

FSSA Japan Equity Fund (Irish VCC)

Investment objective and policy

The Fund aims to grow your investment.
The Fund invests at least 70% of its assets in shares of companies based in, or closely associated with, Japan.
The Fund may invest up to 100% in any industry.
The Fund may use derivatives with the aim of risk reduction or efficient management.

Fund information

Fund launch date	02 February 2015
Fund size (US\$m)	402.0
Benchmark	TOPIX Net Total Return Index*
Number of holdings	51
Fund manager(s)	Sophia Li/Martin Lau
Research rating ^	Morningstar@:Silver

* The benchmark of the Fund changed from MSCI Japan Gross to MSCI Japan Net with effect from 1 July 2016. This change has been reflected in the calculation of the benchmark performance. The benchmark of the Fund changed from MSCI Japan Net Index to TOPIX Net Total Return Index with effect from 9 December 2021. This change has been reflected in the calculation of the benchmark performance.

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

Available share classes

Share class	Sedol	ISIN
FSSA Japan Equity Fund USD Class III (Accumulation)	BSJWPM9	IEOBSJWPM96

Risk factors

This document is a financial promotion for the FSSA Japan Equity Fund in the EEA and elsewhere where lawful. Investing involves certain risks including:

- **The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back substantially less than the original amount invested.**
- **Currency risk:** The Fund invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the Fund and could create losses. Currency control decisions made by governments could affect the value of the Fund's investments and could cause the Fund to defer or suspend redemptions of its shares.
- **Single country / specific region risk:** investing in a single country or specific region may be riskier than investing in a number of different countries or regions. Investing in a larger number of countries or regions helps spread risk.
- **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.

FSSA Japan Equity Fund USD Class I Hedged P (Accumulation)	BM95BG2	IE00BM95BG26
FSSA Japan Equity Fund EUR Class VI (Accumulation)	BYXW3V2	IE00BYXW3V29
FSSA Japan Equity Fund JPY Class III (Accumulation)	BZC0S08	IE00BZC0S080
FSSA Japan Equity Fund EUR Class VI Hedged (Accumulation)	BFY84Q8	IE00BFY84Q86
FSSA Japan Equity Fund USD Class I (Accumulation)	BSJWPNO	IE00BSJWPNO4
FSSA Japan Equity Fund GBP Class VI (Accumulation)	BMFPHB3	IE00BMFPHB31
FSSA Japan Equity Fund USD Class III P Hedged (Accumulation)		IE0006GCKD23
FSSA Japan Equity Fund SGD Class III (Accumulation)		IE000CB8OYT7

About FSSA Investment Managers

FSSA Investment Managers is an autonomous investment management team within First Sentier Investors, with dedicated investment professionals based in Hong Kong and Singapore. We are specialists in Asia Pacific and Global Emerging Markets equity strategies, managing assets on behalf of clients globally.

We are bottom-up investors, using fundamental research and analysis to construct high-conviction portfolios. We conduct more than a thousand direct company meetings a year, seeking to identify high quality companies to invest in. We look for founders and management teams that act with integrity and risk awareness; and dominant franchises that have the ability to deliver sustainable and predictable returns over the long term. As responsible, long-term shareholders, we have integrated ESG analysis into our investment process and engage extensively on environmental, labour and governance issues.

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Annual performance in USD (%) to 30 September 2022

	12 mths to 30/09/22	12 mths to 30/09/21	12 mths to 30/09/20	12 mths to 30/09/19	12 mths to 30/09/18
FSSA Japan Equity Fund	-44.6	25.7	31.8	-0.6	18.0
TOPIX Net Total Return Index	-28.2	22.1	6.9	-4.7	10.2

