

# AGCM Asia Growth Fund



June 3, 2024

## France and Hungary sign series of cooperation agreements with China

During the month of May, the NAV of AGCM Asia Growth Fund RC SEK decreased by -2.9% and the WP EUR share class unchanged at 0.0%.

Most of our internet holdings reported fantastic earnings results for Q1 2024. China's ecommerce giant Pinduoduo delivered revenue growth of +131% year-on-year and adjusted net profit rose +202%. Its rapidly expanding overseas platform TEMU achieved 190 million Monthly Active Users globally in April with Europe being its largest market now. The leading online travel platform Trip.com saw revenues rising by +29% year-on-year and net profit doubling, driven by strong domestic travel demand, and robust recovery in Chinese outbound travel. Social network giant Tencent reported +6% revenue growth and +55% earnings growth, driven by strong advertising recovery especially with the video accounts monetization.

During a state visit to France in early May, Chinese President Xi Jinping and President Macron signed 18 new cooperation agreements in areas such as aviation, artificial intelligence, green energy, agriculture, and people-to-people exchanges. Xi Jinping committed to open additional markets for European companies in China, including telecom and health care. With Hungary, China entered another 16 cooperation agreements in areas such as automotive, EV batteries and infrastructure projects.

China's second in command, Premier Li Qiang, also head of China's Central Financial Commission, continues to deliver on his commitment to strengthen the confidence in the nation's financial markets. Regulators, including the China Securities Regulatory Commission and the State Taxation Administration, are reviewing a plan submitted by Hong Kong to waive the 20% tax on dividends from Hong Kong stocks bought via the Southbound Stock Connect. Scrapping this 20% tax on dividends is a very easy way to boost China mainland investors' appetite for Hong Kong listed companies, especially the names with high yields like many of the SOEs. The reason for doing this is that Hong Kong listed H-shares are trading at deep discounts compared to mainland listed A-shares in Shanghai and Shenzhen, for the same company. The average discount of H-shares to A-shares of all dual-listed companies is close to 25%.

The Chinese government announced it will ease mortgage rules and encourage local governments to buy unsold homes from developers at "reasonable" prices and convert them into affordable housing. The People's Bank of China effectively scrapped the nationwide minimum mortgage interest rate while cutting the minimum down-payment ratio from 20% to 15% for first-time buyers and from 30% to 25% for second homes.

As a reaction to US attempts to block China's economic and technological development by restricting US exports of advanced semiconductors, China has decided to develop its own capabilities in this area. China announced that its National Integrated Circuit Industry Investment Fund has been boosted by an additional USD 48 billion from the central government and various state-owned banks and enterprises. A coincidence or not, China sold a record amount of US Treasury and agency bonds in the first quarter this year of around USD 53 billion according to the latest estimates by the US Treasury department.

IMF upgraded its forecast for China's GDP growth in 2024 to 5% citing strong first quarter performance and new policy measures. China's trade surplus grew to USD 72 billion in April, compared with USD 58 billion in March.

## South Korea

South Korea unveiled a KRW 26 trillion (USD 19 billion) package of incentives to boost its semiconductor industry, including KRW 17 trillion of financial support for certain investments as well as tax incentives. The package is expected to benefit the Korean semiconductor giants Samsung Electronics and SK Hynix, as they race to stay ahead in the increasingly competitive industry. Samsung Electronics named a new chief for its semiconductor business this month, as the firm aims “to strengthen its competitiveness in an uncertain global business environment,” and strives to lead the AI chip race. The country’s Ministry of Trade, Industry and Energy proposed a draft energy plan, for the World’s eighth-largest emitter to increase the share of renewables in its power mix to almost a third by 2038 from about 9% in 2022 and make nuclear the country’s largest source of electricity generation.

