AGCM Asia Growth Fund

ASIA GROWTH CAPITAL MANAGEMENT

August 3, 2019

Chinese stimulus working through the economy. New tech board.

During the month of July, the NAV of AGCM Asia Growth Fund RC SEK share class increased by +4.9% and the WP EUR share class by +3.8%. Despite the ongoing trade dispute with the US, China's high economic growth rate is holding up well coming in at 6.2% for the second quarter. The Chinese consumer keeps spending with retail sales rising 9.8% in June year-over-year. The reductions in personal income tax and VAT implemented earlier this year have improved household purchasing power. The acceleration in retail sales growth is good news for the fund's consumer holdings such as Haier, Midea, Alibaba and JD.com.

China's Politburo, the 25-member top decision-making body led by Xi Jinping, held its quarterly meeting in Beijing on July 30, outlining economic policy priorities for the rest of the year. China's top leaders pledged to boost the economy by expanding demand and accelerate infrastructure investments. "We must be good at turning a crisis into an opportunity by getting our domestic things done", the Politburo stated according to the official Xinhua News Agency. Examples mentioned included investment in manufacturing, renovation of old city neighbor-hoods, new car parks and refrigerated transport infrastructure. President Xi Jinping, concluded that China must rely on the country's domestic demand potential, including the vast countryside, to manage "new risks and challenges".

A positive development for the fund's healthcare-related holdings in China was a report that the planned nationwide roll-out of centralized purchasing of drugs will be done on much gentler terms than previously expected. Investor fears that such a policy would lead to price cuts seems to have been exaggerated. Instead of one winner for each tender, authorities will pick three – the lowest bidder and two others willing to match its price. This means that three drug makers will share each drug contract, leading to more rational bidding and pricing. This confirms our long-standing investment thesis that the government will ensure a decent level of profitability for the country's drug manufacturers to help grow a domestic drug industry that is competitive both at home and abroad.

The Center for Strategic and International Studies – a Washington think tank – recently published a report on R&D spending around the world. China's R&D spending now ranks second globally, steadily closing the gap with the US. Chinese businesses represent 74% of the R&D spending with only a minor portion coming from government. The current spending on R&D will lead to product innovation that will benefit Chinese businesses for years to come.

On July 22, Shanghai Stock Exchange's new Science and Technology Innovation Board (STAR) opened with a bang. The board – seen as China's answer to NASDAQ – saw very strong price performance during its first days of trading. Beijing sees the board as one way to nurture innovative startups and technology companies. Since March, over 150 companies have applied to list on the STAR market, including companies in software, robotics and biotech. China's efforts to bring listings of innovative technology companies back to Shanghai from NASDAQ and Hong Kong is likely to make the A-share market more relevant to international investors.

On the corporate front, we are still waiting for the heavyweight companies to report for the first half of 2019, but a few reports are already out. One of larger holdings, Hikvision reported a good set of results with 2Q revenues +21.5% year-over-year to 14bn RMB and net profit +15% year-over-year to 2.7bn RMB. In the earnings call, management reiterated its revenue guidance for the full year 2019 of at least +20% growth compared to last year.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

July 2019

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Performance

As of 31/07/2019	1 month	YTD	1 year	2 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+4.9%	+23.8%	+4.0%	+16.8%	+53.4%
AGCM Asia Growth Fund WP EUR	+3.8%	+18.5%	+1.2%	+6.9%	n.a.

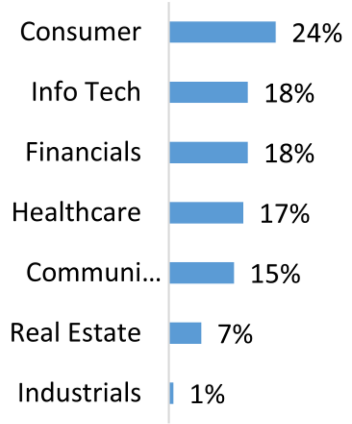
Top 5 holdings %

As of 31/07/2019

Company	Weight
Alibaba Group	8.5%
Samsung Electronics	6.6%
Tencent Holdings	5.7%
AIA Group	4.5%
Sinopharm	4.2%
Total	**29.5%**

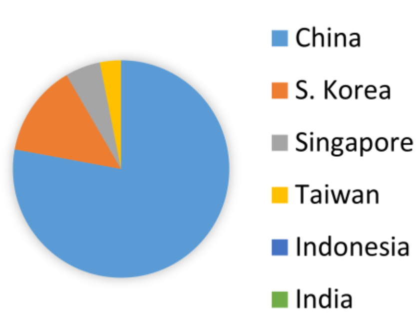
Industry breakdown

As of 31/07/2019



Geographic breakdown

As of 31/07/2019



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 1113 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 153.4 EUR 126.1
Minimum subscription:	n.a.
ISIN code:	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 before you make an investment. You can also request such information via e-mail to info@agcm.se.

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