

AGCM China Stars Fund



January 4, 2023

Stars have aligned for emerging Asia. Growth in China reaccelerates.

During the month of December, the NAV of AGCM China Stars Fund RC1 SEK increased by +0.9% and for the full year 2022 it increased by +3.5%. For reference, the MSCI China index decreased by -8.3% in SEK terms in 2022.

Equity markets globally suffered last year from radically tighter monetary policies, disrupted global distribution chains and rising commodity prices. However, a series of positive developments took place in China in December. The most significant was the dramatic policy pivot by the leaders in Beijing, of China's restrictive and costly zero-Covid strategy. The National Health Commission announced that from January 8, China will no longer require inbound travelers to quarantine on arrival. All that is required by inbound travelers is a negative Covid test within 48 hours of departure to China. The government also changed the Chinese name of Covid-19 from "coronavirus pneumonia" to "coronavirus infections" motivated by Omicron's growing prevalence and milder symptoms. This and several other steps of easing restrictions will provide a meaningful boost to economic activities, not least in the service sector. We expect major upward revisions of projections for both China's GDP and corporate earnings in 2023. This should contribute to meaningful fund inflows from foreign investors and a boost to Asian equity market valuations as the growth rate differential between Asia and the West widens further.

Also important for technology stocks was the announcement in December by the CSRC (China Securities Regulatory Commission) that it will promote cooperation with the US on audit supervision of Chinese companies listed in the US such as Alibaba, JD.com and Baidu. The issue of Chinese companies having to submit to US government inspections has been an ongoing dispute between Beijing and Washington for years. The risk of delisting from the US exchanges has weighed on the valuations of Chinese ADRs (American Depositary Receipts). This statement by the CSRC indicates that Beijing is now willing to agree to the US requirements, and this should alleviate some concerns by investors of ADRs delisting in the US.

Publicly listed Chinese SOEs (state-owned enterprises) should benefit from the new guidelines issued on December 5 by the Shanghai Securities Exchange aimed at helping listed SOEs "return to reasonable valuations", in other words higher valuations. The new guidelines aim to improve the communication by SOEs to investors, increase transparency and support the use of employee stock ownership programs to promote growth and quality development. Real estate developers will benefit from the decision by China's central bank, the PBoC, to guide financial institutions to support mergers and acquisitions in the property sector and further improve credit access.

It seems that the stars have finally aligned for equity markets in emerging Asia and China in particular. China, which is the main growth driver in Asia, should see upward revisions of GDP as Covid-restrictions are gradually phased out. Other Asian economies will benefit from an increase in trade and travel. Another important factor for what the US financial industry refers to as Emerging Markets, is the value of the USD. Historically, there has been a strong correlation between the performance of Emerging Markets and the value of the US dollar. The US Dollar Index peaked at 114.1 on September 26, a 20-year high, and has since been on a downtrend. A falling US Dollar index has historically been positive for Emerging Markets. Furthermore, we see intense diplomatic efforts by the Chinese to improve foreign relations, not least with the US and Europe. This should help alleviate concerns of growing trade friction which have weighed on Chinese equities in the past few years.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

December 2022



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/12/2022	1 month	YTD	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	+0.9%	+3.5%	+8.3%	+29.7%
AGCM China Stars Fund RC8 SEK	+0.9%	+4.1%	+9.5%	+34.0%
AGCM China Stars Fund RC9 SEK	+1.0%	+3.7%	+8.6%	+33.3%

Top 5 holdings

As of 31/12/2022

Company name
Tencent Holdings
Alibaba Group
China Mobile
China Resources Land
Midea Group

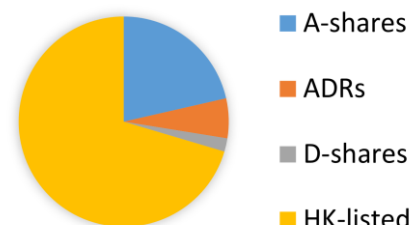
Industry breakdown

As of 31/12/2022

Consumer	26%
Financials	25%
Communi...	22%
Real Estate	14%
Healthcare	9%
Info Tech	1%
Industrials	1%

Market breakdown

As of 31/12/2022



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 145 million
Number of holdings:	37
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 129.7 (RC8) SEK 134.0 (RC9) SEK 133.3
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.