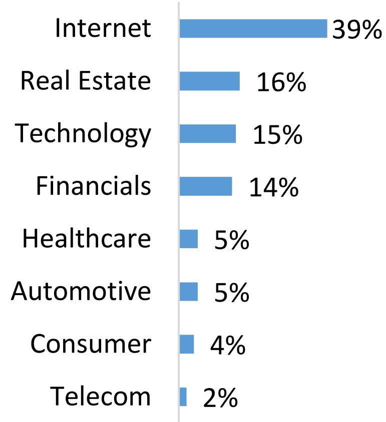
Top 5 holdings %

As of 31/12/2016

Company	Weight
Tencent Holdings	9.3%
Alibaba Group	9.1%
China Overseas Land & Investment	7.6%
China Resources Land	7.5%
ZTE Corp	4.8%
Total	**38.3%**

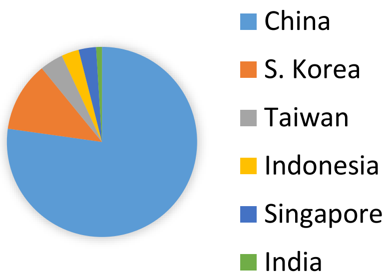
Industry breakdown

As of 31/12/2016



Geographic breakdown

As of 31/12/2016



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 790 million
Number of holdings:	35
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 110.5 EUR 99.3 USD 109.5
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143 USD RC LU 1338434852

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