FSSA Investment Managers

FSSA Global Emerging Markets Focus 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 shares of large and mid-sized companies based in emerging markets and are listed on exchanges worldwide. This includes companies that are listed on exchanges in developed markets where the majority of their activities take place in emerging markets. These companies generally have a total stock market value of at least US$1 billion. Emerging markets are countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body. 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	28 September 2017
Fund size (£m)	95.0
UK's investment association sector	Global Emerging Markets
Benchmark	MSCI Emerging Markets Net Index*
Number of holdings	38
Fund manager(s)	Rasmus Nemmoe/Naren Gorthy
Research rating ^	Morningstar®:Gold RSM:Rated
Fund yield	1.0%

* 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 Global Emerging Markets Focus 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.**
- **Emerging market risk:** Emerging markets tend to be more sensitive to economic and political conditions than developed markets. Other factors include greater liquidity risk, restrictions on investment or transfer of assets, failed/delayed settlement and difficulties valuing securities.
- **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.

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 Global Emerging Markets Focus Fund EUR Class B (Accumulation)	BZCCYF1	GB00BZCCYF18
FSSA Global Emerging Markets Focus Fund GBP Class B (Accumulation)	BZCCYG2	GB00BZCCYG25
FSSA Global Emerging Markets Focus Fund GBP Class E (Accumulation)	BZ8GV67	GB00BZ8GV678
FSSA Global Emerging Markets Focus Fund USD Class Z (Accumulation)	BSMPG59	GB00BSMP5G90

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 Global Emerging Markets Focus Fund	12.3	1.4	-1.9	22.0	-9.5
MSCI Emerging Markets Net Index	14.7	2.2	-13.2	13.3	5.4
Sector return	13.0	2.3	-16.2	16.8	3.9

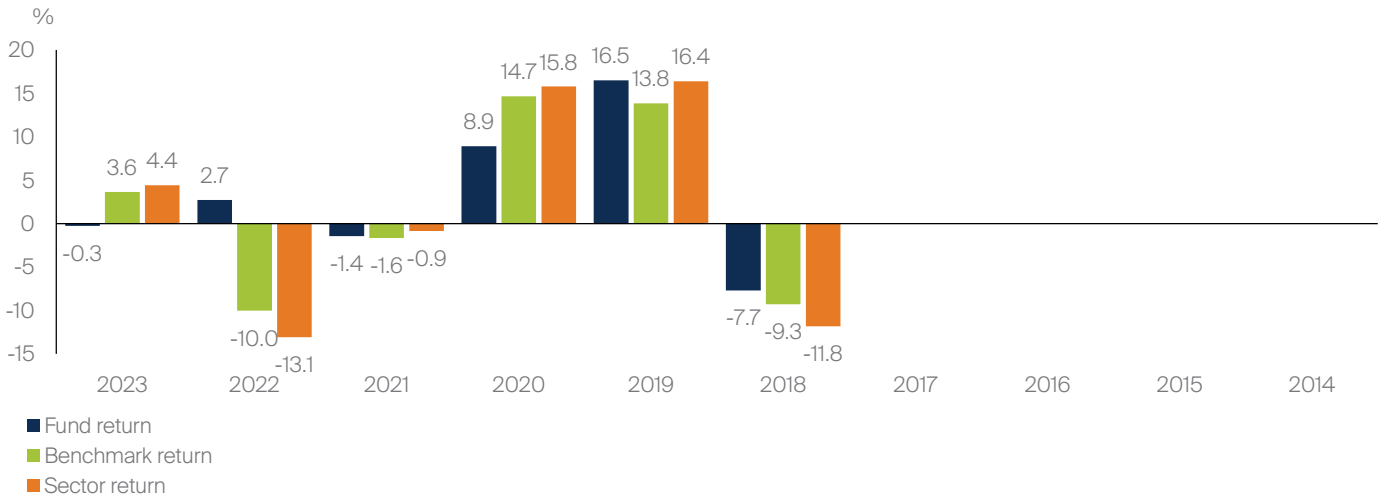
Cumulative performance in GBP (%) to 30 September 2024

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Global Emerging Markets Focus Fund	40.5	-	23.3	11.7	12.3	10.6	7.2	3.3
MSCI Emerging Markets Net Index	25.2	-	21.5	1.7	14.7	11.1	7.5	2.5
Sector return	22.5	-	19.6	-3.0	13.0	9.1	5.2	1.3

