

FSSA All China Fund (UK OEIC)

Investment objective and policy

The Fund aims to achieve capital growth over the medium to long term (at least three years). The Fund invests at least 70% in a portfolio of shares of companies based in or where the majority of their activities take place in mainland China that are listed, traded or dealt worldwide. The Fund has no set target for the number of companies it will invest in but the Fund's manager anticipates that typically the Fund will invest in around 40 – 60 stocks. The Fund may invest up to 10% in other funds. The Fund will only use derivatives to reduce risk or to manage the Fund more efficiently in limited cases.

Fund information

Fund launch date	01 March 2017
Fund size (£m)	61.7
UK's investment ass. sector	China/Greater China
Benchmark	MSCI China All Shares Net Index*
Number of holdings	58
Fund manager(s)	Winston Ke/Helen Chen/Martin Lau
Research rating ^	Morningstar@:Gold RSM:Rated
Fund yield	1.7%

* The benchmark and IA sector for this Fund have been identified as a means by which investors can compare the performance of the Fund and have been chosen because their constituents most closely represent the scope of the investable assets. The benchmark and sector are not used to limit or constrain how the portfolio is constructed nor are they part of a target set for Fund performance.

^ This does not constitute an investment recommendation and is not indicative of future results. Methodology available on rating provider's website.

Risk factors

This document is a financial promotion for the FSSA All China Fund in the UK 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.**
- **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.
- **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.
- **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.

Available share classes

Share class	Sedol	ISIN
FSSA All China Fund GBP Class E (Accumulation)	BGMHMT3	GB00BGMHMT38
FSSA All China Fund GBP Class B (Accumulation)	BZCCYN9	GB00BZCCYN91
FSSA All China Fund USD Class B (Accumulation)	BZCCYL7	GB00BZCCYL77

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.

Annual performance in GBP (%) to 30 September 2024

	12 mths to 30/09/24	12 mths to 30/09/23	12 mths to 30/09/22	12 mths to 30/09/21	12 mths to 30/09/20
FSSA All China Fund	5.7	-12.7	-11.0	-4.0	36.8
MSCI China All Shares Net Index	9.5	-8.2	-17.6	-2.9	26.8
Sector return	4.8	-11.3	-20.9	0.9	26.2

Cumulative performance in GBP (%) to 30 September 2024

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA All China Fund	31.4	-	8.0	-17.8	5.7	18.2	17.5	17.2
MSCI China All Shares Net Index	-6.1	-	2.0	-17.2	9.5	18.9	19.1	15.3
Sector return	-7.7	-	-4.9	-26.4	4.8	14.2	15.0	11.6

