

# AGCM Asia Growth Fund



December 3, 2018

## A trade deal in sight and a giant Chinese tax reform underway

During the month of November, the NAV of AGCM Asia Growth Fund RC SEK share class increased by +6.0% and the WP EUR share class by +6.5%. Best performing stock was Chinese telecom equipment supplier ZTE, up +27% during the month, recovering after the easing of US sanctions. Bank Rakyat in Indonesia was up +18% in November on strong credit growth and pro-growth policies announced by Bank of Indonesia Governor Perry Warjiyo. The largest contributor to the fund's overall performance was Tencent, up +16% after easing fears of government regulation of mobile phone gaming. The worst performing stock was Ctrip.com, China's leading online travel site, down -16% due to more cautious consumers.

With the US midterm elections out of the way in early November, there are now two key concerns among investors, namely global trade relations, and Federal Reserve's monetary policy. The good news is that the outlook on both fronts has recently improved. At the G20 meeting in Buenos Aires last weekend, the US agreed to postpone any further tariff hikes on Chinese imports by 90 days suggesting that a deal between the US and China is close. In other words, the likelihood of an amicable solution to the US - China trade dispute in the coming months has increased significantly. President Trump tweeted today "My meeting in Argentina with President Xi of China was an extraordinary one. Relations with China have taken a BIG leap forward! Very good things will happen." More details will be presented after the funeral of former President George H.W. Bush on December 5.

As regards to the other issue, Federal Reserve policy, Chairman Jerome Powell surprised markets in a speech last week at the Economic Club of New York, by saying that he considers the Federal Reserve's benchmark interest rate to be near a neutral level. To equity markets, this represents an important positive change compared to remarks made less than two months ago when Powell said the Fed was "a long way from neutral" interest rates.

Back in Asia, investor sentiment in the Chinese A-share market turned significantly more positive in late November. Chinese media focused on measures that Beijing has taken to counter the negative effects of the deleveraging campaign and the trade dispute. Credit conditions have been eased, infrastructure projects accelerated, and tax credits granted to exporters. One highly significant measure that has received surprisingly little attention in Western media, is the giant tax reform that China will finalize on January 1, 2019. In total, this tax reform amounts to Rmb 1.3 trillion (USD 190 billion) in reduced taxes. As a proportion of the economy, China's tax cut is almost twice as large as the US tax reform introduced this year which has had a substantial positive impact on economic growth, corporate earnings and the stock market. A large component of China's tax reform is directed at the low- and middle-class income earners intended to maximize the growth in private consumption, the key economic driver of China's economy.

Despite US criticism, China presses ahead with its Made in China 2025 program – a plan for China to join the world leading nations in ten defined high technology industries. US restrictions on technology transfers to China seems only to have spurred the Chinese to move even faster with this program. Xi Jinping is often seen in Chinese media, visiting high-tech companies urging them to press on with their efforts to make China self-sufficient and non-reliant on imports of foreign high-tech components. We expect a steady stream of exciting new investment opportunities in technology in the coming years.

**Gustav Rhenman**, Chief Investment Officer

# AGCM Asia Growth Fund

Monthly Report

November 2018



ASIA GROWTH CAPITAL MANAGEMENT

## Performance

As of 30/11/2018	1 month	3 month	YTD	1 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+6.0%	-9.1%	-6.2%	-6.5%	+36.0%
AGCM Asia Growth Fund WP EUR	+6.5%	-6.0%	-8.6%	-8.0%	n.a.

## Top 5 holdings %

As of 30/11/2018

Company	Weight
Alibaba Group	7.9%
Tencent Holdings	7.5%
Baidu Inc	5.9%
Samsung Electronics	5.3%
AIA Group	4.9%
<b>Total</b>	<b>31.5%</b>

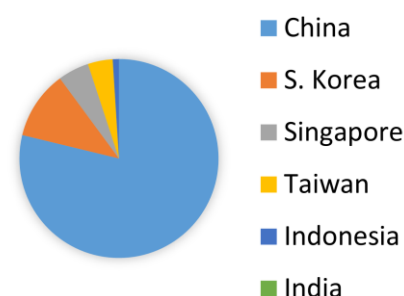
## Industry breakdown

As of 30/11/2018

Financials	20%
Info Tech	19%
Communi...	18%
Consumer	17%
Healthcare	14%
Real Estate	10%
Industrials	1%

## Geographic breakdown

As of 30/11/2018



## 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

<b>Portfolio manager:</b>	Gustav Rhenman
<b>Inception date:</b>	03-Oct-2014
<b>Fund size:</b>	SEK 1017 million
<b>Number of holdings:</b>	35
<b>Management fee (RC):</b>	1.85%
<b>Fund management Company:</b>	FundRock Management Company S.A.
<b>NAV:</b>	SEK 136.0 EUR 114.9
<b>Minimum subscription:</b>	n.a.
<b>ISIN code:</b>	SEK RC LU 1091660909 EUR WP LU 1163023143 USD RC LU 1338434852

## Disclaimers

**According to Personuppgiftslagen (PUL):** AGCM can use such personal data which has been given to the company by the registered person or which the company has sourced from other sources (name, e-mail and telephone number) to, via e-mail or telephone, give information about and market its products and services, including direct marketing. The personal data is used mainly in relation to people who orally or in written form have indicated interest to AGCM. If you want to receive information about which personal data about yourself the company is handling, you can in writing, signed by yourself, make a request to Asia Growth Capital Management AB, Birger Jarlsgatan 10, 5 tr, 114 34 Stockholm. You can also make a request in writing to the same address that you wish not to have your personal data used for purposes of direct marketing. Request for correction of personal data can also be made to the same address.

**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](http://www.agcm.se) before you make an investment. You can also request such information via e-mail to [info@agcm.se](mailto:info@agcm.se).