

AGCM Asia Growth Fund



July 1, 2024

China's electrical vehicle sector booms. Flying cars soon on the market.

During the month of June, the NAV of AGCM Asia Growth Fund RC SEK decreased by -1.4% and the WP EUR share class by -0.7%.

June 2024 was eventful in terms of geopolitics and trade relations. Continued efforts were made by the US to try to contain and obstruct China's growth through import tariffs and high-tech export restrictions. Meanwhile, China accelerated its efforts to become less reliant on US technology and the US dollar. These issues were reflected in investor sentiment, fund flows, and regional equity market movements. In June, China's CSI300 index slipped -2.0% and the Hang Seng index retreated -3.3% while India's Nifty50 index gained +6.5% and South Korea's Kospi +6.1%.

The BRICS group of emerging-market nations keep adding new members. Early this year, the United Arab Emirates, Ethiopia, Egypt, and Iran joined. Recently Thailand and Malaysia announced plans to join. BRICS now represent 38% of World GDP, compared to EU's 14% and the US 15%. One of the objectives of this growing club of nations is to replace the USD as the currency for settling trade between the member nations.

China's successful strategy to develop world-leading industries can be illustrated by the automotive sector. After two decades of investments, China has achieved a formidable lead in every link of the EV supply chain, from raw materials to batteries, vehicle production, and public charging infrastructure. From the development of the New Energy Vehicle industry in the 1990s, and a growing focus on battery electric vehicles since 2012, China has stayed several steps ahead of European and US competitors.

The immense success of China's auto industry has caused some countries to try to protect their domestic producers from Chinese imports by raising tariffs. In Tesla's 2023 earnings call with analysts, CEO Elon Musk said: "If there are no trade barriers established, the Chinese will pretty much demolish most other car companies in the world. They're extremely good." Not long thereafter, the Biden administration quadrupled tariffs on Chinese EVs to 100%. In June, the European Commission announced tariffs of 17.4% - 38.1% on imports of Chinese-made EVs. Chinese automakers are responding the same way Japanese and Korean companies have in the past, by setting up car manufacturing in the US, Mexico and Eastern Europe, circumventing import duties.

Li Auto, one of our investments in the Chinese electrical vehicle sector, reported it sold 47,774 vehicles in June, a +46.7% increase year over year. In the first six months this year, Li Auto has sold 822,345 vehicles which makes Li Auto the number one of China's emerging new energy auto brands. The company is only nine years old. The X2 flying car made by AeroHT, an affiliate of EV manufacturer Xpeng, made its first flight at the new Beijing Daxing International airport. CEO He Xiaopeng said AeroH will start to take orders for the flying car later this year.

In a speech in Beijing on June 28, Chinese leader Xi Jinping called for the Global South to have a greater say in international affairs. Developing nations should "be at the forefront of promoting the building of a community with a shared future for mankind," Xi said. The countries "need to work together to be a stabilizing force for peace" and contribute to resolving conflicts around the world. These comments were much in line with other BRICS nation leaders' speeches in their campaign to "free the global governance system from US hegemony."

Singapore

Singapore reclaimed the top position as the world's most competitive economy in 2024, up from fourth place a year ago, according to the International Institute for Management Development (IMD) World Competitiveness Ranking in June. IMD evaluates 67 major economies, based on surveys and 164 pieces of statistical data between. Singapore ranked high in terms of labor market, attitudes and values, and technological infrastructure. The country saw improvements in government efficiency, business efficiency and infrastructure. It also saw improvement in criteria such as the priority that the private sector assigns to attracting and retaining highly skilled talent, the level of motivation of its labor force, and the efficiency of its small and medium enterprises (SME) sector.

India

Narendra Modi was sworn in for a third consecutive term as India's prime minister but now relies on his coalition partners after his Hindu nationalist party, Bharatiya Janata, failed to win a parliamentary majority. Modi is only the second Indian prime minister after Jawaharlal Nehru to retain power for a third five-year term. A Hindu nationalist, Modi is considered a strong leader of the ethnic majority which makes up 80 percent of India's 1.4 billion population. His proponents credit him with the rapid economic growth and strengthened global standing since he came to power. India's president Murmu said that there is a plan to announce important measures in the first budget of the new government to sustain high economic growth. The pledge to "reform, perform and transform" has made India one of the world's fastest growing economies. One government objective is for India to become the world's third largest economy.

South Korea

Samsung Electronics reportedly plans to raise prices for its memory chip products by 15% to 20% in the third quarter due to surging demand for AI applications, which indicates a strong recovery in the industry demand and will help improve the company's profitability in the second half. The company also announced a full-scale high growth target in the AI foundry business until 2028. The foundry business will focus on high-performance, low-power semiconductors that enable AI implementations. The management expects this year's AI chip sales to be 80% higher than last year, and the number customers will double. It has also set an aggressive goal of expanding AI chip sales by 9 times and customer base by 4 times by 2028 compared to 2023.

Vietnam

Vietnam's economic growth in the second quarter accelerated to a seven-quarter high of +6.9% year-on-year. Manufacturing remained the key recovery engine, driven by steady export growth. Services growth also picked up fuelled by transportation, accommodation, and food. Exports grew by +10.5% from a year ago in June, and trade balance reached a five-month high at USD 3 billion. FDI pledges jumped +59.7% from a year ago, led by a +79% rebound in manufacturing commitments. Major projects commenced during the month, led by Foxconn's commitment to invest USD 383 million in a printed circuit boards plant in northern Vietnam. Vietnam's Ministry of Finance has proposed to reduce registration fees by 50% for domestically produced and assembled cars for six months, effective from August 1. The move is expected to help promote domestic consumption and support the automobile industry. The S&P Global Vietnam Manufacturing PMI jumped to 54.7 in June (vs. 50.3 in May) indicating significant expansion and a third consecutive monthly improvement in business conditions. New orders recorded the sharpest increase since March 2011, output posted the steepest rise in over five years and employment returned to growth for the first time in 3 months. Sentiment also hit a 3-month high supporting confidence in the outlook for manufacturing production.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

June 2024



Performance

As of 30/06/2024	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-1.4%	+10.7%	+1.9%	+27.8%	+87.1%
AGCM Asia Growth Fund WP EUR	-0.7%	+9.2%	-1.8%	+24.8%	n.a.

Top 5 holdings %

As of 30/06/2024

Company	Weight
Alibaba Group	8.3%
Tencent Holdings	6.6%
Samsung Electronics	4.5%
China Construction Bank	4.1%
China Resources Land	4.0%
Total	27.5%

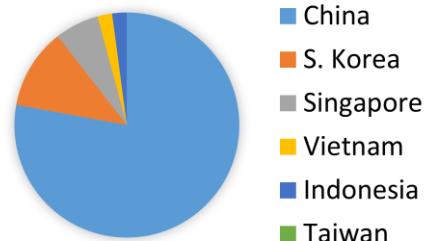
Industry breakdown

As of 30/06/2024

Consumer	32%
Financials	28%
Communi...	19%
Real Estate	8%
Info Tech	7%
Healthcare	5%
Industrials	1%

Geographic breakdown

As of 30/06/2024



- China
- S. Korea
- Singapore
- Vietnam
- Indonesia
- Taiwan

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 539 million
Number of holdings:	37
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 187.1 EUR 152.0
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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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.