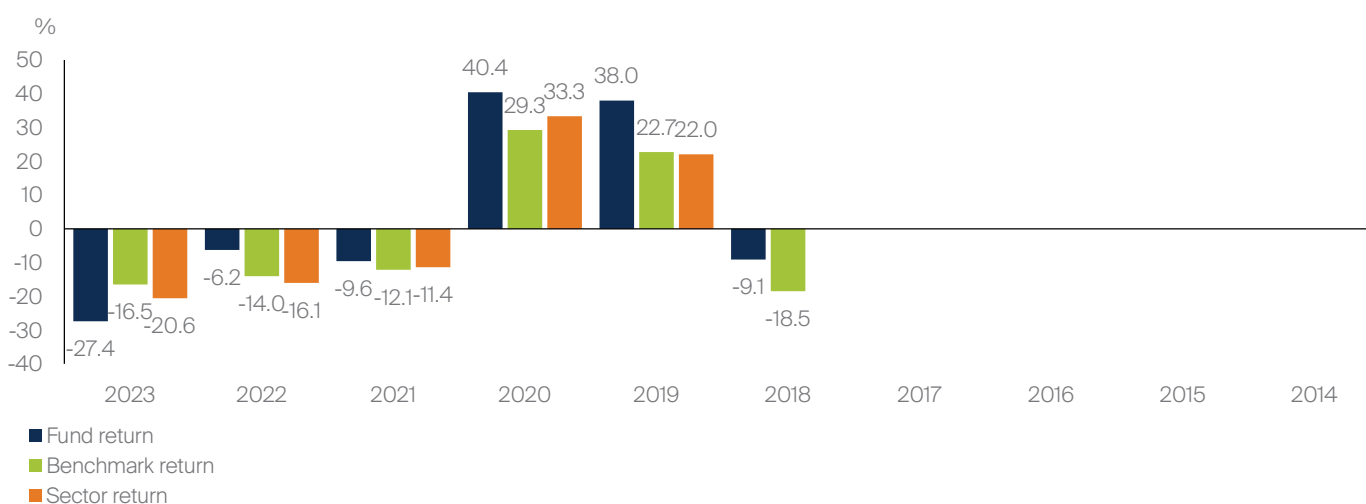
Performance review

Over the past 12 months, key contributors to performance included Midea, as the company executed well and generated robust cash flow despite the challenging macro environment. We maintain our positive outlook on the company, given its sustained focus on enhancing its manufacturing capabilities and expanding its premium product range. Meituan also rose as the company reduced its losses in community group buying (CGB) and conducted share buybacks, a sign of increased focus on shareholder returns and better alignment.

On the negative side, China Mengniu Dairy fell on sluggish demand for milk products as a weaker economy has led consumers to tighten expenditures. Meanwhile, raw milk prices had a protracted decline amid a buildup in distributor inventories. Our recent meetings with management were reassuring and suggest the worst has passed, as demand has stabilised and inventory has been cleaned up. China Resources Land* declined amid weak property demand and disappointment around the lack of policy support for the sector.

*No longer held in the portfolio.

Calendar year performance (% in GBP) to 30 September 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 GBP, the return may increase or decrease as a result of currency fluctuations. Since inception performance figures have been calculated from 24 November 2017. All performance data for the FSSA All China Fund Class B (Accumulation) GBP as at 30 September 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.

▲Sector returns calculated by Lipper and denote the arithmetic mean performance of funds in the relevant UK's Investment Association Sector. On 22 September 2020, First State All China Fund was rebranded as FSSA All China Fund.

Portfolio review

New positions over the quarter included Contemporary Amperex Technology Ltd (CATL), a leading manufacturer of electric vehicle (EV) batteries and energy storage systems. The company is a technology leader in its field and has continued to grow its global market share in recent years, mostly in Europe. We believe CATL should continue to benefit from the growing demand for electric vehicles and renewable energy.

We sold China Taiping Insurance and Beijing Capital International Airport to consolidate the portfolio into more attractive opportunities.

Stock spotlight

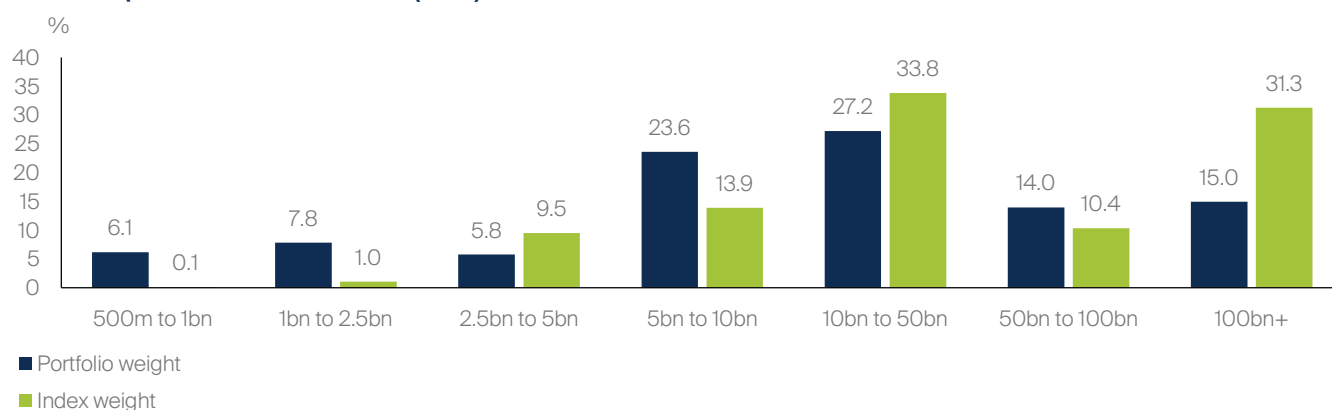
Meituan is the largest local services e-commerce platform in China, with more than 600 million users and nine million businesses across the country. As an O2O (online to offline) business, Meituan offers products and services that are transacted online, but consumed offline "in the real world". It is the leader in food delivery services and domestic hotel bookings, while in-store dining and travel services are major profit centres. Food delivery is a solid and cash-generative business for Meituan, with a dominant market share at around 70%, mid-teens revenue growth and sustained margin improvement. It's a strong engine for the business thanks to its dominant share and high delivery efficiency.

