AGCM Asia Growth Fund

March 3, 2025

China caught up in AI and pharmaceuticals. One third of Western drug candidates are now sourced in China. Robots building robots.

During February, the NAV of AGCM Asia Growth Fund RC SEK increased by +2.7% and the WP EUR share class by +5.8%.

There was no lack of market moving events coming out of Washington in February. It was somewhat calmer in China, but DeepSeek sparked a tech rally in China and sent the Nasdaq lower when the company released its new large language model which in many metrics outperformed OpenAI's Chat GPT. A few days after the launch, DeepSeek had become the most downloaded app in 140 countries. What shocked the US tech investors was that DeepSeek's training cost was only a fraction of that for competing language models. DeepSeek trained its V3 model for US$ 6 million compared to US$ 100 million for OpenAI's GPT-4. DeepSeek's model uses only one-tenth of the computing power used by Meta's comparable model, the Llama 3.1. The advent of DeepSeek's high-performance, low-cost alternative, has fundamentally changed the outlook of US technology companies. The excitement around DeepSeek has supported share prices of the entire Chinese internet sector. We believe the current huge valuation gap between Chinese and U.S. tech stocks will narrow over time.

Another sector where China is quickly catching up is in biotech and pharmaceuticals. The Financial Times has taken notice and ran a story recently on how Western pharma companies are partnering with Chinese biotech companies to access biological drugs, taking advantage of China's faster clinical trials facilitated by a business-friendly regulator. AstraZeneca, Merck and GlaxoSmithKline have each signed US$ 1 billion-plus agreements for the rights to develop and sell Chinese-developed drugs outside China. In 2024, one-third of all the compounds that global pharmaceutical companies bought the rights for came from China. That represents a three-fold increase compared to the level in 2022, according to healthcare analysts at US investment bank Stifel.

A third industry in which China is going full speed is industrial robotics. Midea's Kuka Robotics is now one of the World's top four robotics companies. Midea has been a core holding of AGCM Funds for many years. In its factory in Guangdong, Kuka robots are now building Kuka robots at a rate of two new robots per hour and production line. The speed will gradually be ramped up to 30 robots produced per hour. Kuka's robots are used in many industries, from cars, batteries, aerospace, electronics, consumer goods, and new energy.

We remain optimistic regarding the outlook for our Fund holdings. All the companies we have invested in have amazing long-term outlooks with market leading positions in Asia. We are also optimistic as regards the market outlook due to the improving sentiment among investors. Technological breakthroughs as illustrated above show that Chinese industry keeps moving up the value chain. The leaders in Washington, not all but a growing number, are beginning to realize that the US cannot win an economic or military war with China, and that it would be a bad idea to start one. Meanwhile, the leaders in Beijing are mostly doing the right things. Promoting private entrepreneurship, investing in industrial production, education and new technologies. The painful but successful downscaling of the less productive real estate sector is largely finished and can now gradually bottom out and come back to growth. Consumption is promoted, stimulus rolled out and measures to support the equity markets in various ways will eventually be more visible. Prime Minister Li Qiang has bet his name on it.

South Korea

The South Korean law makers passed the "K-Chips Act", which expands tax incentives for facility investments in national strategic industries and has been welcomed by the business community. The Korea Economic Association stated that the approval of this tax law will help alleviate the pressures on the industry and serve as a catalyst for overcoming the current economic challenges faced by South Korea. The expansion of tax credits for semiconductor production facilities and R&D in national strategic technologies is expected to provide a foundation for companies to grow into global technology leaders. Foreign ministers of Korea, China and Japan are expected to hold a trilateral meeting next month which will mark their first in-person gathering in more than a year. Also, China separately plans to dispatch a cultural delegation to Korea in March, with expectations that Chinese government plans to lift cultural ban on South Korean contents, marking the first easing in eight years since THAAD-related restrictions in 2016.

