

AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

January 5, 2022

Three reasons for optimism on Chinese equity markets in 2022

During the month of December, the NAV of AGCM China Stars Fund RC1 SEK increased by +1.6%. The full year return 2021 of the fund's base share class RC1 SEK was +2.9% compared with MSCI China index which in SEK terms was down -13.9% in SEK for the year.

Despite the relatively unexciting returns in 2021, we remain optimistic on the outlook for the fund's portfolio holdings in 2022 as well as for Chinese equity markets in general. We see three main reasons for this optimism.

First, due to the ultra-loose monetary policy, US and European equity markets have become increasingly inflated, and policy tightening is coming closer. The S&P500 made 70 new all-time highs in 2021, a 25-year record. The medium-term return potential has become limited from these relatively high valuations. On the other hand, Chinese equity markets were down meaningfully in 2021. Hong Kong's Hang Seng index was down -14% for the year and China's mainland index, the CSI300 fell by -5%. We are now in a situation where valuations are almost twice as high in the US, compared to Asia. The MSCI Asia ex-Japan and MSCI China indices trade at around 12-13x earnings while the S&P500 trades at 23x and Nasdaq at 35x. China's corporate earnings growth is comparable to that of the West and rests on a more sustainable ground in terms of underlying macro-economic fundamentals.

The second reason for our optimism is that China has begun to turn its monetary policy from relatively tight to increasingly loose. Several such steps were announced in early December, and on Christmas Day, China's central bank the PBOC, said in a statement that more is coming. The PBOC committed to greater support for the real economy with monetary policy more targeted and forward looking. The central bank reiterated it will support the property sector's healthy growth so that supply of housing can meet the demand. With several of the other major central banks, including the Federal Reserve, looking to tighten policy, the upcoming monetary easing by the PBOC will widen the gap. This divergence is likely to attract investors' attention and foreign capital. In addition to looser monetary policy, China's finance ministry said in a recent statement it will soon roll out fiscal policies to boost economic growth.

The third reason for our optimistic view on Chinese equity markets in 2022, is that leading investment banks and brokerage firms have turned increasingly positive to China. Asset management divisions of banks such as Goldman Sachs, JP Morgan and UBS recently made headlines with quotes such as "Buy Everything in China", "Chinese Stocks are a Bargain" and "Chinese assets will be a major oasis of positive returns in the future".

To summarize, we find three good reasons for optimism around China this year. After the massive sell-off sparked by various investor concerns, Chinese equities are now very cheap. While the West is headed for tighter money, China has entered a monetary easing cycle. Major banks, asset managers and commentators have recently become more positive to Chinese equities and investors tend to listen. We also believe that corporate earnings reports, especially in the second half of 2022, will show that investor concerns about China's much discussed real estate sector have been wildly exaggerated.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

December 2021



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/12/2021	1 month	1 year	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	+1.6%	+2.9%	+3.7%	+25.2%
AGCM China Stars Fund RC8 SEK	+1.6%	+3.4%	+4.7%	+28.7%
AGCM China Stars Fund RC9 SEK	+1.7%	+3.0%	+3.8%	+28.6%

Top 5 holdings

As of 31/12/2021

Company name
Tencent
China Mobile
Alibaba Group
COLI
Poly Development

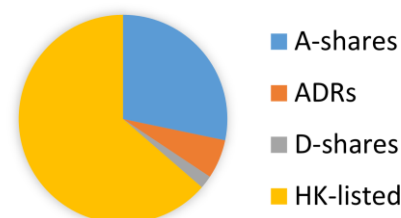
Industry breakdown

As of 31/12/2021

Consumer	22%
Financials	21%
Communi...	20%
Real Estate	18%
Healthcare	15%
Info Tech	1%
Industrials	1%

Market breakdown

As of 31/12/2021



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 154 million
Number of holdings:	33
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 125.3 (RC8) SEK 128.7 (RC9) SEK 128.6
Minimum subscription:	n.a.
ISIN code:	SEK RC1 LU 1608617111 SEK RC8 LU 1608617384 SEK RC9 LU 1608617467

Disclaimers

According to Personuppgiftslagen (PUL): AGCM can use such personal data which has been given to the company by the registered person or which the company has sourced from other sources (name, e-mail and telephone number) to, via e-mail or telephone, give information about and market its products and services, including direct marketing. The personal data is used mainly in relation to people who orally or in written form have indicated interest to AGCM. If you want to receive information about which personal data about yourself the company is handling, you can in writing, signed by yourself, make a request to Asia Growth Capital Management AB, Birger Jarlsgatan 10, 5 tr, 114 34 Stockholm. You can also make a request in writing to the same address that you wish not to have your personal data used for purposes of direct marketing. Request for correction of personal data can also be made to the same address.

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.