# AGCM Asia Growth Fund

May 4, 2025

## Trump is making China look great again

During April, the NAV of AGCM Asia Growth Fund RC SEK decreased by -7.2% and WP EUR share class by -8.1%. The US tariff turmoil caused global equity markets and the US dollar to fall sharply. The US dollar index (DXY) fell by -7.6% and since the Hong Kong dollar is pegged to the USD we also faced a currency headwind in the share classes denominated in SEK and Euro.

President Trump continues to behave like a bull in a China shop with tariffs coming on and off again, putting pressure on equities, government bonds and the US dollar. Because of the revolt in financial markets after “Liberation Day”, Trump’s chief tariff engineer, Peter Navarro has been sidelined and Trump’s rhetoric on China has softened somewhat. Chinese officials deny that talks are ongoing and asks of Washington to “completely cancel all unilateral tariff measures” before entering negotiations. The chaotic and unpredictable way of running economic and foreign policies in Washington makes China stand out as a beacon of stability and good faith. Trump and his administration make China look great again.

There is rarely a month without impressive news from China. One of our fund holdings, battery maker CATL, announced two new technological breakthroughs. Its Shenxing fast-charging battery has an 800-km driving range and can add 520 km of driving range from just 5 minutes of charging. CATL also announced it will start mass production of its Naxtra sodium-ion batteries. Sodium-ion batteries have advantages over traditional lithium-ion batteries including lower costs, better safety, and higher efficiency in low temperatures. CATL reported net profit increased by 33% in 1Q 2025 to 14 billion yuan (USD 1.9 billion) on revenues of 85 bn yuan. Equally impressive was the news that Chinese scientists have successfully reloaded a Thorium reactor while fully operational. China plans to mass-produce Small Modular Reactors (SMR) using Thorium cooled with molten salt. Thorium is cheaper, leads to less nuclear waste and cooling with molten salt makes the reactors safer than traditional water-cooled reactors.

The case for owning Chinese equities remains compelling. China’s economy grew 5.4% in the first quarter and is becoming less and less dependent on the West for every year. In the less likely event that the US would maintain high tariffs on Chinese imports, China’s economy would still be OK since its total exports to the US accounts for only 2.3% of GDP. The US stock market is still expensive, US corporate earnings revisions will continue downward after the tariff debacle, and the US dollar looks increasingly vulnerable. As for China, many high-quality and fast-growing Chinese companies trade at single digit earnings multiples. Most of our fund holdings are largely domestic businesses with no or only marginal exposure to US tariffs.

In the wake of the tensions between China and the US, the Hong Kong Government is actively courting high-quality Chinese companies already listed in the US to return home and list on the Hong Kong Stock Exchange. Hong Kong has established a regulatory framework that facilitates dual listings for overseas-listed firms. An overseas-listed Chinese company can, if it seeks a dual primary listing, access the large pool of China mainland-based investors. This will likely lead to higher stock market valuations as Chinese investors are more familiar with many of these companies. This is good news both for the undervalued overseas-listed Chinese companies and for Hong Kong as a regional financial center.

**South Korea**

Following the impeachment of President Yoon Suk Yeol, a snap presidential election is scheduled for June 3, 2025. Lee Jae-myung, the Democratic Party's nominee and the leading candidate, pledged to address the "Korea Discount" by enhancing corporate governance and protecting minority shareholders, and to double the value of the country's main stock index. South Korea's stock market has a high likelihood of being upgraded to developed market status by MSCI, according to Financial Services Commission. Over 90% of previously raised issues have been addressed, including lifting a five-year ban on short selling. MSCI will review its market classifications in June. Samsung Electronics recorded a 1Q operating profit of KRW6.7tn with a 10% year-on-year revenue growth, significantly exceeding market expectations. This is primarily driven by strong smartphone and DRAM memory chip sales. The DRAM rebound is supported by both inventory restocking and supply discipline.

**Singapore**

Singapore agencies are in discussions with the Trump administration over the 10% tariff imposed by the United States on its oldest free trade partner in Asia. Unlike many other trading partners, the US does not run a trade deficit with Singapore. In fact, the US goods trade surplus with Singapore was US$2.8 billion (S$3.7 billion) in 2024 – an 84.8% increase over 2023’s US$1.3 billion. Singapore seeks to expedite negotiations with the United States for critical concessions about pharmaceutical tariffs while ensuring continued access to advanced AI chips. Pharmaceuticals make up more than 10% of Singapore's exports to the U.S. and high-end AI chips are vital to Singapore’s burgeoning technology industry, especially in AI and machine learning. Access to these chips is essential for Singapore’s continued innovation and competitiveness as a hub in the global semiconductor supply chain.

