

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 on 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% of its assets 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)	71.7
Benchmark	MSCI China A Onshore Net Index
Number of holdings	41
Fund manager(s)	Winston Ke/Qimin Fei
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.
- **Smaller companies risk:** investments in smaller companies may be riskier and more difficult to buy and sell than investments in larger companies.
- **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.

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 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.

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 June 2024

	12 mths to 30/06/24	12 mths to 30/06/23	12 mths to 30/06/22	12 mths to 30/06/21	12 mths to 30/06/20
FSSA China A Shares Fund	-16.8	-17.2	-13.8	39.5	2.8
MSCI China A Onshore Net Index	-10.6	-19.7	-14.0	40.2	12.2

Cumulative performance in USD (%) to 30 June 2024

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA China A Shares Fund	-8.6	-	-14.8	-40.6	-16.8	-4.0	-4.0	-2.5
MSCI China A Onshore Net Index	4.0	-	-2.9	-38.3	-10.6	-3.3	-3.3	-2.6

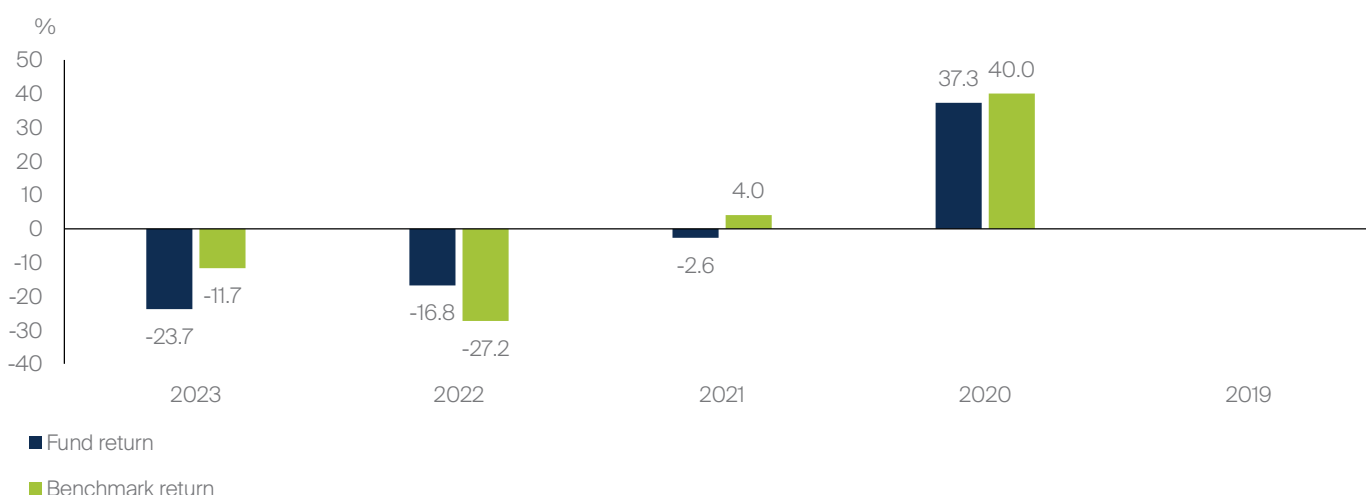
Performance review

Over the past 12 months, key contributors to performance included Midea, which continued to execute well despite the challenging environment. While growth remains difficult and pricing has been under pressure, Midea's focus on innovation has led to a shorter upgrade cycle, with replacements now the dominant driver of demand. Midea enjoys a leading market share in the heating, ventilation and air-conditioning sector. Beijing New Building Materials rose after the company announced plans to acquire Carpoly, a top 10 Chinese paint producer, as well as a share incentive plan which has ambitious profit growth targets through to 2026.

On the negative side, China Mengniu Dairy has been affected by weak consumer demand as China's economic recovery remains fragile. The company recently announced that Jeffrey Lu would be

stepping down as CEO. The new CEO, Gao Fei, has been with the company for 25 years and had been groomed for succession in recent years. Mr Lu will stay on for the next 1-3 years as vice chairman to oversee the transition. Shanghai Liangxin was de-rated due to near-term weakness and exposure to the property market. Margins have been compressed over the past couple of years as the management expanded capacity and personnel, taking the long-term view that the company can become many times bigger over the next 5-10 years. Recent earnings results were in line with the market's expectations; and whilst the exact timing may be hard to determine, the management is confident that the company can return to growth on the back of continued market share gains, new product development and a stabilising (and now much smaller) property exposure.

