

AGCM Asia Growth Fund



May 2, 2024

Asia solidifies its position as the World's economic growth engine.

During the month of April, the NAV of AGCM Asia Growth Fund RC SEK increased by +8.3% and the WP EUR share class by +6.6%.

China's economy grew 5.3% in the first quarter year-over-year, and slightly faster than the 5.2% expansion in the previous three months. Unsurprisingly, the IMF had to revise upward its full year economic forecast for China, as well as for Asia as a region. On April 29, the IMF raised its growth forecast for Asia from 4.2% to 4.5% for 2024, reflecting upgrades of China and India. Asia solidifies its position as the World's economic growth engine and technology leader. The region has contributed to over 50% of global economic growth in the past decade and its share of growth will increase this year to 60% according to IMF estimates. By year 2040, Asia will account for 50% of World GDP according to estimates by McKinsey. Asia already accounts for 42% of global manufacturing output, and its share keeps rising. China alone accounts for 60% of global manufacturing capital expenditures, including factory automation. Asia also invests heavily in brainpower, with 60% of global university graduates in science, technology, engineering, and mathematics. Asia leads the international patent league, and its global share of filed international patents just keeps increasing.

By a wide margin, Asia is now the leader in semiconductors, renewable energy, electrical vehicles, industrial robotics, high-speed trains, batteries, autonomous driving, and a growing number of other high-tech industries. A young emerging industry with great potential but less talked about is eVTOL (electric vertical take-off and landing aircrafts), by some called flying cars. eVTOL uses electric power to hover, take off, and land vertically. In March this year, the Chinese government announced a plan to create an innovative aviation system with unmanned, electrified, and intelligent features to make the country's low-altitude economy reach a market size of CNY 1 trillion (around USD140 billion) by 2030. Just another example of industrial policies, a phenomenon criticized by Western politicians for decades, but now increasingly copied in the West, for example the 2022 US CHIPS and Science act.

The Asian home appliance giants Midea and Haier, both of which are fund holdings, reported strong financial results for the first quarter 2024. Midea grew net profit by +12% in 1Q year-over-year to CNY 9 billion and Haier grew net profit by +20% to CNY 4.8 billion. Midea, which is listed in mainland China, filed for an IPO also in Hong Kong, aiming to increase its foreign investor base and facilitate Midea's overseas M&As. The share prices of Midea and Haier have done very well this year thanks to solid fundamentals and attractive valuations, policy support to boost consumption, and a recovery in exports.

Global shipments of personal computers increased by 1.5% YoY in 1Q 2024 to 59.8 million units. Lenovo keeps its position as the largest PC vendor globally with a 23% market share. Lenovo's shipments increased 8% year-over-year to 13.7 million. HP remained the second largest vendor, with a 20% market share, Dell third with a 16% market share. Apple remained the fourth largest vendor, with 8% market share, shipping 4.8 million PCs.

With global fund allocation to China at a five-year low, the room for a continued recovery is good. Foreign investors are now returning to the market, mainly via mutual funds and ETFs. Hong Kong is now officially in a bull market, and the outlook remains pretty much the same as before. Strong fundamentals and low valuations as a tailwind, geopolitics and China-bashing by a jealous empire in the West as a headwind.

South Korea

Samsung Electronics reported upbeat 1Q 2024 results. Revenues rose +13% year-on-year, and operating profit grew almost six-fold to KRW 6.6 trillion, highest since 4Q 2022. The strong earnings were primarily driven by the memory business, thanks to a significant rebound in NAND, with average sales prices up 31% from the previous quarter, due to high demand from cloud data centers. Samsung anticipates demand and prices to stay strong into the rest of the year, led by AI demand. On April 15th the U.S. Department of Commerce announced USD 6.4 billion in semiconductor investment subsidies for Samsung Electronics. The grant is the third largest after Intel and TSMC. Samsung has responded to the subsidies by significantly increasing its investment in the US. South Korea's overall exports rose for a seventh straight month in April, +14% year-on-year, with a strong contribution also from the automotive sector. South Korea's Financial Services Commission issued new guidelines in the "Corporate Value-up Program" for companies to increase shareholder returns and improve corporate governance, aiming to boost the depressed valuations in the country's USD 1.8 trillion stock market.

Singapore

Singapore's formerly overheated real estate market has cooled significantly since the stamp duty on residential property was raised from 30% to 60% in April last year. The cooling trend is now reflected in the official price indices. The slowing trend remains most evident in rents. The recent cooling of the property market should also be seen in the context of significantly higher mortgage rates with three-month Sibor having risen from 0.5% in February 2022 to now 4.1%. Foreign purchases of homes have fallen from 17% in late 2022 to now only 2%. On the other hand, tourism is booming. Passenger movements in Changi Airport increased by 29% year-over-year to 10.8 million in the first two months of this year. Singapore remains an attractive destination for investments by US tech companies. Nvidia and Singapore telco operator Singtel announced a partnership earlier this year to deploy artificial intelligence capabilities in data centers across Southeast Asia. Singapore is now Nvidia's fourth largest market accounting for 15% of its revenues in the quarter ended October last year. The partnership will result in leading-edge AI computing power to businesses in the region.

Vietnam

Export growth remained robust at +10.6% in April, although slower than the preceding month. Industrial output rose by +6.3%, with manufacturing picking up to +7%. Tech products and electronics outperformed other products. FDI interest remains resilient, growing +7.4% from a year ago, led by the manufacturing sector. Vietnam remains a leading destination in capturing supply chain shifts from North Asia. On 26 April 2024, the ruling Party of Vietnam officially accepted Mr. Vuong Dinh Hue's resignation as Chairman of the National Assembly of Vietnam for the 2021-2026 term. The anti-corruption initiative is intended to reinforce the Communist Party's credibility, having had little impact on Vietnam's commitment to reform. The government continues to implement policies that support rapid growth in the economy, capital markets, and banking sector.

Indonesia

At a meeting with Indonesia's outgoing President Joko Widodo, Apple's CEO Tim Cook said "I think the investment ability in Indonesia is endless". As a part of the plan to diversify its supply chain across more countries, Cook said Apple will look at manufacturing in Indonesia. The company is not alone in the ambition to invest in Indonesia. US chip giant Nvidia plans to build a USD 200 million artificial intelligence center in the country. The investment will be done in partnership with Indosat Ooredoo Hutchinson, Indonesia's second-largest mobile operator which announced it will integrate Nvidia's next-generation chip architecture, Blackwell, into its infrastructure.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

April 2024



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 30/04/2024	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+8.3%	+15.6%	+9.7%	+23.6%	+95.4%
AGCM Asia Growth Fund WP EUR	+6.6%	+10.0%	-1.0%	+17.9%	n.a

Top 5 holdings %

As of 30/04/2024

Company	Weight
Alibaba Group	8.3%
Tencent Holdings	5.8%
Trip.com	5.4%
China Construction Bank	4.9%
Ping An Insurance	4.7%
Total	29.1%

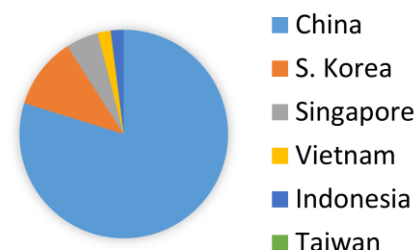
Industry breakdown

As of 30/04/2024

Consumer	34%
Financials	30%
Communi...	16%
Real Estate	8%
Info Tech	6%
Healthcare	6%

Geographic breakdown

As of 30/04/2024



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 589 million
Number of holdings:	37
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 195.4 EUR 153.2
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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