AGCM Asia Growth Fund

April 1, 2025

China is back, say Goldman Sachs and Morgan Stanley

During March, the NAV of AGCM Asia Growth Fund RC SEK decreased by -5.0% and WP EUR share class by -2.1%.

China's private sector keeps outgrowing the public sector and the composition is now comparable to many Western countries. Over 60 percent of China's GDP and tax revenues, 70 percent of technological innovations and 80 percent of urban employment comes from the private sector. Recently, China's leaders Xi Jinping and Li Qiang met with senior executives from the nation's leading private companies to celebrate their contribution to the economy, and to reassure them that a thriving private sector remains a priority in economic policy.

Investment bank Morgan Stanley upgraded the price targets for Chinese equity markets for a second time this year. Last week Goldman Sachs issued a reported titled "Marketing feedback: China is back", claiming China is now seen by their institutional clients as one of the potential flow recipients, given its appeals regarding liquidity, valuations and diversification benefits." Goldman upgraded its targets for Chinese equities in mid-February, saying Chinese companies' earnings growth will accelerate over the next decade due to technological innovation.

As we have written many times before, we see a long list of reasons to like Chinese stocks. Not all stocks, but carefully analyzed, selected and monitored. Top ten reasons for China as we see it today:

1. A growing recognition that Chinese tech companies are at par with US peers. Deepseek only an example.
2. Chinese consumers are stashed with cash after years of saving. Consumption has great potential.
3. Real estate sector is bottoming. Great news for remaining developers, and for consumer sentiment.
4. Chinas leadership embraces entrepreneurs. Confirmed by recent conference with private business leaders.
5. China is projected to account for 45-50% of the World's industrial production by 2030 (UN).
6. Trump is friendly to China: "Together the US and China can solve all the major problems in the World."
7. Premier Li Qiang pledged long-term support for China's equity markets. China's leaders deliver on promises.
8. China's public and private pension systems are rapidly expanding. Equity markets will see an accelerating inflow.
9. US stock market expensive – Magnificent 7 trade has lost steam. China offers diversification benefits.
10. USD exchange rate is coming down, historically positive for Emerging Markets equities.

Foreign investments into China also remains a key part of economic policy. In another charm offensive a few days ago, President Xi and Premier Li welcomed a large group of CEOs of the World's major multinational companies to Beijing. China's Vice Premier He Lifeng reassured the foreign business leaders that the country will continue to open its markets and welcomed more investment from multinational companies.

The "Made in China 2025" industrial strategy launched in 2015 has propelled China to world-leading positions in several important industries such as green energy, electric cars, high-speed trains, telecom, shipbuilding and robotics. Beijing has not published an official assessment of the "Made in China 2025" strategy, but a recent calculation by SCMP found that 86 per cent of the targets laid out in the plan had been achieved. There is still more to do in industries such as semiconductors, biotechnology and aviation.

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South Korea

South Korea, China and Japan held their first economic dialogue in five years on Sunday, seeking to facilitate regional trade as the three Asian export powers brace from U.S. President Donald Trump's tariffs. The countries' trade ministers agreed to "closely cooperate for a comprehensive and high-level" talks on a South Korea-Japan-China free trade agreement deal to promote "regional and global trade", according to a statement. China moves to improve ties with South Korea, starting with tourism and K-pop. Beijing is likely to further ease the restrictions on cultural imports as is tries to mend relations with Seoul. South Korea officially resumed the short selling on March 31 across all listed stocks, which is expected to boost foreign investor participation in the Korean stock market.

Singapore

Singapore emerged as a regional digital infrastructure heavyweight in 2024, drawing in billions from private equity and tech giants betting big on the future of cloud and data. These investments mark a shift in strategy among major players and investors, who increasingly view Singapore as a launchpad for regional AI and cloud growth. Alongside AWS, companies like Microsoft, Google, and Oracle are scaling their data centre footprints across the region, often anchoring their strategies in Singapore. Singapore's ultra-high-net-worth individual population is projected to grow by 9.7% between 2024 and 2028, according to Knight Frank. Singapore's financial ecosystem remains a magnet for global investors, with the number of registered family offices surpassing 1,500 in 2024. Additionally, private banking and wealth management sectors continue to expand, with major global financial institutions setting up offices in Singapore. The city-state's low-tax environment, strong regulatory framework, and political stability make it a preferred destination for managing global assets.

Indonesia

The Indonesian market has been weak and volatile as most investors are nervous about the new government policies and execution, such as the establishment of the new sovereign wealth fund Danantara and aggressive spending cuts. Inaugurated on 24 February 2025, Danantara as a sovereign wealth fund, and SOE super holding, aims to be an agent of growth by optimising SOEs' businesses and investment in priority projects. While its vision and mission sound reasonable, execution and impact on SOE banks on the operational side remain to be seen. That said, a lot has been priced-in, with Jakarta Composite Index now trading at 10.5x on 2025 earnings, the lowest point in the past 10 years, which is unjustified. Bank Mandiri approved a dividend payout ratio of 78% for 2024, which is much higher than previous 60%, implying a 9.8% yield. The bank said it can sustain at this level going forward.

Vietnam

Vietnam plans to merge major provinces and cities, reducing the number of provincial-level administrative units from 63 to 34. This will remove red tape and speed up the decision-making process for Infra investment. Public infrastructure investment will rise from 25.5bn USD in 2024 to $36bn in 2025 and this will be focused on roads, bridges and hospitals. State Securities Commission released a roadmap with objectives and deadlines to further develop Vietnam's stock market with the goal of upgrading from Frontier to Emerging Market status. It highlighted several initiatives including an electronic communication system between brokers and custodian banks, establishing a policy dialogue group to discuss with regulators issues faced by foreign investors, simplifying the account opening process for foreign investors, a KRX trading system, Omnibus trading and Central Counterparty (CCP) mechanism.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

March 2025

Performance

As of 31/03/2025	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-5.0%	-0.2%	+11.1%	+42.9%	+115.4%
AGCM Asia Growth Fund WP EUR	-2.1%	+5.6%	+18.8%	+53.2%	n.a.

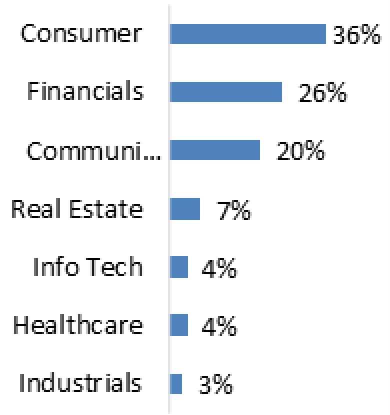
Top 5 holdings %

As of 31/03/2025

Company	Weight
Alibaba Group	8.0%
Tencent Holdings	7.5%
JD.com	4.8%
Trip.com	4.4%
DBS	3.8%
Total	**28.5%**

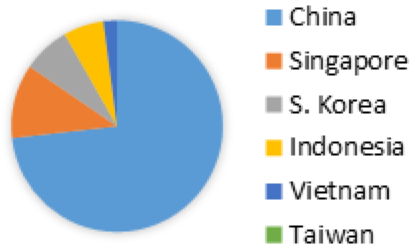
Industry breakdown

As of 31/03/2025



Geographic breakdown

As of 31/03/2025



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 601 million
Number of holdings:	39
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 215.4 EUR 184.9
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143