

# FSSA China A Shares Fund (Irish VCC)

## Investment objective and policy

The Fund aims to grow your investment.  
The Fund invests at least 70% of its assets in shares of companies listed Chinese Stock Exchanges.  
The Fund may invest up to 100% of its assets in any industry and in companies of any size.  
The Fund may invest up to 100% of its assets in China A Shares and up to 10% in China B shares.  
The Fund may use derivatives with the aim of risk reduction or efficient management.

## Fund information

Fund launch date	04 June 2019
Fund size (US\$m)	606.0
Benchmark	MSCI China A Onshore Net Index
Number of holdings	47
Fund manager(s)	Winston Ke/Martin Lau
Research rating ^	Morningstar®:Bronze

^ This does not constitute an investment recommendation and is not indicative of future results. Methodology available on rating provider's website.

## Available share classes

Share class	Sedol	ISIN
FSSA China A Shares Fund USD Class VI (Accumulation)	BH43G61	IE00BH43G612
FSSA China A Shares Fund USD Class VI (Distributing)	BJ065F0	IE00BJ065F05
FSSA China A Shares Fund GBP Class VI (Accumulation)	BJN6RG2	IE00BJN6RG23
FSSA China A Shares Fund USD Class I (Accumulation)	BKF2S51	IE00BKF2S510

## Risk factors

**This document is a financial promotion for the FSSA China A Shares Fund in the EEA and elsewhere where lawful. Investing involves certain risks including:**

- **The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back substantially less than the original amount invested.**
- **Currency risk:** The Fund invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the Fund and could create losses. Currency control decisions made by governments could affect the value of the Fund's investments and could cause the Fund to defer or suspend redemptions of its shares.
- **Single country / specific region risk:** investing in a single country or specific region may be riskier than investing in a number of different countries or regions. Investing in a larger number of countries or regions helps spread risk.
- **China market risk:** Although China has seen rapid economic and structural development, investing there may still involve increased risks of political and governmental intervention, potentially limitations on the allocation of the Fund's capital, and legal, regulatory, economic and other risks including greater liquidity risk, restrictions on investment or transfer of assets, failed/delayed settlement and difficulties valuing securities.
- **Smaller companies risk:** investments in smaller companies may be riskier and more difficult to buy and sell than investments in larger companies.

Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell. Reference to the names of any company is merely to explain the investment strategy and should not be construed as investment advice or a recommendation to invest in any of those companies.

For a full description of the terms of investment and the risks please see the Prospectus and Key Investor Information Document.

**If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice. If you are unsure of the terminology used in this report, please seek independent financial advice.**

FSSA China A Shares Fund USD Class III (Accumulation)

BKF2S62

IE00BKF2S627

FSSA China A Shares Fund AUD Class III (Accumulation)

BKPWC82

IE00BKPWC821

## About FSSA Investment Managers

FSSA Investment Managers is an autonomous investment management team within First Sentier Investors, with dedicated investment professionals based in Hong Kong and Singapore. We are specialists in Asia Pacific and Global Emerging Markets equity strategies, managing assets on behalf of clients globally.

We are bottom-up investors, using fundamental research and analysis to construct high-conviction portfolios. We conduct more than a thousand direct company meetings a year, seeking to identify high quality companies to invest in. We look for founders and management teams that act with integrity and risk awareness; and dominant franchises that have the ability to deliver sustainable and predictable returns over the long term. As responsible, long-term shareholders, we have integrated ESG analysis into our investment process and engage extensively on environmental, labour and governance issues.