## Singapore

The large Singaporean banks are thriving. DBS recorded its highest ever net profit of SGD 2.96 billion (USD 2.2 bn) in the first quarter of 2024 with return on equity reaching a record +19.4%. Loan growth picked up compared to previous quarters driven by higher demand for corporate loans. Net fee income broke the SGD 1 bn SGD level for the first time underpinned by rising wealth management fees from improved market sentiment and more card fees from higher spending. United Overseas Bank (UOB) also reported an improvement in core net profit with a growth of 5% quarter-on-quarter to SGD 1.6 bn (USD 1.2 bn). Higher income in the retail banking unit was driven by wealth management income rising by +15% year-on-year and credit card fees rising +11% year-on-year. In the wholesale banking and markets unit, UOB strengthened the cross-border connectivity with related income accounting for 25% of corporate income. UOB sees a positive outlook for the year with higher income, cost control and low credit costs.

## Indonesia

President-elect Prabowo Subianto’s ambition for Indonesia is to become the World’s fastest-growing economy with more aggressive spending to achieve food and energy self-sufficiency. “I am very confident of achieving 8% gross domestic product growth in the next two to three years and determined to go beyond”. Prabowo’s goal will if realized, make Indonesia the world’s fastest-growing major economy. Southeast Asia’s largest economy has expanded by an average of 5% over the last 20 years despite major legal reforms to boost investment and a boom in minerals and downstream products. Indonesia can be “more daring” with government spending so it can pursue priority programs, Prabowo said. “We have one of the lowest debt-to-GDP figures in the world, so now I think it is time to be more daring within a good governance.”

## Vietnam

Vietnam's economic activities accelerated expansion in May, as exports growth rebounded to +16% year-on-year and industrial production growth picked up for a second month to +9%, the fastest pace in two years. The expansion was fueled by an +11% climb in manufacturing output, particularly in computers and electronics. Retail sales growth picked up to a 6-month high of +9.5% in May. Tourism sales grew +34%, as international arrivals reached 104% of pre-Covid level, especially the rebound in China visitors has been stronger than expected. Consumption is expected to continue the uptrend in the second half, as the economy picks up steam and confidence improves. Vietnam has appointed To Lam, the public security minister, as the new President of the country. Now that all the major political positions have been filled, there are no indications of any shifts in policy direction.

**Gustav Rhenman**, Chief Financial Officer

# AGCM Asia Growth Fund

Monthly Report

May 2024



ASIA GROWTH CAPITAL MANAGEMENT

## Performance

As of 31/05/2024	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-2.9%	+12.3%	+9.4%	+35.2%	+89.8%
AGCM Asia Growth Fund WP EUR	-0.0%	+10.0%	+3.3%	+32.9%	n.a.

## Top 5 holdings %

As of 31/05/2024

Company	Weight
Alibaba Group	8.6%
Tencent Holdings	6.1%
Ping An Insurance	4.3%
Samsung Electronics	4.1%
China Resources Land	4.1%
<b>Total</b>	<b>27.2%</b>

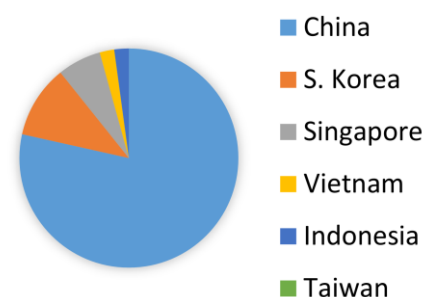
## Industry breakdown

As of 31/05/2024

Consumer	33%
Financials	29%
Communi...	18%
Real Estate	9%
Healthcare	6%
Info Tech	5%

## Geographic breakdown

As of 31/05/2024



## 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

<b>Portfolio manager:</b>	Gustav Rhenman
<b>Inception date:</b>	03-Oct-2014
<b>Fund size:</b>	SEK 553 million
<b>Number of holdings:</b>	37
<b>Management fee (RC):</b>	1.85%
<b>Fund management Company:</b>	FundRock Management Company S.A.
<b>NAV:</b>	SEK 189.8 EUR 153.1
<b>Minimum subscription:</b>	n.a.
<b>ISIN code:</b>	SEK RC LU 1091660909 EUR WP LU 1163023143

## Disclaimers

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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](http://www.agcm.se) before you make an investment. You can also request such information via e-mail to [info@agcm.se](mailto:info@agcm.se).