The problem was its recent foray into community group buying (CGB), a form of online shopping where residents in the same neighbourhood group together to buy products in bulk at a discount. As a business model, CGB has been loss-making and fraught with competition from Pinduoduo, Didi, JD.com and Alibaba.

After recognising that the mounting losses from CGB were not sustainable, Meituan shifted its focus by shutting down unprofitable operations, streamlining logistics and reducing promotional activities. As a result, its CGB losses have narrowed and could reach break-even by next year. Peers appear to have retreated from CGB as well, which bodes well for Meituan's remaining CGB efforts.

Overall, we are pleased with the management's willingness to admit mistakes, the steps taken to rectify the losses and its more prudent capital allocation. From a longer-term perspective, we believe Meituan still has a long runway of growth ahead, as the market share leader and app traffic front-runner. The company has also been conducting share buybacks to improve total shareholder returns.

Market capitalisation breakdown (GBP)



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 GBP, the return may increase or decrease as a result of currency fluctuations.

Outlook

We think China contains plenty of investment opportunities for long-term-minded and quality-focused investors. However, the country's slower economic growth is likely to persist, and companies – and investors – are having to recalibrate. The market had been saying for a long time that China's government was not doing enough to support the weak economy. Therefore, this recent batch of stimulus is a positive surprise, as it signals a serious intent to meet economic growth targets, with additional monetary easing announced and indications for more fiscal measures to come. This should help to encourage consumer spending while cushioning structurally weaker sectors like property. While we view these announcements as positive, our investment strategy remains unchanged. We do not aim to predict changes in sentiment or construct portfolios according to short-term macro trends. Instead, we look to invest in companies that we believe can sustain their business through the cycles and become the eventual winners as various industries consolidate. Our conviction in our portfolio companies remains strong as we believe their underlying fundamentals and potential growth prospects still look attractive in the long run.

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.

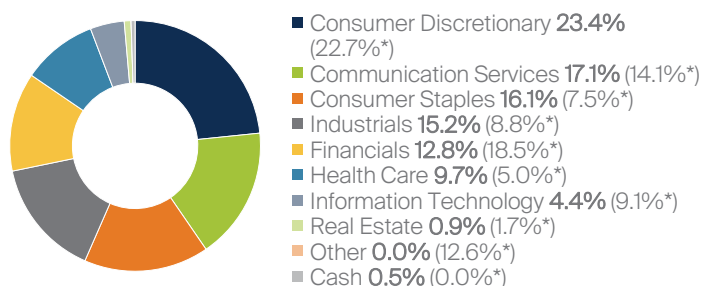
Ten largest company holdings as at 30 September 2024

Stock name	Country	Sector	Portfolio weight (%)
Tencent Holdings Ltd.	China	Communication Services	9.6
Meituan Class B	China	Consumer Discretionary	8.0
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	7.6
JD.com	China	Consumer Discretionary	5.7
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	5.1
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	4.9
Kanzhun A ADR	China	Communication Services	4.8
China Merchants Bank Co., Ltd. Class H	China	Financials	4.1
Bank of Ningbo	China	Financials	3.8
Shenzhen Mindray Bio-Medic-A	China	Health Care	3.3

