AGCM Asia Growth Fund

February 1, 2023

Re-opening enthusiasm. China household savings grew USD 5.6 trillion.

During the month of January, the NAV of AGCM Asia Growth Fund RC SEK increased by +11.0% and the WP EUR share class by +8.7%.

Investor enthusiasm around China's re-opening has sparked meaningful fund flows into Asian equity markets, especially so in Hong Kong and mainland China. There are good reasons for investors to be enthusiastic about Asia. During the zero-Covid policy, Chinese households had few options but to save, and family bank balances have increased by almost 50% from January of 2020 until the end of last year. Household savings balance grew by USD 5.6 trillion, an amount larger than the GDP of the UK, and close to China's national retail sales in the year before the pandemic. This colossal pool of savings and pent-up demand will provide a major boost to consumer spending going forward. The savings also provide a good support for equity markets in Shanghai and Shenzhen, where domestic investors represent around 95% of the market.

Another reason for investors to be bullish on China, is that Beijing spent much of last year easing both fiscal and monetary policies. The transmission lag means that we have yet to see the full effect of all these policies which have been decided and now implemented. The so-called "three arrows" program for the real estate sector is one such example. Policies are now in place to aid real estate developers with financing through all three capital channels, meaning bank lending, corporate bonds, and new share issues. Only a year ago, developers were strapped for cash due to the "three red lines" policy which aimed at restricting financing to the sector. That restrictive policy has now effectively been sidelined by a massive stimulus program, a remarkable U-turn of policies and great news for the real estate sector which will see a major recovery during this year and next.

In addition to the positive effects from massive stimulus and the relaxation of Covid-restrictions, the leadership in Beijing works hard to attract even more foreign investments, especially in manufacturing. China already runs a giant current account surplus from its over USD 800 billion trade surplus, and it keeps rising. During its most recent meeting, the government's central economic work conference explicitly mentioned that the priorities for 2023 is to attract international capital and investments. As a part of this strategy, government representatives frequently express support for the "platform economy", with the message being that the regulatory crackdown on sectors such as video gaming and some other internet-based services has come to an end.

After the 20th Party Congress, China has dedicated efforts in improving its diplomatic ties. President Xi Jinping has made in-person returns to the G20 and APEC Summit, and has met with over 30 world leaders, signalling the desire to more engagement and cooperation across economic and strategic matters. China's Vice Premier Liu He delivered an upbeat speech at the Davos Economic Forum, reassuring continued support to the private enterprises and entrepreneurship, foreign investments, and consumption-led economy. Chinese leadership demonstrated that they continue to focus on pragmatism and put economic growth as top priority for the party and the government.

The impact of Covid-lockdowns in China resulted in a relatively slow economic growth of 3% last year. To put things into perspective, the 3% GDP growth in 2022 corresponds to an increase in nominal GDP of 6 trillion RMB. This increase corresponds to an output which is 1.5 times larger than Sweden's annual GDP. China's non-manufacturing PMI published yesterday, which measures activities in both the services and construction sectors, took a major a leap from 41.6 to 54.4. Forecasts for China's economic growth keep rising.

South Korea
The country's conservative president Yoon Suk-yeol has set a target to reduce the fiscal deficit to 3% of GDP after an average deficit of 3.7% under the previous Minjoo government. Meanwhile, President Yoon's pro-business policies of lower taxes, labor reforms and reduced restrictions on the property markets have failed to get through parliament which is still controlled by the Minjoo party. South Korea's economy is expected to slow on the back of tighter monetary and fiscal policies and slowing exports from a weaker global demand. With 60% of home mortgages at floating rates, and with rates rising, the property market in South Korea looks vulnerable. South Korea's equity market rose +8.4% in local currency. Our holdings in the Korean banking sector performed well, with share prices rising by more than 25% in the month on improving outlook from net interest margins, and after the Korean financial services regulator indicated more autonomy on banks' dividend policies. Korean banks have for a long time traded at deep discounts. Shinhan Financial Group still only trades at 0.5 times price-to-book and less than 5 times earnings after the rally. Among our other Korean holdings, one of the world's leading battery makers Samsung SDI reported that full year 2022 revenues increased by +49% and net profit by +63%. The biotech CDMO company (contract development and manufacturing organization) Samsung Biologics reported that 4Q22 revenues grew by +117% year-on-year, and net profit rose by +366% year-on-year, significantly beating estimates. The company guided for 10-15% revenue growth for 2023 with strong order backlog and capacity ramp-up.

