AGCM Asia Growth Fund

February 3, 2025

China is the World leader in research on 90% of critical technologies and may account for 45% of World's industrial production by 2030

During January, the NAV of AGCM Asia Growth Fund RC SEK increased by +2.3% and WP EUR share class by +2%.

In the years 2000 to 2024, China has invested over USD 9 trillion to develop its technological and industrial infrastructure and become the World's leading manufacturing nation. In that same period, the US spent the same amount, USD 9 trillion, on numerous wars and its 800 military bases around the World.

ASPI, an Australian think tank concludes in a research report that China is now the World leader in research on 90% of critical technologies. ASPI's Critical Technology Tracker ranks countries' innovation capabilities based on the number of appearances in the top 10% of research papers. ASPI focuses on crucial technologies in a range of fields including AI, quantum computing, biotechnology, robots, drones, satellites, cyber and communication.

According to ASPI, China now leads in research in 57 out of the 64 key advanced technologies. The report found that China and the United States have effectively switched places as the overwhelming leader in research in just two decades. In 2007, China led in only three of the 64 key technologies but has shot up in the rankings, replacing the U.S., which is now a leader in only seven of the 64 critical technologies.

United Nations Industrial Development Organization (UNIDO) projected in a new report that China will account for 45% of the World's industrial production by year 2030, rising from 6% in year 2000. Despite US tariffs and import restrictions, China's trade surplus grew to almost USD 1 trillion for the full year 2024. The final number was USD 992 billion, an increase of +21% compared to the previous year. The massive size and steady growth of China's trade surplus reflects gigantic long-term investments in technological and industrial development.

Investing is the only business where when things go on sale, everyone runs out of the store. Now when quality Chinese stocks are so cheap, selling at a fraction of the slower growing US peers, recent data from the Association of Swedish Fund Companies reveals that Swedish investors' exposure to China funds is less than 1% of total. Investors in the US and EU also, after years of selling, have close to zero exposure to China. Since the ESG investing frenzy cooled, fund flows have mostly gone into the "Magnificent Seven" companies and related ETFs, some of which are levered multiple times.

We see a good upside in Chinese equities in 2025 for the following reasons:

- After several years of foreign selling, quality Chinese equities are very, very cheap.
- Chinese bond yields have come down so much that equities have become a better alternative for savers.
- Chinese household bank savings have become colossal, and savers will increasingly look to equities.
- China's government has launched several measures which will increase flows to equity funds.
- Massive government stimulus supports the economy and the corporate sector benefits.
- President Trump has stated several times he wants cooperation, not confrontation with China. Export restrictions have backfired, and tariffs on China have done nothing to reduce China's trade surplus.

South Korea

South Korea's prosecutors have indicted the impeached President Yoon Suk Yeol on charges of leading an insurrection with hits short-lived martial law imposition. In parallel with the criminal process, the Constitutional Court of Korea has up to 180 days to rule on the impeachment case. The process will speed up despite President Yoon's resistance. Meanwhile, the caretaker government will implement market stabilization measures to limit downside risk to growth. Korea equities are trading at a trough PB of 0.8x, with political uncertainty already well-reflected in share prices. The market will rerate rapidly when the political situation stabilizes. At the world's Consumer Electronics Show (CES) in early January, Samsung Electronics unveiled plans to launch the wearable robot "Botfit" and the butler robot "Ballie" this year, as a first attempt to move into the humanoid robot business. They will start selling in Korea and the US in the first half of 2025.

Singapore

Singapore and Malaysia's Prime Ministers signed the Johor-Singapore SEZ (JS-SEZ) agreement on 6 January, finalizing the long-awaited deal. The JS-SEZ will be organized around 9 flagship districts, spanning 3,588 sq km or nearly five times the size of Singapore. Malaysia hopes the initiative will bring a USD 28 billion boost to Johor's economy by 2030 with tax incentives and seamless cross-border travel, in areas such as manufacturing, aerospace, tourism, energy and healthcare. A preferential 5% corporate tax rate for up to 15 years will be offered for new investments in AI, quantum computing, medical devices, aerospace manufacturing and business services. Singaporean bank DBS increased its stake in China's Shenzhen Rural Commercial Bank to 19.4%, aiming to strengthen DBS' presence in China's Greater Bay Area and capitalize on the growth opportunities in the region.

