

FSSA Japan 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 80% in shares of large and mid-sized companies based in or where the majority of their activities take place in Japan. These companies generally have a total stock market value of at least US\$1 billion. 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	26 October 2015
Fund size (£m)	291.3
UK's investment association sector	Japan
Benchmark	TOPIX Net Total Return Index*
Number of holdings	42
Fund manager(s)	Sophia Li/Martin Lau
Research rating ^	RSM:Rated
Fund yield	0.0%

* 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. 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.

Risk factors

This document is a financial promotion for the FSSA Japan Focus 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.

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 Japan Focus Fund GBP Class B (Accumulation)	BWNGX43	GB00BWNGX432
FSSA Japan Focus Fund GBP Class E (Accumulation)	BJVQNH7	GB00BJVQNH77
FSSA Japan Focus Fund GBP Class B Hedged (Accumulation)	BY9D7B7	GB00BY9D7B75
FSSA Japan Focus Fund USD Class B (Accumulation)	BWNGX54	GB00BWNGX549
FSSA Japan Focus Fund USD Class E (Accumulation)	BJVQNJ9	GB00BJVQNJ91

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.

Risk factors

This document is a financial promotion for the FSSA Japan Focus 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.

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.

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 Japan Focus Fund	-9.8	37.6	10.1	-2.8	25.8
TOPIX Net Total Return Index	-2.0	25.6	-1.9	-0.8	6.6
Sector return	-4.8	32.1	-3.3	-3.9	9.6

Cumulative performance in GBP (%) to 31 March 2022

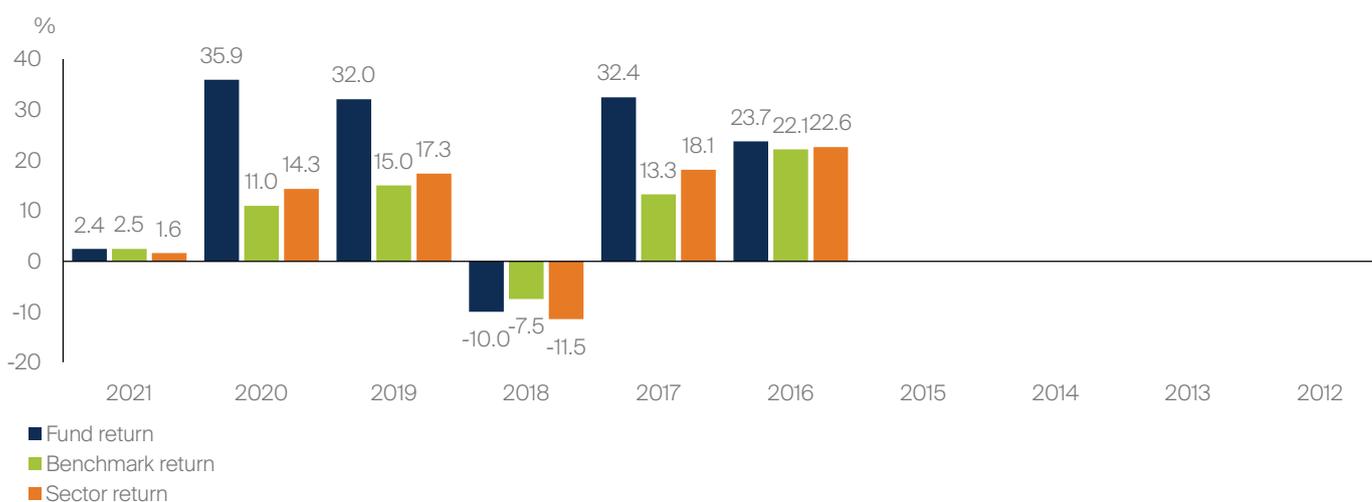
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Japan Focus Fund	138.0	-	67.0	36.5	-9.8	-19.3	-22.5	-19.3
TOPIX Net Total Return Index	67.0	-	27.7	20.7	-2.0	-3.7	-8.1	-3.7
Sector return	70.1	-	28.1	21.1	-4.8	-6.2	-10.8	-6.2

Performance review

Over the past 12 months, key contributors to performance included Lasertec, with reports of accelerated orders for its next-generation ACTIS machine and major logic customers planning EUV investments ahead of schedule. Tokyo Electron rose on solid earnings results and a stronger-than-expected upward full-year guidance revision, driven by higher growth expectations for the wafer fab equipment market over the coming year. Meanwhile, M3

detracted from returns on worries that its market support sales could be peaking, due to its exceptional growth during Covid and the shortage of consultants to meet demand. Raksul fell due to the market rotation from growth to value stocks, while its core printing business continued to be affected by the prolonged Covid situation.

