

AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

October 3, 2018

On the ground in China – the growth story remains intact

During the month of September, the NAV of AGCM Asia Growth Fund RC SEK share class decreased by -5.3% and the WP EUR share class by -2.6%. Both the MSCI Asia ex-Japan and the MSCI China indices declined on continued negative sentiment mainly related to the US-China trade dispute. In mid-September, our five-member team travelled in Hong Kong and southern China meeting with a large number of companies, analysts and industry experts. For most companies, it was business as usual in China with continued solid growth driven mainly by domestic Chinese consumption. There were only a few exceptions to the bright picture. The automakers confirmed that sales have slowed in recent months, partly explained by tighter government restrictions on auto financing. Also, the Apple iPhone component supply chain has hit a soft patch, but the situation is likely to improve if the new iPhone models currently launched are well received.

The largest negative contributor to the fund performance in September was Chinese internet retailer JD.com which fell on concerns of increased competition from Alibaba compounded by negative publicity for the CEO during a business trip to the US. Our Chinese pharmaceutical names took a beating on news related to a fairly limited trial of central procurement of generic drugs in eleven major cities in China. Investors see falling drug prices but seem to disregard the positive impact on volumes as drugs become more affordable. The best performing holding in September was Chinese gaming operator Netease, up sharply on rising downloads and rankings of its leading games.

On the bright side, a growing number of investment banks and brokerage houses are turning more positive to Emerging Markets and Asia, pointing to the low valuations and generally strong fundamentals. The approximately 20 percent decline over four months in the MSCI China index as well as China's mainland A-shares index is beginning to attract serious investor interest, also among the often quite China sceptic US-based investors. On most metrics, equity valuations in China, are now very low relative to other major markets in the world, not least the US. The question is what could spark a rally in China from these low levels. Even though the US has concluded some large trade deals at high speed with Mexico and Canada, we believe a deal on trade with China is many months away, not least because the issues are more complex. However, just news of renewed negotiations between the US and China, will be well received by investors. There are also other possible events which could spark a China rally. Highest up on the list of possibilities are announcements of economic stimulus by the Chinese government, be it accelerated infrastructure spending, relaxed credit growth targets or tax cuts. We have seen it before and we will see it again. If the leaders in Beijing believe that the economic growth target of around 6.5% is threatened, then stimulus will be introduced swiftly. The longer the trade conflict with the US goes on, the closer we come to economic stimulus.

China's digital economy is now equal to a third of the country's economy and it grew by 18 percent last year. Communication services giant Tencent, now counts more than 1 billion Monthly Active Users. It plans to set up a new "Cloud and Smart industries group" to develop business-to-business services, providing digital solutions in areas such as smart retailing, education, health care, security and location-based-services. With the emergence of AI and 5G, Tencent will leverage its technology to explore new connections between social networks and content. In other words, huge growth potential, not just for Tencent but for China's entire digital industry.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

September 2018



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Performance

As of 30/09/2018	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-5.3%	-7.6%	-2.3%	+5.1%	+41.6%
AGCM Asia Growth Fund WP EUR	-2.6%	-5.6%	-5.2%	-1.0%	n.a.
AGCM Asia Growth Fund RC USD	-2.8%	-7.1%	-10.1%	-3.6%	n.a.

Top 5 holdings %

As of 30/09/2018

Company	Weight
Alibaba Group	7.6%
Tencent Holdings	7.3%
Samsung Electronics	5.6%
China Overseas Land & Investment Ltd	5.3%
AIA Group	5.0%
Total	30.8%

Industry breakdown

As of 30/09/2018

Info Tech	20%
Financials	20%
Consumer	19%
Communi...	18%
Healthcare	11%
Real Estate	9%
Industrials	1%

Geographic breakdown

As of 30/09/2018



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 1059 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 141.6
	EUR 119.1
	USD 143.4
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909
	EUR WP LU 1163023143
	USD RC LU 1338434852

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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 before you make an investment. You can also request such information via e-mail to info@agcm.se.