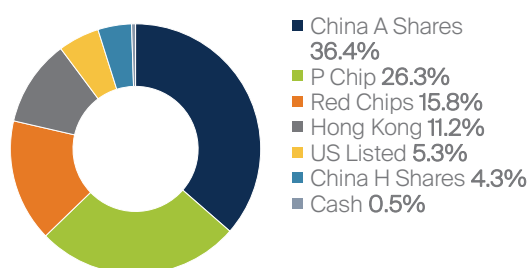
Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security.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

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 GBP, the return may increase or decrease as a result of currency fluctuations.

Sector breakdown



Share class breakdown



*Index weight

Top 5 contributors to absolute performance

3 months to 30 September 2024

Stock name	Country	Sector	Value added (bps*)
Meituan Class B	China	Consumer Discretionary	332
JD.com, Inc. Class A	China	Consumer Discretionary	255
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	191
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	176
Tencent Holdings Ltd.	China	Communication Services	135

12 months to 30 September 2024

Stock name	Country	Sector	Value added (bps*)
Tencent Holdings Ltd.	China	Communication Services	314
Meituan Class B	China	Consumer Discretionary	312
JD.com, Inc. Class A	China	Consumer Discretionary	190
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	89
Midea Group Co. Ltd. Class A	China	Consumer Discretionary	77

Bottom 5 contributors to absolute performance

3 months to 30 September 2024

Stock name	Country	Sector	Value added (bps*)
Kanzhun A ADR	China	Communication Services	-79
Greentown Management Holdings Co., Ltd.	China	Industrials	-62
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	-35
ACM Research, Inc. Class A	USA	Information Technology	-18
Longfor Group Holdings Ltd.	China	Real Estate	-17

12 months to 30 September 2024

Stock name	Country	Sector	Value added (bps*)
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-246
Shanghai Liangxin Electrical Co., Ltd. Class A	China	Industrials	-155
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	-82
China Resources Land Limited	China	Real Estate	-79
Greentown Management Holdings Co., Ltd.	China	Industrials	-75

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 GBP, 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 September 2024

Risk measure	Value	Risk description
Beta	1.20	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	31.36%	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	25.38%	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	8.92%	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 2024

Risk measure	Value	Risk description
Dividend Yield (Fund)	2.47%	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)	2.32%	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)	2.52	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)	1.98	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)	16.84	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)	14.10	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.

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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For further information

Head of Distribution, UK and Europe

Graham Fox +44 (0)20 7332 6530 graham.fox@firstsentier.com

Sales Director, Europe and Third Party Distributions

Marc Bishop +44 (0)20 7332 6556 marc.bishop@firstsentier.com

Head of Wholesale, UK and Ireland

Tom Burton +44 (0)20 7332 6559 tom.burton@fssaim.com

Sales Director, Wholesale

Matt Lepine +44 (0)20 7332 6840 matt.lepine@fssaim.com

Institutional Relationship Director FSSA

Fraser Wood +44 (0)131 473 2529 fraser.wood@fssaim.com

Head of Distribution, Ireland

Frank Glennon +44(0)7776 138105 frank.glennon@firstsentier.com

Sales Director, Europe

Eva von Sydow +33 (0)1 72 25 66 36 eva.vonsydow@firstsentier.com

Sales Directors, Germany and Austria

Emmanuel Litique +49 (0) 69 2443 71631 emmanuel.litique@firstsentier.com

Robert Retz +49 (0) 69 2443 71633 robert.retz@firstsentier.com

Senior Institutional Business Development Director, Germany and Austria

Sascha Beisheim +49 (0) 69 2443 71634 sascha.beisheim@firstsentier.com

Head of Institutional Sales, UK and EMEA

Peter Swan +44 (0)20 7332 9428 peter.swan@firstsentier.com