

AGCM Asia Growth Fund



October 1, 2021

China's journey to prosperity – New bold plans from the State Council

During the month of September, the NAV of AGCM Asia Growth Fund RC SEK share class decreased by -0.3% and the WP EUR share class increased by +0.4%.

Evergrande's problems are unlikely to create a problem for China's financial system. The company's debt burden is insignificant given the scale of China's financial system. In recent years, other companies with similar scale of debt, were orderly restructured without systemic impact. The local government of Guangdong province has already begun the restructuring of Evergrande to protect stakeholders, in particular home buyers and suppliers. We believe the most likely outcome will be a major loss for equity holders, a substantial haircut for the corporate bondholders, but little if any impact on the banks involved.

Contrary to the widespread belief in the West, China's housing market is generally sound. There are around 30 million empty apartments in China, but it is a giant economy with 658 million households. In other words, there is on average only one empty apartment per every 20 households. These apartments are often held in expectation of someone in the household moving out. There are not the kind of financial system risks that developed in the U.S. which contributed to the Global Financial Crisis. Chinese banks have not made irresponsible mortgage loans, and homebuyers are required to make substantial down-payments in cash.

Chinese real estate developers are mostly well capitalized. Last year, Chinese regulators became concerned about debt levels among some of the developers and introduced strict limits on leverage. Those limits have pressured some of the less well-capitalized developers, such as Evergrande. The high-quality developers with solid balance sheets, which we own in our funds, are China's leaders in terms of size, balance sheet strength and corporate governance. Because of the recent indiscriminate selling by Western investors, these companies are now trading at 10-year low valuation multiples. Our portfolio holding COLI for example now trades at p/e 4x, with a stable dividend now yielding 7%, and a long-term growth rate of 8-10% per annum.

Western journalists seem to believe there are growth problems in China, especially for foreign companies. Well, US corporations in China disagree. According to a recent survey released by the American Chamber of Commerce in Shanghai, American companies operating in China are more optimistic about the business outlook in the country than at any point since the start of the US-China trade war in 2018. More than three-quarters of the US companies surveyed said they are optimistic about the business outlook in China for the next five years.

On September 28, China's top governing body, the State Council, released a 61-page white paper detailing China's plans to become "a global leader in terms of composite national strength and international influence by year 2050". By then, "China will become a modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful." Objectives were outlined, including material, political, cultural, ethical, social, and environmental progress. China's system and capacity for governance will be fully modernized and common prosperity will be realized. The Chinese people will enjoy a happier, safer, and healthier life. The Chinese nation will be a proud and active member of the international community. All according to the State Council's document.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

September 2021



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 30/09/2021	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-0.3%	+1.7%	+15.1%	+43.4%	+75.2%
AGCM Asia Growth Fund WP EUR	+0.4%	+2.2%	+23.1%	+41.2%	n.a.

Top 5 holdings %

As of 30/09/2021

Company	Weight
COLI	6.7%
Samsung Electronics	6.1%
Alibaba Group	6.0%
Tencent	6.0%
Sinopharm	4.4%
Total	29.2%

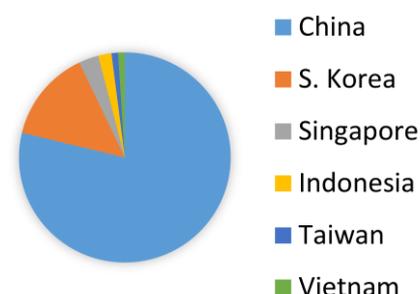
Industry breakdown

As of 30/09/2021

Financials	28%
Communi...	20%
Consumer	16%
Real Estate	14%
Healthcare	12%
Info Tech	9%

Geographic breakdown

As of 30/09/2021



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 1041 million
Number of holdings:	40
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 175.2 EUR 153.8
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.