

AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

September 2, 2021

Implications of US asset managers major investments in China

During the month of May, the NAV of AGCM Asia Growth Fund RC SEK share class decreased by -1.4% and the WP EUR share class decreased by -0.5%. The outperformance of value over growth continued in May with the MSCI World Value Index gaining +3.1% while MSCI World Growth index was flat. The difference may reflect a growing conviction among investors of tighter monetary policies ahead, a direction of which the US Federal Reserve cautiously guided for in its latest minutes from the Federal Open Market Committee released on May 20.

In late May, Alibaba reported its fiscal year 2021 results. Solid revenue growth of +41% for the year, while net profit was dragged down by a one-off penalty after an anti-trust investigation. Annual active consumers grew +12% year-over-year to 811 million while mobile monthly active users grew +9% to 925 million. During the earnings call, management guided for continued strong revenue growth of +30% y-o-y into fiscal year 2022, and the management plans to reinvest all incremental profits to expand the addressable market and drive user growth.

E-commerce operator JD.com delivered strong numbers for the 1st quarter with revenues +39% y-o-y to 203 billion RMB. Annual active consumers increased +29% y-o-y to 500 million. JD continues to invest heavily in marketing to grow the number of active users. Continued improvement in user retention, repurchase rates, shopping frequency and average revenue per user (ARPU). Management expects the user growth momentum to continue for the rest of the year. Users from lower tier cities accounted for 81% of the newly added users.

As a result of the Trump administration's trade deal with China in 2019, the US financial industry was granted better access to the Chinese financial market. Beijing has lived up to its part of the deal and US investment banks and asset managers have jumped at the opportunity. Goldman Sachs recently unveiled a partnership with China's largest bank ICBC and is now recruiting Chinese employees by the hundreds in Hong Kong and Shanghai. Blackrock has received approval for a wealth management partnership with China Construction Bank, and JPMorgan has teamed up with China Merchants Bank in asset management. There are several important implications of this development. First, large Western financial institutions now have increased commercial incentives to promote the investment opportunities in China. Second, influential powerhouses like Goldman Sachs have a stronger interest in keeping US-China relations at a reasonably good level and will lobby to that effect in Washington. Third, Beijing will call on the US to deliver on its demands of fairness and reciprocity in trade and market access. In other words, the US will need to open up its own financial market, creating new opportunities for Chinese financial companies.

While the West continues to pile up ever more debt, China has begun to gradually reduce its debt-to-GDP ratio without compromising support for its post-pandemic economic recovery. The debt-to-GDP ratio was 276% at the end of March, 2.6 percentage points lower than at the end of December, according to People's Bank of China (PBOC).

On May 31, China announced it will now allow all couples to have three children, instead of previously two, in an effort to counteract the effects of an aging population.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

August 2021



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/08/2021	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-0.5%	+2.0%	+15.0%	+49.5%	+75.7%
AGCM Asia Growth Fund WP EUR	-0.1%	+1.9%	+23.1%	+45.0%	n.a.

Top 5 holdings %

As of 31/08/2021

Company	Weight
Alibaba Group	7.2%
COLI	6.9%
Tencent	6.5%
Samsung Electronics	5.7%
Ping An Insurance	5.0%
Total	31.3%

Industry breakdown

As of 31/08/2021

Financials	26%
Communi...	23%
Consumer	16%
Real Estate	13%
Healthcare	12%
Info Tech	9%

Geographic breakdown

As of 31/08/2021



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:	03-Oct-2014
Fund size:	SEK 1146 million
Number of holdings:	40
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 175.7 EUR 153.2
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.