

FSSA China Focus 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 large and mid sized companies that are based in, or closely associated with, mainland China. These companies generally have a total stock market value of at least US \$1 billion. The Fund may invest up to 100% of its assets in any industry. The Fund will not invest more than 100% of its assets in China A Shares. The Fund may use derivatives with the aim of risk reduction or efficient management.

Fund information

Fund Launch Date	30 January 2008
Fund Size (US\$m)	175.0
Benchmark	MSCI China Net Index*
Number Of Holdings	45
Fund Manager(s)	Helen Chen/Winston Ke

* The benchmark of the Fund changed from MSCI China Gross to MSCI China Net with effect from 1 July 2016. This change has been reflected in the calculation of the benchmark performance.

Available share classes

Share class	Sedol	ISIN
FSSA China Focus Fund USD Class I (Accumulation)	B29SXG5	IE00B29SXG58
FSSA China Focus Fund USD Class III (Accumulation)	B29SXJ8	IE00B29SXJ89

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.

Risk Factors

This document is a financial promotion for the FSSA China Focus 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.
- **Concentration risk:** The Fund invests in a relatively small number of companies which may be riskier than a Fund that invests in a large number of companies.
- **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.

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 Focus Fund (Irish VCC)

Quarterly Investment Report



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 Focus Fund	33.7	1.3	8.9	11.9	23.3
MSCI China Net Index	27.4	13.1	-6.7	21.2	32.2

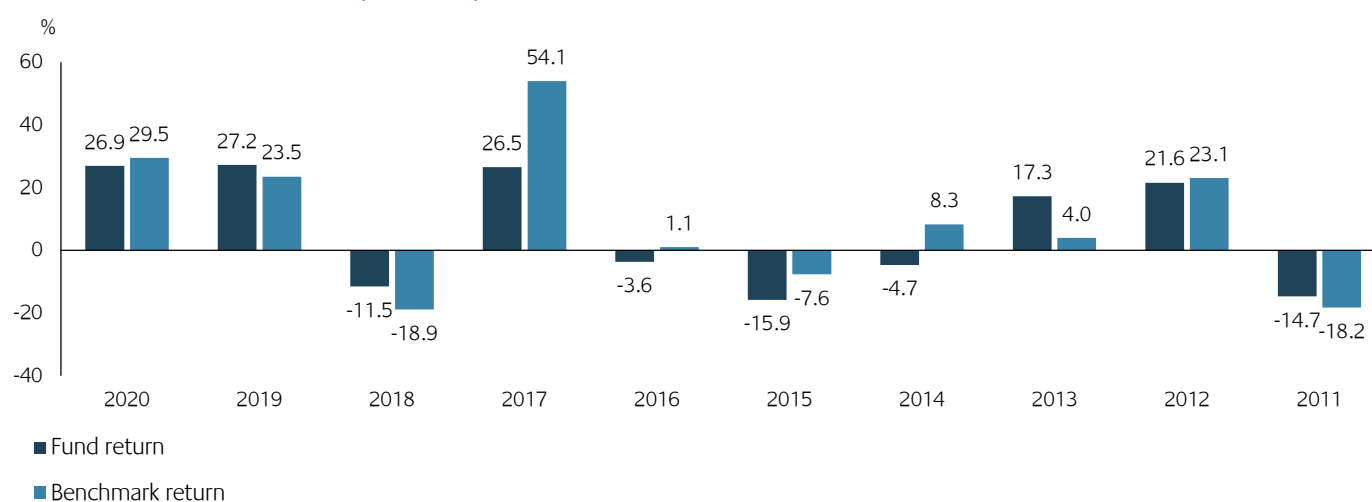
Cumulative Performance in USD (%) to 30 June 2021

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA China Focus Fund	118.3	68.5	103.7	47.6	33.7	1.4	1.4	-0.6
MSCI China Net Index	128.3	112.9	115.4	34.4	27.4	1.8	1.8	2.3

Performance Review

Over the past 12 months, key contributors to performance included China Merchants Bank (CMB), which reported decent earnings results and a quality loan book. CMB continues to focus on growing its wealth management business, which has the potential to improve returns in the medium to long term. Meituan Dianping benefitted from changing consumer behaviour and lifestyles, particularly against the recent backdrop of the Covid-19 pandemic. On the negative side, Sino Biopharm declined, as its legacy products have been hit by group purchase (GPO) and government price cuts on generic drugs. Beijing Thunisoft was lower, as some clients deferred their project timescales during Covid-19, causing revenue and net profits to decline.

Calendar Year Performance (% in USD) to 30 June 2021



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 30 January 2008. All performance data for the FSSA China Focus Fund Class I (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.

FSSA China Focus Fund (Irish VCC)

Quarterly Investment Report



Portfolio Review

New additions 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.

We divested 51job as its price neared the privatisation offer and sold Shanghai Henlius Biotech after a management reshuffle saw the founders leave the business.

