

FSSA Greater China Growth Fund (UK OIEIC)

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 companies based in or where the majority of their activities take place in China, Hong Kong and Taiwan and that are listed on exchanges worldwide. 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 December 2003
Fund size (£m)	449.3
UK's investment association sector	China/Greater China Sector
Benchmark	MSCI Golden Dragon Net Index*
Number of holdings	44
Fund manager(s)	Martin Lau/Helen Chen
Research rating ^	Morningstar®:Gold Square Mile:Responsible AA 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 Greater China Growth 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.**
- **Smaller companies risk:** investments in smaller companies may be riskier and more difficult to buy and sell than investments in larger companies.
- **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.

Available share classes

Share class	Sedol	ISIN
FSSA Greater China Growth Fund EUR Class A (Accumulation)	B2PF5G4	GB00B2PF5G46
FSSA Greater China Growth Fund GBP Class B (Accumulation)	3387432	GB0033874321
FSSA Greater China Growth Fund GBP Class A (Accumulation)	3387410	GB0033874107

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 30 June 2024

	12 mths to 30/06/24	12 mths to 30/06/23	12 mths to 30/06/22	12 mths to 30/06/21	12 mths to 30/06/20
FSSA Greater China Growth Fund	-3.0	-8.7	-12.1	29.6	14.7
MSCI Golden Dragon Net Index	10.2	-12.6	-17.2	21.6	13.2
Sector return	-6.6	-23.8	-18.7	21.7	18.5

Cumulative performance in GBP (%) to 30 June 2024

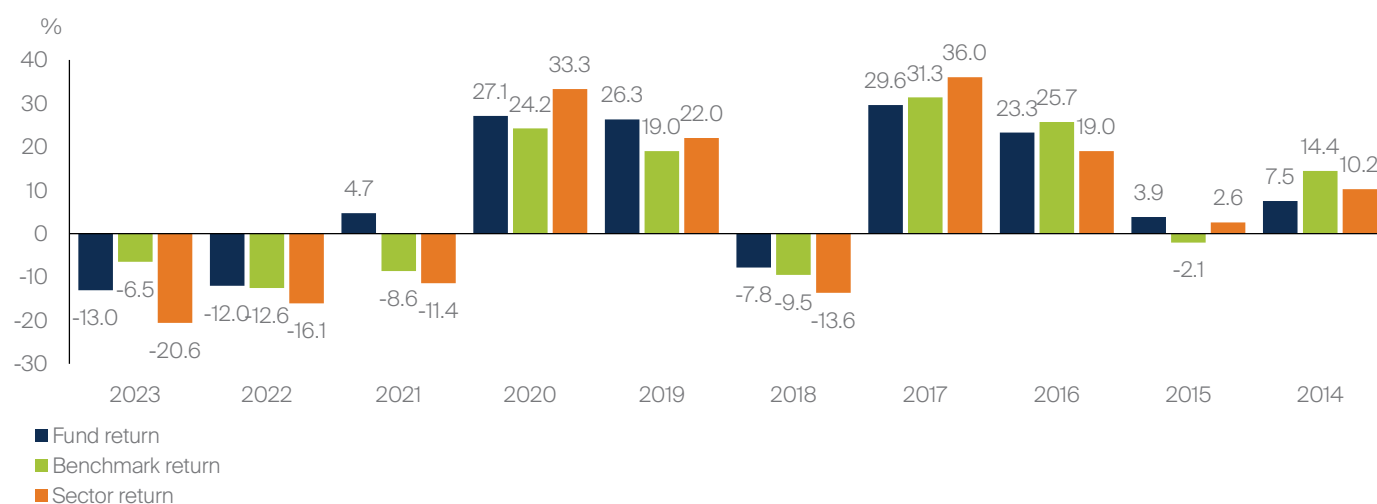
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Greater China Growth Fund	1025.8	120.0	15.7	-22.2	-3.0	4.6	4.6	3.0
MSCI Golden Dragon Net Index	439.9	106.5	9.9	-20.2	10.2	12.5	12.5	9.6
Sector return	529.2	58.8	-14.4	-41.8	-6.6	2.3	2.3	3.0

Performance review

Over the past 12 months, key contributors to performance included Taiwan Semiconductor (TSMC), as it continued to benefit from AI-related demand for its cutting-edge chips. The company also announced it would increase its cash dividend due to improving free cash flow and a slowdown in capex. MediaTek rose on market optimism around "Edge AI", which could bring new upgrade opportunities to smartphones. The company is one of the leading providers of System-on-Chip (SoC) and wireless technology chips globally.

