

FSSA China Growth 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 based in, or closely associated with, mainland China. The Fund may invest up to 100% of its assets in any industry and in companies of any size.
The Fund will invest less 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	20 May 1992
Fund size (US\$m)	2674.6
Benchmark	MSCI China Net Index*
Number of holdings	60
Fund manager(s)	Martin Lau/Winston Ke
Research rating ^	Morningstar@:Silver

* The benchmark changed from MSCI Golden Dragon Index to the above on 01/06/2002. 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.

^ 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 Growth Fund USD Class I (Accumulation)	0844877	IE0008368742

Risk factors

This document is a financial promotion for the FSSA China Growth 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.
- **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.
- **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.

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 Growth Fund USD Class I (Distributing)	B031HY2	IE00B031HY20
FSSA China Growth Fund USD Class V (Distributing)	BDRM775	IE00BDRM7756
FSSA China Growth Fund GBP Class VI (Distributing)	BDRM786	IE00BDRM7863
FSSA China Growth Fund USD Class VI (Accumulation)	BG1V0V4	IE00BG1V0V41
FSSA China Growth Fund EUR Class VI (Accumulation)	BYXW390	IE00BYXW3909
FSSA China Growth Fund USD Class V (Accumulation)	BJFT2B9	IE00BJFT2B93
FSSA China Growth Fund USD Class VI (Distributing)	OC84T45	IE00019VAKG2

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 Growth Fund	-31.6	9.4	26.7	1.7	6.4
MSCI China Net Index	-35.4	-7.3	33.6	-3.9	-2.2

Cumulative performance in USD (%) to 30 September 2022

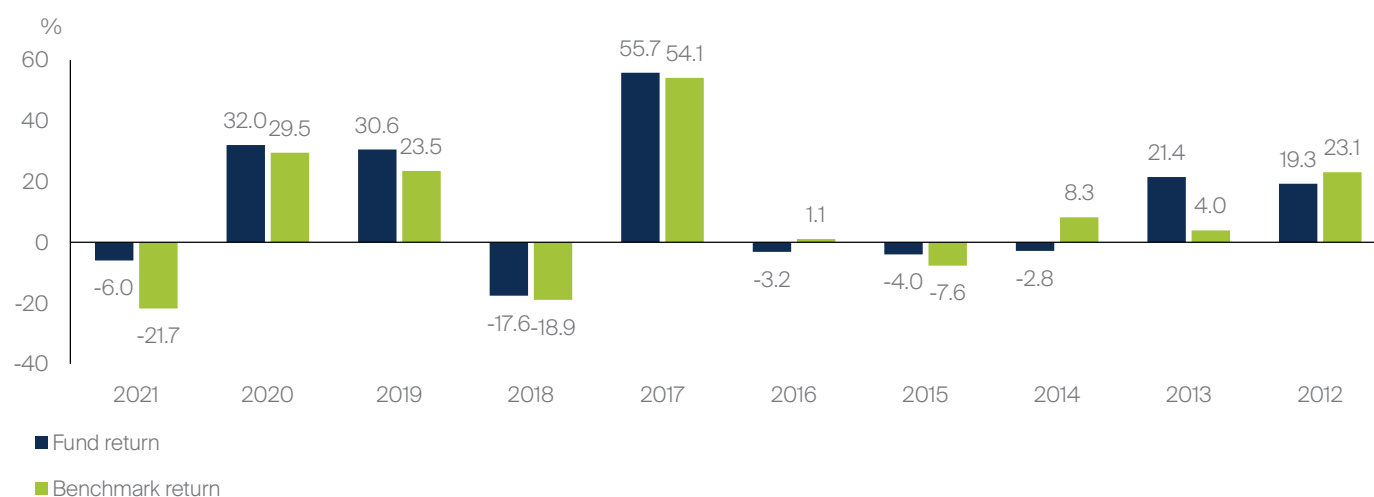
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA China Growth Fund	1511.9	64.8	2.6	-5.1	-31.6	-32.3	-19.8	-19.1
MSCI China Net Index	337.6	27.6	-24.9	-20.0	-35.4	-31.2	-19.9	-22.5

Performance review

Over the past 12 months, Tsingtao Brewery climbed on optimism over a rebound in demand, as Covid restrictions eased in China. Yifeng Pharmacy rose after reporting strong earnings and revenue growth. As the sector leader, economies of scale have increased the firm's pricing power and lowered logistics and management costs. On the negative side, Techtronic declined after rate hikes in

the US caused a sharp increase in mortgage rates, putting pressure on the housing market in the company's top sales region. Tencent fell as earnings continued to be pressured from the weak macro environment and strict controls on gaming, while sentiment around technology stocks has worsened on the back of aggressive tightening by the US Federal Reserve.

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 17 August 1999. All performance data for the FSSA China Growth Fund Class I (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 Growth Fund was rebranded as FSSA China Growth Fund.

Portfolio review

New positions over the quarter included Chacha Food, a dominant leader in sunflower seeds which has been expanding into the nuts business. The company's execution track record has improved in recent years, as new flavour launches increased average selling prices. Chacha's main competitive advantage in our view is its offline distribution channel, and the nuts business has gained traction since it launched in 2016.

