

# AGCM Asia Growth Fund



September 2, 2024

## Earnings up – valuations a tiny fraction of Western peers

During the month of August, the NAV of AGCM Asia Growth Fund RC SEK decreased by -3.0% and the WP EUR share class by -0.7%.

The fund holding companies have reported yet another quarter of excellent earnings results. Some examples:

- E-commerce giant PDD reported another blowout quarter with adjusted net profit up by +125% year-on-year to RMB 34 billion with revenues growing +86% to RMB 97 billion. Its cross-border ecommerce franchise TEMU continued its exponential growth, with global monthly active users reaching 260 million consumers as of July, equivalent to 80% of Amazon's level. Gross merchandise value likely reached USD 14 billion, 30% higher than the previous quarter. The stock is now trading at only seven times earnings, while the business remains the fastest expanding ecommerce platform globally. For comparison, slower growing Amazon trades at 27 times earnings.
- Another E-commerce giant JD.com, reported a major profit beat with adjusted net income growing +69% year-on-year thanks to supply chain efficiency and cost discipline. After completing a USD 3 billion share buyback year-to-date, JD announced another repurchase program of up to USD 5 billion valid over 3 years, equivalent to 13% of JD's current market capitalization. JD trades at only seven times earnings.
- BYD, the World's largest electric car producer by volume, reported net profit growth of +32% year-on-year with revenue growth of +26%. BYD's market share hit record highs and its overseas expansion is accelerating. BYD trades at only 15 times earnings while slower growing Tesla trades at 72 times earnings.
- Trip.com, China's largest online travel agency, reported adjusted net profit expansion of +45% year-on-year with revenue growth of +14% amid a strong recovery in Chinese outbound travel. Trip.com trades at only 13x earnings.
- Tencent grew adjusted net profit by +53% year-on-year in the quarter and revenues by +8%, with strong video gaming momentum and advertising revenue growth. Tencent trades at only 14x earnings vs Meta at 22x earnings.
- Household appliances giant Midea, reported adjusted net profit growth +16% year-on-year in the quarter and revenues increased by +10%. Midea recently filed for a Hong Kong IPO expecting to raise RMB 30 billion, to grow its international business. Despite a market cap 24 times larger than Electrolux, Midea trades at only 11x earnings.
- Alibaba also delivered good results showing continued recovery in its two core businesses, ecommerce and cloud with accelerating revenue growth and improving profitability. By August 28, Alibaba had completed the conversion to a primary listing at the Hong Kong Stock Exchange, allowing it to be included in the China mainland-Hong Kong Stock Connect program as early as September. This could potentially attract over USD 10 billion of fresh liquidity from Chinese investors who have so far been unable to invest in Alibaba. Alibaba trades at only 9x earnings.

So, after a protracted period of growing earnings and share prices going nowhere, Chinese equities (MSCI China index) is only a few percent from its 20-year bottom in terms of valuation. Geopolitics and weak consumer confidence have weighed on markets but still, quality companies are thriving. We believe patience will be rewarded.

## South Korea

The South Korean government plans to invest KRW 30 trillion (USD 23 billion) into advanced technologies over the next five years. According to ministry officials, the investments will focus on twelve national strategic technologies, including artificial intelligence, semiconductors, robotics, rechargeable batteries, aerospace, ocean engineering, and next-generation communications. Samsung SDI, Korea's leading battery maker and a fund holding, introduced a ground-breaking solid-state battery that enables electrical vehicles to travel up to 900 kilometers on a single charge. This new battery, with an energy density of around 500 Wh/kg, double that of current EV batteries, can charge fully in just nine minutes and has a lifespan of 20 years. Samsung SDI also signed a JV agreement with General Motors to invest in a new battery plant in the US. The two companies will invest about USD 3.5 billion to build a battery manufacturing plant with an annual production capacity of 27 gigawatt hours (GWh) initially.

## Singapore

ASEAN is the world's largest semiconductor exporter, accounting for 23% of global chip exports, led by Singapore's 11%. Singapore fabricates memory and legacy chips fulfilling end-uses across industrial, automotive and consumer electronics, but does not produce advanced-node processor chips. The region is benefiting from the diversification of global chipmakers' supply chain beyond North Asia. Singapore has a thriving chip design and R&D industry. Value-added of its electronics industry has risen to 7.8% of GDP in 2023, from 6.7% in 2012. The Singaporean banks delivered another strong quarter. The largest banks DBS, UOB and OCBC all look set for another record profit year, expected to grow at mid-to-high single digits with dividend yields of around 6%.

## Indonesia

Foreign investors bought listed equities in Indonesia worth USD 934 million in August, the largest monthly purchases since April 2022. Net foreign inflows of USD 2.5 billion into Indonesian bonds in August is the most in more than a year. The country's assets have become a preferred investment destination as the US Federal Reserve's easing cycle nears and Indonesia's central bank maintains a relatively high policy rate at 6.25%. The central bank maintained its GDP growth forecast at 4.7%-5.5% in 2024. GDP growth remained resilient at +5% in the second quarter. Credit growth was steady at +12.4% in July, supported by robust investment demand. Indonesia offers fiscal discipline, undemanding valuation, with structural growth potential supported by urbanization, demographics, productivity gains and value-added manufacturing.

## Vietnam

In its latest report, the World Bank forecasts Vietnam's economy to grow by +6.1% in 2024 and +6.5% for 2025-2026 with a positive longer-term outlook. H1 2024 GDP grew by +6.4% YoY driven by strong trade activity, services (contributed half to GDP growth) and consumption. However, consumer spending and private investment remained below pre-pandemic levels, while the financial sector showed signs of recovery. To Lam, the newly appointed general secretary of the Vietnamese Communist Party, travelled to Beijing on August 19 for his first foreign trip since assuming the role earlier this month. Lam described the bilateral ties as a "top priority in Vietnam's external policy" and called his trip to China "the affirmation of the Party and the Vietnamese government to value the relation with China". Vinamilk, Vietnam's largest dairy product maker and a fund holding, reported net profit growth of +20% year-on-year in 1H 2024 and sales growth of +6%, thanks to very strong exports and margin expansion in especially overseas business.

**Gustav Rhenman**, Chief Financial Officer

# AGCM Asia Growth Fund

Monthly Report

August 2024



ASIA GROWTH CAPITAL MANAGEMENT

## Performance

As of 31/08/2024	1 month	YTD	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	-3.0%	+9.6%	+2.5%	+22.5%	+85.2%
AGCM Asia Growth Fund WP EUR	-0.7%	+8.4%	-1.2%	+22.6%	n.a.

## Top 5 holdings %

As of 31/08/2024

Company	Weight
Alibaba Group	7.1%
Tencent Holdings	6.6%
Samsung Electronics	4.4%
Ping An Insurance	4.2%
Trip.com	3.7%
<b>Total</b>	<b>26.0%</b>

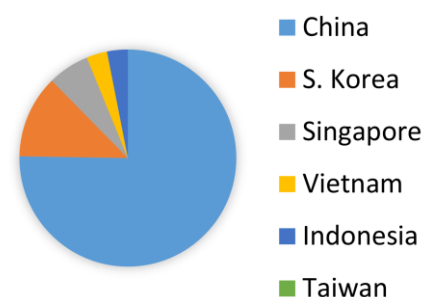
## Industry breakdown

As of 31/08/2024

Consumer	32%
Financials	29%
Communi...	19%
Real Estate	7%
Info Tech	7%
Healthcare	4%
Industrials	2%

## Geographic breakdown

As of 31/08/2024



## 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 529 million
Number of holdings:	39
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 185.2 EUR 150.9
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143

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