



ASIA GROWTH CAPITAL MANAGEMENT

May 4, 2017

## China economic growth surprises – Trump makes a U-turn on China

During the month of April, the NAV of AGCM Asia Growth Fund SEK appreciated by +1.6% and the Euro share class by +0.5%.

China's economy grew faster than expected, at 6.9% in the first quarter as retail sales and exports beat forecasts. Government infrastructure spending and a firm property market also helped boost industrial output. The Government's target of 6.5% GDP growth for this year should be easy to beat.

During April, some of our holding companies reported for the first quarter. Guangzhou Auto's revenue grew by 66% YoY to RMB 17 billion and net profit surged by 99% YoY to RMB 3.8 billion on firm demand of the Trumpchi model and strong earnings contribution from its joint venture with Toyota. Shanghai Pharma reported that 1Q profit rose by 21% YoY to RMB 939 million, with a growth rate constantly outpacing the industry average. Insurance giant AIA delivered exceptional New Business Performance for 1Q 2017, where Value of New Business increased 53% YoY to USD 884 million, driven by a 61% growth in annualized new premium. Finally, Yum China which operates over 7,000 Kentucky Fried Chicken and Pizza Hut restaurants grew earnings by 21% YoY.

Last week, we visited some truly exciting growth companies in Shanghai, Hangzhou, Zhengzhou, Chengdu and Chongqing, most of which have leading positions in their respective industries. The domestic A-share market is becoming increasingly attractive as young growth companies take a larger share of the market and corporate governance improves. After a week on the road in China, I agree with my colleague that China has become more developed than most Western nations when it comes to various mobile applications. For example, China's mobile payments sector has already reached USD 5.5 trillion last year, which is 50 times the size of the US' mobile payments market. Of this large and rapidly growing market, our two largest holdings in the fund, Alibaba and Tencent, together account for 90 percent. This illustrates well the positive long term impact infrastructure investments, in this case 4G mobile telecom equipment, can have on economic growth and the opportunities that it can create for investors.

After Xi Jinping's seven hours of conversation with Trump at Mar-a-Lago in Florida, it seems that the risks of a confrontation between China and the U.S. on trade have lessened. President Trump's harsh rhetoric during the election campaign over China's currency policy is gone and a spokesperson at the U.S. Treasury confirmed that the department's semi-annual report on currency practices of the country's major trading partners will not name China a currency manipulator. After the meeting with Xi in Florida, Trump said that "Goodwill and friendship was formed, but only time will tell on trade." At the meeting, Xi also invited Trump to visit China later this year.

**Gustav Rhenman**

Chief Investment Officer



## Performance

As of 30/04/2017	1 month	3 month	YTD	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+1.6%	+9.1%	+14.8%	+26.9%
AGCM Asia Growth Fund WP EUR	+0.5%	+6.6%	+14.0%	n.a.
AGCM Asia Growth Fund RC USD	+2.4%	+7.7%	+17.8%	n.a.

## Top 5 holdings %

As of 30/04/2017

Company	Weight
Tencent Holdings	9.3%
Alibaba Group	8.8%
Netease Inc	6.6%
AIA Group	4.6%
Yum China	4.5%
<b>Total</b>	<b>33.8%</b>

## Industry breakdown

As of 30/04/2017

Internet	41%
Financials	19%
Technology	13%
Real Estate	7%
Healthcare	7%
Consumer	7%
Automotive	4%
Telecom	1%

## Geographic breakdown

As of 30/04/2017



## 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

<b>Portfolio manager:</b>	Gustav Rhenman
<b>Inception date:</b>	03-Oct-2014
<b>Fund size:</b>	SEK 1075 million
<b>Number of holdings:</b>	35
<b>Management fee:</b>	1.85%
<b>Fund management Company:</b>	SEB Fund Services Luxembourg
<b>NAV:</b>	SEK 126.9
	EUR 113.1
	USD 129.0
<b>Minimum subscription:</b>	n.a.
<b>ISIN code:</b>	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](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).