AGCM Asia Growth Fund

April 4, 2023

Solid financial reports and re-opening enthusiasm

During the month of March, the NAV of AGCM Asia Growth Fund RC SEK increased by +2.7% and the WP EUR share class by +0.9%.

March was quite busy, with numerous 2022 financial reports to go through from the Asian companies we own. With a few exceptions, we saw surprisingly strong results considering the headwinds many companies faced from the rolling Covid-lockdowns last year. CRCC, one of the World's largest construction companies, grew revenues by +8% in 2022, to 1.1 trillion RMB. Earnings increased by +8%. CRCC signed new contracts last year for a value of RMB 3.0 trillion, and the orderbook now amounts to 6 trillion RMB (close to USD 870 billion). CRCC's shares are trading at less than three times its earnings, P/E 3x, with a dividend yield of 7%.

Insurance giant PICC P&C, a leading player in China's property and casualty insurance market, grew earnings per share by+22% in 2022. The stock trades at P/E 5x and has a dividend yield of 7%. China's largest pharmaceutical distributor Sinopharm recorded 6% growth in revenues and an 11% increase in earnings per share in 2022.

While banks in the US and EU are trying to navigate central bank policies going from one extreme to the other, our Asian bank holdings operate under more stable conditions and are performing quite well. Solid and stable China Construction Bank last week posted over 7% growth in earnings per share for 2022. The stock trades at P/E 4x, a Price to Book value of 0.4x and a dividend yield of 8%. Provisioning for bad loans has always been conservative and its non-performing loan coverage ratio is high. Bank of China and ICBC, two other Chinese bank giants, reported similar strong numbers. The loan books of China's big five banks are well diversified and adequately provisioned. A fact even US rating agency Standard & Poors has finally understood and also communicates.

Jack Ma's return to China after a one-year tour of the World, coincided with Alibaba's announcement of a major reorganization to unlock shareholder value. Alibaba Group will reorganize into six separate business groups, each with a CEO with full responsibility for company performance. Each business group will have the flexibility to raise external capital and seek initial public offerings. The exception is Taobao T-mall Commerce Group, which will remain a wholly owned unit by Alibaba Group. Our sum-of-the parts valuation indicates a value of Alibaba north of USD 400 billion, compared to the current market cap of USD 258 billion.

China's trade surplus has increased by a factor of ten over the past 20 years and reached USD 850 billion in 2022, corresponding to about 5% of GDP. Not only does China invest three times as much as the US and EU combined in its manufacturing industries, but the country has also taken a massive lead in research. According to a recent study by the Australian Strategic Policy Institute (ASPI), China has a "stunning lead" over the US in research in 37 out of 44 critical and emerging technologies. The technological areas where China now leads include nuclear energy, advanced robotics, artificial intelligence, machine learning, electric batteries, photovoltaics, advanced optical communications, and biofuels.

South Korea
South Korea's government has announced several policy initiatives over the past few months to boost the domestic equity market and reduce the famous "Korea discount", meaning much lower valuation multiples than on similar listed companies in other major equity markets. These measures include removing the foreign investor registration system, extending the currency exchange trading hours, requiring listed companies to improve their disclosures in English, and encouraging more generous dividend policies. The government's measures also aim to lift the limits on foreign ownership in 33 business sectors, including telecommunication, aviation, and broadcasting. If foreign investment demand, which has been hampered by regulations, recovers, it could help to resolve the long-standing undervaluation of these stocks. Judging from the wide scope of these measures and the efforts made to communicate them to foreign investors, the regulators seem quite serious this time to narrow the "Korea discount". These efforts are part of the ongoing efforts to have Korea reclassified by index provider MSCI, from the Emerging Markets to Developed Markets. Such a reclassification would result in substantial inflows to Korea's equity markets.

Singapore
After the fall out of Silicon Valley Bank, Credit Suisse and others, investors grew wary of the health and liquidity of banks globally. In booming Singapore, banks are in good shape with last year's record profits under the belt and guidance for solid earnings growth in 2023. Our bank holdings' managements guide for mid-single digit loan growth and double-digit fee income growth. Wealth management fees will likely rebound to play their usual role as a major growth driver. Assets under management have been growing over the past three years although transactions have declined. Singapore is only strengthening its role as a major regional wealth management center.

Indonesia
ASEAN finance ministers and central bank governors met in Indonesia at the end of March. One of the key issues on the agenda was to discuss how to reduce ASEAN's economies' dependency on the US Dollar, Euro, and Yen, in financial transactions, and how to move to settlements in local currencies. Measures to reduce the dependence on major currencies through the Local Currency Transaction (LTC) scheme were reviewed. The ASEAN cross-border digital payment system will be expanded further, allowing member states to use local currencies for trade. An agreement on such cooperation was reached between Indonesia, Malaysia, Singapore, and the Philippines already last year. Indonesia is preparing to introduce its own domestic payment system. Indonesian President Joko Widodo has urged regional administrators to start using credit cards issued by local banks and gradually stop using foreign payment systems. He argued that Indonesia needed to shield itself from potential geopolitical disruptions. The large Indonesian banks remain solid with strong liquid positions. Bank Mandiri's loans to deposit ratio is 80%, meaning that the bank is not dependent on capital markets to fund its lending. Excess funding is placed in marketable securities, either in government bonds, or placed with the central bank. Bank Mandiri reported an admirable 18% ROE in 2022 and we expect double-digit earnings growth this year.

Vietnam
Foreign tourist arrivals continue to recover, already back to 45% of pre-pandemic levels in March. The recovery has been driven by South Korean, European, and Chinese tourists. China resumed group tours to Vietnam from 15 March, and visitors from China will pick up as number of flights gradually increase. The State Bank of Vietnam cut policy rates for the second time this year to support a slowing economy.

Gustav Rhenman
Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

March 2023

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/03/2023	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+2.7%	+6.0%	-2.4%	+29.3%	+94.3%
AGCM Asia Growth Fund WP EUR	+0.9%	+5.0%	-6.3%	+25.0%	n.a.

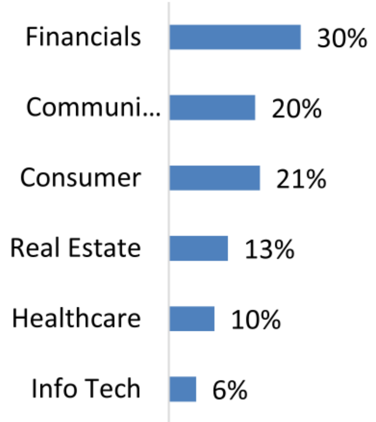
Top 5 holdings %

As of 31/03/2023

Company	Weight
Alibaba Group	7.0%
Tencent Holdings	5.4%
China Mobile	5.0%
Samsung Electronics	4.2%
Ping An Insurance	4.0%
Total	**25.6%**

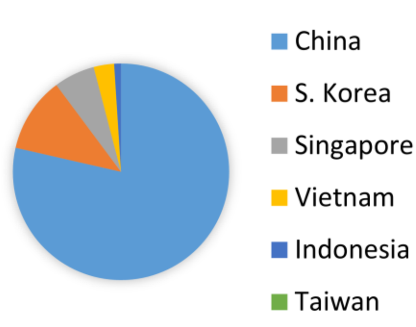
Industry breakdown

As of 31/03/2023



Geographic breakdown

As of 31/03/2023



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 848 million
Number of holdings:	41
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 194.3 EUR 156.6
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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