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### Annual performance in USD (%) to 30 September 2022

	12 mths to 30/09/22	12 mths to 30/09/21	12 mths to 30/09/20	12 mths to 30/09/19	12 mths to 30/09/18
FSSA China A Shares Fund	-23.1	6.6	31.2	-	-
MSCI China A Onshore Net Index	-27.5	18.2	31.5	-	-

### Cumulative performance in USD (%) to 30 September 2022

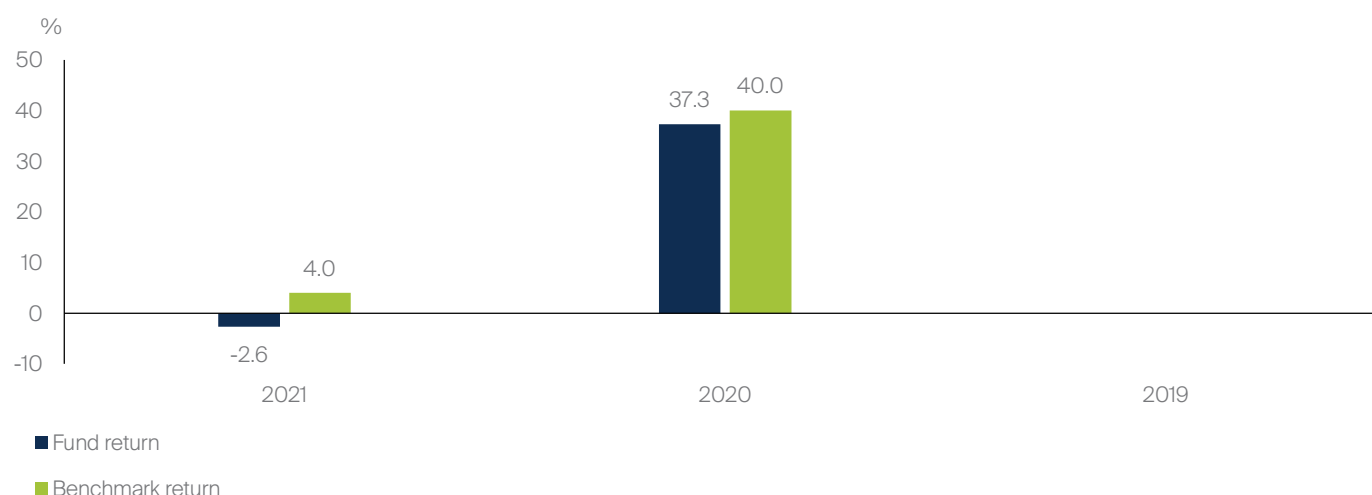
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA China A Shares Fund	8.4	-	-	7.4	-23.1	-27.8	-17.0	-18.3
MSCI China A Onshore Net Index	17.3	-	-	12.8	-27.5	-29.9	-17.8	-19.0

### Performance review

Over the past 12 months, key contributors to performance included Zhejiang Weixing New Building Materials, as the government's recent pro-growth policies and municipal construction projects helped to boost demand and offset weakness in the home decoration market. Shanghai International Airport rose as lockdowns eased across China, boosting tourism activity. On the negative side, China Merchants Bank declined after the sudden removal of its president from office, who is being investigated by the government's anti-graft agency for "legal and

disciplinary violations". Meanwhile, China's property market slowdown fueled concerns on mortgage repayments, hurting sentiment toward bank stocks. Tencent detracted from performance as earnings continued to be pressured from the weak macro environment and strict controls on gaming, while technology stocks have broadly declined on the back of aggressive Federal Reserve tightening.

### Calendar year performance (% in USD) to 30 September 2022



These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than USD, the return may increase or decrease as a result of currency fluctuations. Since inception performance figures have been calculated from 05 June 2019. All performance data for the FSSA China A Shares Fund Class VI (Accumulation) USD as at 30 September 2022. Source for fund - Lipper IM / First Sentier Investors (UK) Funds Limited. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management fee and other fund expenses), save that it does not take account of initial charges or switching fees (if any). Income reinvested is included on a net of tax basis. Source for benchmark - MSCI, income reinvested net of tax.

▲On 22 September 2020, First State China A Shares Fund was rebranded as FSSA China A Shares Fund.

