AGCM Asia Growth Fund

April 2, 2020

China begins to recover, factories reopen but consumers still cautious

During the month of March, the NAV of AGCM Asia Growth Fund RC SEK share class decreased by -9.6% and the WP EUR share class by -10.8%. Equity markets around the world fell sharply as the pandemic spreads. The MSCI World index was down -13.2% in USD during the month, and -20.9% year to date.

The month of March was intense with historic market volatility and a stream of corporate 2019 financial reports from our Asian holdings and companies we cover. Most reports reflected a strong Q4 2019, but many companies also guide for a weak Q1 this year, with a gradual recovery thereafter. Several of our holdings in sectors such as internet services, telecom and healthcare expected little or no negative impact from the lockdowns. The valuation of most stocks in our funds were impacted by the massive sell-offs in the US and Europe, but there were some bright spots. The best performing holding in March was e-commerce operator JD.com, shares rose on data showing market share gains thanks to its proprietary distribution, a valuable asset during China's recent lockdown. Understandably, fast-moving consumer goods and kitchen appliances were in high demand during 1Q.
Shares in internet services companies NetEase and Tencent also did well in March as consumers turned to online gaming and entertainment during the quarantine. Pharmaceutical company JHP also performed well in March after releasing 2019 results with over 30% growth in revenues and net profit, despite large increases in R&D spending.
The worst performing stocks included our Singaporean financial holdings, DBS and UOB, which fell on fears of higher credit losses and interest margin compression following the US Federal Reserve's decision to cut the Fed Funds rate, many believing the Monetary Authority of Singapore would follow suit.

Only eight weeks from the peak of the crisis, the Chinese economy is beginning to normalize. The consumer is not yet back in full force but the nation's manufacturing sector has reopened, with 98 percent of major industrial firms nationwide having restarted work as of March 28, according to a report by the Ministry of Industry and Information Technology (MIIT). Around 89 percent of employees in industrial companies with an annual revenue of more than 20 million yuan (about 3 million USD) have returned to work. Even in the hard-stricken province of Hubei, the average work resumption rate of industrial firms exceeds 95 percent. Meanwhile, 76 percent of small and medium-sized enterprises nationwide have resumed operations. Chinese official manufacturing PMI reported on March 31 bounced back to 52.0, up from a historic low of 35.7 in February. The PMI for services and construction also strong at 52.3, up from 29.6 in February. The economic outlook for China has improved much faster than analysts and investors had expected.

Judging from what we read and hear from the leading global investment banks, White House officials and influential "experts", we sense a risk that investors in the US are overly optimistic when it comes to the duration of the epidemic and extent of the coming economic losses. The unprecedented stimulus, both in speed and size, by governments and central banks will be a major positive for equity markets in the medium term but will be insufficient to quickly counter the damage to consumption caused by travel restrictions, quarantines and plain fear. We expect to maintain a relatively defensive positioning in the proximate future, and Chinese stocks to outperform. We would be surprised if we would not see new market lows, and major opportunities, later in the spring.

Gustav Rhenman, Chief Investment Officer

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AGCM Asia Growth Fund

Monthly Report

March 2020

Performance

As of 31/03/2020	1 month	YTD	1 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-9.6%	-10.4%	-0.6%	+23.6%	+50.8%
AGCM Asia Growth Fund WP EUR	-10.8%	-12.0%	-3.5%	+13.6%	n.a.

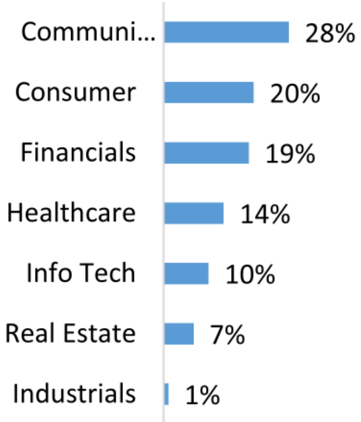
Top 5 holdings %

As of 31/03/2020

Company	Weight
Alibaba Group	8.7%
Tencent Holdings	6.0%
Baidu	4.7%
Singapore Telecom	4.2%
Sinopharm	4.0%
Total	**27.6%**

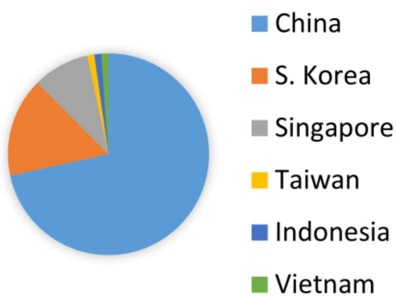
Industry breakdown

As of 31/03/2020



Geographic breakdown

As of 31/03/2020



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 1055 million
Number of holdings:	41
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 150.8 EUR 123.0
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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