AGCM Asia Growth Fund

ASIA GROWTH CAPITAL MANAGEMENT

February 4, 2020

Coronavirus weigh on Chinese markets. Massive stimulus from Beijing.

During the month of January, the NAV of the AGCM Asia Growth Fund RC SEK share class increased by +0.4% and the WP EUR share class decreased by -0.8%. Chinese New Year Celebrations were overshadowed by the coronavirus epidemic that started in Wuhan, the capitol of Hubei province.

The number of confirmed coronavirus cases in China are now in excess of 20,000 and the number continues to grow. The actual number of cases is of course much larger since only the most severely ill patients turn up at the hospitals and there has been a shortage of diagnostic test kits in some hospitals. The good news is that the mortality rate is stable at around 2% which is lower than initially expected and much lower compared to SARS and MERS. According to a pathologist in Hong Kong we listened to today, Dr John Nicholls, this disease “is a bad cold that will burn itself out in 6 months”. According to this expert, coronaviruses do not like sunlight, heat or humidity, so by the end of summer, the virus is likely to have died out. But until then, investors will be focused on the negative economic impact the epidemic will have on the World’s second largest economy. The Chinese government has taken severe measures to contain the epidemic including locking down 12 entire cities in Hubei, where most of the province’s 60 million people live and work. Hubei is a relatively well-developed region with high-tech industries. Hubei accounts for about 4% of China’s economy, so the key question is for how long these cities will be locked down and if more cities in China will be affected by similar restrictions on movement. In addition to the local travel restrictions, some 40 airlines in 29 countries have suspended flights to the Chinese mainland so the travel industry will take a major hit in the first half of 2020.

The MSCI China index has fallen by 8 percent since its peak on January 17, so a large portion of the negative impact on China’s economy has already been priced in, but we do not believe we have seen the market bottom yet. We expect more negative market reactions as both government statistics, corporate reports and broker estimates will be presented in the coming weeks and months. We prefer to maintain a relatively defensive positioning in the fund.

On the positive side, Beijing recently announced a range of measures to boost the economy and counteract the negative impact of the epidemic. On February 3, when equity markets reopened after the lunar new year holidays, the PBOC injected 1.2 trillion yuan (USD 174 billion) in reverse repo operations. This massive injection of liquidity is only one of several measures announced by multiple authorities last weekend to shield the economy. There are limitations to what monetary policy can do to make up from the decreased economic activity in cities which are closed for business, but Beijing will use its entire toolbox to minimize the economic fallout. Xi Jinping and the Politburo know that the whole World is watching.

On January 15 in Washington, China and the US signed the first phase of a long-awaited trade deal. The deal will lead to an improvement in the large US trade deficit with China, at least for next two years. It also ensures stronger protection of IP in China, bans the use of technology transfer as a condition for market access. The most interesting part to us was chapter 4 on the financial services sector whereby the US and China agrees to a mutual opening up of its financial markets to each other. We see major opportunities for several of our holdings in the US markets for insurance, investment banking, commercial banking and payment services.

Gustav Rhenman, Chief Investment Officer

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AGCM Asia Growth Fund

Monthly Report

January 2020

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/01/2020	1 month	1 year	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+0.4%	+21.8%	+12.8%	+48.1%	+69.1%
AGCM Asia Growth Fund WP EUR	-0.8%	+18.8%	+6.8%	+34.9%	n.a.

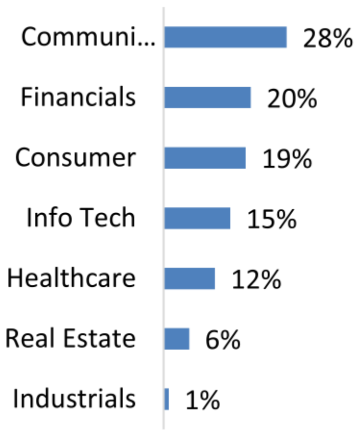
Top 5 holdings %

As of 31/01/2020

Company	Weight
Tencent Holdings	8.0%
Alibaba Group	7.2%
Ping An Insurance	4.5%
Hangzhou Hikvision	4.1%
AIA Group	4.0%
Total	**27.8%**

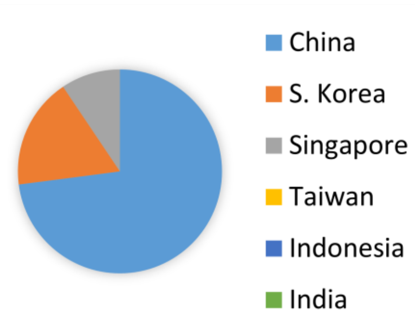
Industry breakdown

As of 31/01/2020



Geographic breakdown

As of 31/01/2020



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 1213 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 169.1 EUR 138.6
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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