Singapore
Singapore continues to benefit from the migration of high net-worth individuals and their capital from Hong Kong and mainland China. The number of family offices in Singapore has increased from around 400 at the end of 2020, to more than 1,000 by the end of last year. Despite a hefty stamp duty on property of 35%, foreign buyers keep driving real estate prices and rents higher. The private residential property price and rental indices are now 15-20% higher than in the previous peak back in the autumn of 2013. The surge in foreign currency deposits is of course beneficial for the local banks such as DBS, UOB and OCBC. The higher interest rate environment has a large positive effect on banks' net interest margins, which combined with a mid-single digit loan growth will be a large boost to earnings. The removal of Covid restrictions in Singapore has led to a large uplift in inbound travel, fueling the hospitality and retail sectors. The passenger numbers at Singapore's Changi Airport keeps rising rapidly after China's recent re-opening but is still far below the level before the pandemic.

Indonesia
The stock market has held up well, boosted by earnings upgrades from a post-pandemic economic rebound. Rising prices on commodities such as coal and nickel, have led to windfall profits among Indonesian exporters. After a long period of steady rates, Bank Indonesia is gradually tightening monetary policies and the government has cut back on the fuel prices subsidy. Unsurprisingly, consumer confidence has come down a bit and retail sales have slowed. The economy is benefiting from Indonesia's expansion in nickel processing capacity, for materials used in electric car batteries. The government plans to speed-up the approval process for new EV-related investments and is pushing for the build-up of the whole value chain with the aim to increase exports from Indonesia. Amidst macro headwinds, investments are poised to be a key driver of economic growth. Indonesia is also benefiting from China re-opening as the country is the largest trading partner which accounts for a quarter of trade. Our largest holding in Indonesia, Bank Mandiri, reported a net profit growth of 47% for the full year 2022. Management talked at length about the transition to digital banking and upgrading of operations. Its new app for the retail segment already has 16 million users. Loan growth is projected to stay at double digit, underpinned by strong demand across its corporate, commercial, small businesses and consumer segments. We are looking forward to similar outcomes when the other major Indonesian banks disclose their full year results.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

January 2023

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/01/2023	1 month	1 year	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+11.0%	+8.0%	+11.5%	+35.7%	+103.5%
AGCM Asia Growth Fund WP EUR	+8.7%	+1.9%	+3.3%	+25.0%	n.a.

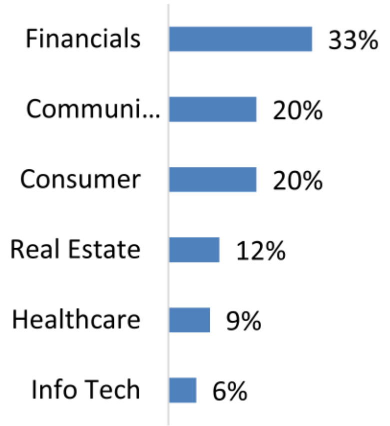
Top 5 holdings %

As of 31/01/2023

Company	Weight
Alibaba Group	7.3%
Tencent Holdings	5.2%
China Mobile	5.1%
Ping An Insurance	4.6%
Samsung Electronics	4.1%
Total	**26.3%**

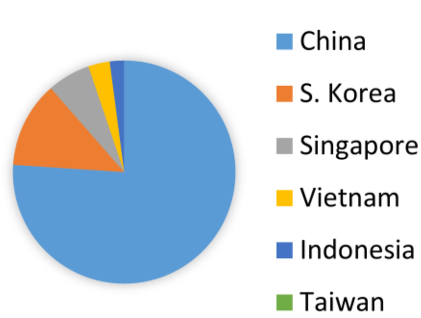
Industry breakdown

As of 31/01/2023



Geographic breakdown

As of 31/01/2023



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 883 million
Number of holdings:	42
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 203.5 EUR 162.2
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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