December 5, 2016

ASIA GROWTH CAPITAL MANAGEMENT

Trump causes sector rotations and Chinese stock markets go global.

During the month of November, the NAV of AGCM Asia Growth Fund SEK declined by -3.6% and the Euro share class by -2.2%. Investors globally struggle to quantify the possible implications of the incoming Trump administration, not least in terms of spending, lending and international trade. Equity investors have reacted by reducing exposure to the technology sector while adding to the industrial- and financial sectors. The rationale behind this rotation is a belief that a rise in infrastructure spending as promised by Trump will lead to higher inflation and increased issuance of US government bonds. Both these factors would push up long term interest rates, which were already anticipated to rise since the US economy is now near full employment and inflation expectations are trending upward.

The sell-off in technology stocks during November created a headwind for us since the fund has a large exposure to Chinese technology names such as Tencent, Alibaba and Baidu. One can question the logic whereby the market capitalization of a Chinese technology company falls by 10% to 15% because a newly elected US president plans to initiate more infrastructure spending on a different continent. Even more irrational do these moves appear when one considers that these Chinese "internet technology" companies in essence is a play on rising domestic spending by the Asian consumer, and not a bet on a specific technology.

We just returned from a ten-day trip to China and South Korea with long days of company visits and management meetings. In terms of weight in the fund, we met with close to half of the portfolio companies, including Tencent, Alibaba, Baidu, JD and Naver. These companies remain on a steady growth path with revenues growing by 25-40% annually with years of high growth left. Here are two examples of the kind of spectacular growth rates of the industries these companies thrive in. The RMB 235 billion Chinese mobile advertising market is estimated to increase by 50% next year while China's young cloud services market is expected to increase 32% in 2017. After the recent share price correction and based on the conclusions from our company visits last week, we see great upside potential from here in the technology stocks mentioned above. Trumponomics was on the agenda of most of the companies we met with. Fortunately, most of the fund's holdings are domestic Asian growth stories with limited exports to the USA.

Today was the official opening of the link between the Hong Kong and Shenzhen stock markets through which mainland Chinese investors can invest in Hong Kong listed stocks and non-Chinese investors can buy shares on China's mainland, including on Shenzhen's vibrant small cap and technology boards. We believe this is another significant positive for the Hong Kong market over time as Chinese investors take advantage of the lower valuations in Hong Kong, most obviously in the dual-listed companies where the Hong Kong listed H-shares still can be found at up to 50% discount compared to the corresponding A-shares in Shenzhen.

Finally, we note with a smile that George Soros, the billionaire investor who has been predicting an economic hard landing in China for a long time, seems to have changed his mind and gone long China. A regulatory filing two weeks ago revealed that Soros Funds have entered a major long position in a China Large-Cap ETF. Good move George. Even better would have been to choose a fund which avoids the bad large-cap SOEs.

Gustav Rhenman
Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

November 2016

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 30/11/2016	1 month	3 month	YTD	Since launch Oct 3 , 2014
AGCM Asia Growth Fund RC SEK	-3.6%	-2.0%	+7.0%	+15.2%
AGCM Asia Growth Fund WP EUR	-2.2%	-4.2%	+1.3%	n.a.
AGCM Asia Growth Fund RC USD	-5.1%	-8.3%	n.a.	n.a.

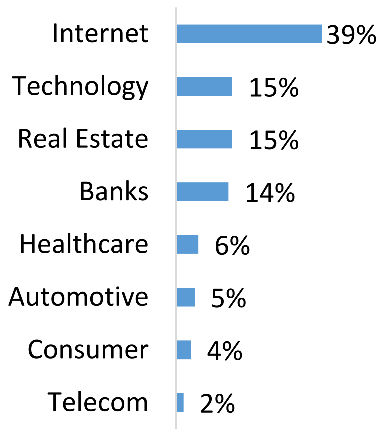
Top 5 holdings %

As of 30/11/2016

Company	Weight
Alibaba Group	8.9%
Tencent Holdings	8.2%
China Overseas Land & Investment	7.5%
China Resources Land	7.2%
ZTE Corp	4.6%
Total	**36.4%**

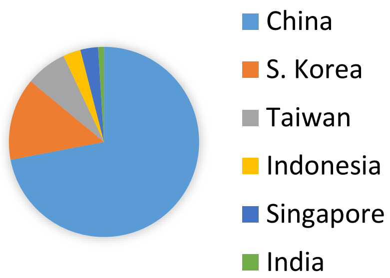
Industry breakdown

As of 30/11/2016



Geographic breakdown

As of 30/11/2016



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 783 million
Number of holdings:	35
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 115.2
	EUR 101.1
	USD 113.2
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909
	EUR WP LU 1163023143
	USD RC LU 1338434852

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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.

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