July 4, 2017

MSCI includes China A-shares and China leaves Musk in the dust

During the month of June, the NAV of AGCM Asia Growth Fund SEK stayed flat and the Euro share class appreciated by +1.1%.

The decision last week in Washington to once again delay the vote in the Senate on the reform of Obamacare may temporarily take some steam out of the Trumponomics reflation trade. We believe a deal on healthcare must be reached before Washington can move on to a pro-growth tax reform which investors hope will drive also corporate earnings. The Trump administration will press hard to reach a deal on healthcare before the Congressional August recess which begins on 31 July.

Meanwhile, China continues to deliver strong economic data points, surprising investors on the upside. China Manufacturing PMI rose to 51.7 in June and Services PMI rose to an impressive 54.9 in June, both beating market estimates and previous month's numbers.

After three straight years of failed attempts, China's domestically-traded A-shares finally cracked into MSCI Inc.'s global indexes. MSCI said it will add 222 Chinese A-share companies to its Emerging Markets Index and All Country World Index, beginning in June 2018. International investors have embraced the positive changes in the accessibility of the China A-share market via the Hong Kong Connect program and now all conditions are set for MSCI to proceed with the first step of the inclusion. This first step will result in USD 17 billion of inflows into Chinese shares, according to MSCI estimates. The China Securities Regulatory Commission said it welcomed MSCI's decision and will improve its rules to meet the needs of foreign investors.

Alibaba and the Boston Consulting Group published a report on future Chinese consumption. According to their study, China's consumer spending will increase by 40% to USD 6.1 trillion by 2021, fueled by favorable macro-economic factors and upbeat sentiment. The report suggested that by 2021, as many as 90% of consumers in China will involve digital technology at some point in the shopping process.

As Elon Musk races to finish building the world's largest battery factory in the Nevada desert, China is poised to leave him in the dust. When completed in 2018, Tesla's Gigafactory will produce up to 35 gigawatt-hours of battery cells annually. By comparison, Chinese companies have plans for additional factories with the capacity to pump out more than 120 gigawatt-hours a year by 2021. Roughly 55 percent of global lithium-ion battery production is already based in China, compared with 10 percent in the U.S. By 2021, China's share is forecast to grow to 65 percent, according to a report published in Bloomberg Intelligence.

We are not surprised by China's growing dominance in the lithium battery market, the ambitions in green technologies have been well described in China's 13-th five-year plan published in late 2015. We have recently visited Chinese companies with promising growth prospects in this industry. This ambitious battery program in China constitutes yet another startling example of China's determination to become global leaders in tomorrow's industries and technologies.

Gustav Rhenman
Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

June 2017

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 30/06/2017	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-0.2%	+4.6%	+18.2%	+28.0%	+30.7%
AGCM Asia Growth Fund WP EUR	+1.1%	+3.5%	+17.3%	+25.8%	n.a.
AGCM Asia Growth Fund RC USD	+2.6%	+10.7%	+27.4%	+28.9%	n.a.

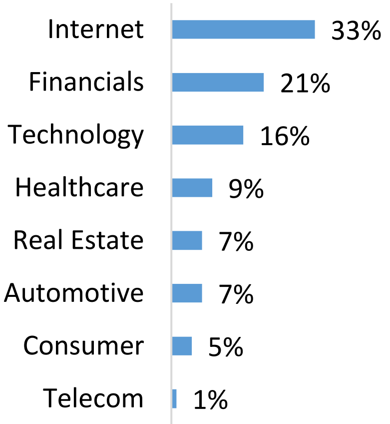
Top 5 holdings %

As of 30/06/2017

Company	Weight
Tencent Holdings	5.6%
Alibaba Group	5.5%
Samsung Electronics Co Ltd	4.0%
AIA Group	3.9%
Netease Inc	3.8%
Total	**22.8%**

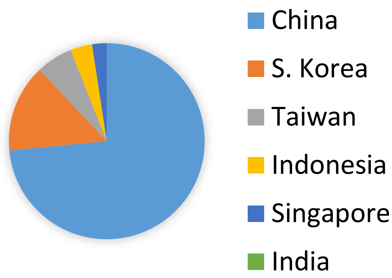
Industry breakdown

As of 30/06/2017



Geographic breakdown

As of 30/06/2017



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 1072 million
Number of holdings:	35
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 130.7
	EUR 116.4
	USD 139.5
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909
	EUR WP LU 1163023143
	USD RC LU 1338434852

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