### Portfolio review

New purchases over the quarter included Boya Bio-Pharmaceutical, a plasma products business with 29% held by China Resources Group (via CR Pharmaceutical). Incorporated in 1993 and listed in 2012, the company has high profitability due to its balanced revenue mix and centralised production. After China Resources Group took control in 2021, we expect further volume growth and efficiency improvement as the company targets to increase its collection stations from 14 currently to more than 30 by 2025.

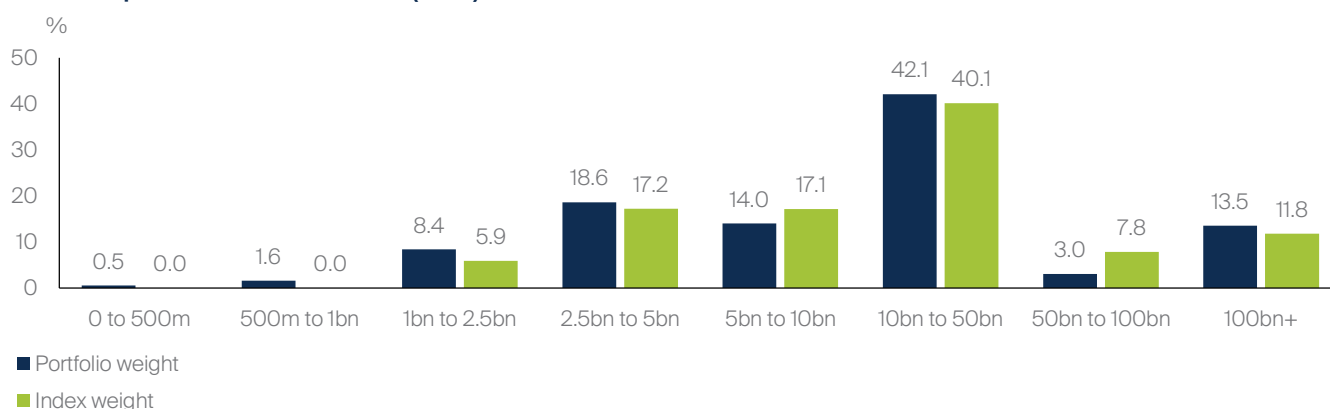
There were no significant disposals during the period.

### Stock spotlight

Shenzhen Mindray Bio-Medical Electronics is China's largest domestic medical devices company and a market leader in patient monitors and life support systems. The company has a strong track record and has been gaining market share from global leaders as it expands its presence overseas. We believe there is significant growth opportunities ahead, as the penetration level of medical devices in China is still low and there is a growing preference for import substitutions.

Mindray has multiple growth drivers to support revenue and earnings growth over the next few years. The company's main products cover three areas: patient monitoring and life information, in vitro diagnostics (IVD) and medical imaging. Growth across categories has picked up in recent years, and Mindray's market position for each category has been improving too. In the domestic market, increased hospital spend on medical equipment is estimated to contribute significantly to its annual revenue, while exports should resume growth in 2022 after the high base effect eases.

### Market capitalisation breakdown (USD)



Data source: For illustration purposes only. Portfolio weights may not add up to 100% as cash holdings are excluded and full coverage of stocks is not always available. This information is calculated by First Sentier Investors. Past performance is not indicative of future performance. Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of First Sentier Investors' portfolios at a certain point in time, and the holdings may change over time. These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than USD, the return may increase or decrease as a result of currency fluctuations.

### Outlook

We are seeing more green shoots appearing in China as Covid restrictions are easing. Manufacturers have ramped up production while delivery times were shortened, reducing supply chain constraints. Supportive policy actions in recent months include easing restrictions on internet companies and raising infrastructure spending. We have also seen further monetary easing, such as lower interest rates and relaxed lending policies, as well as support for the property sector.

