

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 concentrated 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 may invest up to 10% in other funds.

The Fund may use derivatives to reduce risk or to manage the Fund more efficiently.

Fund information

Fund launch date	01 March 2017
Fund size (£m)	36.8
UK's investment association sector	China/Greater China
Benchmark	MSCI China All Shares Net Index*
Number of holdings	55
Fund manager(s)	Winston Ke/Helen Chen
Fund yield	0.6%

* 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.

Risk factors

This document is a financial promotion for the FSSA All China Fund in the UK and Switzerland 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.
- **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.
- **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 B (Accumulation)	BZCCYN9	GB00BZCCYN91
FSSA All China Fund USD Class B (Accumulation)	BZCCYL7	GB00BZCCYL77
FSSA All China Fund GBP Class E (Accumulation)	BGMHMT3	GB00BGMHMT38

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 GBP (%) to 31 March 2022

	12 mths to 31/03/22	12 mths to 31/03/21	12 mths to 31/03/20	12 mths to 31/03/19	12 mths to 31/03/18
FSSA All China Fund	-21.2	50.6	10.5	3.8	-
MSCI China All Shares Net Index	-20.6	31.1	-1.2	0.3	-

Cumulative performance in GBP (%) to 31 March 2022

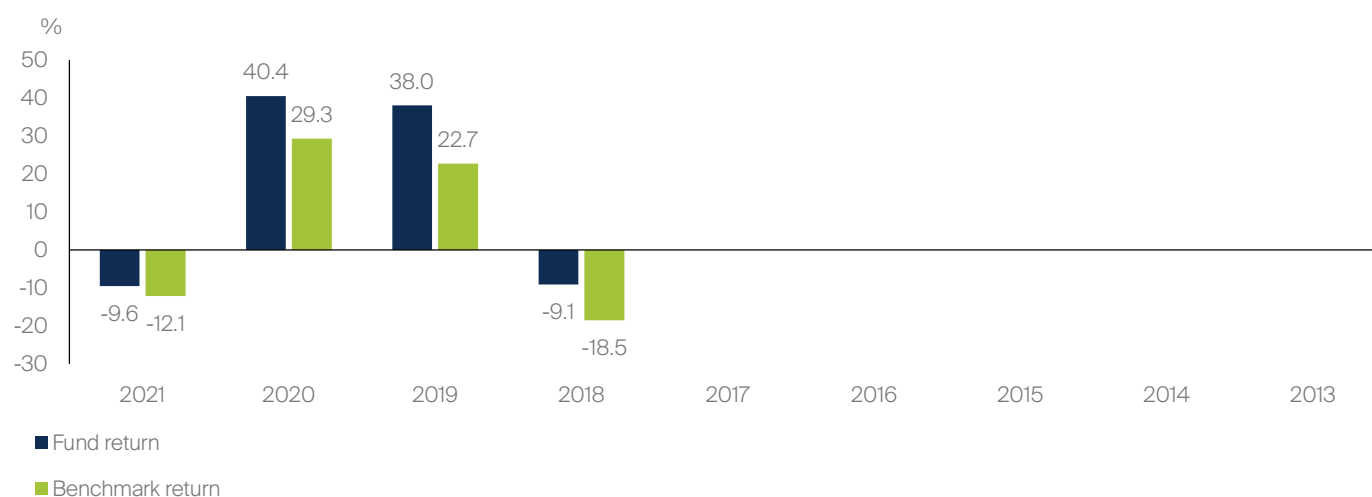
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA All China Fund	44.0	-	-	31.0	-21.2	-11.7	-9.9	-11.7
MSCI China All Shares Net Index	-2.9	-	-	2.9	-20.6	-11.8	-14.4	-11.8

Performance review

Over the past 12 months, key contributors to performance included Zhejiang Chint, which benefited from strong sales growth in its established core business plus a surge in its emerging residential photovoltaic (PV) segment. China Resources Land (CR Land) rose on expectations of solid earnings results, with strong retail sales

driving higher rental income from its shopping malls. On the negative side, Shanghai Liangxin's earnings were dampened by higher raw materials prices, while Meituan weakened on concerns about the regulatory environment and a slowdown in revenue growth.