Calendar year performance (% in USD) to 30 June 2024



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 June 2024. 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

There were no significant purchases over the quarter. We sold China Taiping Insurance and China Resources Land to consolidate the portfolio into higher-conviction opportunities.

Stock spotlight

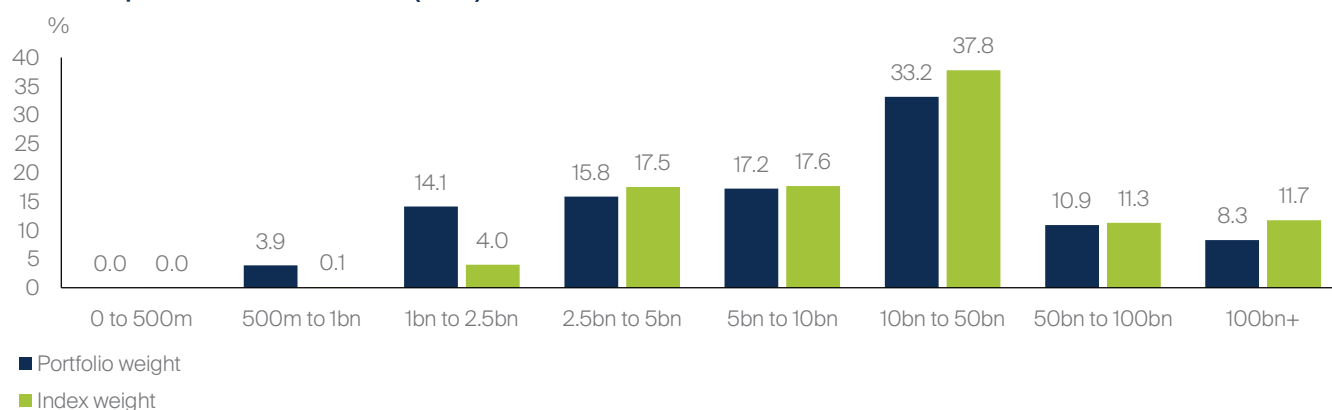
Shanghai Liangxin is a leading Chinese player in low voltage electrical equipment (LVEE) with a focus on high-end quality products. Its products are typically low ticket-size but critical to safety. This has enabled the company to consistently generate high return on invested capital (ROIC) and cash flows. The company mainly serves blue-chip customers through direct sales, competing head-to-head with multi-national companies such as Schneider and ABB. To date, it counts Vanke, Huawei, Emerson and Sungrow among its customers.

With its focus on research and development (R&D), the company has been able to climb the technology ladder and improve its product mix towards products with higher average selling prices. The company is also profiting from strong growth in emerging sectors that are dominated by Chinese players, such as 5G and renewable energy.

Despite its strong historic growth, Shanghai Liangxin is still a small company within its sector, with less than 5% market share in China's vast low voltage industry. We believe the company's R&D-oriented strategy, brand position and performance-driven culture should allow for further market share gains from foreign competitors. Its direct sales model (focusing on B2B sales through distributors) has helped to protect it from occasional price wars among its peers.

On the negative side, various risks have materialised in recent years, including high exposure to the slowing property market and a de-rating from high valuations. But things started to turn since early 2023, with Liangxin returning to over 20% sales growth and margins improving on the back of cost-saving efforts and reducing property sector exposure. We think valuations look attractive with mid-teens PER and management targeting 20% compounded annual growth in earnings through 2025.

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

Despite concerns around "down-trading" in the near term, we still believe that over the long run, Chinese people will become wealthier amid increasing urbanisation and GDP per capita. As this happens, they will likely want to improve their health and lifestyle, which favours consumer companies with effective premiumisation strategies like Midea, China Resources Beer and China Mengniu Dairy. We have owned these stocks for many years, and they have good track records over the longer term. To us, this reflects well on their management and franchise quality.