Cumulative performance in USD (%) to 30 September 2022

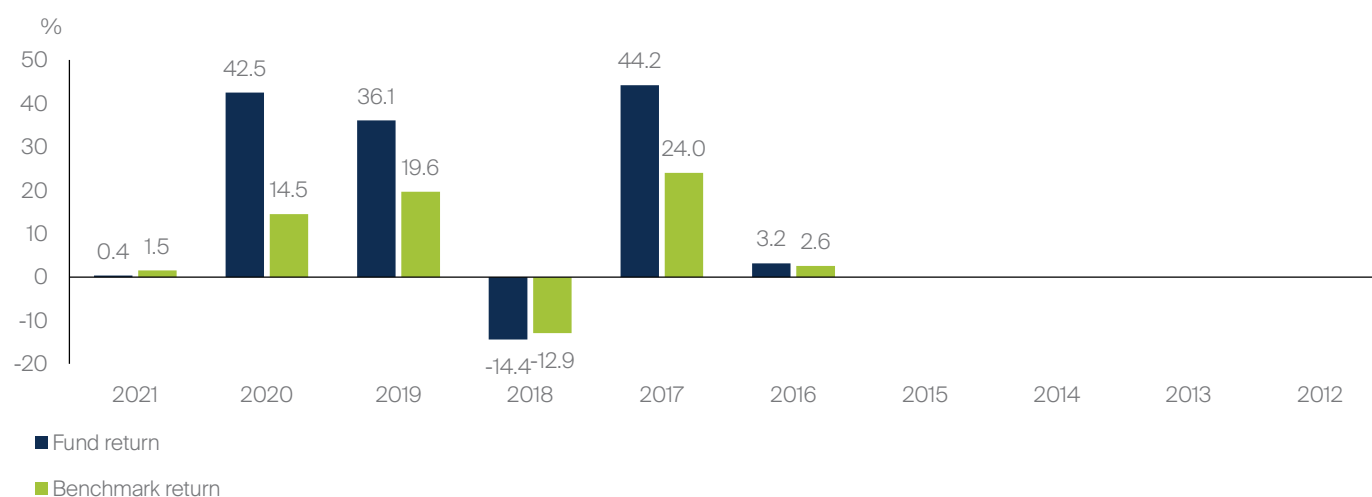
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Japan Equity Fund	73.2	-	7.6	-8.2	-44.6	-41.7	-25.6	-3.5
TOPIX Net Total Return Index	24.1	-	-1.6	-6.3	-28.2	-25.1	-20.0	-7.0

Performance review

Over the past 12 months, key contributors to performance included Olympus, which posted solid earnings results driven by a recovery in the medical business, as well as strong guidance for the current fiscal year. Confectionary products company Kotobuki Spirits was resilient and gained market share from smaller companies during what has been a challenging period for the entire souvenir industry. Kotobuki's strong brand franchise has helped sales rebound to pre-Covid levels, despite the lack of inbound tourists. We believe it

should be a major beneficiary of Japan's eventual border reopening. Meanwhile, Benefit One fell as management guided for transitory profit declines due to strategic investments, delays in synergies from the merger with JTB Benefit Service, and the ongoing transitioning of the healthcare business. Recruit Holdings was another key detractor, as revenue growth started to normalise after a high base in 2021. It had benefited from the tight US labour market, but has fallen back given the risks of a potential recession.

Calendar year performance (% in USD) to 30 September 2022



These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than USD, the return may increase or decrease as a result of currency fluctuations. Since inception performance figures have been calculated from 02 February 2015. All performance data for the FSSA Japan Equity Fund Class III (Accumulation) USD as at 30 September 2022. Source for fund - Lipper IM / First Sentier Investors (UK) Funds Limited. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management fee and other fund expenses), save that it does not take account of initial charges or switching fees (if any). Income reinvested is included on a net of tax basis. Source for benchmark - TSE, income reinvested net of tax.

▲On 22 September 2020, First State Japan Equity Fund was rebranded as FSSA Japan Equity Fund.

Portfolio review

We initiated a position in Milbon, a leading Japanese hair care and colour brand. We believe it to be a defensive company, which enjoys higher margins compared to global peers due to its focus on a single country (Japan) and the adoption of a direct sales model in a niche channel (i.e. hair salons). Competition risk in Japan is low and we are optimistic about its growth in Asia. We bought ZOZO, the top online fashion specialty store in Japan, after it derated to an attractive valuation of 25 times price-to-earnings (PE), with a 50% dividend payout ratio and 50% return on equity (ROE). It is a strong franchise with a loyal user base and exceptional returns based on its first-mover advantage, good reputation and customer-centric approach.

