

AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

August 3, 2020

The “Great Debasement of the USD” makes Asia even more attractive

During the month of July, the NAV of the AGCM Asia Growth Fund RC SEK share class increased by +0.5% and the WP EUR share class by +1.6%.

Mainland China-listed home appliance manufacturers Haier and Midea performed well during July after sales of air conditioners beat market expectations. Inventories at distributors have remained low and this tightness of inventory has caused online prices for air-conditioners to rise again. Second-quarter retail sales volumes in the second quarter recovered almost entirely from the pandemic.

In early July, Alibaba payments subsidiary Ant Financial reported it is planning an IPO later this year, targeting a valuation of more than USD 200 billion. The listing will take place in both Hong Kong and Shanghai simultaneously. Ant Financial owns AliPay, one of the two dominating mobile payment systems in China. Since Ant Financial is in very early stages of monetization, it does not yet contribute to Alibaba’s earnings and can therefore be viewed as a hidden asset. Investors are now starting to pay more attention to this asset. Alibaba remains our largest holding.

Indonesia’s Bank Mandiri rose strongly in July as macroeconomic data started improving over the summer. Major cities such as Jakarta started easing their lock-downs in late May and economic activity is now starting to recover. Car traffic in Jakarta is now back to pre-COVID-19 levels. While the number of new infections keeps rising, much of the increase is due to expanded testing throughout the country. As a consequence of international investors now returning to Indonesia, the currency continues to recover.

Hangzhou Hikvision reported better-than expected first half 2020 earnings with net profit +9.7% year-on-year. The strong earnings were much due to COVID-19 driven IR camera orders. These cameras have been used to test body temperatures since the pandemic began. Hikvision is also seeing a pick-up in its main security camera business after government demand firmed up throughout the second quarter of 2020.

China’s Caixin purchasing manager’s index (PMI) for July came in at 52.8, far above expectations. PMI readings above 50 indicate that the manufacturing sector is expanding. There are two PMIs in China: the official one, which focuses on the larger state-owned enterprises, and the Caixin-Markit index, which focuses on small and mid-sized private businesses. The strong Caixin PMI shows that small, private businesses in China are doing better and better, gradually recovering from the COVID-19 related lock-downs that were imposed earlier this year. Chinese industrial profits also rebounded strongly over the summer, rising +11.5% year-on-year in June after +6.0% rise in May.

In July, Bank of America Merrill Lynch joined other leading US investment banks who argue that the massive fiscal and monetary stimulus to fight the effects of the coronavirus will lead to a “Great Debasement” of the U.S. dollar in the years ahead, i.e. a major devaluation. That, in turn, will make investments in emerging markets more appealing as investors look for reliable inflation hedges and savvy ways to play a weaker greenback, according to Bank of America. For a change, we could not agree more. In fact, we have been arguing this for some time.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

July 2020



ASIA GROWTH CAPITAL MANAGEMENT

Performance

| As of 31/07/2020 | 1 month | YTD | 1 year | 5 year | Since launch Oct 3, 2014 |
|------------------------------|---------|-------|--------|--------|-----------------------------|
| AGCM Asia Growth Fund RC SEK | +0.5% | -3.8% | +5.1% | +44.3% | +62.0% |
| AGCM Asia Growth Fund WP EUR | +1.6% | -0.5% | +9.4% | +38.0% | n.a. |

Top 5 holdings %

As of 31/07/2020

| Company | Weight |
|-------------------|--------------|
| Alibaba Group | 9.2% |
| Baidu Inc | 6.6% |
| COLI | 6.0% |
| Ping An Insurance | 4.2% |
| Midea | 4.0% |
| Total | 30.0% |

Industry breakdown

As of 31/07/2020

| | |
|-------------|-----|
| Communi... | 26% |
| Financials | 20% |
| Consumer | 19% |
| Healthcare | 13% |
| Real Estate | 12% |
| Info Tech | 9% |
| Industrials | 1% |

Geographic breakdown

As of 31/07/2020



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 1111 million |
| Number of holdings: | 40 |
| Management fee (RC): | 1.85% |
| Fund management Company: | FundRock Management Company S.A. |
| NAV: | SEK 162.0 EUR 138.9 |
| 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.