

AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

April 4, 2023

Solid financial reports and re-opening enthusiasm

During the month of March, the NAV of AGCM China Stars Fund RC1 SEK increased by +2.0%.

March was quite busy, with numerous 2022 financial reports to go through from the Asian companies we own. With a few exceptions, we saw surprisingly strong results considering the headwinds many companies faced from the rolling Covid-lockdowns last year. CRCC, one of the World's largest construction companies, grew revenues by +8% in 2022, to 1.1 trillion RMB. Earnings increased by +8%. CRCC signed new contracts last year for a value of RMB 3.0 trillion, and the orderbook now amounts to 6 trillion RMB (close to USD 870 billion). CRCC's shares are trading at less than three times its earnings, P/E 3x, with a dividend yield of 7%.

Insurance giant PICC P&C, a leading player in China's property and casualty insurance market, grew earnings per share by +22% in 2022. The stock trades at P/E 5x and has a dividend yield of 7%. China's largest pharmaceutical distributor Sinopharm recorded 6% growth in revenues and an 11% increase in earnings per share in 2022.

While banks in the US and EU are trying to navigate central bank policies going from one extreme to the other, our Asian bank holdings operate under more stable conditions and are performing quite well. Solid and stable China Construction Bank last week posted over 7% growth in earnings per share for 2022. The stock trades at P/E 4x, a Price to Book value of 0.4x and a dividend yield of 8%. Provisioning for bad loans has always been conservative and its non-performing loan coverage ratio is high. Bank of China and ICBC, two other Chinese bank giants, reported similar strong numbers. The loan books of China's big five banks are well diversified and adequately provisioned. A fact even US rating agency Standard & Poors has finally understood and also communicates.

Jack Ma's return to China after a one-year tour of the World, coincided with Alibaba's announcement of a major reorganization to unlock shareholder value. Alibaba Group will reorganize into six separate business groups, each with a CEO with full responsibility for company performance. Each business group will have the flexibility to raise external capital and seek initial public offerings. The exception is Taobao T-mall Commerce Group, which will remain a wholly owned unit by Alibaba Group. Our sum-of-the parts valuation indicates a value of Alibaba north of USD 400 billion, compared to the current market cap of USD 258 billion.

China's trade surplus has increased by a factor of ten over the past 20 years and reached USD 850 billion in 2022, corresponding to about 5% of GDP. Not only does China invest three times as much as the US and EU combined in its manufacturing industries, but the country has also taken a massive lead in research. According to a recent study by the Australian Strategic Policy Institute (ASPI), China has a "stunning lead" over the US in research in 37 out of 44 critical and emerging technologies. The technological areas where China now leads include nuclear energy, advanced robotics, artificial intelligence, machine learning, electric batteries, photovoltaics, advanced optical communications, and biofuels.

Gustav Rhenman

Chief Investment Officer

AGCM China Stars Fund

Monthly Report

March 2023



Performance

As of 31/03/2023	1 month	YTD	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	+2.0%	+5.0%	-1.9%	+36.1%
AGCM China Stars Fund RC8 SEK	+2.1%	+5.1%	-0.8%	+40.9%
AGCM China Stars Fund RC9 SEK	+2.2%	+5.4%	-2.6%	+40.6%

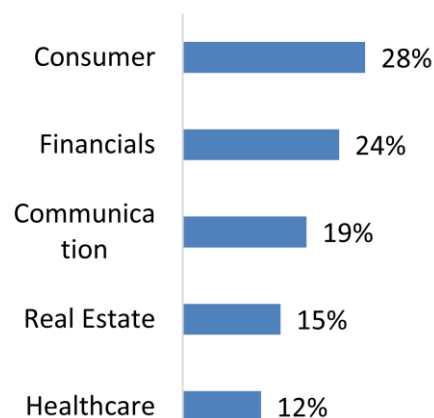
Top 5 holdings

As of 31/03/2023

Company name
Alibaba Group
Tencent Holdings
China Mobile
Midea Group
China Construction Bank

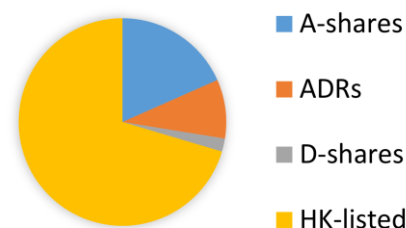
Industry breakdown

As of 31/03/2023



Market breakdown

As of 31/03/2023



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 150 million
Number of holdings:	37
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 136.1 (RC8) SEK 140.9 (RC9) SEK 140.6
Minimum subscription:	n.a.
ISIN code:	SEK RC1 LU 1608617111 SEK RC8 LU 1608617384 SEK RC9 LU 1608617467

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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.