AGCM Asia Growth Fund

November 2, 2018

Strong recovery after a weak October

During the month of October, the NAV of AGCM Asia Growth Fund RC SEK share class decreased by 9.4% and the WP EUR share class by 9.5%. Since Chinese equities peaked in late January, the MSCI China index fell 32% and the CSI300 index (China A-shares) fell 28%, by October 31. The large decline in share prices has little to do with corporate earnings or macro-economic factors. As Warren Buffett used to say; "In the short term, the stock market is a voting machine. In the long run, it is a weighing machine". Since the start of the US-China trade dispute, Western investors have voted no to what they call "Emerging Markets" – a class of highly diverse markets with the seemingly common denominator that they are too far away for Americans to properly understand. Investors have voted no to Emerging Markets to such an extent that the main market in this asset category, China, trades close to the crisis levels experienced during the market lows of the Global Financial Crisis. China's economy is slowing slightly due to trade concerns and a voluntary deleveraging campaign, but it is still growing at an annualized rate of 6.5%. The leaders in Beijing have already introduced fiscal and monetary measures to secure its growth target for the year and we expect more stimulus measures to be announced soon.

We have spent the past weeks analyzing a flood of corporate financial reports for the third quarter and we feel confident with our high exposure to quality growth stocks. The share prices are more volatile but at these levels offer great value. Today, Alibaba delivered another solid quarterly report, earnings beating market expectations by a wide margin. Revenues for the quarter increased 56% year-over-year. Alibaba added another 25 million new customers on its platforms, now surpassing 600 million annual active users.

So, are we near the bottom for Chinese equities? If you adjust for the fact that the index composition changed slightly after MSCI:s inclusion of high-multiple growth stocks such as Alibaba, Baidu and JD, Chinese equity markets have in the past bottomed close to the current valuations. What can turn investors' mood around and trigger a rebound in share prices from these levels? Here are some possibilities:

- We believe investors will discover that they have overreacted to the US-China trade dispute. China's net exports to the US account for less than 3% of GDP.
- Confirming what Donald Trump tweeted yesterday, Chinese state media today said Xi and Trump had a constructive telephone discussion about trade. The probability of a positive outcome has risen.
- China recently implemented a major cut in personal income taxes. This will boost consumption.
- The government has quadrupled investments in technology, energy and transport infrastructure in the third quarter this year. The positive effect on the economy will soon be felt.
- The Chinese government, via China Securities Finance Corporation (CSFC), has signaled it is prepared to back-stop the equity market. Like it or not, it has worked well in the past.
- Strategists at major US investment banks and high-profile investors who marketed a negative view on China earlier this year, have turned around and now say they see good value in Chinese equities.

On November 2, another milestone was passed when Chinese A-shares bought via the Hong Kong connect program set an all-time high of RMB 17.4 bn. The first two days of November have started on a very strong note so for now at least, it seems the market acts more like a weighing machine than a voting machine.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

October 2018

Performance

As of 31/10/2018	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-9.4%	-13.0%	-11.5%	-10.5%	+28.3%
AGCM Asia Growth Fund WP EUR	-9.5%	-13.3%	-14.2%	-13.9%	n.a.
AGCM Asia Growth Fund RC USD	-11.9%	-16.3%	-20.7%	-18.1%	n.a.

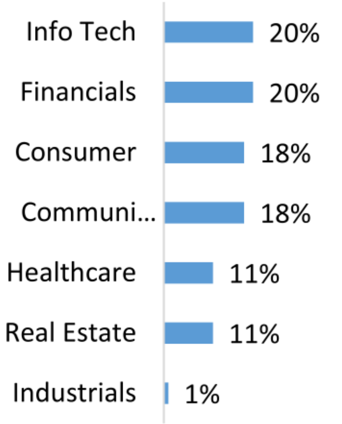
Top 5 holdings %

As of 31/10/2018

Company	Weight
Alibaba Group	7.4%
Tencent Holdings	6.7%
China Overseas Land & Investment Ltd	5.9%
Samsung Electronics	5.6%
AIA Group	4.8%
Total	**30.4%**

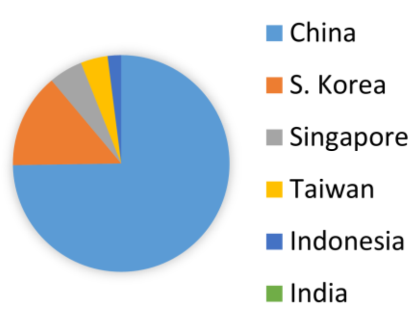
Industry breakdown

As of 31/10/2018



Geographic breakdown

As of 31/10/2018



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 973 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 128.3 EUR 107.8 USD 126.4
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143 USD RC LU 1338434852

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