Singapore

A review group led by the Monetary Authority of Singapore, set up to strengthen the local stock market, has announced new initiatives aimed at increasing interest from both retail and institutional investors, while also improving market liquidity. They include a SG$ 5 billion initiatives, called the Equity Market Development Programme, which will channel the funds to asset managers with a “strong investment track record” and a focus on Singapore-listed equities, as well as to boost trading liquidity and encourage more research into Singapore-listed companies. Another key measure unveiled is a revision to the Global Investor Programme, which grants permanent residency to eligible foreign investors. The program will also adjust the mandates for family offices, requiring them to invest a more targeted proportion of their assets directly in Singapore-listed equities. Beyond government efforts to boost the local listing landscape, Singaporean equities also enjoy inexpensive valuation, lower volatility compared to its regional peers and decent earnings expansion.

Indonesia

Indonesia has launched a new sovereign wealth fund, Danantara, with an initial US$ 20 billion commitment that could potentially boost its economy. It will be an investment vehicle and a holding company for Indonesia’s powerful state-owned sector. Major Indonesian conglomerates such as state lender Bank Mandiri, and telecom leader Telkom Indonesia, will come under the fund. President Prabowo said Danantara would manage more than US$ 900 billion worth of assets, as the sovereign wealth fund is seen as the latest initiative by Prabowo to deliver on his ambitious economic growth target of 8 percent. Bank Mandiri reported robust result for January 2025, with loan growth rate at 19.3% year-on-year, and stable net interest margin. Bank Mandiri now trades at 1.6 times Price-to-Book, with 7% dividend yield, and a share buyback plan of up to IDR 1.17 trillion for the next 12 months.

Vietnam

The Vietnamese Government plans to revise up the 2025 GDP growth target from 6.5%-7% to at least 8%. It will promote private investment and the manufacturing sector, improve administrative procedures and the business environment, focus on mega/large projects and high-tech FDI, remove bottlenecks in the real estate market, capital market and corporate bond market as well as ensure stock market upgrade in 2025, and focus credit growth on priority sectors, consumption, investment and exports. It will also promote new growth drivers, e.g. AI, big data, cloud computing and IoT. Vietnam's data center market was valued at US$ 654 million in 2024 and is projected to reach US$ 1.75 billion by 2030 growing at a CAGR of 18%, according to Research and Markets.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

February 2025

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 28/02/2025	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+2.7%	+5.0%	+19.0%	+35.9%	+126.7%
AGCM Asia Growth Fund WP EUR	+5.8%	+7.9%	+20.6%	+37.0%	n.a.

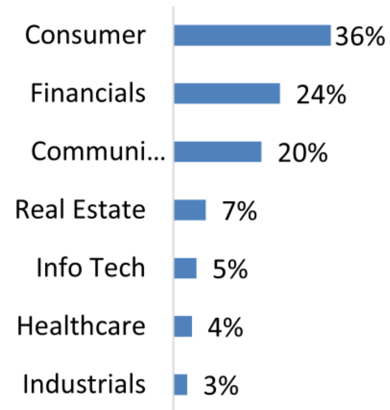
Top 5 holdings %

As of 28/02/2025

Company	Weight
Alibaba Group	8.1%
Tencent Holdings	7.3%
JD.com	5.0%
Trip.com	3.9%
ICBC	3.8%
Total	**28.1%**

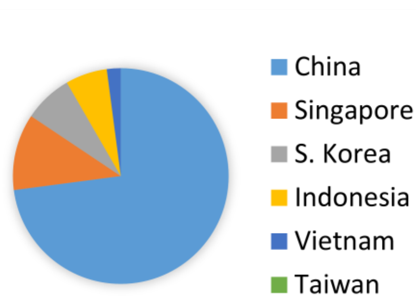
Industry breakdown

As of 28/02/2025



Geographic breakdown

As of 28/02/2025



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 635 million
Number of holdings:	39
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 226.7 EUR 188.8
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143