

AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

June 1, 2023

China recovery continues, corporate earnings keep improving.

During the month of May, the NAV of AGCM China Stars Fund RC1 SEK decreased by -2.8%.

We continue to see sequential economic recovery well on track in China and upbeat earnings reports especially from the Chinese tech sector this month.

In contrast to the expectation that Europe and the US will potentially go into recession this year, China is recovering. China's retail sales rose +18% year-on-year in April, led by restaurant, apparel, automobile and jewelry. China's exports grew +9.5% year-on-year in April, primarily driven by Southeast Asian countries and emerging markets. China's travel boom gathers pace. During the five-day "Labor Day" holiday, domestic tourism revenues exceeded 2019 levels and around 274 million people travelled over the period, 19% higher than 2019 level. The consumption and service-led recovery should continue to accelerate into the rest of the year, and the government is expected to further introduce policies to support employment, real estate, manufacturing, and consumption.

Our portfolio companies in the Chinese tech sector all reported solid 1Q 2023 results and encouraging growth outlook. Alibaba Group reported revenue growth of +2% and adjusted profit growth of +38% year-on-year in the quarter. The company announced plans to spin off the cloud computing business and distribute it to Alibaba shareholders as stock dividend within 12 months. It also plans to list the online grocery business Freshippo and the logistics business Cainiao respectively within the next 6-18 months. On top of that, Alibaba has a share buyback program with USD 19.4bn in balance, equivalent to 9% of its current market cap. The group is trading at 9 times Price-to-Earnings, and the core ecommerce asset is valued at below 4 times Earnings.

Tencent Holdings reported revenue growth of +11% year-on-year in 1Q and adjusted profit growth of +27%, with a broad-based rebound in its video gaming, online advertising and fintech segments. China's dominant search engine Baidu grew revenues by +10% year-on-year in 1Q and adjusted earnings by +48%, driven by a strong recovery in the digital advertising business. The managements of these tech giants have all communicated upbeat guidance on the growth outlook, eased regulatory environment, and stepped-up efforts and investments in artificial intelligence, especially generative AI. China's digital economy is already the second largest worldwide, accounting for 42% of China's GDP in 2022. Growing at double digit, it will continue to be a major driving force for China's economic growth and transition in the coming decades.

China's first domestically manufactured large passenger jet C919 successfully completed its maiden commercial flight from Shanghai to Beijing at the end of the month, a milestone in China's bid to challenge the Boeing-Airbus duopoly in the global aircraft industry. China's car exports rose by nearly +60% in the first quarter and the country surpassed Japan as the world's largest automotive exporter. The trend has been visible for a while as China exported 3.1 million vehicles last year to overtake Germany to become the world's second-largest auto exporter right behind Japan. China's New Energy Vehicle exports grew almost three times, being the main growth driver and increasingly gaining momentum in the global market.

Gustav Rhenman

Chief Investment Officer

AGCM China Stars Fund

Monthly Report

May 2023



Performance

As of 31/05/2023	1 month	YTD	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-2.8%	+1.3%	-3.1%	+31.3%
AGCM China Stars Fund RC8 SEK	-2.8%	+1.5%	-2.0%	+36.0%
AGCM China Stars Fund RC9 SEK	-3.2%	+1.2%	-3.9%	+35.0%

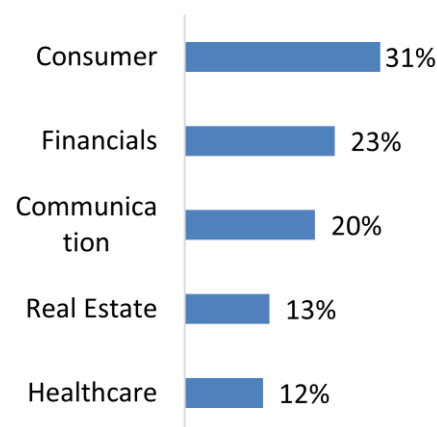
Top 5 holdings

As of 31/05/2023

Company name
Alibaba Group
China Mobile
Tencent Holdings
JD.com
China Construction Bank

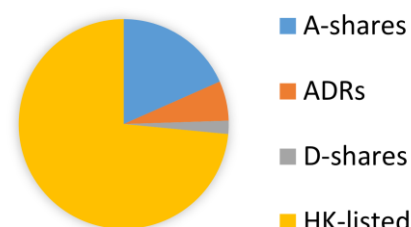
Industry breakdown

As of 31/05/2023



Market breakdown

As of 31/05/2023



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 145 million
Number of holdings:	37
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 131.3 (RC8) SEK 136.0 (RC9) SEK 135.0
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.