

AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

August 2, 2021

Chinese policy measures weigh on markets – more stimulus underway

During the month of July, the NAV of AGCM China Stars Fund RC1 SEK share class decreased by -8.3%. In late July, Chinese equity markets hit an air pocket when investors sold off companies listed in Hong Kong and the US, after a decision by China's Politburo to ban for-profit private tutoring. Earlier in July, the Chinese financial regulator CSRC, announced tighter rules for overseas IPOs and ride-hailing company DiDi was disciplined for monopolistic practices. As so often, the commentaries in Western financial media were more dramatic than reality. What by some journalists was described as a "campaign against the private corporate sector" are in our view mostly sound and reasonable policies, mainly aimed at protecting Chinese consumers, employees and investors. The measures recently announced in China to strengthen individual data protection rights, are less far-reaching than Europe's GDPR rules of 2018. The new requirement for Chinese tech companies to undergo a cybersecurity review before listing in the US, is understandable if the company is in possession of personal data on millions of Chinese citizens.

Social stability is one of the key objectives for China's leadership. On July 26, China's, government introduced a ban on for-profit private tutoring, much of which has been provided by publicly listed education companies. The reason for the ban was not only to make it more affordable for families to have three children, it was as much a response to what had become an issue of social equality. As in many Asian countries, the educational system in China is highly competitive. Parents and children live under constant stress, anxious about admissions to the top schools and universities. Private tutoring has become a crucial way for families who can afford it, to help their children in the national exams. The private education industry had become increasingly aggressive in its marketing, in some cases with subway ads suggesting that parents who don't enroll their children in after-school education, will see their children end up in factories. After a public outcry on social media, China's leadership stepped in with a blanket ban on for-profit tutoring. Dramatic drops in valuations of stocks in the ed-tech sector triggered a broader sell-off via China-related funds and ETFs. Over the years, we have stayed away from stocks in the ed-tech sector due to the excessive valuations and high regulatory risk. South Korea implemented a similar ban in 1980.

Regarding the issue of overseas IPOs, the chairman of China's financial regulator, CSRC, last week confirmed that overseas listings of Chinese companies will still be allowed but companies will no longer be able to circumvent the Chinese rules by going abroad to markets with lower levels of investor protection. The new registration review standards will be fully applied to all markets, domestic and foreign. Western investors should welcome this move.

We view the recent sell-off in China as an opportunity. From a bottom-up perspective, the outlook for our holdings remains very bright. Little has changed except lower valuations. Despite some new virus cases, the macro-outlook also remains favorable with strong exports, consumption and infrastructure investments. Last Friday, China's government said it and the PBOC stand ready with monetary and fiscal stimulus. Coincidentally perhaps, the management of China Railway Rolling Stock Corporation, announced the completion of its first superfast magnetic levitation (maglev) train. With a top speed of 600km/hour, these trains will be used on a new line between Beijing and Shanghai. When the line is operational, travel time between the two cities is expected to be cut to about 2.5 hours. A telling example of China's willingness and ability to superscale investments in technologies for the future.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

July 2021



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/07/2021	1 month	YTD	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-8.3%	-1.3%	+7.8%	+22.1%
AGCM China Stars Fund RC8 SEK	-8.3%	-1.0%	+8.8%	+25.2%
AGCM China Stars Fund RC9 SEK	-9.2%	-1.5%	+8.1%	+25.1%

Top 5 holdings

As of 31/07/2021

Company name
Alibaba Group
Tencent Holdings
COLI
China Mobile
China Telecom

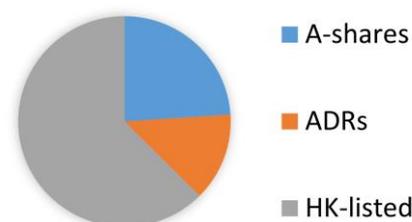
Industry breakdown

As of 31/07/2021

Communi...	27%
Financials	21%
Consumer	21%
Real Estate	15%
Healthcare	14%
Info Tech	1%
Industrials	1%

Market breakdown

As of 31/07/2021



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:	28-August-2017
Fund size:	SEK 169 million
Number of holdings:	33
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 122.1 (RC8) SEK 125.2 (RC9) SEK 125.1
Minimum subscription:	n.a.
ISIN code:	SEK RC1 LU 1608617111 SEK RC8 LU 1608617384 SEK RC9 LU 1608617467

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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.