Performance review

Over the past 12 months, key contributors included Taiwan Semiconductor (TSMC), as it continued to benefit from AI-related demand for its cutting-edge chips. ICICI Lombard rose as it continued to report market share gains across various business areas. The company has increased its focus on segments which require a higher gestation period but are critical for long-term growth (such as health insurance), which we believe is positive for the business. The growth opportunity is significant given the under-penetration of the industry, and ICICI Lombard is well positioned to retain its leading position. On the negative side, Regional SAB weakened after guiding for lower loans growth and higher provisions for its full-year 2024 results. On the other hand, Regional's long-term track record since listing in 2011 is strong, largely due to its risk-aware culture and superior business servicing small-to-medium sized companies, which should have many good years ahead of it, in our view. Alsea declined on concerns about the political uncertainty on both sides of the US-Mexico border, given the upcoming US presidential elections. On the other hand, underlying demand still seems strong and raw material costs are easing. The company also announced the divestment of more than 50 Burger King locations in Spain, which should help to optimise its portfolio and allow it to focus on its primary brands, Starbucks and Domino's.

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 01 December 2017. All performance data for the FSSA Global Emerging Markets Focus 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 Global Emerging Markets Focus Fund was rebranded as FSSA Global Emerging Markets Focus Fund.

Portfolio review

New positions over the quarter included Mediatek, one of the largest chip design companies globally. The company has improved its competitiveness in recent years and we believe its market share will likely remain stable. With the smartphone market now in the mature stages, the company is investing into new areas (auto, augmented reality/virtual reality, Internet of Things, artificial intelligence) to diversify and internationalise its business in the long run.

We also purchased SK Hynix, a leading semiconductor company that holds a solid position in the DRAM and NAND memory markets. The duopolistic industry structure should ensure decent margins and profitability over the cycle (as we have seen in the past), and barriers to entry continue to grow, along with pricing power. Corporate governance is improving; and while demand from AI is arguably overhyped in the near term, we think the long-term trajectory looks good.

We sold Travelsky Technology after being shareholders for almost five years. Whilst we believe the business model has inherent structural advantages (it is the leader in China's Global Distribution System market, a system that utilises technology to match traveller demand with available inventory for flights and hotels), our concerns on its capital allocation and the lack of alignment of interests with the senior management have not been allayed, despite several attempts to engage on these matters. We used the recent rebound in the share price to fund better ideas elsewhere in the portfolio.

Stock spotlight

We have been shareholders of Tencent since 2005 and have consistently found the management to be effective, stable and down-to-earth. Tencent's focus on its users has built strong competitive moats in its business, particularly through its "super app" WeChat, which has become an integrated part of daily life for more than 1.2bn users.

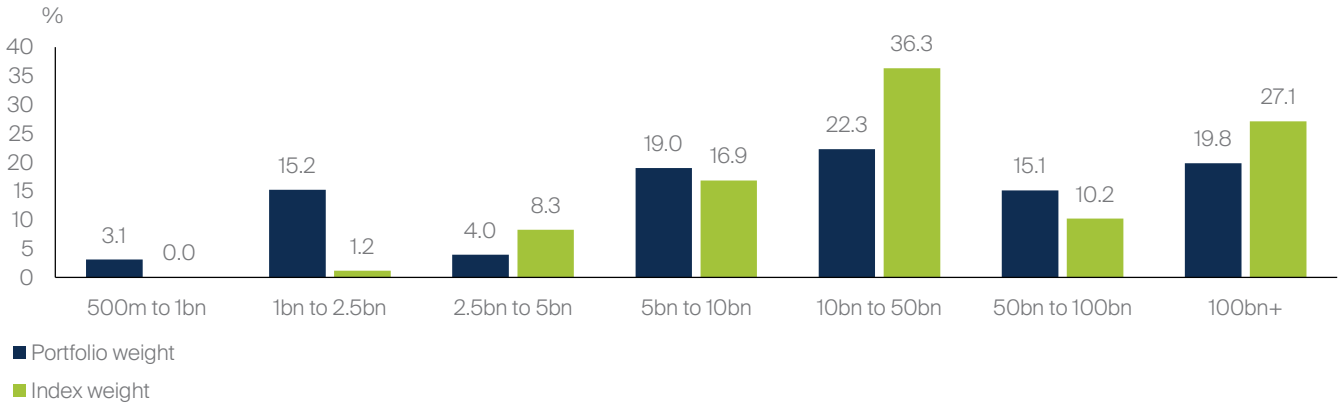
Tencent took advantage of the tremendous network effects created by WeChat to develop new features designed to enhance its users' experience. Today WeChat not only facilitates messaging, it also has integrated social media, payments, ride hailing, e-commerce, and video streaming within its app, which together make up an ecosystem with high entry barriers.

