AGCM Asia Growth Fund

January 5, 2022

Three reasons for optimism on Chinese equity markets in 2022

During the month of December, the NAV of AGCM Asia Growth Fund RC SEK increased by +2.3% and the WP EUR share class increased by +1.7%.

Despite the relatively unexciting returns in 2021, we remain optimistic on several Asian equity markets for 2022, particularly on China, South Korea, Singapore and Vietnam. As for the by far largest market China, we see three main reasons for optimism.

First, due to the ultra-loose monetary policy, US and European equity markets have become increasingly inflated, and policy tightening is coming closer. The S&P500 made 70 new all-time highs in 2021, a 25-year record. The medium-term return potential has become limited from these relatively high valuations. On the other hand, Chinese equity markets were down meaningfully in 2021. Hong Kong's Hang Seng index was down -14% for the year and China's mainland index, the CSI300 fell by -5%. We are now in a situation where valuations are almost twice as high in the US, compared to Asia. The MSCI Asia ex-Japan and MSCI China indices trade at around 12-13x earnings while the S&P500 trades at 23x and Nasdaq at 35x. China's corporate earnings growth is comparable to that of the West and rests on a more sustainable ground in terms of underlying macro-economic fundamentals.

The second reason for our optimism is that China has begun to turn its monetary policy from relatively tight to increasingly loose. Several such steps were announced in early December, and on Christmas Day, China's central bank the PBOC, said in a statement that more is coming. The PBOC committed to greater support for the real economy with monetary policy more targeted and forward looking. The central bank reiterated it will support the property sector's healthy growth so that supply of housing can meet the demand. With several of the other major central banks, including the Federal Reserve, looking to tighten policy, the upcoming monetary easing by the PBOC will widen the gap. This divergence is likely to attract investors' attention and foreign capital. In addition to looser monetary policy, China's finance ministry said in a recent statement it will soon roll out fiscal policies to boost economic growth.

The third reason for our optimistic view on Asia and China in particular, is that leading investment banks and brokerage firms have turned increasingly positive to China. Asset management divisions of banks such as Goldman Sachs, JP Morgan and UBS recently made headlines with quotes such as "Buy Everything in China", "Chinese Stocks are a Bargain" and "Chinese assets will be a major oasis of positive returns in the future".

To summarize, we find three good reasons for optimism on China this year. After the massive sell-off sparked by various investor concerns, Chinese equities are now very cheap. While the West is headed for tighter money, China has entered a monetary easing cycle. Major banks, asset managers and commentators have recently become more positive to Chinese equities and investors tend to listen. We also believe that corporate earnings reports, especially in the second half of 2022, will show that investor concerns about China's much discussed real estate sector have been wildly exaggerated.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

December 2021

Performance

As of 31/12/2021	1 month	1 year	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+2.3%	+3.9%	+5.3%	+59.9%	+76.8%
AGCM Asia Growth Fund WP EUR	+1.7%	+3.1%	+9.5%	+54.6%	n.a.

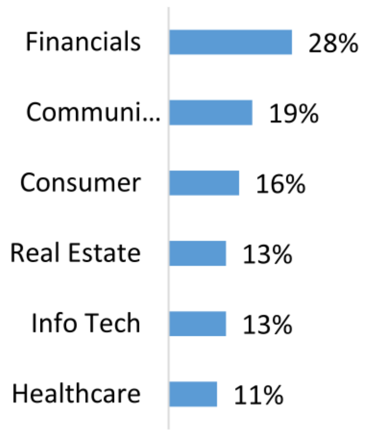
Top 5 holdings %

As of 31/12/2021

Company	Weight
Samsung Electronics	8.9%
Tencent Holdings	6.3%
Alibaba Group	5.2%
COLI	5.1%
China Mobile	4.4%
Total	**29.9%**

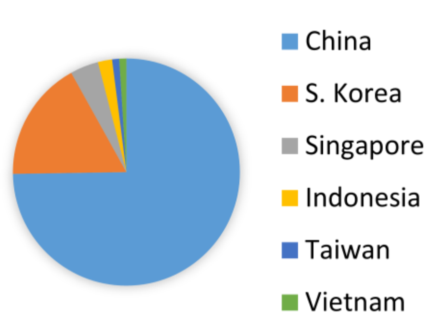
Industry breakdown

As of 31/12/2021



Geographic breakdown

As of 31/12/2021



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 1008 million
Number of holdings:	39
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 176.8 EUR 153.4
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

ASIA GROWTH CAPITAL MANAGEMENT • Birger Jarlsgatan 10, 5 tr • SE-114 34 Stockholm • Sweden • info@agcm.se • www.agcm.se

Finnish Investors: contact mauri.lavikainen@agcm.se