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 26 October 2015. All performance data for the FSSA Japan Focus 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 - TSE, 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 Japan Focus Fund was rebranded as FSSA Japan Focus Fund.

Portfolio review

We initiated a toehold position in BayCurrent Consulting, a strategic and IT consulting firm, at more attractive valuations during the recent market volatility. We believe it should continue to benefit from the growing trend of digital transformation in Japan. The company has been in business for 20 years and, although it is a latecomer to the industry, it has gained recognition and moved up the value chain, and has expanded its business portfolio to include strategy consulting projects as well as IT services. BayCurrent has achieved 26% CAGR growth in the last three years and aims to become one of the top general consulting firms in Japan.

We also purchased Sho-Bond, a structural repairs and maintenance company focused on bridges and highways. We believe the company is among the best quality in the domestic construction industry in terms of management, track record, defensiveness, profitability and shareholders' return. Margins have improved, driven by the higher utilisation rate of its engineers and less seasonality, and management are confident on current growth levels until at least 2030.

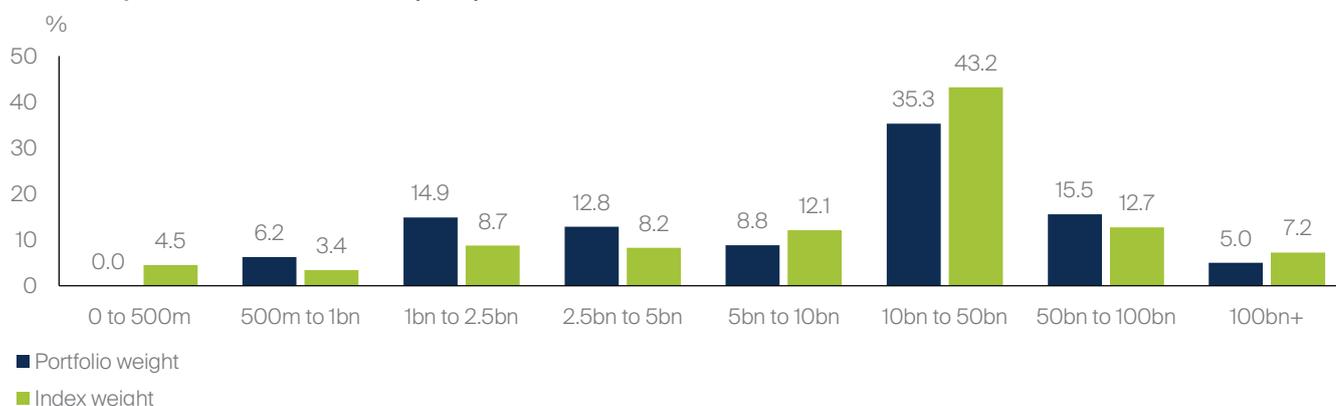
We divested Kamakura Shinsho to fund better ideas elsewhere. The management seems determined to invest into new businesses while its core businesses are still at an early stage. We sold Kao Corp on concerns about external headwinds in the domestic personal care market.

Stock spotlight

Benefit One is a leading corporate fringe benefits service provider in Japan. It generates high returns on capital employed (ROCE) based on its highly scalable business model. While fringe benefits are typically only provided to permanent workers in large corporations, we expect small-to-medium sized companies (which employ 70% of Japanese workers) to increasingly start offering them as well – thus expanding the potential market size. Benefit One aims to become a "one-stop shop" solutions provider to increase its value to clients, bundling together business travel management and healthcare programs with its core fringe benefit services.

The acquisition of JTB Benefit Service, the 3rd largest fringe benefits player in Japan, is expected to solidify Benefit One's dominant market position and provide synergies with its new business pillars in healthcare and a digital human resources (HR) platform. As a result, Benefit One plans to upgrade its midterm plan after the announcement of its full-year financial results. It aspires to transform its business model in the next five years.

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

Given the uncertainties around the global outlook, our 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.

