

FSSA Japan Equity Fund

-The Fund invests primarily in equity and equity related securities which are established or have significant operations in Japan and which are listed, traded or dealt in on regulated markets worldwide.

-The Fund's investments will be concentrated in Japan or may be concentrated in a single sector which may have higher volatility or greater loss of capital than more diversified portfolios.

-Investing in small /mid-capitalisation securities may have lower liquidity and their prices are more volatile to adverse economic developments.

-The Fund may use FDIs for hedging and efficient portfolio management purposes, which may subject the Fund to additional liquidity, valuation, counterparty and over the counter transaction risks.

-It is possible that a part or entire value of your investment could be lost. You should not base your investment decision solely on this document. Please read the offering document including risk factors for details.

Investment objective and strategy

The Fund aims to achieve long term capital appreciation and invests primarily in a portfolio of equity and equity related securities which are established or have significant operations in Japan and which are listed, traded or dealt in on regulated markets worldwide.

Fund information

Fund Size (US\$m)	315.8
Benchmark	MSCI Japan Net Index
Number Of Holdings	51

Available share classes

Share Class*	Inception Date	Nav/Per Share	ISIN Code
Class I (USD - Acc)	06 September 2016	US\$22.54	IE00BSJWPN04

* Acc represents share class with dividends accumulated.

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, Singapore and Edinburgh. 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 USD) to 31 December 2020

	12 mths to 31/12/20	12 mths to 31/12/19	12 mths to 31/12/18	12 mths to 31/12/17	12 mths to 31/12/16
FSSA Japan Equity Fund Class I (USD - Acc)	41.4	35.0	-15.0	42.9	-
MSCI Japan Net Index	14.5	19.6	-12.9	24.0	-

Cumulative Performance (% in USD) to 31 December 2020

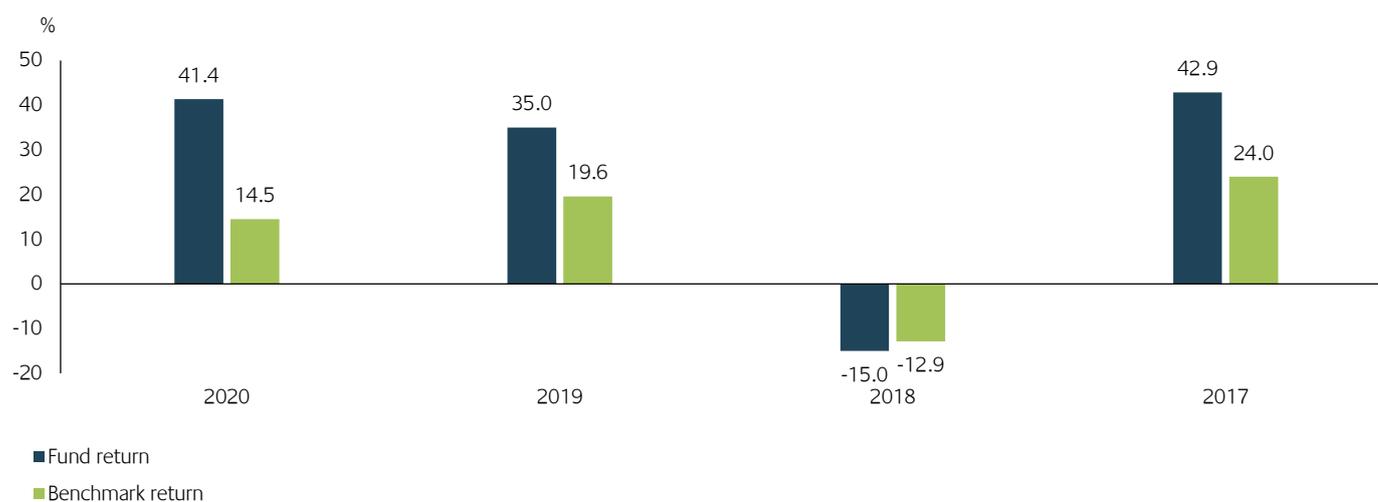
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Japan Equity Fund Class I (USD - Acc)	125.4	-	-	62.2	41.4	41.4	34.4	18.7
MSCI Japan Net Index	45.9	-	-	19.3	14.5	14.5	23.3	15.3

