

FSSA Hong Kong 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 which have the potential for long term growth and are based in, or are closely associated with, Hong Kong. The Fund may invest up to 100% of its assets in companies of any size or industry.

The Fund will not invest more than 30% 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 July 1999
Fund size (US\$m)	131.2
Benchmark	MSCI Hong Kong Net Index*
Number of holdings	47
Fund manager(s)	Martin Lau/Richard Jones
Research rating ^	Morningstar®:Gold

* The benchmark of the Fund changed from MSCI Hong Kong Gross to MSCI Hong Kong 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 Hong Kong Growth Fund USD Class I (Accumulation)	0178446	IE0008369823
FSSA Hong Kong Growth Fund USD Class III (Accumulation)	0843528	IE0008375762

Risk factors

This document is a financial promotion for the FSSA Hong Kong 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.
- **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.

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 Hong Kong Growth Fund	-27.9	11.6	8.2	-0.2	11.8
MSCI Hong Kong Net Index	-22.3	15.0	-1.6	-1.8	2.9

Cumulative performance in USD (%) to 30 September 2022

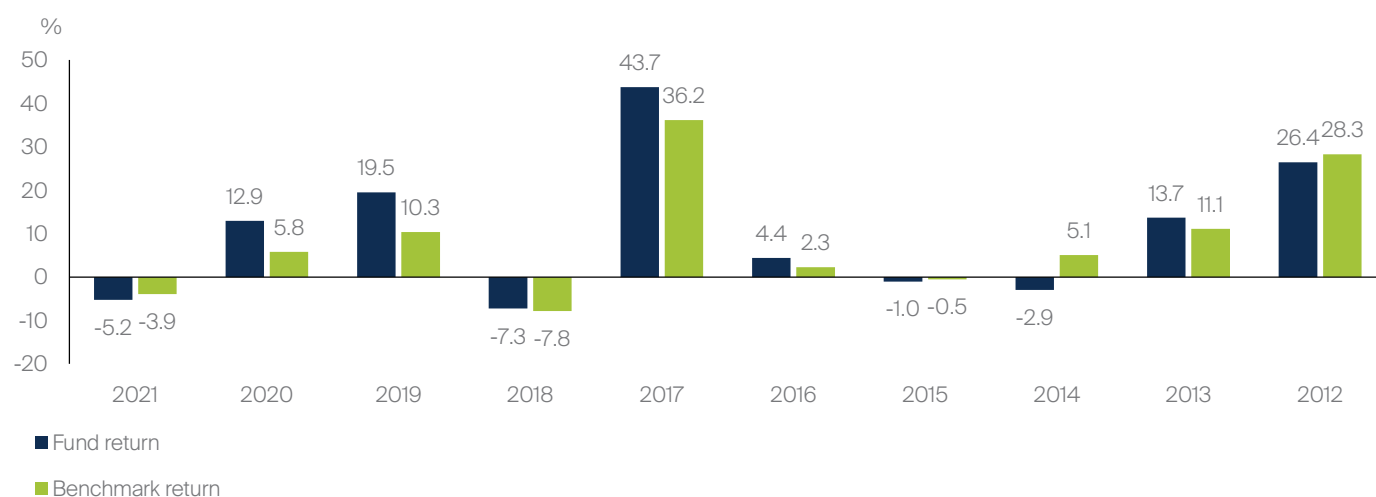
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Hong Kong Growth Fund	1069.2	56.8	-2.9	-13.0	-27.9	-25.6	-18.6	-18.3
MSCI Hong Kong Net Index	244.3	42.4	-11.2	-12.0	-22.3	-19.4	-17.9	-17.0

Performance review

Over the past 12 months, Tsingtao Brewery climbed on optimism over a rebound in demand, as Covid restrictions eased in China. Swire Pacific gained after announcing strong profit growth and plans to buy back HKD4 billion of shares, around 6% of the market cap at the time. On the negative side, 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. 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.

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 30 July 1999. All performance data for the FSSA Hong Kong Growth Fund Class III (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 Hong Kong Growth Fund was rebranded as FSSA Hong Kong Growth Fund.

Portfolio review

There were no significant new purchases or complete disposals over the quarter.

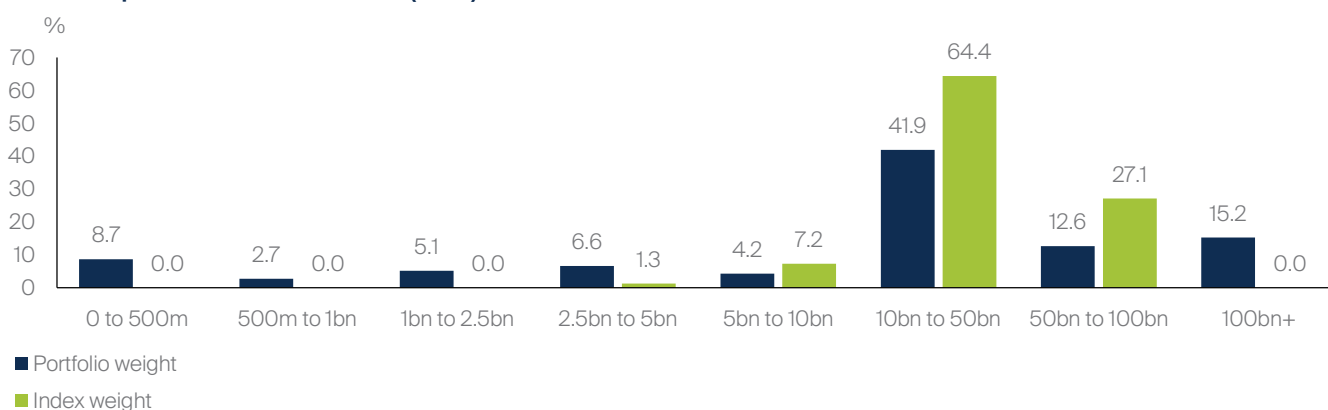
Stock spotlight

AIA Group is the largest pan-Asia life insurance group, with a presence in 18 markets across the region. It is one of the strongest life insurance franchises in Asia with a high-quality agent network. It is also one of the most profitable life insurance companies in the region, with a protection-biased product portfolio. They maintain a leading position in Hong Kong, Thailand and Singapore, while China offers ample long-term opportunities.

