

AGCM China Stars Fund



ASIA GROWTH CAPITAL MANAGEMENT

September 2, 2024

Earnings up – valuations a tiny fraction of Western peers

During the month of August, the NAV of AGCM China Stars Fund RC1 SEK decreased by -2.9%.

The fund holding companies have reported yet another quarter of excellent earnings results. Some examples:

- E-commerce giant PDD reported another blowout quarter with adjusted net profit up by +125% year-on-year to RMB 34 billion with revenues growing +86% to RMB 97 billion. Its cross-border ecommerce franchise TEMU continued its exponential growth, with global monthly active users reaching 260 million consumers as of July, equivalent to 80% of Amazon's level. Gross merchandise value likely reached USD 14 billion, 30% higher than the previous quarter. The stock is now trading at only seven times earnings, while the business remains the fastest expanding ecommerce platform globally. For comparison, slower growing Amazon trades at 27 times earnings.
- Another E-commerce giant JD.com, reported a major profit beat with adjusted net income growing +69% year-on-year thanks to supply chain efficiency and cost discipline. After completing a USD 3 billion share buyback year-to-date, JD announced another repurchase program of up to USD 5 billion valid over 3 years, equivalent to 13% of JD's current market capitalization. JD trades at only seven times earnings.
- BYD, the World's largest electric car producer by volume, reported net profit growth of +32% year-on-year with revenue growth of +26%. BYD's market share hit record highs and its overseas expansion is accelerating. BYD trades at only 15 times earnings while slower growing Tesla trades at 72 times earnings.
- Trip.com, China's largest online travel agency, reported adjusted net profit expansion of +45% year-on-year with revenue growth of +14% amid a strong recovery in Chinese outbound travel. Trip.com trades at only 13x earnings.
- Tencent grew adjusted net profit by +53% year-on-year in the quarter and revenues by +8%, with strong video gaming momentum and advertising revenue growth. Tencent trades at only 14x earnings vs Meta at 22x earnings.
- Household appliances giant Midea, reported adjusted net profit growth +16% year-on-year in the quarter and revenues increased by +10%. Midea recently filed for a Hong Kong IPO expecting to raise RMB 30 billion, to grow its international business. Despite a market cap 24 times larger than Electrolux, Midea trades at only 11x earnings.
- Alibaba also delivered good results showing continued recovery in its two core businesses, ecommerce and cloud with accelerating revenue growth and improving profitability. By August 28, Alibaba had completed the conversion to a primary listing at the Hong Kong Stock Exchange, allowing it to be included in the China mainland-Hong Kong Stock Connect program as early as September. This could potentially attract over USD 10 billion of fresh liquidity from Chinese investors who have so far been unable to invest in Alibaba. Alibaba trades at only 9x earnings.

So, after a protracted period of growing earnings and share prices going nowhere, Chinese equities (MSCI China index) is only a few percent from its 20-year bottom in terms of valuation. Geopolitics and weak consumer confidence have weighed on markets but still, quality companies are thriving. We believe patience will be rewarded.

Gustav Rhenman, Chief Investment Officer

AGCM China Stars Fund

Monthly Report

August 2024



ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/08/2024	1 month	YTD	2 year	5 year	Since launch August 28, 2017
AGCM China Stars Fund RC1 SEK	-2.9%	+6.8%	-4.5%	+10.5%	+23.3%
AGCM China Stars Fund RC8 SEK	-2.9%	+7.3%	-3.5%	+13.4%	+28.5%

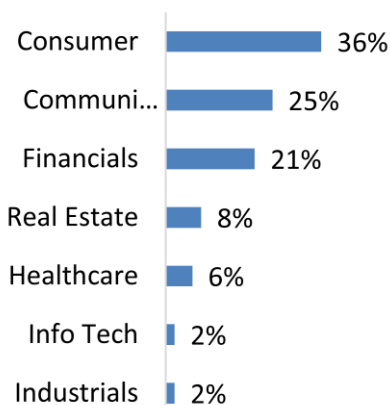
Top 5 holdings

As of 31/08/2024

Company name
Tencent Holdings
Alibaba Group
JD.com
China Telecom
China Mobile

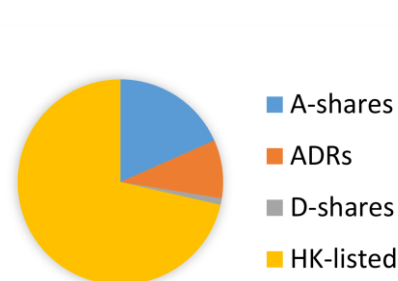
Industry breakdown

As of 31/08/2024



Market breakdown

As of 31/08/2024



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:	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 123.3 (RC8) SEK 128.5
Minimum subscription:	n.a.
ISIN code:	SEK RC1 LU 1608617111 SEK RC8 LU 1608617384

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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.