

AGCM China Stars Fund



December 1, 2023

Chinese companies set for best earnings growth in seven years

During the month of November, the NAV of AGCM China Stars Fund RC1 SEK decreased by -4.6%.

It has been a poor year for Chinese equities but we are hopeful for 2024. Valuations are near record lows while corporate earnings growth accelerates. On November 28, Reuters ran a story titled “Chinese firms are on track for their strongest earnings expansion in seven years” with China’s 1,721 largest Chinese listed companies indicating profit growth of 16% in 2024, the highest since 2017. Another source, Bloomberg, have similar projections with 15% earnings growth for MSCI China in 2024 and 15% also in 2025, based on analyst consensus estimates.

China's largest online travel agency Trip.com reported another blow-out quarter, with revenues growing +99% year-on-year, and 31% higher than the 2019 level. Adjusted net profit grew more than three-fold with record high margins. Chinese domestic travelling has exceeded the 2019 level by over 40%, and outbound travel is now back up to 60% of the pre-Covid level. Trip.com's global platforms also gained traction, revenues expanding at triple digit growth rates for several quarters, gaining market share especially in the Asia Pacific region. The company also has a share buyback program in place, totaling USD 500 million, corresponding to 2% of its market cap. Travel remains one of the best long-term structural growth stories in China, where Trip.com has a dominant market position.

Tencent reported a net profit increase of +39% in 3Q 2023, driven by strong growth in advertising revenues, which was +20% higher than a year ago. The video gaming runner-up Netease also reported robust performance, as revenues grew +12% year-on-year and adjusted net profit up by +16%, with successful new game launches and narrowing losses in strategic businesses.

Alibaba reported solid result for the quarter ended in September 2023. Adjusted earnings per share grew +21% year-on-year. Management announced a historic first dividend payout, in addition to the existing share buyback program of which the balance totals USD 15 bn, equivalent to 8% of its market cap. The cancellation of a previously announced spin-off plan for its cloud computing business disappointed some investors, but looking closer, the decision makes good sense. AliCloud maintains its position as market leader with a 30% share of China’s RMB 250 billion market. Alibaba also enjoys a technological lead in AI-cloud services. The company now has USD 70 billion in net cash and generates around USD 25 bn in free cash flow annually, and we see good upside from here.

The Western media reporting on China’s economy is so far off the mark in so many regards it would require a book to properly address. Despite the government’s ongoing program to downsize the residential real estate sector, which acts a drag on economic growth, the IMF expects China's GDP to grow by 5.4 percent in 2023. In its quarterly monetary policy report, the People’s Bank of China (PBOC) said it “expected the annual growth target of around 5 percent can be successfully achieved” and its “prudent monetary policy in place to ensure stable growth”. In mid-November, two years ahead of industry predictions, China launched the World’s fastest internet link with 1.2 terabit per second capacity. The network can send the equivalent of 150 films per second in the 3,000 km of optical fiber from Beijing to Guangzhou via Wuhan. Yet another example of infrastructure spending which lays the ground for future consumption and economic growth.

Gustav Rhenman

Chief Investment Officer

AGCM China Stars Fund

Monthly Report

November 2023



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 30/11/2023	1 month	YTD	2 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-4.6%	-6.7%	-2.9%	+20.9%
AGCM China Stars Fund RC8 SEK	-4.5%	-6.3%	-1.9%	+25.6%
AGCM China Stars Fund RC9 SEK	-4.5%	-6.9%	-2.9%	+24.1%

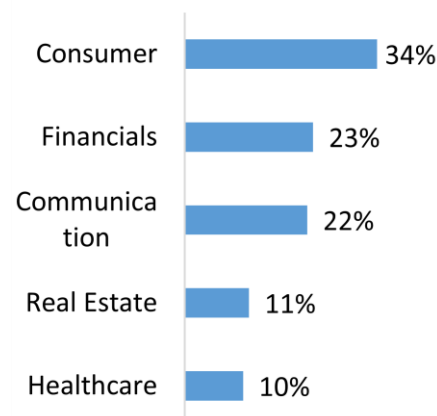
Top 5 holdings

As of 30/11/2023

Company name
Alibaba Group
Tencent Holdings
JD.com
Midea Group
Baidu Inc

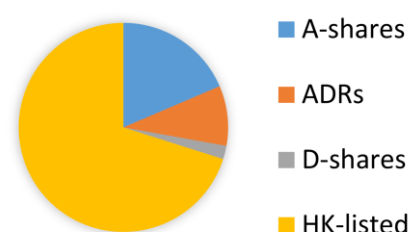
Industry breakdown

As of 30/11/2023



Market breakdown

As of 30/11/2023



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 130 million
Number of holdings:	37
Management fee (RC1):	1.35% + 10% perf. Fee
Fund management Company:	FundRock Management Company S.A.
NAV:	(RC1) SEK 120.9 (RC8) SEK 125.6 (RC9) SEK 124.1
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.