

AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

November 3, 2022

Western investors fail to credit China's economic-growth commitment

During the month of October, the NAV of AGCM China Stars Fund RC1 SEK decreased by -13.2%. While Western equity markets were mostly up in October, it was a tough month for the Chinese equity markets with Hong Kong's Hang Seng index down -15.3% in SEK and the China Enterprise index fell -17.0%.

It is ironic that the world's second largest economy with the highest growth, largest trade surplus, lowest inflation, and strongest national balance sheet, was sold down by international investors even though its stock market is trading at only 9 times earnings and with expected earnings growth far better than the US and Europe. The IMF projects China's economy to grow by 4.4% next year and market consensus estimates for the Chinese equity market expect +15% growth in earnings per share in 2023. China now accounts for 61% of global manufacturing capex and has been the world leader in filing international patents for the third year running. Private sector is acknowledged as an essential driver for China's growth, contributing to 60% of GDP, 80% of job creation and 90% of companies. Xi Jinping's government has a very high standing in China, according to US research institute Edelman Trust Barometer, with an approval rating of over 91% in this year's survey.

The steepest decline in the Hong Kong market came the day after the conclusion of China's 20th Party Congress. Foreign investors seemed alarmed that some well-known technocrats were not included in the top 24 Politburo leadership cadre, such as Vice Premier Liu He and PBOC governor Yi Gang. We find these concerns overdone. Yes, the new appointees are people mostly well known by Xi, but it does not mean they are less pro-business or less competent. Li Qiang, the current Shanghai party chief has been promoted to number two in the party hierarchy and is expected to be named Premier at the legislative session in March. Li has been widely regarded as a business-friendly, pro-growth and liberal party official with successful governance experiences in affluent regions of Zhejiang and Shanghai. The new Politburo lineup is dominated by technocrats with background in science, technology, engineering, and economics, highlighting China's technological ambitions and economic focus.

The two-hour long speech by Xi Jinping at the Party Congress was dominated by economic growth and development, technology and education, fight against poverty, rather than by national security. Here are some quotes by Xi: "We must unwaveringly encourage, support, and guide the development of the non-public sector." "We will work to see that the market plays the decisive role in resource allocation and that the government better plays its role." "We will make appropriate reductions to the negative list for foreign investment, protect the rights and interests of foreign investors in accordance with the law, and foster a world-class business environment that is market-oriented, law-based and internationalized."

Many of our holdings reported strong financial results for the third quarter of 2022. Home appliances leader Haier grew revenues +9% in the quarter and earnings increased by +20% compared with a year ago, with resilient domestic consumption and improving operating efficiency. One of the largest Chinese insurers PICC Property & Casualty reported a strong third quarter with gross written premiums up by +12% and earnings up +101% y-o-y. China's four largest banks, ICBC, CCB, BoC and ABC, reported average earnings growth of +6.5% for the third quarter, further accelerating from the first half. They on average have a dividend yield of over 10%.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

October 2022



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/10/2022	1 month	YTD	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-13.2%	-13.7%	-14.2%	+8.1%
AGCM China Stars Fund RC8 SEK	-13.1%	-13.3%	-13.2%	+11.6%
AGCM China Stars Fund RC9 SEK	-13.2%	-13.9%	-14.7%	+10.7%

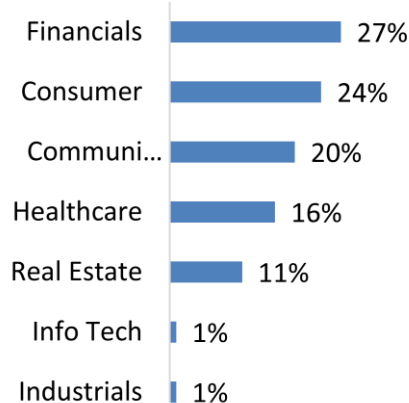
Top 5 holdings

As of 31/10/2022

Company name
China Mobile
Alibaba Group
Sinopharm Group
Tencent Holdings
ICBC

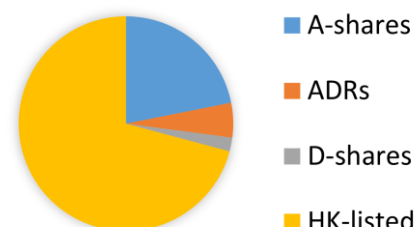
Industry breakdown

As of 31/10/2022



Market breakdown

As of 31/10/2022



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:	28-August-2017
Fund size:	SEK 121 million
Number of holdings:	37
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 108.1 (RC8) SEK 111.6 (RC9) SEK 110.7
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.