Indonesia

Indonesia officially became a full member of BRICS in January 2025, further expanding the emerging economy group by adding the World's fourth most-populous nation. It is the first among the Southeast Asian countries. Indonesia's President Prabowo has set ambitious growth targets for his first term, aiming for 8% annual GDP growth during 2025-2029. Prabowo's signature programs to boost growth include welfare-centric fiscal initiatives like free school meals, food and energy self-sufficiency, industrialisation via commodity down-streaming, and boosting FDI. More EV and battery projects will come onstream in 2025. Indonesia may attract more foreign investments if factory relocations from China accelerate driven by higher US tariffs on Chinese goods. Prabowo also aims to build 3 million affordable homes every year, 2 million of which will be in the rural areas and 1 million in urban areas.

Vietnam

Vietnam's GDP grew by +7.1% year-on-year in 2024, led by services and industrial & construction expanding by +7.4% and +8.2% respectively. International trade continues to rise, with exports increasing by +14% year-on-year and imports by +17%, generating a trade surplus of USD 24.8 billion. The government is targeting 2025 GDP growth of at least +8% (double-digit if possible), driven by public investments for infrastructure projects as well as growth in consumption, exports, FDI and innovation. The government plans to establish an investment support fund to promote economic growth. It will offer up to 50% of initial investment costs for semiconductors and AI investors with R&D projects. It will also provide annual investment support to high-tech enterprises and projects. Vietnam and Nvidia signed a cooperation agreement to establish an AI R&D research center and AI data center in the country.

Gustav Rhenman, Chief Investment Officer

AGCM Asia Growth Fund

Monthly Report

January 2025

ASIA GROWTH CAPITAL MANAGEMENT

Performance

As of 31/01/2025	1 month	1 year	2 year	5 year	Since launch Oct 3, 2014
AGCM Asia Growth Fund RC SEK	+2.3%	+33.9%	+7.8%	+29.5%	+120.8%
AGCM Asia Growth Fund WP EUR	+2.0%	+33.5%	+8.5%	+27.6%	n.a.

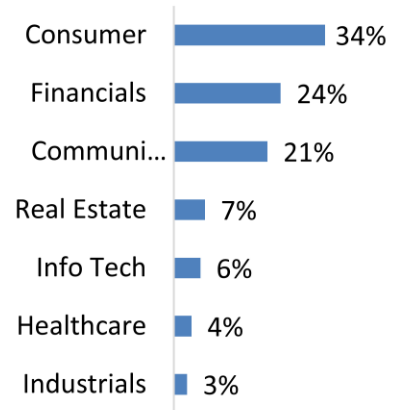
Top 5 holdings %

As of 31/01/2025

Company	Weight
Alibaba Group	7.1%
Tencent Holdings	6.4%
Trip.com	5.1%
JD.com	5.1%
Bank Mandiri	4.0%
Total	**27.7%**

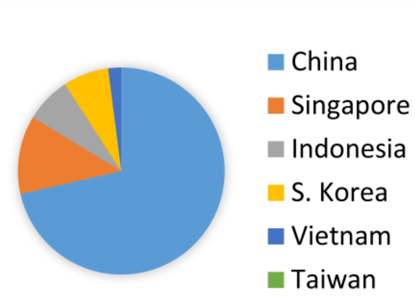
Industry breakdown

As of 31/01/2025



Geographic breakdown

As of 31/01/2025



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 619 million
Number of holdings:	39
Management fee (RC):	1.85%
Fund management Company:	FundRock Management Company S.A.
NAV:	SEK 220.8 EUR 178.5
Minimum subscription:	n.a.
ISIN code:	SEK RC LU 1091660909 EUR WP LU 1163023143