**Indonesia**

Indonesia's newly launched sovereign wealth fund Danantara has appointed prominent figures to its advisory board, including Ray Dalio, founder of Bridgewater Associates, and economist Jeffrey Sachs, to ensure robust governance. The fund pledges to operate with transparency akin to a public company, aiming to avoid pitfalls experienced by other sovereign funds. Danantara will also form a $4 billion joint fund with the Qatar Investment Authority that will focus on investment in Southeast Asia's largest economy. The fund will focus on projects in downstream industries, as well as renewables and health facilities and other relevant sectors, such as technology. Indonesia's $48 billion social security fund announced plans to double its local equity investments from 10% to 15-20% over the next three years, viewing current market conditions as an opportunity to acquire undervalued stocks, particularly in banking, telecommunications, commodities, and consumer goods sectors.

**Vietnam**

President Trump announced a 46% "reciprocal" tariff on Vietnamese imports, while the implementation has later been postponed until July, providing a 90-day window for negotiations. Vietnam's Minister of Industry and Trade Nguyen Hong Dien held a phone call with US Trade Representative Jamieson Greer to officially start negotiations on bilateral economic and trade issues between Vietnam and the US. Vietnam is among the group of countries that the US is prioritizing negotiations with including India, Japan, and South Korea. Several large US corporations have expressed their support and confidence that Vietnam will reach an agreement with the US. Meanwhile, China and Vietnam signed 45 agreements to enhance supply chains and cooperation over railways, during President Xi Jinping’s visit to the country. Vietnam is also seeking to further strengthen cooperation with China in security, transport, preferential loans and technology transfers.

**Gustav Rhenman,** Chief Investment Officer

# AGCM Asia Growth Fund

Monthly Report

**April 2025**

ASIA GROWTH CAPITAL MANAGEMENT

## Performance

| As of 30/04/2025 | 1 month | YTD | 2 year | 5 year | Since launch Oct 3, 2014 |
|---|---|---|---|---|---|
| **AGCM Asia Growth Fund RC SEK** | -7.2% | -7.4% | +4.7% | +23.5% | +99.8% |
| **AGCM Asia Growth Fund WP EUR** | -8.1% | -3.0% | +10.9% | +26.7% | n.a. |

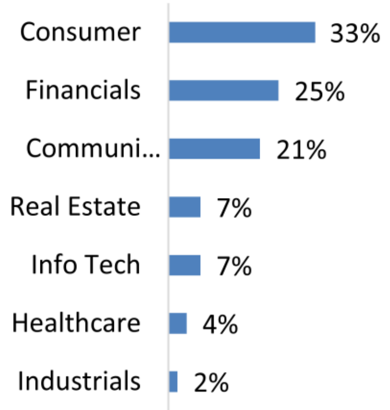
## Top 5 holdings %

As of 30/04/2025

| Company | Weight |
|---|---|
| Alibaba Group | 7.7% |
| Tencent Holdings | 7.5% |
| Trip.com | 4.2% |
| JD.com | 4.0% |
| AIA | 3.9% |
| **Total** | **27.3%** |

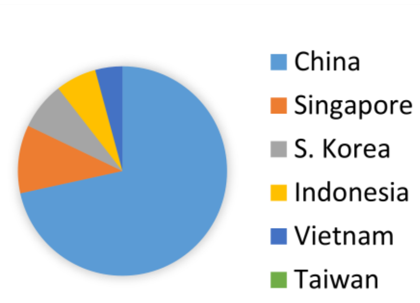
## Industry breakdown

As of 30/04/2025




## Geographic breakdown

As of 30/04/2025




## 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 555 million |
| **Number of holdings:** | 39 |
| **Management fee (RC):** | 1.85% |
| **Fund management Company:** | FundRock Management Company S.A. |
| **NAV:** | SEK 199.8<br>EUR 169.8 |
| **Minimum subscription:** | n.a. |
| **ISIN code:** | SEK RC LU 1091660909<br>EUR WP LU 1163023143 |