



ASIA GROWTH CAPITAL MANAGEMENT

April 3, 2017

Tencent's turn to shine and Goldman upgrades China

During the month of March, the NAV of AGCM Asia Growth Fund SEK appreciated by +1.4% and the Euro share class by +1.4%. In late March, our largest holding Tencent reported very strong Q4-numbers with earnings per share rising 51% for the full year 2016. Tencent almost doubled revenues and net earnings in only two years, and by our estimates, earnings will double again in the coming two years. This is why we maintain a relatively large portion of the fund's assets in Chinese technology names. Where else in the world do you find a stock of a company that trades at only 32 times earnings, which doubles its net profit every two years and has a free cash flow that significantly and consistently exceeds net earnings? This kind of spectacular growth one might expect to find among high-flying small cap names, but Tencent is one of Asia's largest companies, now even larger than Korea's Samsung Electronics.

Remember all the dire projections for China's economy made by Western analysts over the past few years? Well, reality turned out quite differently. Profits in corporate China are rising rapidly, the economy continues to grow at a high and steady pace, and economic indicators actually show an acceleration of growth. China's official manufacturing PMI rose to 51.8 in March, the highest reading in five years. The services PMI rose to a three-year high of 55.1 in March.

Goldman Sachs became the latest major brokerage house to upgrade Chinese equities to a buy-recommendation. Goldman projects the MSCI China Index will gain 25 percent in 2017 and argues that government policy will continue to be supportive ahead of the twice-a-decade Communist Party congress later this year, when a reshuffle among senior ranks is expected. Goldman's analysts have upgraded their forecasts twice in a month, now projecting EPS gains at 13 percent for this year and 11 percent for 2018.

The so called "Made in China 2025" program has been discussed here before but is so important it deserves a revisit. Efforts made by the Trump administration to promote US manufacturing are dwarfed by the Made in China 2025-program launched in China two years ago. China's five key government agencies are going full speed ahead with a program which aims at upgrading Chinese manufacturing industry in terms of technology, quality and efficiency. By massive investments in education, research programs, facilities and IP, China's government helps its industries to catch up with international competition. Huawei, Xiaomi, Vivo and Oppo are just a few examples from a single industry. In the coming decade, we expect a range of new Chinese players to enter the international arena in various high-tech sectors. The high-tech zones in China have already become a major engine to the nation's economic growth. The number of zones has increased to 156, with operating revenue reaching 28 trillion yuan in 2016. The high-tech zones accounted for 12% of China's GDP in 2016 and made up for 18% of China's total exports.

With President Trump's failure to pass health care reform in the US, the Trumponomics reflation trade has taken a pause. Stock markets now wonder whether a US tax reform with major cuts in corporate taxes will befall the same fate. Investors will also focus on the upcoming visit to the US by President Xi Jinping, especially in terms of what may be said about how to deal with the USD 350 bn trade deficit that the US has with China.

Gustav Rhenman, Chief Investment Officer



Performance

As of 31/03/2017	1 month	3 month	YTD	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+1.4%	+13.0%	+13.0%	+24.9%
AGCM Asia Growth Fund WP EUR	+1.4%	+13.3%	+13.3%	n.a.
AGCM Asia Growth Fund RC USD	+2.4%	+15.1%	+15.1%	n.a.

Top 5 holdings %

As of 31/03/2017

Company	Weight
Tencent Holdings	8.8%
Alibaba Group	8.5%
Netease Inc	5.3%
NAVER Corp	4.6%
AIA Group	4.3%
Total	31.5%

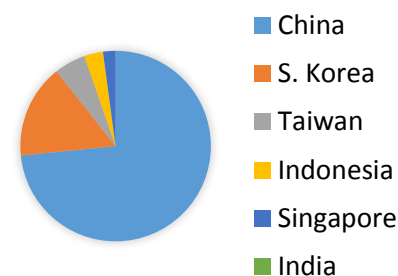
Industry breakdown

As of 31/03/2017

Internet	41%
Financials	19%
Technology	14%
Real Estate	8%
Healthcare	8%
Consumer	5%
Automotive	4%
Telecom	1%

Geographic breakdown

As of 31/03/2017



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 1048 million
Number of holdings:	35
Management fee:	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 124.9 EUR 112.5 USD 126.0
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143 USD RC LU 1338434852

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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.