

AGCM Asia Growth Fund



ASIA GROWTH CAPITAL MANAGEMENT

September 1, 2022

China sets new records in exports and trade surplus

During the month of August, the NAV of AGCM Asia Growth Fund RC SEK increased by +4.6% and the WP EUR share class by +1.8%. After a positive start in early August, global equity markets turned south after a brief but hawkish speech by Federal Reserve's Chairman Jerome Powell at Jackson Hole. The essence of Jerome Powell's speech was that the Fed is strongly committed to bringing inflation back down to its 2% target, and he warned that it could require restrictive monetary policy for some time and that this could cause pain for households and corporations.

The outlook for Asia's economies seems relatively better than for the US and the EU. China delivered another all-time high trade surplus in July, at USD 101.3 billion, on top of the USD 97.9 billion recorded for June. Exports grew by 18 per cent in July to USD 333 billion, similar to the year-over-year growth rate in June. Covid-restrictions in China come and go, and new economic stimulus packages are launched to boost economic growth. In addition to China's CNY 300 billion stimulus program already announced in June, China's State Council on August 24 outlined a further RMB 1 trillion (USD 145 billion) policy package. To ensure a rapid implementation of this giant program, the State Council appointed five special task forces to travel out to the key economic provinces to monitor that the stimulus measures are deployed without delay.

The People's Bank of China reduced its medium-term lending rate, for one-year loans to the banking system, by 10 basis points to 2.75%, the first cut since January. Chinese banks followed by lowering their benchmark lending rate, the five-year loan prime rate (LPR), by another 15 basis points to 4.3%. A similar cut was made in May. This means cheaper mortgages for home buyers and cheaper credit for property developers.

Most of our holdings reported financial results for the first half of 2022. Home appliances leader Haier was ten years ago about the same size as Electrolux in terms of revenues and earnings. Today, Haier is ten times larger than Electrolux with revenues of around CNY 250 billion and 122 manufacturing sites around the globe. Haier revenues grew 8% in the first 6 months this year and earnings increased by 16%. Insurance giant PICC Property & Casualty reported a strong first half with gross written premiums up by 10% and earnings up 28%. China's four largest banks, ICBC, CCB, BoC and ABC, reported average earnings growth of 5.5% for the first six months. Real estate developer revenues and earnings were mostly lower for the first half this year, a natural consequence of the government initiated de-leveraging campaign where credit to the industry has been restricted. We see great opportunities in this sector since the government has reversed course and announced meaningful credit support to developers and home buyers. The policies underscore the willingness by the Chinese government to step in with decisive and powerful measures to rectify market failures, be them caused by greedy entrepreneurs cutting corners, unintended consequences of government policies, or lack thereof.

We see more troubles ahead for European and US equity markets due to the combination of rising interest rates, quantitative tightening and downward earnings revisions as the Western economies deteriorate. Looking back at previous periods of high inflation in the US, in all nine instances since 1940 when inflation spiked above 5%, a recession followed. To us it seems that stock prices in the US and EU are at risk from rising interest rates and falling earnings. The case for Asian value stocks with low valuations, good growth and high yields, seems as strong as ever.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

August 2022



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Performance

As of 31/08/2022	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+4.6%	+3.0%	+8.2%	+40.3%	+82.1%
AGCM Asia Growth Fund WP EUR	+1.8%	+0.0%	+6.7%	+30.8%	n.a.

Top 5 holdings %

As of 31/08/2022

Company	Weight
Samsung Electronics	6.3%
Alibaba Group	6.2%
China Mobile	5.1%
Tencent Holdings	4.8%
China Resources Land	4.2%
Total	26.6%

Industry breakdown

As of 31/08/2022

Financials	34%
Communi...	18%
Consumer	16%
Real Estate	12%
Healthcare	11%
Info Tech	8%

Geographic breakdown

As of 31/08/2022



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 831 million
Number of holdings:	42
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 182.1 EUR 153.5
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

Disclaimers

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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.