AIA differentiates itself from the state-owned insurers in China by focusing on health protection rather than short-term deposit products; and by hiring highly educated agents from outside of the industry. With their strong reputation in China, they are able to recruit high quality agents - 85% of the newly hired agents have bachelor degrees or above and a large number of them have studied overseas. AIA has been gradually expanding its footprint, partnering with banks, investing in digital and aligning its internal structure to the customer journey.

AIA also has one of the strongest boards in Asia, which protect the interests of minority shareholders. Senior management quality is top-notch by global life insurance standards. Financials are sound, with prudent investment portfolios and accounting treatments.

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. In Hong Kong, exports declined 14.3% y-y in August, with broad weakness across major trading partners and product categories. Meanwhile Hong Kong's interbank rates, known as Hibor, climbed due to the city's linkage to the US monetary system. On a positive note, Chief Executive John Lee announced an end to the city's mandatory hotel quarantine from 26 September, with three days of medical surveillance, bolstering the outlook for cross-border travel. As always, we continue to focus on quality companies with proven management, dominant franchises and conservative financials. Key holdings include China Mengniu Dairy, which should continue to benefit from the structural trend of premium-isation as disposable incomes rise, and Techtronic, a leading manufacturer of branded power tools and floor care products. The conservative lending practices at China Merchants Bank mean that it is well positioned to benefit from the economic recovery, while AIA Group, which has been expanding its footprint in China, should gain from the rising penetration of insurance and protection products.

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.

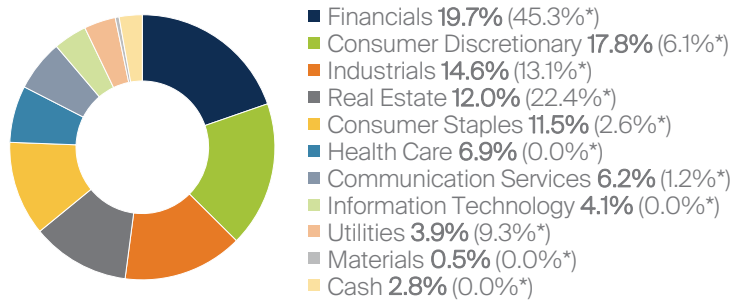
Ten largest company holdings as at 30 September 2022

Stock name	Country	Sector	Portfolio weight (%)
AIA Group Limited	Hong Kong	Financials	8.4
Tencent Holdings Ltd.	China	Communication Services	6.2
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	4.3
JD.com, Inc. Class A	China	Consumer Discretionary	4.2
China Merchants Bank Co., Ltd. Class H	China	Financials	4.2
ENN Energy Holdings Limited	China	Utilities	3.9
Ping An Insurance (Group) Company of China, Ltd. Class H	China	Financials	3.8
China Resources Land Limited	China	Real Estate	3.8
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	3.4
ANTA Sports Products Ltd.	China	Consumer Discretionary	3.2

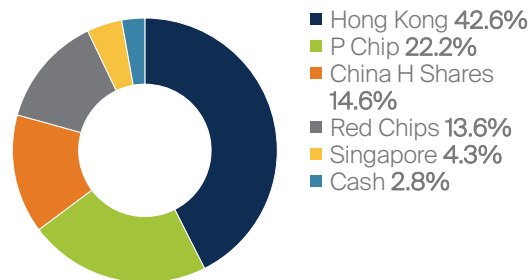
Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. 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*)
Swire Pacific Limited Class A	Hong Kong	Real Estate	27
Nissin Foods Co Ltd	Hong Kong	Consumer Staples	20
Shandong Weigao Group Medical Polymer Co. Ltd. Class H	China	Health Care	19
CSPC Pharmaceutical Group Ltd.	China	Health Care	3
Yum China Holdings Inc	China	Consumer Discretionary	-3

12 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Swire Pacific Limited Class A	Hong Kong	Real Estate	29
Tsingtao Brewery	China	Consumer Staples	29
Standard Chartered PLC	UK	Financials	10
Nissin Foods Co Ltd	Hong Kong	Consumer Staples	5
Uni-President China Holdings Ltd.	China	Consumer Staples	2

Bottom 5 contributors to absolute performance

3 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
AIA Group Limited	Hong Kong	Financials	-201
Tencent Holdings Ltd.	China	Communication Services	-163
China Merchants Bank Co., Ltd. Class H	China	Financials	-124
Ping An Insurance (Group) Company of China, Ltd. Class H	China	Financials	-93
JD.com, Inc. Class A	China	Consumer Discretionary	-91

12 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Tencent Holdings Ltd.	China	Communication Services	-282
AIA Group Limited	Hong Kong	Financials	-222
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	-218
China Merchants Bank Co., Ltd. Class H	China	Financials	-193
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	-183

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	0.84	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	0.07	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	17.85%	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	18.22%	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	9.75%	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)	4.14%	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)	3.87%	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)	1.07	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)	1.00	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)	9.16	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)	14.53	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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