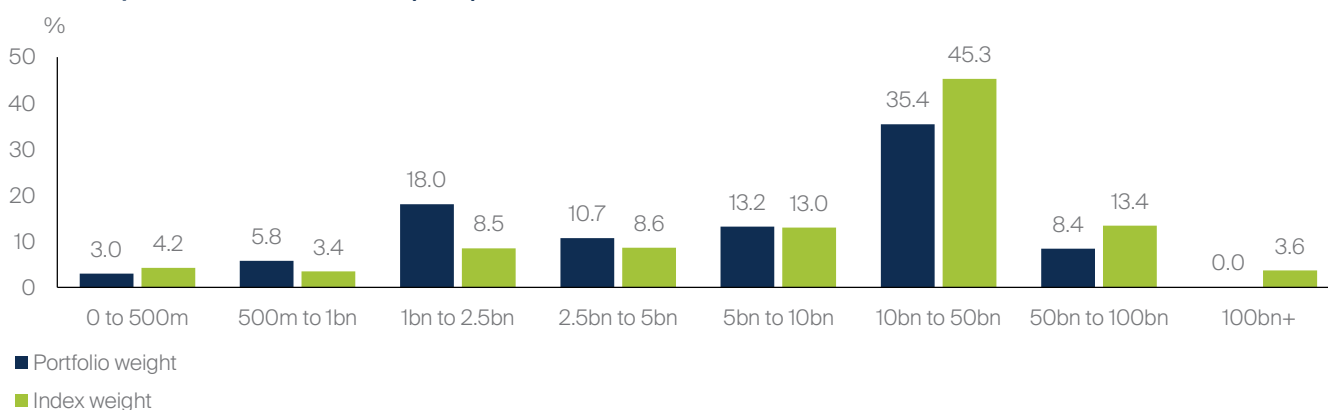
We divested Free to switch into other stocks that have fallen and are of higher quality, such as Rakus.

Stock spotlight

Hoya is a leading manufacturer of lenses and related optical products. The business can be categorised into two major divisions: Information Technology (IT) and Life Care. The IT segment focuses on glass-related products used in the technology manufacturing process, while in the Life Care division, its main business is producing lenses for eyeglasses, contact lens and endoscopes.

We believe Hoya to be one of the highest quality companies in Japan. The company has a strong profit-centric culture and consistent track record. It should benefit from the secular growth trend in the IT segment where it has developed a near monopoly in certain materials, such as Extreme Ultraviolet (EUV) mask blanks used in the production of semiconductors, and glass substrates used in Hard Disk Drives (HDD). Hoya generates 40-50% operating profit margin (OPM) on these products, as there is virtually no competition.

Market capitalisation breakdown (USD)



Data source: For illustration purposes only. Portfolio weights may not add up to 100% as cash holdings are excluded and full coverage of stocks is not always available. This information is calculated by First Sentier Investors. Past performance is not indicative of future performance. Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of First Sentier Investors' portfolios at a certain point in time, and the holdings may change over time. These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than USD, the return may increase or decrease as a result of currency fluctuations.

Outlook

Given the uncertainties around the global outlook, the FSSA Japan portfolio is positioned predominantly towards companies with exposure to domestic demand. The companies we like to own are managed by strong management teams and can generate sustainable earnings growth and return on equity without relying on leverage or the macro environment. We also own regional consumer companies, global industrials and medical equipment/services companies with dominant franchises, strong balance sheets and steady cash flow. These businesses should remain relatively defensive in the event of a recession.

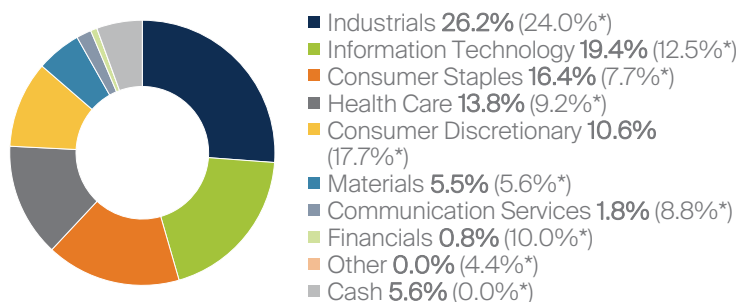
Our long-term investment themes:

- Global factory automation and robotics leaders.
- Best-in-class consumer franchises that are dominant in the Asia Pacific region.
- Manufacturers in niche industries which have a leading edge globally.
- Solutions providers for Japan's structural labour shortage.
- Leading internet verticals that disrupt old-school industries.