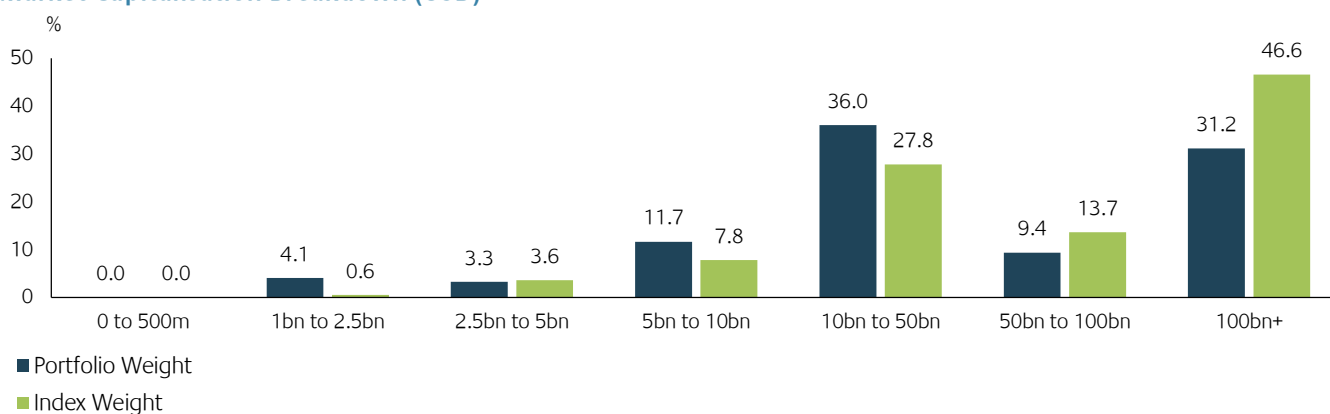
Stock Spotlight

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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Quarterly Investment Report



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:

- 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 a smarter, more connected world.
- An ageing population and the growing trend of automation.
- Globally competitive exporters with a growing international business.

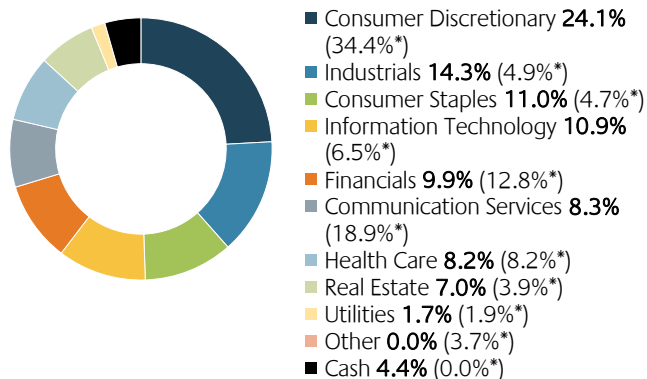
Ten Largest Company Holdings as at 30 June 2021

Stock Name	Country	Sector	Portfolio Weight (%)	Index Weight (%)
Tencent Holdings Ltd.	China	Communication Services	8.3	13.4
China Resources Land Limited	China	Real Estate	5.7	0.4
China Merchants Bank Co., Ltd. Class H	China	Financials	5.6	1.0
Meituan Dianping	China	Consumer Discretionary	5.6	4.6
Alibaba Group Holding	China	Consumer Discretionary	5.0	13.3
JD.com, Inc. Sponsored ADR Class A	China	Consumer Discretionary	4.3	2.1
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	3.9	0.4
ZTO Express (Cayman) Inc. Sponsored ADR Class A	China	Industrials	3.5	0.4
Sino Biopharmaceutical Limited	China	Health Care	3.2	0.3
Midea Group	China	Consumer Discretionary	3.0	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%.

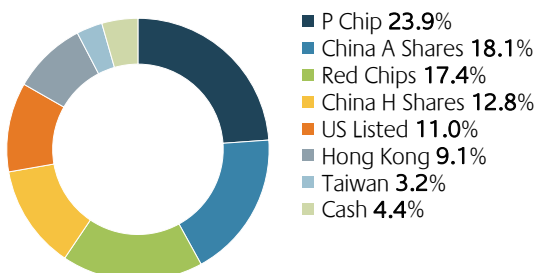
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Sector Breakdown



*Index Weight

Share Class Breakdown





Top 5 contributors to absolute performance

3 months to 30 June 2021

Stock Name	Country	Sector	Value added (bps*)
China Merchants Bank Co., Ltd. Class H	China	Financials	62
ANTA Sports Products Ltd.	China	Consumer Discretionary	60
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	56
51job Inc Sponsored ADR	China	Industrials	46
ACM Research, Inc. Class A	USA	Information Technology	44

12 months to 30 June 2021

Stock Name	Country	Sector	Value added (bps*)
China Merchants Bank Co., Ltd. Class H	China	Financials	449
Meituan Dianping	China	Consumer Discretionary	440
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	254
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	251
FSSA China A Shares Fund	China	Multiple Sectors	210

Bottom 5 contributors to absolute performance

3 months to 30 June 2021

Stock name	Country	Sector	Value added (bps*)
TAL Education Group Un-sponsored ADR Class A	China	Consumer Discretionary	-93
China Resources Land Limited	China	Real Estate	-86
DaShenLin Pharmaceutical A	China	Consumer Staples	-58
Yihai International Holding Ltd.	China	Consumer Staples	-49
China Taiping Insurance Holdings Co., Ltd.	China	Financials	-46

12 months to 30 June 2021

Stock name	Country	Sector	Value added (bps*)
TAL Education Group Un-sponsored ADR Class A	China	Consumer Discretionary	-138
Yihai International Holding Ltd.	China	Consumer Staples	-102
Sino Biopharmaceutical Limited	China	Health Care	-71
Ping An Insurance (Group) Company of China, Ltd. Class H	China	Financials	-58
Shanghai Aiyingshi A	China	Consumer Discretionary	-43

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.

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 fluctuation.

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 2021

Risk Measure	Value	Risk Description
Beta	0.91	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	0.71	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	19.47%	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	19.62%	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	7.84%	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 2021

Risk Measure	Value	Risk Description
Dividend Yield (Fund)	1.19%	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)	1.29%	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)	3.38	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)	2.61	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)	21.47	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)	16.10	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.



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