Performance Review

Over the past 12 months, key contributors to performance included M3, which continued to increase its engagement with doctor subscribers globally. E-detailing orders surged as doctors refrained from holding in-person meetings with medical representatives during the Covid pandemic. Additionally, new product launches (such as its AI imaging diagnostics tool and remote health consultation services with LINE) helped to boost sales. MonotaRO outperformed, as it continued to gain market share in the fragmented MRO industry. We believe there is still a long runway of growth ahead, as e-commerce penetration is relatively low; and Amazon has proven to be less of a competitive threat than previously anticipated. On the negative side, Benext Group* (formerly Trust Tech) declined, as operations were affected by weak demand from auto-related clients and production cutbacks by Japanese and British manufacturers due to Covid. Ryohin Keikaku (Muji)* fell on concerns over its margin decline in Japan, as well as the lack of a central infrastructure to support it. Despite Muji's global network of stores, it has yet to implement a global logistics/supply chain solution; and inventory systems are still localised.

*No longer held in the portfolio.

Calendar Year Performance (% in USD) to 31 December 2020



Source: Lipper and First Sentier Investors, Nav-Nav (USD total return) data as at 31 December 2020. This Fund is a sub fund of Ireland domiciled First Sentier Investors Global Umbrella Fund Plc. Class I (USD-Acc) is the non-dividend distributing class of the fund, the performance quoted are based on USD total return (non-dividend distributing). Unless otherwise specified, all information contained in this document is as at 31 December 2020. Investment involves risks, past performance is not a guide to future performance. On 22 September 2020, First State Japan Equity Fund was rebranded as FSSA Japan Equity Fund.



Portfolio Review

We initiated positions in Yappli and Plaid, subscribing to both companies' recent initial public offerings. We believe both companies should benefit from industry tailwinds, as Japan's digital transformation plays catch-up with other developed markets.

Yappli is a mobile applications development platform, which allows users to design and develop their own applications without any coding (programming) skills. It positions itself as an enterprise Software-as-a-Service (SaaS) provider, competing mainly with IT services and consulting companies in Japan (such as Accenture and Dentsu) which design customised applications for large enterprises. While Yappli suffered a temporary slowdown due to Covid-19, the company has provided guidance of 50-70% top line growth after 2020.

Meanwhile, Plaid offers customer experience (CX) software that analyses real-time customer data from a client's webpages to help the client understand their customers' habits and preferences, and suggest types of promotional activity (e.g. coupons, surveys, suggestions etc) to enhance user engagement. We believe high growth levels can be sustained as Plaid launches new products and e-commerce penetration continues to expand from a low base in Japan.

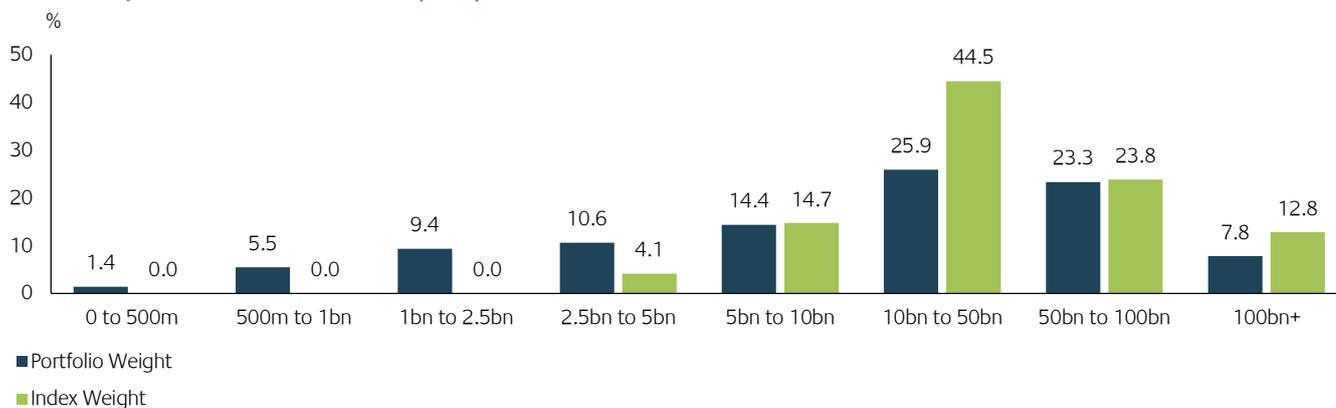
We divested Daifuku, an expensive toehold position in which we had no conviction to add.

