

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)	1041.4
Benchmark	MSCI China A Onshore Net Index
Number Of Holdings	40
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 I (Accumulation)	BKF2S51	IE00BKF2S510
FSSA China A Shares Fund USD Class III (Accumulation)	BKF2S62	IE00BKF2S627
FSSA China A Shares Fund AUD Class III (Accumulation)	BKPWC82	IE00BKPWC821
FSSA China A Shares Fund USD Class VI (Accumulation)	BH43G61	IE00BH43G612
FSSA China A Shares Fund GBP Class VI (Accumulation)	BJN6RG2	IE00BJN6RG23
FSSA China A Shares Fund USD Class VI (Distributing)	BJ065F0	IE00BJ065F05

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.**

Quarterly Investment Report

30 June 2021

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, Singapore and Edinburgh. 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 2021

	12 mths to 30/06/21	12 mths to 30/06/20	12 mths to 30/06/19	12 mths to 30/06/18	12 mths to 30/06/17
FSSA China A Shares Fund	39.5	2.8	-	-	-
MSCI China A Onshore Net Index	40.2	12.2	-	-	-

Cumulative Performance in USD (%) to 30 June 2021

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA China A Shares Fund	53.9	-	-	-	39.5	-0.2	-0.2	-3.8
MSCI China A Onshore Net Index	68.4	-	-	-	40.2	4.8	4.8	8.6

Performance Review

Over the past 12 months, key contributors to performance included Zhejiang Weixing New Building Materials, which was boosted by a recovery in the construction and refurbishment markets. The company's recent earnings results reported robust demand, high revenue growth and effective cost controls, leading to strong growth in net profit attributable to shareholders over 2020. China Merchants Bank also performed well, over what has been a challenging year. We believe its strong capital adequacy rate, non-performing loan coverage and stable retail business should protect book value over the next few years. On the negative side, Yunda Holding detracted from performance on concerns about greater competition and lower margins. Meanwhile, Ping An Insurance declined after reporting a more conservative growth outlook over the next few years.

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 2021. 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.

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Portfolio Review

New positions over the quarter included Haier Smart Home, a leading home appliances company with more than half of revenue from overseas markets. While its profitability lags Midea and Gree, in recent years (especially over the past year) it has streamlined its structure, clarified its strategy in categories such as air-conditioning, and showed signs of improving profitability as it expanded in major overseas markets.

There were no complete disposals over the period.

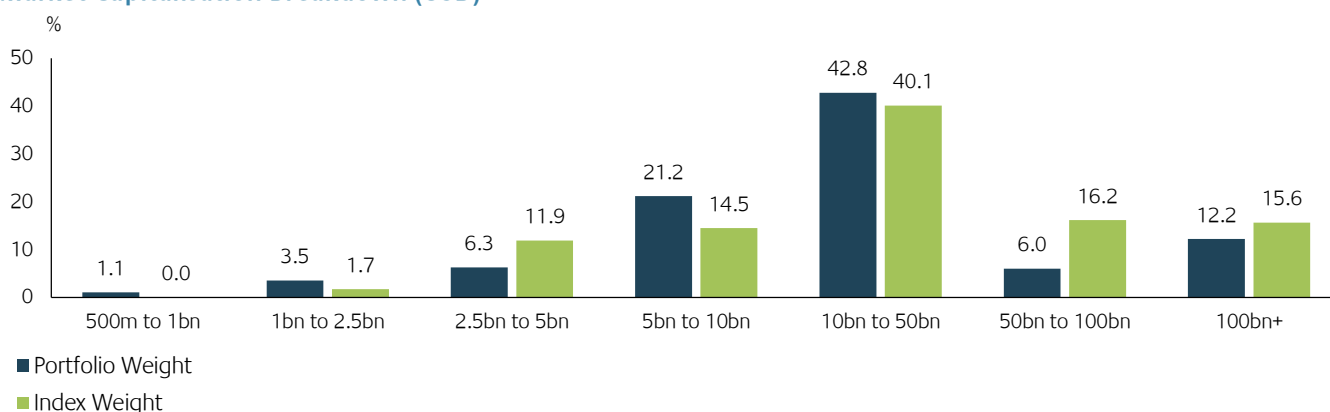
Stock Spotlight

We believe China Mengniu Dairy, one of the two largest dairy companies in China, is well-positioned to tap into China's 'premiumisation' trend. Despite being one of the largest markets in the world for dairy products, China's per capita consumption of yoghurt, ice-cream and cheese – higher margin products compared to milk – is still relatively low.

Overall dairy consumption in China is growing at mid-single-digit. Mengniu believes its outperformance will come from improving areas such as ice cream and milk powder, and developing newer products such as fresh milk and cheese. It aims to double sales in five years and improve margins.

As incomes continue to rise, we believe the growing appetite for premium yoghurts, ice-creams, beverages and other non-dairy health products, particularly with the launch of healthier versions and local flavours, should provide a structural tailwind for Mengniu.

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.