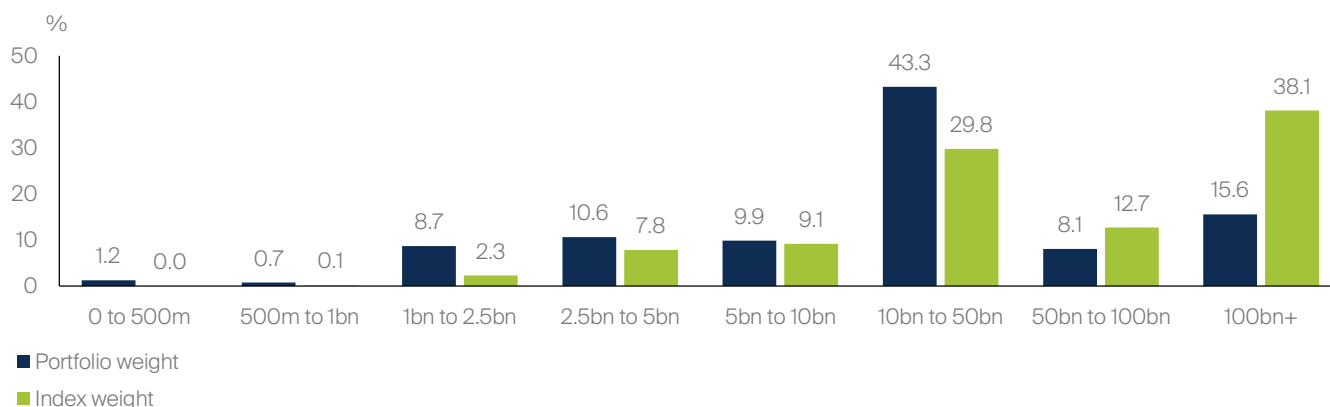
We sold Shenzhen Topband and Shanghai International Airport to consolidate the portfolio into higher-conviction ideas.

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:

- 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.

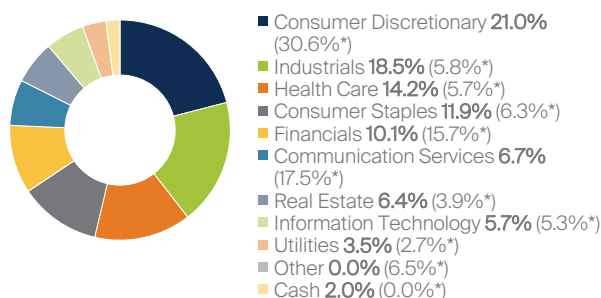
Ten largest company holdings as at 30 September 2022

Stock name	Country	Sector	Portfolio weight (%)
Tencent Holdings Ltd.	China	Communication Services	6.3
Midea Group	China	Consumer Discretionary	4.6
China Merchants Bank Co., Ltd. Class H	China	Financials	4.5
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	4.3
China Resources Land Limited	China	Real Estate	3.9
Ping An Insurance (Group) Company of China, Ltd. Class H	China	Financials	3.7
JD.com, Inc. Sponsored ADR Class A	China	Consumer Discretionary	3.5
ENN Energy Holdings Limited	China	Utilities	3.5
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	3.4
ANTA Sports Products Ltd.	China	Consumer Discretionary	3.3

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%.

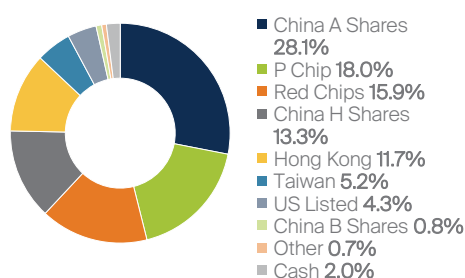
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Sector breakdown



*Index weight

Share class breakdown



Top 5 contributors to absolute performance

3 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Shandong Weigao Group Medical Polymer Co. Ltd. Class H	China	Health Care	21
Autobio Diagnostic A Cny1	China	Health Care	10
CSPC Pharmaceutical Group Ltd.	China	Health Care	3
Yum China Holdings Inc	China	Consumer Discretionary	0
Shanghai International Airport Co., Ltd. Class A	China	Industrials	-1

12 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Tsingtao Brewery	China	Consumer Staples	32
Shanghai International Airport Co., Ltd. Class A	China	Industrials	14
Jiangsu Yanghe BRE 'A' CNY1	China	Consumer Staples	5
Yifeng Pharmacy Chain Co Ltd Class A	China	Consumer Staples	5
Towngas China Co. Ltd.	China	Utilities	4

Bottom 5 contributors to absolute performance

3 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Tencent Holdings Ltd.	China	Communication Services	-164
China Merchants Bank Co., Ltd. Class H	China	Financials	-130
Midea Group Co. Ltd	China	Consumer Discretionary	-112
Ping An Insurance (Group) Company of China, Ltd. Class H	China	Financials	-95
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	-86

12 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Tencent Holdings Ltd.	China	Communication Services	-281
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	-223
China Merchants Bank Co., Ltd. Class H	China	Financials	-206
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	-171
Midea Group Co. Ltd	China	Consumer Discretionary	-164

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	0.90	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	0.89	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	20.24%	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	20.52%	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	8.39%	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)	2.90%	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)	2.75%	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)	1.95	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)	1.71	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)	10.70	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)	8.80	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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