Tencent has also been successful with its capital allocation. With the growing dominance of WeChat, Tencent could spot new trends early and leverage this insight to fund the most promising operators. It made early and subsequently very profitable investments into companies like JD.com, Meituan, Pinduoduo and Kuaishou, a testament to its ability to recognise the likely winners.

Tencent's profitability has improved, driven by the shift in its business mix. New businesses such as video account ads, e-commerce, mini-games, cloud software-as-a-service and non-payment fintech have higher gross margins than the group level and may continue to grow at over 15% per year.

In 2022 Tencent shifted its capital allocation focus to shareholder returns rather than growth. This has meant increased buybacks and dividends, fewer new investments and the divestiture of some portfolio companies.

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 continue to invest in businesses that we believe have proven management teams and competitive advantages that allow them to capitalise on the long-term secular trends that exist across emerging markets. Whether it is the formalisation of the Indian economy, the continued financialisation of the South

African population or the growing adoption of enterprise resource planning (ERP) software by small-to-medium-sized Brazilian companies, we believe the investment opportunities are plenty. Yet, these kinds of businesses are often not well represented in broader indices and thus we believe a bottom-up active investment approach has much value to add.

Competitive advantages in the form of strong brands, distribution advantages, cost leadership or simply providing a service/product that customers cannot live without, are the main traits that characterise our companies. We believe the current correction in share prices presents an excellent opportunity for long-term investors like us to accumulate leading franchises at attractive prices.

We believe our holdings continue to offer long-term attractive compounding opportunities and our analysis suggests that they can grow earnings at around 20% compound annual growth rate (CAGR) on a weighted average basis over the medium term. For this kind of growth, the portfolio's aggregate valuations, at around 5% free cash flow yield or a 22x price-to-earnings ratio (PER) seem reasonable (and sustainable) to us. This makes us optimistic from both an absolute and a relative perspective.

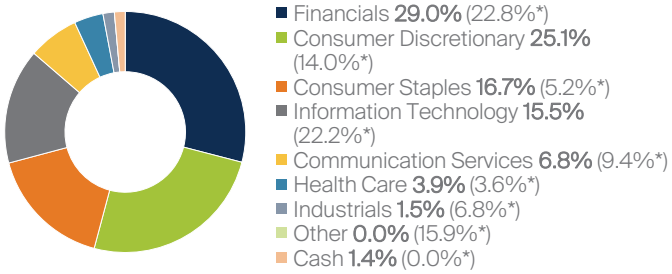
Our long-term investment themes:

- Dominant consumer franchises which have an edge in brand, distribution and innovation.
- High quality financials, supported by a strong deposit franchise or a specific loan niche.
- The growing trend of digitalisation and online services.

Ten largest company holdings as at 30 September 2024

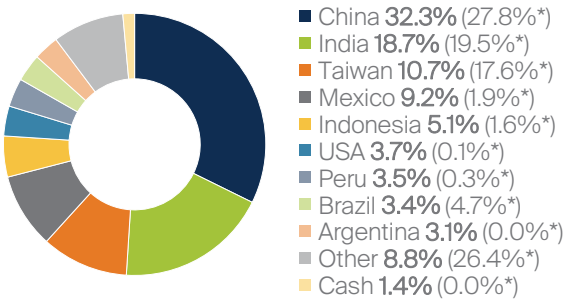
Stock name	Country	Sector	Portfolio weight (%)
Taiwan Semiconductor (TSMC)	Taiwan	Information Technology	7.7
HDFC Bank	India	Financials	6.4
Tencent Holdings Ltd.	China	Communication Services	5.7
Prosus N.V. Eur0.05	China	Consumer Discretionary	4.9
Alsea, S.A.B. de C.V.	Mexico	Consumer Discretionary	4.9
Tsingtao Brewery	China	Consumer Staples	4.1
ANTA Sports Products Ltd.	China	Consumer Discretionary	3.8
MercadoLibre, Inc.	USA	Consumer Discretionary	3.7
ICICI Bank Limited	India	Financials	3.6
Credicorp Ltd.	Peru	Financials	3.5

Sector breakdown



*Index weight

Country breakdown



*Index weight

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.

