AGCM China Stars Fund

June 1, 2026

Investors pile into the AI trade leaving Chinese stocks in the backwater

During May, the NAV of AGCM China Stars RC1 SEK decreased by -4.0%.

The AI rally, especially in the US, Taiwan and South Korean markets continues. In Asia, share prices of TSMC, Samsung and Hynix have gone hyperbolic. Those three companies now account for 32% of the entire MSCI Asia ex-Japan index at what we deem unsustainable valuations. Given the outlook for oil and inflation, and the direction of bond markets and rates in the US and Europe, we believe the AI-tech rally is increasingly vulnerable. The AGCM China Stars Fund with its 32 holdings now has a weighted average price to earnings multiple of 14 times which consists mostly of outstanding long term growth stories. We believe the AI-frenzy will end badly and that when it ends, international investors will return to the Chinese equity market which has so much going for it: World leading companies, a huge domestic market, an undervalued currency and cheap valuations.

The performance in May was impacted also by three specific holdings. BYD's recent share price weakness reflects soft China sales in the first quarter due to fierce domestic competition however overseas volumes are growing rapidly with higher prices and margins. BYD remains a cost leader with an integrated battery-EV supply chain and strong technological leadership, including a new in-house 4nm smart-driving chip and a robust new-model pipeline. The rising global demand for electrical vehicles supported by high oil prices and better batteries provides a fantastic long-term potential for the company. BYD and its competitor Tesla both have net earnings of around USD 6 billion. Tesla's stock trades at 230 times earnings. We remain confident with faster growing BYD at 17 times earnings.

E-commerce giant PDD's recent share price weakness reflects a first quarter "earnings miss" driven largely by non-operating investment losses, alongside margin pressure from investments in new growth opportunities. The core business remains solid, supported by a cash pile of over USD 60 billion which is equivalent to half of PDD's market capitalization. With double digit revenue growth and exciting expansion plans, we see a significant upside in the valuation from here with the stock trading at only seven times earnings.

Trip.com ("Trip") is China's largest online travel agency and owner of Skyscanner. Trip's weak share price performance in May was driven mainly by the overhang from the ongoing antitrust investigation. Financial numbers in the recent quarterly reports were strong, and the Chinese travel demand remains resilient. Trip's competitive advantage and industry leadership should remain intact going forward. A potential anti-trust fine and business rectifications should be manageable, and past precedents suggest such regulatory setbacks are temporary. Even assuming slower growth and lower margins, the stock is cheap and supported by a stock buyback program of up to USD 5 billion equivalent to 17% of its market cap.

On the bright side, Alibaba leads China's AI drive with its latest Qwen3.7-Max model ranking among the top Chinese large language models on key benchmarks and narrowing the gap with global leaders. Alibaba has embedded Qwen across its cloud and e-commerce ecosystem to capture the massive AI-driven demand and reinforce its long-term growth potential. Alibaba's USD 300 billion market cap, a small fraction compared to its international peers, has a big upside. Not least if you believe Nvidia's CEO Jensen Huang when he claims China will win the AI race.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

May 2026

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/05/2026	1 month	YTD	2 year	5 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-4.0%	-8.3%	+9.4%	+8.1%	+46.5%
AGCM China Stars Fund RC8 SEK	-4.0%	-8.1%	+10.7%	+11.1%	+54.1%

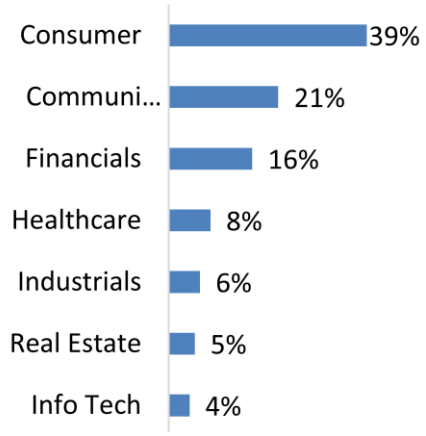
Top 5 holdings

As of 31/05/2026

Company name
Tencent Holdings
Alibaba Group
CATL
Midea Group
China Mobile

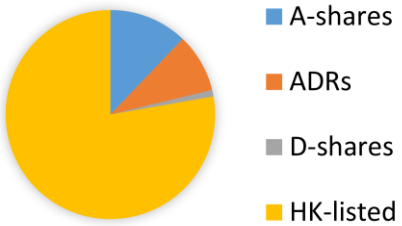
Industry breakdown

As of 31/05/2026



Market breakdown

As of 31/05/2026



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 157 million
Number of holdings:	32
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 146.5
	(RC8) SEK 154.1
Minimum subscription:	n.a.
ISIN code:	SEK RC1 LU 1608617111
	SEK RC8 LU 1608617384

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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.