AGCM Asia Growth Fund

July 3, 2018

Trade tensions weigh on markets – China announces more reforms

During the month of June, the NAV of AGCM Asia Growth Fund RC SEK share class decreased by -2.3% and the WP EUR share class by -2.7%. The month of June started out strong but escalating global trade tensions weighed on investor sentiment. China's mainland A-share market fell over 10% in June to multiple-year lows, not far from the level where China's "National Team" of state-backed investors have stepped forward in the past to put a floor under the market.

Political developments have now replaced central bank policies as the key driver of world financial markets. Particularly, for investors in Asian equities, the aggressive stance taken by the US on global trade has become a central area of concern. The tariffs announced by Trump's trade representatives targeting China's "Made in China 2025" program have led to Chinese retaliation, followed by threats of additional US measures. In a closed-door meeting, president Xi Jinping told US business leaders in China that the country will "punch back". What has received less attention in Western media however, is that China now accelerates the opening of its domestic market to foreign investors, a long-standing request by the West. Chinese state media are keen to emphasize that the reforms now announced are not concessions due to external pressure but rather reforms which have been planned for years.

On Thursday last week, China's Ministry of Commerce and the National Development and Reform Commission, China's top economic planning agency, jointly announced that China will ease foreign investment curbs in 22 industries including banking, automotive, energy, shipping, airplane manufacturing, railway construction, mining and agriculture. Effective July 28, foreign companies will be allowed to own a controlling 51% stake in joint ventures in financial services such as securities, fund management and life insurance. In 2021, all restrictions on foreign holdings in the financial sector will be removed. The government will maintain domestic control over media and entertainment, internet publications, law firms, nuclear power facilities and tobacco.

Despite the current trade tensions, there are good reasons be optimistic on the outlook for Chinese equity markets. After a 20% decline since January of China's main A-share index, the CSI300, valuations are now at a three-year low trading at 12 times earnings, while the growth in earnings remains high in the mid-teens. Today, China's central bank PBOC, said in a statement that it will prevent a further slide of China's currency, eliminating one of the fear factors behind foreign selling of Chinese equities. Other government agencies are now signaling that support is underway should markets slide further. On September 1, the second step of the MSCI-inclusion of Chinese A-shares in regional equity indices will be implemented, a boost to share prices as passive investment funds need to rebalance. Also in the medium and long term, Chinese equity markets have good tailwinds. Institutional investors account for only 25% of the market, a share which is set to increase over time with growing foreign participation. A larger participation of non-Chinese investors will contribute to a reduced valuation gap between China and the West. China's domestic stock markets are also supported by high underlying economic growth and a steady stream of IPOs. We also expect further support for markets as additional supply-side reforms are announced later in the year, as well as more news related to large scale investments in high-tech industries, expanded welfare spending, and tax reforms.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

June 2018

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 30/06/2018	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-2.3%	+2.0%	+5.7%	+14.7%	+53.3%
AGCM Asia Growth Fund WP EUR	-2.7%	+0.9%	+0.7%	+7.8%	n.a.
AGCM Asia Growth Fund RC USD	-3.5%	-4.6%	-3.2%	+9.9%	n.a.

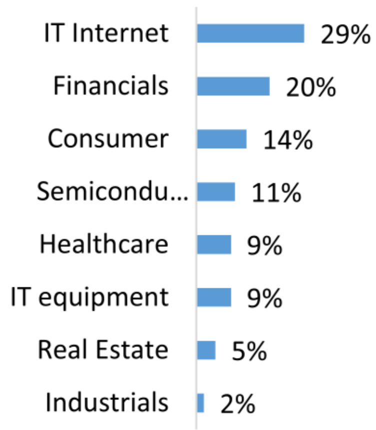
Top 5 holdings %

As of 30/06/2018

Company	Weight
Tencent Holdings	9.1%
Alibaba Group	8.7%
NAVER	4.9%
AIA Group	4.8%
JD.com	4.6%
Total	**32.1%**

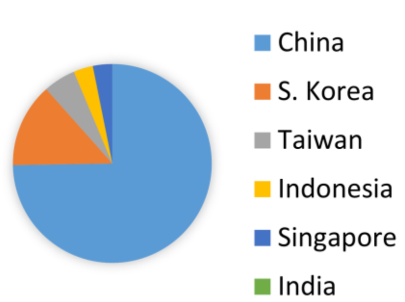
Industry breakdown

As of 30/06/2018



Geographic breakdown

As of 30/06/2018



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 1140 million
Number of holdings:	35
Management fee (RC):	1.85%
Fund management Company:	SEB Fund Services Luxembourg
NAV:	SEK 153.3
	EUR 126.4
	USD 154.3
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909
	EUR WP LU 1163023143
	USD RC LU 1338434852

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