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Outlook

A number of key leading indicators point to a healthy and broad-based recovery in China. Industrial production, trade activity and retail sales have been strong; and in stark contrast to the lockdowns and travel restrictions in early 2020, domestic travel, tourism and the leisure sectors in China have sprung back to life. China's early strict measures to contain the virus meant that it was one of the first countries to reopen its economy and resume growth. Our investment approach, which focuses on purchasing high-quality companies for the long term, has performed as we might have hoped – which is to say our portfolios have been resilient during market shocks.

In the short term, we expect corporate earnings growth to be generally strong from a low base in 2020. The main risks are from rising raw materials costs, which could affect profitability if companies are unable to pass these on or find efficiencies elsewhere. In the medium and long term, we still see major challenges with excessive liquidity in global markets, which continues to drive ineffective pricing mechanisms and inflated asset prices.

Our strategy against this backdrop is to be selective in our investments, seeking to buy good quality companies to hold for at least 3-5 years or more. We continue to see attractive opportunities in China's increasing urbanisation, consumption upgrading, technical innovation, and the rise in healthcare spending.

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.

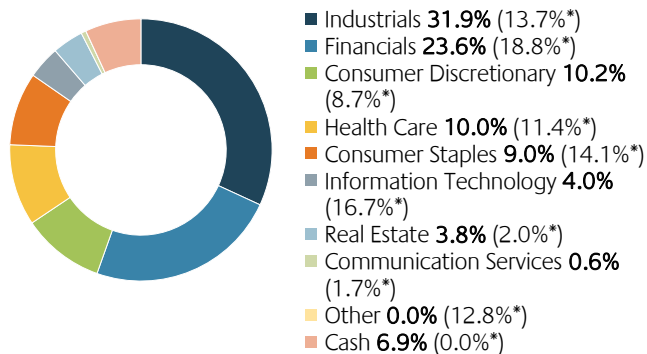
Ten Largest Company Holdings as at 30 June 2021

Stock Name	Country	Sector	Portfolio Weight (%)	Index Weight (%)
China Merchants Bank Co., Ltd. Class A	China	Financials	9.5	2.8
Bank of Ningbo	China	Financials	8.4	0.4
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	8.4	0.0
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	5.3	0.0
S.F. Holding Co., Ltd. Class A	China	Industrials	4.3	0.4
Midea Group	China	Consumer Discretionary	4.3	1.4
Gree Electric Appliances, Inc. of Zhuhai Co., Ltd. Class A	China	Consumer Discretionary	3.7	0.9
Guangzhou KingMed Diagnostics Group	China	Health Care	3.6	0.2
China Resources Land Limited	China	Real Estate	3.4	0.0
Shanghai Liangxin Electrical Co Ltd - A	China	Industrials	3.2	0.1

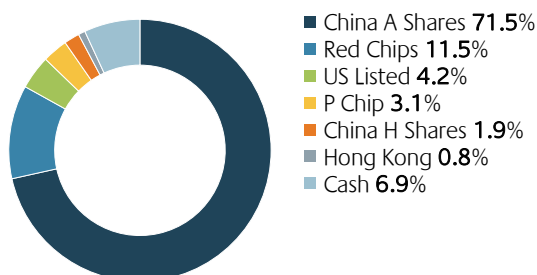
Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. 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 June 2021

Stock Name	Country	Sector	Value added (bps*)
Guangzhou Kingmed Diagnostics Group	China	Health Care	84
China Merchants Bank Co., Ltd. Class A	China	Financials	66
51job Inc Sponsored ADR	China	Industrials	53
Shenzhen Sunlord Electronics Co., Ltd. Class A	China	Information Technology	33
Zhuzhou CRRC Times Electric Co., Ltd. Class H	China	Industrials	33

12 months to 30 June 2021

Stock Name	Country	Sector	Value added (bps*)
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	606
China Merchants Bank Co., Ltd. Class A	China	Financials	581
Bank of Ningbo Co., Ltd. Class A	China	Financials	441
Guangzhou Kingmed Diagnostics Group	China	Health Care	298
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	287

Bottom 5 contributors to absolute performance

3 months to 30 June 2021

Stock name	Country	Sector	Value added (bps*)
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	-148
S.F. Holding Co., Ltd. Class A	China	Industrials	-69
Gree Electric Appliances, Inc. of Zhuhai Co., Ltd. Class A	China	Consumer Discretionary	-66
China Taiping Insurance Holdings Co., Ltd.	China	Financials	-62
DaShenLin Pharmaceutical A	China	Consumer Staples	-52

12 months to 30 June 2021

Stock name	Country	Sector	Value added (bps*)
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	-88
Yunda Holding Co Ltd 'A'	China	Industrials	-52
DaShenLin Pharmaceutical A	China	Consumer Staples	-38
Yifeng Pharmacy Chain Co Ltd Class A	China	Consumer Staples	-36
Shanghai International Airport Co., Ltd. Class A	China	Industrials	-36

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.

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Portfolio Risk Analysis - Ex-Ante at 30 June 2021

Risk Measure	Value	Risk Description
Dividend Yield (Fund)	1.64%	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)	1.45%	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)	2.69	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)	2.50	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)	19.14	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)	19.41	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.



Disclaimer

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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. 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.

Representative and Paying Agent in Switzerland: The representative and paying agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. Place where the relevant documentation may be obtained: The prospectus, key investor information documents (KIIDs), 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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