On the negative side, China Mengniu Dairy has been affected by weak consumer demand as China's economic recovery remains fragile. The company recently announced that Jeffrey Lu would be stepping down as CEO. The new CEO, Gao Fei, has been with the company for 25 years and had been groomed for succession in recent years. Mr Lu will stay on for the next 1-3 years as vice chairman to oversee the transition. Ping An Insurance reported weaker-than-expected earnings results, with operating profit affected by losses in its asset management business.

Calendar year performance (% in GBP) to 30 June 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 2003. All performance data for the FSSA Greater China Growth Fund Class B (Accumulation) GBP as at 30 June 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 Greater China Growth Fund was rebranded as FSSA Greater China Growth Fund.

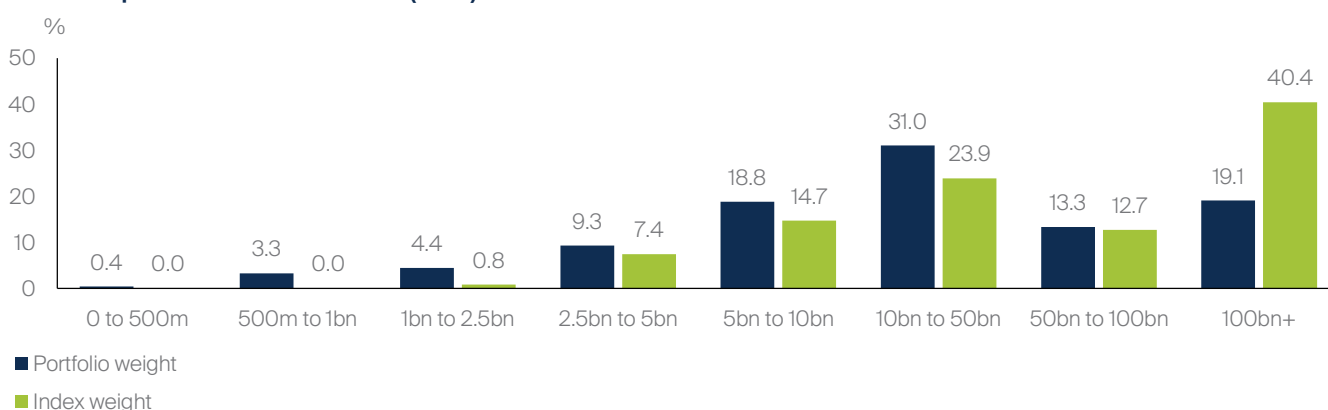
Portfolio review

New purchases over the quarter included H World (formerly Huazhu), a multi-brand hotel group in China. The company has scale, strong brands, advanced IT systems and good cost control. As China's economy continues to shift towards domestic consumption, branded hotels should gain market share and benefit from the growing spend on travel and leisure activities. We divested Sino Biopharm to consolidate the portfolio and sold Yum China on concerns about structural headwinds and greater competition.

Stock spotlight

We believe China Mengniu Dairy, one of the two largest dairy companies in China, will be a key beneficiary of China's 'premiumisation' trend. We believe Mengniu is better-positioned than peers in various growth segments (such as premium UHT milk, fresh milk and cheese), which should outgrow the industry. CEO Jeffrey Lu led the business for more than 6 years before stepping down in early 2024. Under his leadership, Mengniu Dairy has improved its profitability and return. More importantly, the brand recognition, distribution and supply chain management have been strengthened. Mengniu also has built a team of capable middle management. The new CEO, Gao Fei, has been with the company for 25 years and had been groomed for succession in recent years. Mr Lu will stay on for the next 1-3 years as vice chairman to oversee the transition. Our recent discussions with Mr Lu and Mr Gao suggested that Mengniu will prioritise profit growth and improving shareholder returns, rather than scale. Pricing discipline and premiumisation have led to a significant improvement in gross margins. We believe Mengniu's fundamentals are in decent shape, though it will need to strengthen its brands, develop more innovative products, and improve its digital platforms to achieve its profitability targets. As Mengniu Dairy's capex has peaked, the company plans to do more share buybacks on the back of strong free cash flow. Recently, the stock has been affected by weak consumer demand as China's economic recovery remains fragile. The market is concerned about deflation in China, which might weaken consumer staples companies' pricing power and trigger more intensified competition. However, we have been adding on weakness as the risk-reward seems favourable on c.9x P/E.