Ten largest company holdings as at 30 September 2022

Stock name	Country	Sector	Portfolio weight (%)
Olympus Corp.	Japan	Health Care	5.7
Hoya Corp.	Japan	Health Care	4.3
Keyence Corporation	Japan	Information Technology	4.2
Sony Corporation	Japan	Consumer Discretionary	4.2
GMO Payment Gateway, Inc.	Japan	Information Technology	3.9
MonotaRO Co., Ltd.	Japan	Industrials	3.5
Recruit Holdings Co Ltd	Japan	Industrials	3.2
Benefit One Inc	Japan	Industrials	3.1
Seven & I Holdings Co., Ltd.	Japan	Consumer Staples	2.8
Welcia Holdings Co Ltd	Japan	Consumer Staples	2.8

Sector 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%.

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Top 5 contributors to absolute performance

3 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Japan Elevator Service Holdings Co., Ltd.	Japan	Industrials	56
Hoya Corp.	Japan	Health Care	39
Raksul Inc Npv	Japan	Industrials	32
Asahi Intecc Co Ltd	Japan	Health Care	18
Spiderplus & Co	Japan	Information Technology	18

12 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Ajinomoto Co., Inc.	Japan	Consumer Staples	10
KeePer Technical Laboratory Co.Ltd.	Japan	Materials	5
Milbon Co., Ltd.	Japan	Consumer Staples	5
Nexon Co Ltd	Japan	Communication Services	4
Amvis Holdings.Inc.	Japan	Health Care	2

Bottom 5 contributors to absolute performance

3 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Sony Corporation	Japan	Consumer Discretionary	-101
Rakus Co Ltd	Japan	Information Technology	-44
Sushiro Global Holdings Ltd.	Japan	Consumer Discretionary	-37
Workman Co Ltd	Japan	Consumer Discretionary	-31
Shiseido Company,Limited	Japan	Consumer Staples	-30

12 months to 30 September 2022

Stock name	Country	Sector	Value added (bps*)
Benefit One Inc	Japan	Industrials	-390
Recruit Holdings Co Ltd	Japan	Industrials	-261
Keyence Corporation	Japan	Information Technology	-220
Rakus Co Ltd	Japan	Information Technology	-203
Sony Corporation	Japan	Consumer Discretionary	-196

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 USD, 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 2022

Risk measure	Value	Risk description
Beta	1.22	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	0.01	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	24.39%	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	16.29%	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	14.52%	The standard deviation of the difference between the fund's returns and those of the index. The higher the fund's tracking error, the more its performance relative to the benchmark may vary.

Portfolio risk analysis - ex-ante at 30 September 2022

Risk measure	Value	Risk description
Dividend Yield (Fund)	0.98%	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)	2.70%	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)	4.14	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)	1.10	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)	27.52	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)	11.53	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.

Data source: Ex-post information is calculated by First Sentier Investors, ex-ante information is provided by FactSet.

Important information

This document has been prepared for informational purposes only and is only intended to provide a summary of the subject matter covered and does not purport to be comprehensive. The views expressed are the views of the writer at the time of issue and may change over time. It does not constitute investment advice and/or a recommendation and should not be used as the basis of any investment decision. This document is not an offer document and does not constitute an offer or invitation or investment recommendation to distribute or purchase securities, shares, units or other interests or to enter into an investment agreement. No person should rely on the content and/or act on the basis of any material contained in this document.

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

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Certain funds referred to in this document are identified as sub-funds of First Sentier Investors Global Umbrella Fund plc, an umbrella investment company registered in Ireland ("VCC"). Further information is contained in the Prospectus and Key Investor Information Documents of the VCC which are available free of charge by writing to: Client Services, First Sentier Investors, 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland or by telephoning +353 1 635 6798 between 9am and 5pm (Dublin time) 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.

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