

AGCM Asia Growth Fund



May 2, 2019

Accelerating growth in China while other major economies slow

During the month of April, the NAV of AGCM Asia Growth Fund RC SEK share class increased by +3.9% and the WP EUR share class by +1.6%. Corporate financial reports for 1Q19 from our holdings have generally been strong with revenues typically increasing by between 10% and 20% for the first quarter compared to the same period last year.

As communicated by China's Ministry of Finance, the annualized amount of the recent tax and fee cuts will reach close to Rmb 2 trillion, equal to about 2% of 2019 estimated GDP. This means it will be the largest tax reduction in China's history whether measured by the absolute amount or as a percent of government revenues. It is substantially larger than the tax cut in the US last year that resulted in a major boost to economic growth, corporate earnings and equity market valuations. To little surprise, International observers are now having to revise their forecasts. The International Monetary Fund (IMF) recently raised their forecast for China's economic growth this year to 6.3%, while forecasts for most other major economies were revised down.

While the US-China trade negotiations are now in a final stage, the corresponding trade talks between China and the EU lag by at least year. At their annual summit in Brussels, China and the European Union agreed to create a mechanism for monitoring each other's pledges regarding the opening-up of their respective markets. In a joint statement issued by Chinese Premier Li Keqiang, European Council President Donald Tusk and European Commission President Jean-Claude Juncker, the two sides said they would "establish a political mechanism to continuously monitor the progress in the negotiations and to report to leaders by the end of the year on the progress made". This declaration is a major step towards the creation of an EU-China Comprehensive Investment Agreement by next year to improve market access and eliminate practices that discriminate against foreign investors. We believe such an agreement, if reached, will prove to be a huge opportunity especially for the Chinese manufacturing sector.

Last month we listed the following reasons why we remain optimistic on the outlook for Chinese equity markets in 2019. They are still valid and worth to repeat:

- China's government has shifted its policy early this year from tight to highly expansive with large stimulus packages in the form of tax cuts, easier credit and accelerated infrastructure investments. This development has in our view not been fully priced in by the market, especially not by Western investors.
- Valuations are still low, the MSCI China trading at 13x earnings and CSI300 (A-shares) at 13x.
- Investors have overreacted to the trade issue and the situation is more likely to improve than deteriorate.
- Chinese A-shares will be boosted by a quadrupled inclusion factor in several of MSCI's regional equity indices. The inclusion factor increases in three steps from 5% to 20%, in May, September and November.

In April, the equity market of Hong Kong surpassed that of Japan to become the world's third-largest with a combined market capitalization of USD 5.8 trillion, behind only the US and the Chinese mainland markets. It is remarkable, that in the largest and fastest growing equity markets in the world, most Western investors still only have a small fraction of their savings.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

April 2019



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 30/04/2019	1 month	YTD	1 year	2 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+3.9%	+27.3%	+4.7%	+24.4%	+57.8%
AGCM Asia Growth Fund WP EUR	+1.6%	+21.5%	+4.6%	+14.4%	n.a.

Top 5 holdings %

As of 30/04/2019

Company	Weight
Tencent Holdings	6.0%
Alibaba Group	6.0%
AIA Group	5.5%
Samsung Electronics	5.1%
Baidu Inc	4.7%
Total	27.3%

Industry breakdown

As of 30/04/2019

Financials	19%
Communi...	17%
Healthcare	17%
Info Tech	16%
Real Estate	9%
Industrials	1%

Geographic breakdown

As of 30/04/2019



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 1173 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 157.8 EUR 129.4
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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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.