

AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

January 4, 2021

EU-China investment deal and potentially better US-China relations

During the month of December, the NAV of AGCM China Stars Fund RC1 SEK share class decreased by -2.1%. For the full year of 2020, AGCM China Stars Fund RC1 SEK share class increased by +2.0%.

On December 30, after seven years of talks and negotiations, the leaders of the EU and China announced a wide-ranging agreement on cross-border investments. The agreement known as “Comprehensive Agreement on Investments” (CAI), opens up for cross-border investments in manufacturing, financial services, telecom, real estate, engineering and accounting. The EU trade commissioner describes the CAI as “the most ambitious trade deal that China has ever agreed with a third country”. CAI still needs to be ratified by the EU Parliament and member states.

With a new leadership in Washington later this month, it is likely that also the US-China trade relations will improve. Having criticized Trump’s China-policy for years, Biden will be eager to demonstrate that a less confrontational approach is more effective. President Xi Jinping on his side, has good reasons to improve relations with the US. Not only to reverse Trump’s tariffs and export restrictions on high-tech products, but also to convey that the Trump-Ross policy of treating the Chinese government as an enemy, is counter-productive. An improvement in US-China relations lowers the perceived political risk among investors, and this will be positive for Chinese equity markets.

With the huge federal and local budget deficits in the US, an enormous amount of debt will need to be issued in the coming years. The amounts are likely to be larger than the market will be able to digest at acceptable yields, so a large part of that debt will have to be monetized. This will place more downward pressure on the US dollar and be one more reason for Western investors to look to Asian financial markets for risk diversification and higher returns. Asia’s equity markets combined account for about one-third of the global equity market capitalization, but only a tiny fraction of that is today owned by non-Asian investors.

In July this year, the Chinese Communist Party will celebrate its 100-year anniversary and Beijing will make sure to display, both abroad and at home, the economic, technological and social progress that China has made since 1921. The IMF projects China’s GDP to grow 8.0% in 2021. China has a history of exceeding IMF projections and we expect the same in this important year. In other words, plenty of good news can be expected from Chinese government media in 2021. That should be supportive also for financial markets.

Social media platform Weibo confirms that the digital advertising market continues to recover. We believe the platform has large untapped monetization potential because of a very conservative ad-load at present. Also, a secondary listing in Hong Kong Stock Exchange is likely, and that should result in higher interest and valuation.

Alibaba’s share price took a beating on the news of investigation into alleged monopolistic practices. The company is now valued at only one-third of Amazon’s market cap, despite similar earnings and growth rate. When we quantify the potential financial consequences of the investigation, we believe the market has overreacted. Alibaba raised its stock repurchase program by USD 4 billion to USD 10 billion and will buy back shares until the end of 2022.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

December 2020



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/12/2020	1 month	YTD	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-2.1%	+2.0%	+34.9%	+23.6%
AGCM China Stars Fund RC8 SEK	-2.1%	+2.5%	+36.1%	+26.4%
AGCM China Stars Fund RC9 SEK	-2.4%	+2.2%	+35.4%	+27.0%

Top 5 holdings

As of 31/12/2020

Company name
Tencent Holdings
Midea Group
Alibaba Group
COLI
Ping An Insurance

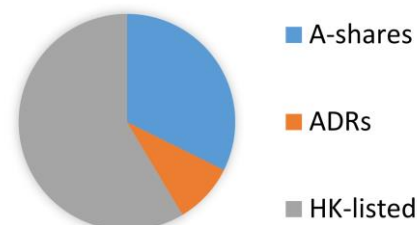
Industry breakdown

As of 31/12/2020

Commun...	22%
Consumer	21%
Healthcare	18%
Financials	17%
Real Estate	16%
Info Tech	3%
Industrials	1%

Market breakdown

As of 31/12/2020



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:	28-August-2017
Fund size:	SEK 178 million
Number of holdings:	30
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 123.6 (RC8) SEK 126.4 (RC9) SEK 127.0
Minimum subscription:	n.a.
ISIN code:	SEK RC1 LU 1608617111 SEK RC8 LU 1608617384 SEK RC9 LU 1608617467

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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.