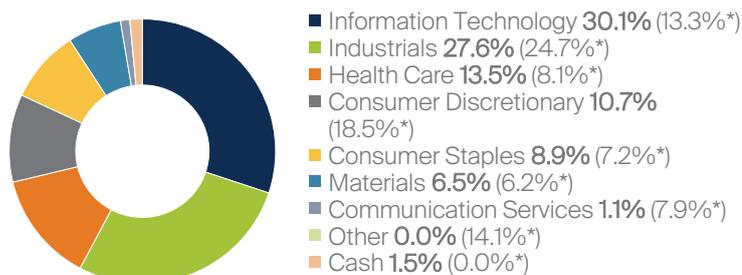
Our long-term investment themes:

- 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 31 March 2022

Stock name	Country	Sector	Portfolio weight (%)
Keyence Corporation	Japan	Information Technology	5.4
Recruit Holdings Co Ltd	Japan	Industrials	5.1
Tokyo Electron Ltd.	Japan	Information Technology	5.0
Sony Corporation	Japan	Consumer Discretionary	5.0
GMO Payment Gateway, Inc.	Japan	Information Technology	4.9
Olympus Corp.	Japan	Health Care	4.9
Shin-Etsu Chemical Co., Ltd.	Japan	Materials	4.6
Benefit One Inc	Japan	Industrials	4.3
SMC Corporation	Japan	Industrials	4.0
Shift Inc NPV	Japan	Information Technology	3.8

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%.

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 31 March 2022

Stock name	Country	Sector	Value added (bps*)
MonotaRO Co., Ltd.	Japan	Industrials	65
Nexon Co Ltd	Japan	Communication Services	29
Kotobuki Spirits Co., Ltd.	Japan	Consumer Staples	20
BayCurrent Consulting, Inc.	Japan	Industrials	3
Shoei Co. Ltd. (7839)	Japan	Consumer Discretionary	0

12 months to 31 March 2022

Stock name	Country	Sector	Value added (bps*)
Lasertec Corp.	Japan	Information Technology	183
Shift Inc NPV	Japan	Information Technology	151
Tokyo Electron Ltd.	Japan	Information Technology	99
Kobe Bussan Co., Ltd.	Japan	Consumer Staples	59
Keyence Corporation	Japan	Information Technology	38

Bottom 5 contributors to absolute performance

3 months to 31 March 2022

Stock name	Country	Sector	Value added (bps*)
Benefit One Inc	Japan	Industrials	-281
Lasertec Corp.	Japan	Information Technology	-190
Recruit Holdings Co Ltd	Japan	Industrials	-139
Raksul Inc Npv	Japan	Industrials	-138
Keyence Corporation	Japan	Information Technology	-127

12 months to 31 March 2022

Stock name	Country	Sector	Value added (bps*)
Raksul Inc Npv	Japan	Industrials	-171
M3, Inc.	Japan	Health Care	-158
Nihon M&A Center Inc	Japan	Industrials	-111
Japan Elevator Service Holdings Co., Ltd.	Japan	Industrials	-105
Workman Co Ltd	Japan	Consumer Discretionary	-96

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	1.19	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	0.37	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	19.60%	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	12.33%	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	13.16%	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)	0.81%	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)	2.31%	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)	5.59	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)	1.22	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)	34.66	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)	12.45	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 SCO79063.

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.

Representative and Paying Agent in Switzerland: The representative and paying agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selhaustrasse 16, 8002 Zurich, Switzerland. Place where the relevant documentation may be obtained: The prospectus, key investor information documents (KIIDs), the instrument of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

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.

Copyright © (2022) First Sentier Investors

All rights reserved.

For further information

Head of Distribution, UK & Europe

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

Sales Director, Europe & Third Party Distributions

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

Business Development Manager – Scotland, North of England & Ireland

Ross Stewart +44 (0)131 473 2482 ross.stewart@firstsentier.com

Sales Director, London, South East and Channel Islands

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

Sales Director, Midlands and South West

Carl Tomlin +44 (0)7825 935634 carl.tomlin@firstsentier.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 Manager, Europe

Robert Retz +49 (0) 69 710 456 304 robert.retz@firstsentier.com

Head of Institutional Sales, UK & EMEA

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

UK Consultant Relations

Sam Roberts +44 (0)20 7332 6577 sam.roberts@firstsentier.com