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

Despite concerns around "down-trading" in the near term, we still believe that over the long run, Chinese people will become wealthier amid increasing urbanisation and GDP per capita. As this happens, they will likely want to improve their health and lifestyle, which favours consumer companies with effective premiumisation strategies like Midea, Anta Sports, China Resources Beer and China Mengniu Dairy. We have owned these stocks for many years, and they have good track records over the longer term. To us, this reflects well on their management and franchise quality. Through our regular research trips to China, we look beyond the country's general economic weakness to find companies that are either bucking the negative trends, or are strengthening their market positions in the down-cycle. We think there are still plenty of quality companies, with strong brands and proven franchises that can achieve decent earnings growth over the long run. We continue to seek the companies that will become the long-term winners, which are typically the industry leaders of today. And the lower valuation multiples reflect reduced expectations, which makes the potential risk-reward more attractive.

Our long-term investment themes:

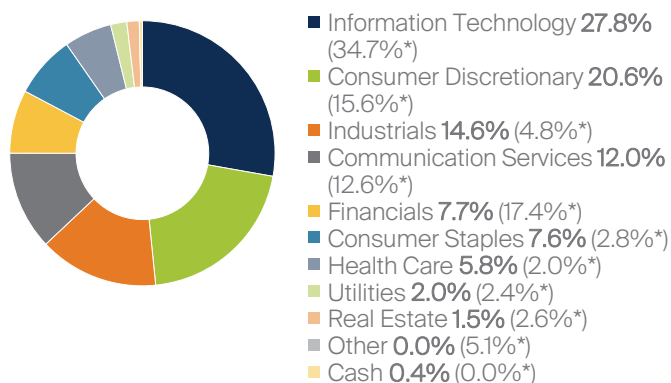
- Dominant consumer franchises which have an edge in brand, distribution and innovation.
- The rise in healthcare spending, due to increasing incomes and healthy consumer choices.
- Beneficiaries of a smarter, more connected world.
- An ageing population and the growing trend of automation.
- Globally competitive exporters with a growing international business.

Ten largest company holdings as at 30 June 2024

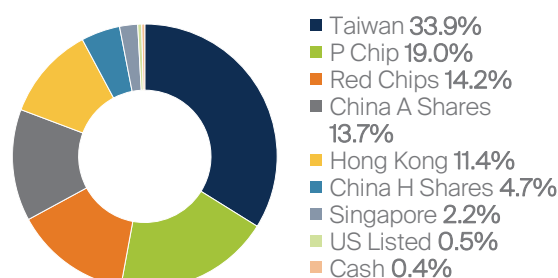
Stock name	Country	Sector	Portfolio weight (%)
Taiwan Semiconductor (TSMC)	Taiwan	Information Technology	9.9
Tencent Holdings Ltd.	China	Communication Services	9.2
MediaTek Inc	Taiwan	Information Technology	5.6
Midea Group	China	Consumer Discretionary	5.3
ANTA Sports Products Ltd.	China	Consumer Discretionary	3.6
China Merchants Bank Co., Ltd. Class H	China	Financials	3.3
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	3.0
Shenzhou International Group Holdings Limited	China	Consumer Discretionary	3.0
SINBON Electronics Co., Ltd.	Taiwan	Information Technology	3.0
AIA Group Limited	Hong Kong	Financials	3.0

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 June 2024

Stock name	Country	Sector	Value added (bps*)
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	204
Tencent Holdings Ltd.	China	Communication Services	167
MediaTek Inc	Taiwan	Information Technology	70
China Merchants Bank Co., Ltd. Class H	China	Financials	48
Silergy Corp.	Taiwan	Information Technology	42

12 months to 30 June 2024

Stock name	Country	Sector	Value added (bps*)
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	503
MediaTek Inc	Taiwan	Information Technology	210
Tencent Holdings Ltd.	China	Communication Services	115
Midea Group Co. Ltd. Class A	China	Consumer Discretionary	82
Accton Technology Corp.	Taiwan	Information Technology	48

Bottom 5 contributors to absolute performance

3 months to 30 June 2024

Stock name	Country	Sector	Value added (bps*)
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	-50
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-47
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-46
Shenzhen Inovance Technology Co., Ltd Class A	China	Industrials	-40
Yifeng Pharmacy Chain Co Ltd Class A	China	Consumer Staples	-35

12 months to 30 June 2024

Stock name	Country	Sector	Value added (bps*)
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-234
AIA Group Limited	Hong Kong	Financials	-135
Ping An Insurance (Group) Company of China, Ltd. Class H	China	Financials	-113
ENN Energy Holdings Limited	China	Utilities	-72
SINBON Electronics Co., Ltd.	Taiwan	Information Technology	-71

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 June 2024

Risk measure	Value	Risk description
Beta	0.93	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	0.02	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	21.38%	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	22.16%	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	5.92%	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 June 2024

Risk measure	Value	Risk description
Dividend Yield (Fund)	3.09%	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)	2.79%	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.
Price to Book (Fund)	2.42	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)	1.96	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)	16.25	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)	14.74	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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