

AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

April 5, 2018

The US has already lost the trade war with China, Trump concedes

During the month of March, the NAV of AGCM Asia Growth Fund RC SEK share class decreased by -0.8% and the WP EUR share class by -2.0%. The month started out on a strong note with positive earnings reports and upward movements in most of our holdings, but it all reversed after the White House announced two packages of tariffs aimed mainly at China. The Facebook scandal raised concerns about increased regulation and Trump's angry tweets about Amazon contributed to a sell-off in the technology sector. Rational or not, the fall in US technology stocks brought the Chinese counterparts Tencent, Alibaba and Baidu lower as well. On the positive side, we have so far enjoyed mostly quite strong financial reports for fiscal year 2017 by our fund holdings. For Tencent, full year 2017 net earnings increased by 74%, Alibaba by 45%, Baidu by 57%, JD.com by 180% and Samsung Electronics by 83%. Alibaba announced it will buy China's largest food delivery company Ele.me for USD 9.5 billion. With a fleet of 3 million couriers serving 1.3 million merchants across China, the consolidation will add about 10% or so to Alibaba's already fast-growing revenues.

Regarding the ongoing trade dispute between the US and China, we believe there will be a positive outcome in the coming months rather than an outright trade war. Trump and his cabinet realize that China will respond to more tariffs with tough counter-measures that would hurt economic growth and would not be welcomed by most Americans. China's leaders have a huge advantage in staying power over Donald Trump. Also, the US business interests in China are much larger than what the trade data alone shows. General Motors sold more cars in China than in the US last year. There are 310 million iPhones in use in China, which is more than double the number in the US. These cars and phones do not show up as US exports to China, since they were produced and sold in China. A third reason why Trump is unlikely to go too far is that China could send US interest rates higher simply by stepping back from future US Treasury auctions and gradually selling US Treasuries in the market, at a point where the supply of US Treasuries is already growing due to the US tax cuts and the balance sheet reduction by the Federal Reserve. As Trump tweeted a few days ago, the US has already lost the trade war with China many years ago "by the foolish or incompetent people who represented the U.S.". Our base case scenario is that Trump the Dealmaker wants China to agree to a partial reduction of the huge trade imbalance and that China will agree to that. China will prefer to make some concessions because it is winning anyways and it would be counter-productive to China's long-term ambitions to anger the American public with trade sanctions against US corporations and farmers.

Earlier in the month in Beijing, the National People's Congress appointed Liu He "economic tsar". Another old ally to president Xi, Wang Qishan, was appointed vice president. These and other key appointments confirm the continuation of Xi Jinping's main policies of further supply-side reforms, ambitious investment programs in science, technology and infrastructure, expansion of welfare and healthcare. Great investment opportunities ahead for us.

China is planning to launch Chinese Depositary Receipts (CDRs) "very soon" in order to attract overseas-listed Chinese companies to return to the domestic stock markets in Shanghai and Shenzhen. Demand is likely to be high among Chinese investors who have not been able to participate in the success of US-listed Chinese companies like Alibaba, Baidu and JD.com which are household names in China. There are still technical issues to resolve but when it happens, it should be supportive for the ADR share prices.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

March 2018



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Performance

As of 29/03/2018	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-0.8%	+3.7%	+3.7%	+20.9%	+50.3%
AGCM Asia Growth Fund WP EUR	-2.0%	-0.3%	-0.3%	+11.8%	n.a.
AGCM Asia Growth Fund RC USD	-1.9%	+1.4%	+1.4%	+26.8%	n.a.

Top 5 holdings %

As of 29/03/2018

Company	Weight
Alibaba Group	8.8%
Tencent Holdings	7.7%
JD.com	6.3%
AIA Group	5.0%
Samsung Electronics	4.2%
Total	32.0%

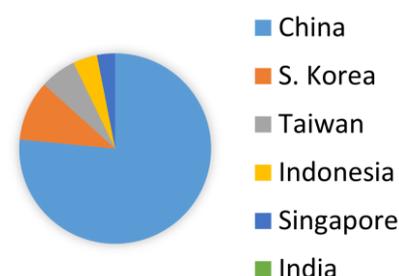
Industry breakdown

As of 29/03/2018

IT Internet	24%
Financials	21%
Consumer	17%
IT equipment	10%
Healthcare	9%
Semicondu...	9%
Real Estate	6%
Industrials	2%

Geographic breakdown

As of 29/03/2018



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 1137 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 150.3
	EUR 125.3
	USD 161.8
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.