However, key challenges remain and any recovery could be fragile. The risks include further interest rate hikes from the US Federal Reserve leading to a stronger dollar, which is typically negative for emerging markets – it increases their USD funding costs, spurs capital outflows and limits the scope for interest rate decreases in China. Domestic headwinds are still in place, such as high levels of debt-to-GDP, weakness in the property sector and uncertainty around regulations. Another risk in our view is renewed lockdowns in China amid the "dynamic Covid-Zero policy".

In the longer term we believe that the structural growth drivers are intact – including growing wealth and rising incomes driving a consumption-led economy; increasing demand for better quality, higher-priced goods and services; and growing sophistication in technology and domestic import substitution.

### Our long-term investment themes:

- Globally competitive exporters with a growing international business.
- Dominant consumer franchises which have an edge in brand, distribution and innovation.
- The rise in healthcare spending, due to increasing incomes and healthy consumer choices.
- Beneficiaries of the urbanisation trend.
- Beneficiaries of environmental protection.

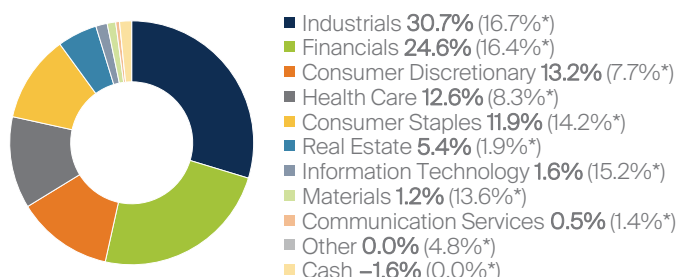
### Ten largest company holdings as at 30 September 2022

Stock name	Country	Sector	Portfolio weight (%)
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	9.6
Bank of Ningbo	China	Financials	8.6
China Merchants Bank Co., Ltd. Class A	China	Financials	8.3
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	7.2
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	5.2
China Resources Land Limited	China	Real Estate	4.8
Midea Group	China	Consumer Discretionary	4.2
S.F. Holding Co., Ltd. Class A	China	Industrials	3.9
Shanghai M&G	China	Consumer Discretionary	3.4
Beijing New Building Materials Public Co., Ltd. Class A	China	Industrials	3.2

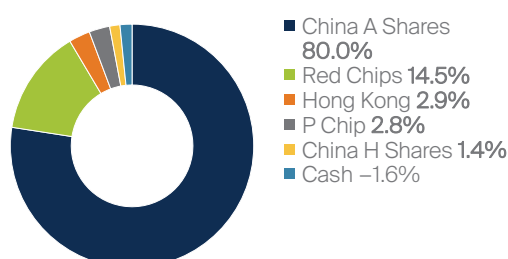
Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. The above Fund weightings may or may not include reference to multiple securities. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%.

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### Sector breakdown



### Share class breakdown



\*Index weight

## Top 5 contributors to absolute performance

### 3 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Autobio Diagnostic A Cny1	China	Health Care	14
Huangshan Novel CO 'A' CNY1	China	Materials	2
Shenzhen Fuanna Be 'A' CNY1	China	Consumer Discretionary	0
Neway Valve Suzhou 'A' CH	China	Industrials	-1
Chaozhou Three-Circle Group Co Ltd 'A' Shares	China	Information Technology	-2

### 12 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	89
Shanghai International Airport Co., Ltd. Class A	China	Industrials	26
China CYTS Tours Holding Co., Ltd. Class A	China	Consumer Discretionary	12
Zhuzhou CRRC Times Electric Co., Ltd. Class H	China	Industrials	11
Nari Technology Development Limited Company Class A	China	Industrials	7

## Bottom 5 contributors to absolute performance

### 3 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
China Merchants Bank Co., Ltd. Class A	China	Financials	-168
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	-166
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	-138
Beijing New Building Materials Public Co., Ltd. Class A	China	Industrials	-128
Bank of Ningbo Co., Ltd. Class A	China	Financials	-120

### 12 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
China Merchants Bank Co., Ltd. Class A	China	Financials	-325
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	-270
Midea Group Co. Ltd	China	Consumer Discretionary	-152
S.F. Holding Co., Ltd. Class A	China	Industrials	-136
Sino Biopharmaceutical Limited	China	Health Care	-127

Stock contributions show the impact of the individual stock's performance to the total fund performance. These stock contributions show the top 5 and bottom 5 contributors to the fund and are not representative of the performance of the fund as a whole.