Through our regular research trips to China, we look beyond the country's general economic weakness to find companies that are either bucking the negative trends, or are strengthening their market positions in the down-cycle. We think there are still plenty of quality companies, with strong brands and proven franchises that can achieve decent earnings growth over the long run. We continue to seek the companies that will become the long-term winners, which are typically the industry leaders of today. And the lower valuation multiples reflect reduced expectations, which makes the potential risk-reward more attractive.

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.

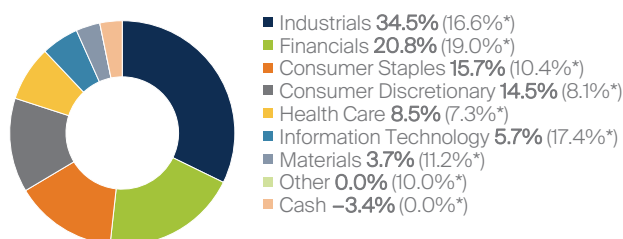
Ten largest company holdings as at 30 June 2024

Stock name	Country	Sector	Portfolio weight (%)
China Merchants Bank Co., Ltd. Class A	China	Financials	8.1
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	7.6
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	6.6
Bank of Ningbo	China	Financials	6.6
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	6.2
Beijing New Building Materials (Group) Co Ltd Class A	China	Industrials	5.4
Shanghai Liangxin Electrical Co., Ltd. Class A	China	Industrials	4.8
Midea Group	China	Consumer Discretionary	4.7
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	4.4
Centre Testing International Group Co., Ltd. Class A	China	Industrials	4.3

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%.

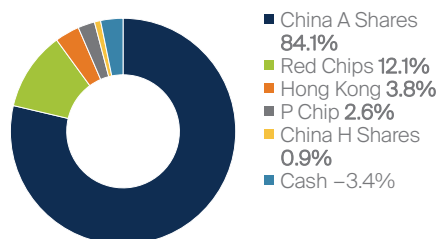
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Sector breakdown



*Index weight

Share class breakdown



Top 5 contributors to absolute performance

3 months to 30 June 2024

Stock name	Country	Sector	Value added (bps*)
Luxshare Precision Industry Co. Ltd. Class A	China	Information Technology	88
China Merchants Bank Co., Ltd. Class A	China	Financials	44
China Taiping Insurance Holdings Co., Ltd.	China	Financials	40
Beijing New Building Materials (Group) Co Ltd Class A	China	Industrials	33
Haier Smart Home Co., Ltd. Class A	China	Consumer Discretionary	33

12 months to 30 June 2024

Stock name	Country	Sector	Value added (bps*)
Beijing New Building Materials (Group) Co Ltd Class A	China	Industrials	91
Midea Group Co. Ltd. Class A	China	Consumer Discretionary	71
Luxshare Precision Industry Co. Ltd. Class A	China	Information Technology	68
China Merchants Bank Co., Ltd. Class A	China	Financials	64
Haier Smart Home Co., Ltd. Class A	China	Consumer Discretionary	50

Bottom 5 contributors to absolute performance

3 months to 30 June 2024

Stock name	Country	Sector	Value added (bps*)
Guangzhou Kingmed Diagnostics Group Co. Ltd. Class A	China	Health Care	-111
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-110
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-95
Centre Testing International Group Co., Ltd. Class A	China	Industrials	-90
Shanghai Liangxin Electrical Co., Ltd. Class A	China	Industrials	-48

12 months to 30 June 2024

Stock name	Country	Sector	Value added (bps*)
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-466
Shanghai Liangxin Electrical Co., Ltd. Class A	China	Industrials	-198
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	-174
Guangzhou Kingmed Diagnostics Group Co. Ltd. Class A	China	Health Care	-155
Centre Testing International Group Co., Ltd. Class A	China	Industrials	-128

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 June 2024

Risk measure	Value	Risk description
Beta	1.07	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	24.59%	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	20.31%	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	11.46%	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 June 2024

Risk measure	Value	Risk description
Dividend Yield (Fund)	3.08%	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)	2.57%	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)	1.68	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)	1.50	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)	12.18	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)	14.08	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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Representative and Paying Agent in Switzerland: The representative and paying agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnastrasse 16, 8002 Zurich, Switzerland. Place where the relevant documentation may be obtained: The prospectus, key information documents, the instrument of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

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