Calendar year performance (% in GBP) to 31 March 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 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 31 March 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 All China Fund was rebranded as FSSA All China Fund.

Portfolio review

New positions over the quarter included Shanghai Hanbell, a leading maker of screw compressors (used in cooling and general industrial applications). The company's emerging business of screw vacuum pumps should drive growth into new areas such as solar, semiconductor, and electric vehicle (EV) batteries. We like the company's strategy of step-by-step expansion, with a focus on operating cash flows and employee welfare/retention. Our research suggests that Hanbell's vacuum pumps are viewed as the best among domestic suppliers in terms of cost efficiency and reliability. For cooling compressors Hanbell already has 40-50% market share and it sets the standard.

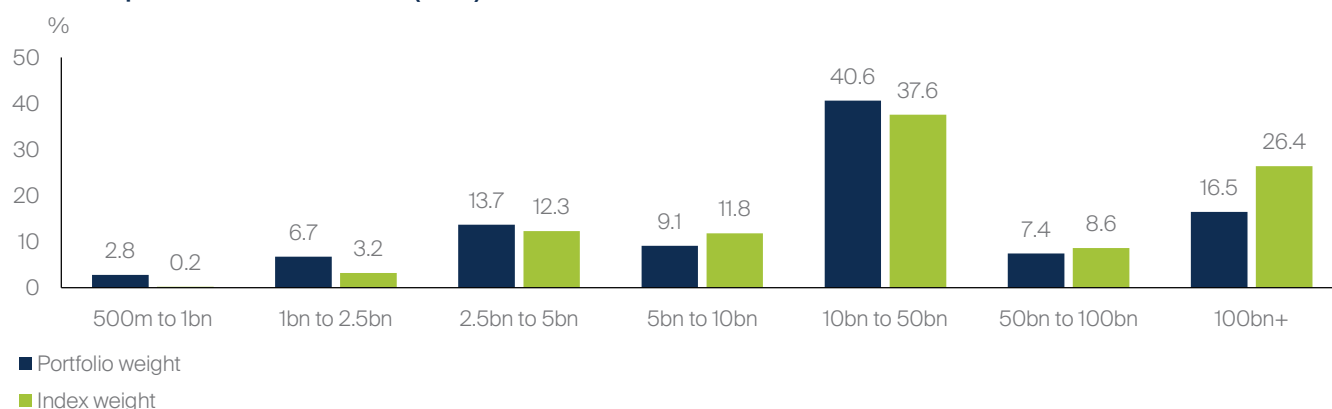
We divested Zhongsheng Group to consolidate the portfolio and raise cash for better ideas elsewhere.

Stock spotlight

Zhejiang Weixing New Building Materials is a leading household drain pipe manufacturer, used in residential buildings, city water and gas supplies. The company has delivered a strong track record of growth, driven by the growing refurbishment market. More recently, the company has managed to raise selling prices, thus easing margin pressure from higher raw material costs. Government signals on the easing of real estate market restrictions should also help its performance.

The company's culture seems prudent about business development, an important trait in these volatile times for the property sector. This aligns well with our focus on investing in companies with quality and sustainable growth. Overall, we believe Zhejiang Weixing can achieve 10-15% earnings growth per annum through to 2025.

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

In China, we expect a gradual normalising after the pandemic-related events of the last two years. As the US Federal Reserve tapers its stimulus, interest rates should rise – not just in the US but also in Asia – and liquidity will tighten. China seems to be an exception – after a multi-year deleveraging campaign, it now has some room for easing.

We expect further policy actions to come but the government will remain prudent and fine-tuned, as the goal is stability. In setting monetary policy, China will need to balance tempering supply-side inflation with a slowing economy, ageing population, and weak sentiment in the property sector. But overall, as rates start to tighten elsewhere, China may look more attractive to global investors as the government turns more pro-growth.

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.