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This stock information does not constitute any offer or inducement to enter into investment activity.

Contributions are calculated at the investee company level before the deduction of any fees incurred at fund level (e.g. the management fee and other fund expenses) but after deduction of transactional costs. Stocks held/listed in non-index countries have economic activity > 50% from developing economies.

\* A basis point is a unit of measure used in finance to describe the percentage change in value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

Data source: This information is calculated by First Sentier Investors.



### Portfolio risk analysis - ex-post 3 years annualised to 30 September 2022

Risk measure	Value	Risk description
Beta	0.83	Beta is a measure of volatility relative to the market. A beta of 1 would indicate that the fund tended to move in line with the market; a beta greater than 1 would indicate that the fund has been more volatile than the market; whereas a beta less than 1 would indicate that the fund has been less volatile than the market.
Information Ratio	0.00	The fund's excess return divided by its tracking error. It is designed to assess a portfolio's performance relative to its level of benchmark risk. The higher the fund's information ratio, the more excess return it generates for each unit of tracking error.
Portfolio Standard Deviation	20.22%	A measure of how much the returns of the fund vary relative to the arithmetical average. The higher the fund's standard deviation, the more its returns tend to deviate from the mean.
Benchmark Standard Deviation	21.03%	A measure of how much the returns of the index vary relative to the arithmetical average. The higher the index's standard deviation, the more its returns tend to deviate from the mean.
Tracking Error	10.83%	The standard deviation of the difference between the fund's returns and those of the index. The higher the fund's tracking error, the more its performance relative to the benchmark may vary.

### Portfolio risk analysis - ex-ante at 30 September 2022

Risk measure	Value	Risk description
Dividend Yield (Fund)	2.70%	The annual dividend yield paid per share divided by the share price. This factor measures the value of company shares according to the stream of dividend income resulting from share ownership.
Dividend Yield (Index)	2.16%	The annual dividend yield paid per share divided by the share price. This factor measures the value of company shares according to the stream of dividend income resulting from share ownership.
Price to Book (Fund)	1.77	The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares.
Price to Book (Index)	1.84	The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares.
Price to Earnings (Fund)	11.98	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.
Price to Earnings (Index)	13.87	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.

Data source: Ex-post information is calculated by First Sentier Investors, ex-ante information is provided by FactSet.

### Important information

This document has been prepared for informational purposes only and is only intended to provide a summary of the subject matter covered and does not purport to be comprehensive. The views expressed are the views of the writer at the time of issue and may change over time. It does not constitute investment advice and/or a recommendation and should not be used as the basis of any investment decision. This document is not an offer document and does not constitute an offer or invitation or investment recommendation to distribute or purchase securities, shares, units or other interests or to enter into an investment agreement. No person should rely on the content and/or act on the basis of any material contained in this document.

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References to "we" or "us" are references to First Sentier Investors.

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Certain funds referred to in this document are identified as sub-funds of First Sentier Investors Global Umbrella Fund plc, an umbrella investment company registered in Ireland ("VCC"). Further information is contained in the Prospectus and Key Investor Information Documents of the VCC which are available free of charge by writing to: Client Services, First Sentier Investors, 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland or by telephoning +353 1 635 6798 between 9am and 5pm (Dublin time) Monday to Friday or by visiting [www.firstsentierinvestors.com](http://www.firstsentierinvestors.com). Telephone calls may be recorded. The distribution or purchase of shares in the funds, or entering into an investment agreement with First Sentier Investors may be restricted in certain jurisdictions.

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