

AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

November 2, 2023

A one trillion-yuan stimulus package. US-China relations improving.

During the month of October, the NAV of AGCM China Stars Fund RC1 SEK decreased by -3.4%.

Most equity markets in the World fell in October. Growing concerns among investors of a coming recession and the prospects of a serious imbalance between supply and demand for US Treasury bonds contributed to an upward pressure on bond yields. Western equity markets remain at risk from a double whammy of downward earnings revisions in the coming quarters combined with a decline of elevated valuation multiples.

Asia's largest economy looks relatively better. After many years of tight monetary and fiscal policies, China continues to ease to secure its 5% GDP growth target. On October 25, the government announced a 1 trillion CNY (USD 138 billion) stimulus program focused on infrastructure. These funds will be transferred to local governments, with half of the sum intended for use this year and the remaining half to be used in 2024.

It seems Xi Jinping will accept Joe Biden's invitation and attend in person at the Asia-Pacific Economic Cooperation (APEC) meeting that the US will host in San Francisco, beginning November 11. Foreign ministers Wang and Blinken met in Washington last Friday to discuss current issues. A positive meeting between the two Presidents in mid-November could provide a boost to Chinese equity markets since investor concerns about escalating tensions between China and the US remain a key reason why the MSCI China index is trading at close to historic valuation lows. Judging from recent events and comments by leading officials, we believe both sides seek better relations.

Corporate financial reports so far confirm the picture of a stable Chinese economy. Our two holdings in the home appliances industry, Midea and Haier, have grown to become by far the World's largest players in this sector. The two companies reported similar numbers, revenue growth of 6-7% in the first 9 months this year, with net profit growth of 13%. China's largest pharmaceutical distributor Sinopharm grew revenues by 9% in 9M23, net profit up by 4%. China Telecom grew revenues by 7% in 9M23 and net profit by 10%. Hengrui, China's leading pharmaceutical manufacturer with an increasingly innovative R&D pipeline, reported revenue growth of 7% in 9M23, and net profit growth of 10%. Hengrui has agreed to grant an exclusive license for its DNA damage response PARP1 inhibitor HRS-1167 to Germany's Merck Group for EUR160 million plus estimated milestone payments of up to EUR1.4 billion.

At a recent event, real estate giant Vanke's Chairman Yu Liang, said he believes China's real estate sector is "oversold" and that "the upward recovery forces are already in the making". He said the reasonable housing demand is about 1.0-1.2 billion square meters per year, while the construction volume this year is less than 700 million sqm. Yu Liang expects the market to accelerate from here, driven by pent-up demand and improving home buyer sentiment. Consensus estimates for Vanke this year indicate net earnings of around 20.2 billion RMB, a slight increase compared to last year. The stock now trades at an attractive 4.5 times earnings and an 8% dividend yield.

In an interview with Warren Buffett's partner Charlie Munger published on October 29th, the 99-year-old Munger said China's economy has "better prospects over the next 20 years than almost any other big economy" and that "the leading companies in China are stronger and better than practically any other, and cheaper". We agree.

Gustav Rhenman

Chief Investment Officer

AGCM China Stars Fund

Monthly Report

October 2023



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/10/2023	1 month	YTD	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-3.4%	-2.3%	+4.6%	+26.7%
AGCM China Stars Fund RC8 SEK	-3.4%	-2.0%	+5.7%	+31.4%
AGCM China Stars Fund RC9 SEK	-3.4%	-2.5%	+4.7%	+30.0%

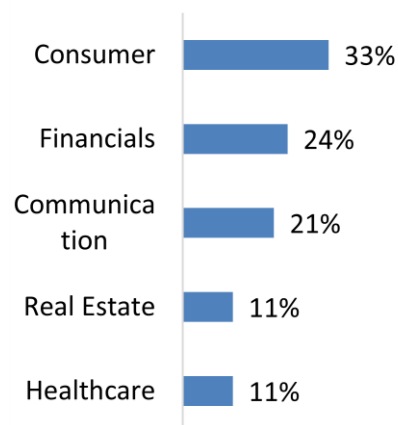
Top 5 holdings

As of 31/10/2023

Company name
Alibaba Group
China Mobile
Tencent Holdings
Midea Group
China Construction Bank

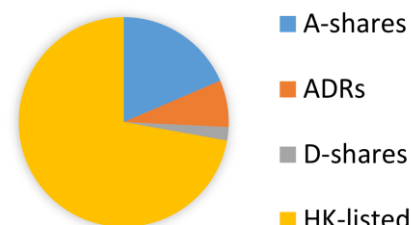
Industry breakdown

As of 31/10/2023



Market breakdown

As of 31/10/2023



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 136 million
Number of holdings:	37
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 126.7 (RC8) SEK 131.4 (RC9) SEK 130.0
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.