

# AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

March 2, 2023

## Xi Jinping's top five priorities for China's economy in 2023

During the month of February, the NAV of AGCM China Stars Fund RC1 SEK decreased by -5.6%. Equity markets were weak globally in February, affected by high US inflation numbers and therefore renewed fears of a tighter-for-longer monetary policy by the Federal Reserve. For Asia's part, the China weather-balloon incident and comments by US Secretary of State, Anthony Blinken, in a CBS interview that China was "considering providing lethal support to Russia" raised investor concerns about heightened tensions between the US and China. China's leaders have categorically rejected these accusations.

Geopolitics aside, China is in the early stage of a major economic recovery due to the full re-opening after Covid combined with an increasing impact from massive monetary and fiscal stimulus introduced last year. The Chinese PMI numbers released on March 1 by the National Bureau of Statistics surprised the market on the upside, with the manufacturing PMI at a ten-year record high. As for the important real estate sector, sales of new residential apartments during February rose for the first time in 20 months. The 100 largest real estate developers in China grew sales by 15% in February year-over-year.

A document released by the Chinese government summarized Xi Jinping's top five priorities for China's economy in 2023. Investors should take notice. The first of Xi's top priorities is to boost the domestic demand through incentives for consumption, combined with accelerated investments in infrastructure. Second, to accelerate the construction of a "modern industrial system", meaning a more self-sufficient manufacturing industry, less sensitive to any foreign interference such as export restrictions on advanced semiconductors. Third, continued reforms to make the state-owned companies even more efficient, improve the conditions for the private sector, and provide a level playing field for private and state-owned companies. Fourth, prevent and defuse major economic and financial risks. The fifth and final of Xi's priorities this year is to attract more foreign capital by opening up more sectors in the economy to foreign investors. This bodes well for improving foreign relations through diplomacy.

On February 24, China's Central bank PBOC published its 4Q22 Monetary Policy Report. It is clear from the report that the PBOC has turned quite optimistic on the outlook for the economy this year, and at the same time less worried about inflation. We defer from the report that monetary policy in 2023 will continue to be loose, possibly with further cuts of home mortgage rates and bank deposit rates.

For the fourth year in a row, China filed the largest number of international patent applications globally boosting the World's total filings to a new high, according to the 2022 report from the World Intellectual Property Organization. China filed 70,015 patents, the US came second with 59,056 applications, Japan was third with 50,345, followed by South Korea with 22,012.

Several of our holdings reported strong 4Q financial results. Alibaba's results surprised the market on the upside, with solid earnings growth of 14% year-over-year. Profitability continues to improve with effective cost savings across business lines, including its fast-growing logistics arm Cainiao and its cloud division. We foresee a robust recovery in consumption and believe there is a huge upside in Alibaba's core business areas in the longer term.

**Gustav Rhenman**, Chief Investment Officer

# AGCM China Stars Fund

Monthly Report

February 2023



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## Performance

As of 28/02/2023	1 month	YTD	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-5.6%	+2.9%	-1.7%	+33.4%
AGCM China Stars Fund RC8 SEK	-5.5%	+3.0%	-0.6%	+38.0%
AGCM China Stars Fund RC9 SEK	-6.2%	+3.2%	-2.3%	+37.6%

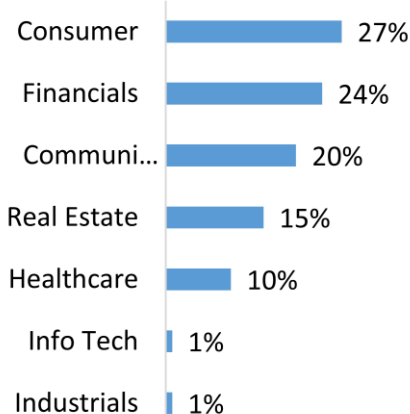
## Top 5 holdings

As of 28/02/2023

Company name
China Mobile
Alibaba Group
Tencent Holdings
Midea Group
China Construction Bank

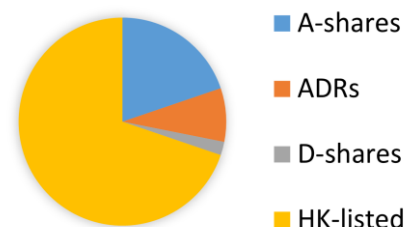
## Industry breakdown

As of 28/02/2023



## Market breakdown

As of 28/02/2023



## 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:	28-August-2017
Fund size:	SEK 147 million
Number of holdings:	37
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 133.4 (RC8) SEK 138.0 (RC9) SEK 137.6
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](http://www.agcm.se) before you make an investment. You can also request such information via e-mail to [info@agcm.se](mailto:info@agcm.se).