AGCM Asia Growth Fund

August 1, 2024

China races to net-zero emissions, records trade surplus of USD 99 bn.

During the month of July, the NAV of AGCM Asia Growth Fund RC SEK increased by +2.0% and the WP EUR share class decreased by -0.1%.

On July 18, the Chinese Communist Party (CCP) concluded the third Plenum of its 20th Party Congress and five-year economic planning cycle. Key topics covered during the Plenum were economic targets, development plans, education, innovation, financial reform, and opening-up to foreign investors. The communique mentioned "Socialist modernization by 2035" and "building a great modern Socialist country by 2050", completing 300 reform targets by 2029, and achieving a 5% GDP growth target this current year. President Xi stressed high-quality development and supply-side reforms. Supportive policies will continue for electrical vehicles, batteries, and solar energy. Changes in tax-sharing proportions between central and local governments are expected to address local revenue shortfalls. To boost the real estate demand, mortgage interest rates and down-payment ratios will be lowered, and home purchase restrictions for non-residents in many cities will be reduced. Increasing the supply of affordable housing remains a priority. China's carbon emission market will expand from covering coal fired power plants to include aluminum, steel, and cement industries.

The speed at which China is moving towards its net zero carbon emissions goal is truly amazing. According to Global Energy Monitor, a US-based nongovernmental organization, China is building twice as much wind and solar power capacity than the rest of the world combined. A total of 340 gigawatts (GW) of major solar and wind farms is currently under construction in China, nearly two-thirds of the global total of 525 GW. Solar installations have expanded particularly fast in China. The solar capacity currently under construction in China is more than six times that of the U.S. and more than 20 times that of Spain. For wind, China's capacity under construction beats the US by more than 13 times and the UK by more than 20 times. In its yearly report, the China Electricity Council said grid-connected wind and solar power would make up around 40% of installed generation capacity by the end of this year, compared with coal's expected 37%. Remarkably, these figures were the reverse as late as January 1st this year.

Contemporary Amperex Technology (CATL), a fund holding and the world's largest producer of electric vehicle batteries, reported a 13% rise in second-quarter net income to RMB 12.3 billion (USD 1.7 billion). Net income for the first half of this year increased 10.4% to RMB 22.9 billion. As a key supplier to Tesla, CATL maintains a robust lead in battery production globally. Its market share rose to 37.5% in May, according to SNE Research data. Within China, the biggest EV market in the world, CATL's share stands at 45%. To accelerate the transition of China's automotive industry, the government doubled the incentives for consumers to trade in their old cars and buy electric vehicles from RMB 10,000 to RMB 20,000 (USD 2,700).

So much for all the Western media reports of a struggling Chinese export industry and the US reshoring production from China. China made a new record as exports in June soared to USD 308 billion and resulted in a monthly trade surplus of USD 99 billion.

Singapore
Singapore's Minister of Trade Relations Grace Fu and EU Trade Commissioner Valdis Dombrovskis concluded negotiations on a digital trade pact. Known as the EUSDTA, the pact will provide legal certainty for companies and consumers on the rules for digital trade between Singapore and the EU. The agreement also strengthens digital connectivity and interoperability between the digital markets. The deal will enable open and secure data flows, facilitate end-to-end digital trade, and establish trusted and secure digital systems for businesses and consumers. There will also be legally binding rules to prohibit data localization requirements and ensure the protection of personal data. At its meeting on July 26, The Monetary Authority of Singapore (MAS), kept policy settings unchanged and reiterated its projection that inflation will cool to around 2% in 2025, opening the window for policy easing early next year. The MAS uses the exchange rate rather than interest rates as its main policy tool. The slope, width, and center of the currency band will be maintained, the MAS said in a statement in late July.

Indonesia
Indonesia's new Deputy Finance Minister Thomas Djiwandono, nephew of President-elect Prabowo Subianto, promised a smooth fiscal handover while pledging there will be no rise in the debt ratio or the budget deficit. Djiwandono's position at the finance ministry will ensure Prabowo's programs to fit within former President Joko Widodo's economic policy, especially on fiscal prudence. Djiwandono said that Prabowo's camp is single-minded in its view that government finances must be kept within their legal limits. The president-elect himself has said Indonesia can afford to be more "daring" with spending, while his adviser and brother Hashim Djojohadikusumo said the incoming administration may allow the debt ratio to rise to 50% of gross domestic product. Local media have reported on plans to revise the law capping the budget deficit.

Vietnam
Foreign Direct Investment (FDI) into Vietnam remained robust in July, increasing +9.5% from a year ago in July taking year-to-date FDI growth to +8.4%. FDI in the property market remains very strong this year, increasing +78% YTD, as interest is boosted by confidence in economic prospects and legal reforms. Public investment on the other hand has been weak, in part because government officials have hesitated to release infrastructure funds amidst an anti-graft campaign, for fear of committing violations. Other bottlenecks include land clearance and land use conversion issues, volatile prices of raw materials and fuels. President To Lam has taken on the additional role of acting General Secretary, after the passing of Nguyen Phu Trong. To Lam is perceived as a pragmatist, in contrast to Trong's image as a Marxist ideologue. Vietnam's economic growth in the second quarter accelerated to a seven-quarter high of +6.9% year-on-year.

South Korea
Samsung Electronics announced solid results for Q2 2024, posting a +23% year-over-year increase in consolidated revenues to KRW 74.1 trillion and a healthy operating profit of KRW 10.4 trillion. Favorable memory market conditions boosted average sales prices while robust sales of OLED panels also contributed to the growth. Driven by strong demand for DRAM and server SSDs, the memory market continued to recover. This increased demand is a result of the continued AI investments by cloud service providers and growing demand for AI from businesses for their on-premises servers. The Foundry Business plans to continue expanding orders for AI/HPC applications and aims to increase the customer number by four-fold and sales by nine-fold by 2028 compared to 2023.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

July 2024

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/07/2024	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+2.0%	+12.9%	+9.6%	+23.8%	+90.9%
AGCM Asia Growth Fund WP EUR	-0.1%	+9.1%	+0.9%	+19.6%	n.a.

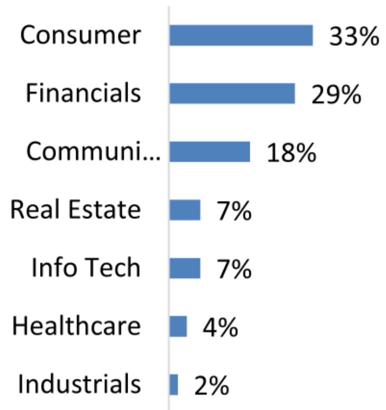
Top 5 holdings %

As of 31/07/2024

Company	Weight
Alibaba Group	9.1%
Tencent Holdings	6.4%
Samsung Electronics	4.6%
Ping An Insurance	3.9%
Shinhan Financial	3.8%
Total	**27.8%**

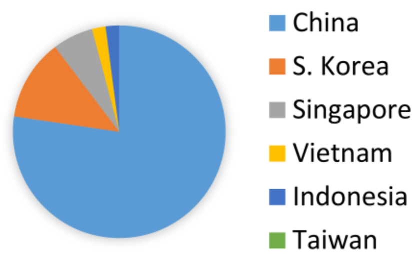
Industry breakdown

As of 31/07/2024



Geographic breakdown

As of 31/07/2024



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:	03-Oct-2014
Fund size:	SEK 547 million
Number of holdings:	39
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 190.9 EUR 151.9
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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