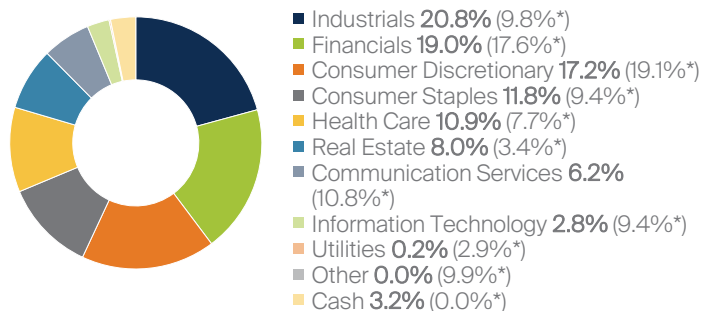
Ten largest company holdings as at 31 March 2022

Stock name	Country	Sector	Portfolio weight (%)
China Resources Land Limited	China	Real Estate	6.9
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	6.5
China Merchants Bank Co., Ltd. Class H	China	Financials	6.3
Bank of Ningbo	China	Financials	6.0
Tencent Holdings Ltd.	China	Communication Services	4.8
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	4.7
JD.com, Inc. Sponsored ADR Class A	China	Consumer Discretionary	4.1
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	4.0
Sino Biopharmaceutical Limited	China	Health Care	3.8
ZTO Express (Cayman) Inc. Sponsored ADR Class A	China	Industrials	3.8

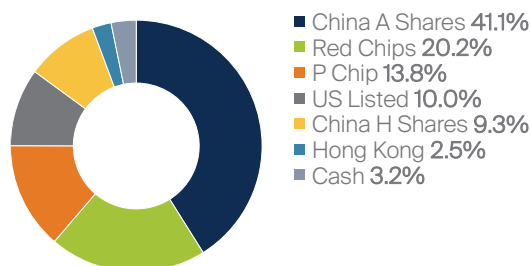
Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. 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 31 March 2022

Stock name	Country	Sector	Value added (bps*)
China Resources Land Limited	China	Real Estate	76
China Merchants Bank Co., Ltd. Class H	China	Financials	16
China Overseas Grand Oceans Group Limited	China	Real Estate	15
Shanghai International Airport Co., Ltd. Class A	China	Industrials	9
Bank of Ningbo Co., Ltd. Class A	China	Financials	1

12 months to 31 March 2022

Stock name	Country	Sector	Value added (bps*)
Zhejiang Chint Electrics Co., Ltd Class A	China	Industrials	49
China Resources Land Limited	China	Real Estate	47
Bank of Ningbo Co., Ltd. Class A	China	Financials	42
51job Inc Sponsored ADR	China	Industrials	42
China Merchants Bank Co., Ltd. Class H	China	Financials	37

Bottom 5 contributors to absolute performance

3 months to 31 March 2022

Stock name	Country	Sector	Value added (bps*)
Shanghai Liangxin Electrical Co Ltd - A	China	Industrials	-147
S.F. Holding Co., Ltd. Class A	China	Industrials	-89
Meituan Dianping	China	Consumer Discretionary	-87
Midea Group Co. Ltd	China	Consumer Discretionary	-70
Zhejiang Weixing New Building Materials Co. Ltd. Class A	China	Industrials	-68

12 months to 31 March 2022

Stock name	Country	Sector	Value added (bps*)
Shanghai Liangxin Electrical Co Ltd - A	China	Industrials	-243
Meituan Dianping	China	Consumer Discretionary	-150
Sino Biopharmaceutical Limited	China	Health Care	-150
Tencent Holdings Ltd.	China	Communication Services	-149
TAL Education Group Un-sponsored ADR Class A	China	Consumer Discretionary	-139

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 31 March 2022

Risk measure	Value	Risk description
Beta	0.94	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	1.27	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	15.73%	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	14.98%	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	7.11%	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 31 March 2022

Risk measure	Value	Risk description
Dividend Yield (Fund)	1.76%	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)	1.76%	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)	2.11	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)	2.00	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)	13.06	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)	12.65	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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