

AGCM Asia Growth Fund



April 3, 2024

Soaring earnings and moving up the value chain

During the month of March, the NAV of AGCM Asia Growth Fund RC SEK increased by +5.5% and the WP EUR share class by +2.4%.

In March, we enjoyed reading some spectacular full year earnings reports from our fund holdings. The World's largest producer of electrical vehicles, BYD, reported net earnings growth of +75% year-over-year in 2023. Revenues reached CNY 602 billion, up +42% over the previous year. Chinese battery producer CATL reported full year net earnings growth of +54% on revenue growth of +22%. CATL together with BYD now have over 50% global market share in EV batteries. Internet giant Tencent reported a +68% earnings growth for the full year 2023 and announced it will return USD 17 billion to shareholders this year via dividends and a new share buyback program.

E-commerce giant JD.com grew earnings by +49% in 2023. JD's market capitalization has in three years fallen by 75% to a mere USD 43 billion, trading at only 9 times earnings and 0.3 times its revenues. Why so cheap? Largely because Western investors have become so worried about China's economy and its international relations. Stocks in the US like Nvidia, at a valuation corresponding to 40-50 times revenues, seem for now more popular.

As China's government continues to scale down the residential real estate sector by redirecting credit to its high-growth tech industries, the property sector continues to consolidate. Our long-time sector favorite, CR Land, is gaining market share. Revenues grew by +21% in 2023 and net earnings increased by +15% year-on-year. As many investors have been scared out of the sector, CR Land is now trading at a 42% discount to its net asset value, 5 times earnings and a dividend yield of 6%. Rental income from its over 100 shopping malls nationwide grew +30%. Home appliances giants Haier and Midea have reported +8% growth in revenues and +14% in net profit in 2023.

JP Morgan Chase said it will continue to invest in its Chinese asset management organization. "China's mutual fund industry remains an irreplaceable growth market for global asset managers", said Wang, CEO of JP Morgan Asset Management in a recent interview, adding "It offers a great certainty of growth."

Germany's Foreign Direct Investment (FDI) into China has soared in recent years, reaching a record of EUR 12 billion in 2023, according to recent study from the German Economic Institute. Contrary to Western media stories of diversification away from China, Bundesbank data also show that there has been no shift away by German companies from China relative to the rest of Asia. German companies continue to view China as a critical growth market. A survey by the German Chamber of Commerce in China earlier this year found that 91% of responding German companies have no plans of leaving China in the next few years.

On March 24, Chinese Premier Li Qiang delivered a keynote speech at the opening ceremony of the China Development Forum 2024 in Beijing. The theme of Li's speech was "The Continuous Development of China" and reflected on the efforts in high-tech growth industries for the high-quality development of the Chinese economy. Li noted that China successfully accomplished its main targets and tasks for economic and social development in 2023, and that the fundamentals of the nation's sound long-term growth remain unchanged.

South Korea

The Korean government's decision to reduce corporate taxes and dividend income taxes as part of its "Corporate Value Up Program" has continued to boost the Korean stock market, in particular stocks with low Price-to-Book ratios. Choi Sang-mok, deputy prime minister and minister of finance, said that the government will cut corporate taxes for companies that significantly increase dividends or increase the scale of share buybacks from the previous year. The government also plans to tax dividend income at a lower rate for shareholders of high-dividend companies. Samsung Electronics further expanded its dominance in the memory chip industry in Q4 2023, gaining 6 percentage points from the previous quarter to 46% share in the DRAM market.

South Korea is launching a high-speed train service in Seoul that will reduce the travel time between central Seoul and its suburbs, a project which government officials hope will encourage more young people to consider homes outside the city, and to start having babies. South Korea has the World's lowest fertility rate, and its youth have often cited long commutes and expensive housing in greater Seoul, where about half of the nation's population live, as the main reasons for not getting married and starting a family. The new Great Train eXpress, a KRW 134 trillion (USD 100 billion) underground high-speed train system will link Seoul to several nearby smaller cities by 2025.

Singapore

Singapore keeps crown as Asia's top financial centre, outranks Hong Kong on all factors of competitiveness, according to the latest edition of the semi-annual Global Financial Centres Index (GFCI). Singapore's manufacturing sentiment inched up in March, as region-wide factory activity continued making modest improvement. Thanks to visa-free policy and an excellent tourism reputation, Singapore has outpaced neighbours such as Thailand and Vietnam in regional race to win back Chinese tourists. The number of Chinese tourists visiting the city state has nearly returned to pre-pandemic levels in February. Singapore's biggest bank DBS Group is confident of achieving a return on equity (R of 15% to 17% in the medium term or over the next three to five years, DBS Group CEO Piyush Gupta told shareholders at an annual general meeting. Drivers include faster growth among its high ROE businesses such as wealth management and global transaction services. DBS is also bullish on China's Greater Bay area, and China in the long term.

Vietnam

On March 20, Mr. Vo Van Thuong officially resigned from his position as the President of Vietnam, just about one year after his election, due to "violations of regulations" for party members amid the nationwide anti-corruption campaign. While leadership transitions pose challenges, it is evident that the Party and the Government of Vietnam are consistently committed to focusing on economic recovery and growth. The economy remains strong in Q1 2024. Vietnam's GDP grew +5.7% year-over-year in Q1 2024, which is the highest Q1 level in 5 years, including industrial production +6%, retail sales +8%, and exports +17% compared with last year. Q1 FDI registrations rose +13% year-on-year, with manufacturing and processing accounting for two-thirds of the total FDI pledges.

Indonesia

Business consultant firm Grant Thornton made headlines in Indonesia with an optimistic forecast for economic growth, ranging between 5.3% and 5.7% for the year 2024. The upswing is attributed to heightened consumer spending linked to both the electoral process and the upcoming Eid al-Fitr holiday. The International Monetary Fund (IMF) projects Indonesia's growth rate to reach 5% for both the present and upcoming years. Meanwhile, the World Bank forecasts a slight decline in growth for 2024 and 2025, with growth rates anticipated to settle at 4.9% annually.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

March 2024



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/03/2024	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+5.5%	+6.8%	+2.5%	+21.2%	+80.5%
AGCM Asia Growth Fund WP EUR	+2.4%	+3.2%	-5.7%	+15.1%	n.a.

Top 5 holdings %

As of 31/03/2024

Company	Weight
Alibaba Group	8.2%
Tencent Holdings	5.3%
Trip.com	5.1%
Samsung Electronics	4.9%
China Construction Bank	4.7%
Total	28.2%

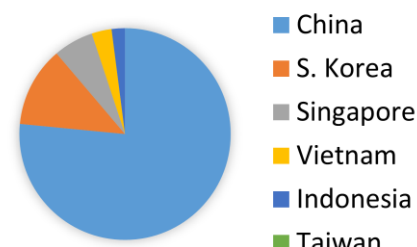
Industry breakdown

As of 31/03/2024

Consumer	33%
Financials	31%
Communi...	16%
Real Estate	7%
Info Tech	7%
Healthcare	6%

Geographic breakdown

As of 31/03/2024



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 548 million
Number of holdings:	37
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 180.5 EUR 143.7
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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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.