Top 5 contributors to absolute performance

3 months to 30 September 2024

Stock name	Country	Sector	Value added (bps*)
ICICI Lombard General Insurance Co. Ltd.	India	Financials	76
Prosus N.V. Eur0.05	China	Consumer Discretionary	68
ANTA Sports Products Ltd.	China	Consumer Discretionary	66
Tencent Holdings Ltd.	China	Communication Services	66
MercadoLibre, Inc.	USA	Consumer Discretionary	60

12 months to 30 September 2024

Stock name	Country	Sector	Value added (bps*)
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	346
ICICI Lombard General Insurance Co. Ltd.	India	Financials	236
Capitec Bank Holdings Limited	South Africa	Financials	208
Tencent Holdings Ltd.	China	Communication Services	166
Despegar.com, Corp.	Argentina	Consumer Discretionary	152

Bottom 5 contributors to absolute performance

3 months to 30 September 2024

Stock name	Country	Sector	Value added (bps*)
Alsea, S.A.B. de C.V.	Mexico	Consumer Discretionary	-164
Regional, S.A.B. de C.V. Class A	Mexico	Financials	-79
Qualitas Controladora S.A.B. de C.V.	Mexico	Financials	-64
Despegar.com, Corp.	Argentina	Consumer Discretionary	-41
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	-26

12 months to 30 September 2024

Stock name	Country	Sector	Value added (bps*)
Alsea, S.A.B. de C.V.	Mexico	Consumer Discretionary	-197
Regional, S.A.B. de C.V. Class A	Mexico	Financials	-124
TravelSky Technology Ltd. Class H	China	Consumer Discretionary	-76
Sichuan Swellfun 'A'CNY1	China	Consumer Staples	-67
Yum China Holdings Inc	China	Consumer Discretionary	-52

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	0.96	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	0.61	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	13.98%	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	13.22%	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	6.06%	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)	1.79%	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)	2.48%	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)	3.93	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)	2.12	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)	21.22	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)	15.48	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.

This document is confidential and must not be copied, reproduced, circulated or transmitted, in whole or in part, and in any form or by any means without our prior written consent. The information contained within this document has been obtained from sources that we believe to be reliable and accurate at the time of issue but no representation or warranty, express or implied, is made as to the fairness, accuracy, or completeness of the information. We do not accept any liability whatsoever for any loss arising directly or indirectly from any use of this information.

References to "we" or "us" are references to First Sentier Investors.

In the UK, issued by First Sentier Investors (UK) Funds Limited which is authorised and regulated by the Financial Conduct Authority (registration number 143359). Registered office Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB number 2294743.

Outside the UK and the EEA, issued by First Sentier Investors International IM Limited which is authorised and regulated in the UK by the Financial Conduct Authority (registered number 122512). Registered office: 23 St. Andrew Square, Edinburgh, EH2 1BB number SC079063.

Certain funds referred to in this document are identified as sub-funds of First Sentier Investors ICVC, an open ended investment company registered in England and Wales ("OEIC"). Following the UK departure from the European Union, the OEIC has ceased to qualify as a UCITS scheme and is instead an Alternative Investment Fund ("AIF") for European Union purposes under the terms of the Alternative Investment Fund Managers Directive (2011/61/EU). Accordingly, no marketing activities relating to the OEIC are being carried-out by First Sentier Investors in the European Union (or the additional EEA states) and the OEIC is not available for distribution in those jurisdictions. This document does not constitute an offer or invitation or investment recommendation to distribute or purchase shares in the OEIC in the European Union (or the additional EEA states). Further information is contained in the Prospectus and Key Investor Information Documents of the OEIC which are available free of charge by writing to: Client Services, First Sentier Investors (UK) Funds Limited, PO Box 404, Darlington, DL1 9UZ or by telephoning 0800 587 4141 between 9am and 5pm Monday to Friday or by visiting www.firstsentierinvestors.com. Telephone calls may be recorded. The distribution or purchase of shares in the funds, or entering into an investment agreement with First Sentier Investors may be restricted in certain jurisdictions.

First Sentier Investors entities referred to in this document are part of First Sentier Investors a member of MUFG, a global financial group. First Sentier Investors includes a number of entities in different jurisdictions. MUFG and its subsidiaries do not guarantee the performance of any investment or entity referred to in this document or the repayment of capital. Any investments referred to are not deposits or other liabilities of MUFG or its subsidiaries, and are subject to investment risk including loss of income and capital invested.

The FSSA Investment Managers logo is a trademark of the MUFG or an affiliate thereof.

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