Stock Spotlight

GMO Payment Gateway is the largest online payment processing company in Japan. We believe there is a long runway of growth ahead, as e-commerce penetration in Japan is only 7% of retail sales. With more offline retailers and consumer brand companies launching e-commerce portals, we believe GMO Payment is well positioned to capture the market, due to its extensive experience and track record in the payments industry.

The emergence of cashless payment transactions could be another growth driver for GMO Payment. Japan's cashless payment penetration (18%) is still relatively low compared to countries such as South Korea (95%), the UK (67%) and the US (44%). Recent policies, such as merchant subsidies and consumer rewards programs (which have been primary catalysts in other nations), are expected to accelerate the pace of transition. This could open doors to larger addressable markets, such as the offline cashless payment (JPY300 trillion) and the public tax/utilities market (JPY100 trillion).

Market Capitalisation Breakdown (USD)



Data source: First Sentier Investors. 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. The index refers to MSCI Japan Net Index.



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.

Amid the market volatility, we see the current panic selling as an excellent opportunity for long-term investors (like us) to accumulate leading franchises at much cheaper prices. We took the opportunity to consolidate the portfolio and initiate new positions in high conviction companies on our watch list that had become more reasonably valued.

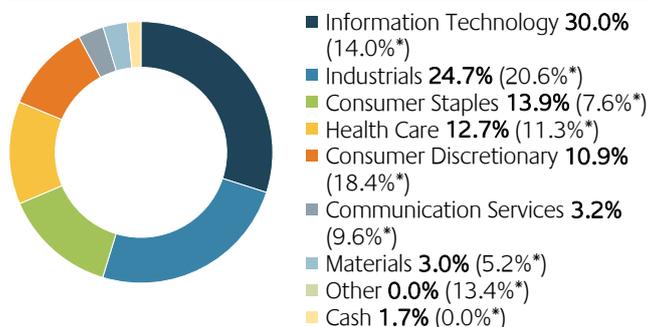
Our long-term investment themes:

- 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 December 2020

Stock Name	Country	Sector	Portfolio Weight (%)	Index Weight (%)
Keyence Corporation	Japan	Information Technology	4.5	2.6
M3, Inc.	Japan	Health Care	4.2	1.0
Recruit Holdings Co Ltd	Japan	Industrials	4.0	1.4
GMO Payment Gateway, Inc.	Japan	Information Technology	3.9	0.1
Nihon M&A Center Inc	Japan	Industrials	3.7	0.3
Hoya Corp.	Japan	Health Care	3.6	1.3
Tokyo Electron Ltd.	Japan	Information Technology	3.5	1.4
Benefit One Inc	Japan	Industrials	3.5	0.0
Sony Corporation	Japan	Consumer Discretionary	3.3	3.1
Rakus Co Ltd	Japan	Information Technology	3.2	0.0

Sector Breakdown



*Index Weight

Sector 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 31 December 2020

Stock Name	Country	Sector	Value added (bps*)
M3, Inc.	Japan	Health Care	190
Tokyo Electron Ltd.	Japan	Information Technology	125
GMO Payment Gateway, Inc.	Japan	Information Technology	109
Shin-Etsu Chemical Co., Ltd.	Japan	Materials	102
Rakus Co Ltd	Japan	Information Technology	102

12 months to 31 December 2020

Stock Name	Country	Sector	Value added (bps*)
Rakus Co Ltd	Japan	Information Technology	510
M3, Inc.	Japan	Health Care	497
GMO Payment Gateway, Inc.	Japan	Information Technology	338
MonotaRO Co., Ltd.	Japan	Industrials	331
Nihon M&A Center Inc	Japan	Industrials	287

Bottom 5 contributors to absolute performance

3 months to 31 December 2020

Stock name	Country	Sector	Value added (bps*)
Welcia Holdings Co Ltd	Japan	Consumer Staples	-39
Shift Inc NPV	Japan	Information Technology	-18
GMO Financial Gate Inc	Japan	Information Technology	-16
S-Pool Inc	Japan	Industrials	-14
Cybozu, Inc.	Japan	Information Technology	-14

12 months to 31 December 2020

Stock name	Country	Sector	Value added (bps*)
Ryohin Keikaku Co., Ltd.	Japan	Consumer Discretionary	-115
Benext Group Inc	Japan	Industrials	-93
Relo Holdings Inc	Japan	Real Estate	-77
SMS Co Ltd	Japan	Industrials	-75
KATITAS Co Ltd	Japan	Real Estate	-62

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.



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