

FSSA Asia Opportunities Fund



- The Fund invests primarily in equity securities or equity-related securities in Asian Region (excluding Australia, New Zealand and Japan).
- The Fund's investments may be concentrated in a single sector, country, specific region or small numbers of countries/companies which may have higher volatility or greater loss of capital than more diversified portfolios.
- The Fund invests in emerging markets which may have increased risks than developed markets including liquidity risk, currency risk/control, political and economic uncertainties, high degree of volatility, settlement risk and custody risk.
- The Fund may expose to China market risk including repatriation risk, uncertainties to PRC taxation policies and risks associated with StockConnects, QFI, the ChiNext market and/or the STAR board. The Fund may also expose to RMB currency and conversion risk.
- Investing in securities of small/mid-capitalisation companies may have lower liquidity and more volatile prices 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 equity or equity-related securities of companies that are listed, or have their registered offices in, or conduct a majority of their economic activity in the Asian Region (excluding Australia, New Zealand and Japan).

Fund information

Fund size (US\$m)	26.6
Benchmark	MSCI AC Asia ex Japan Net Index
Number of holdings	43

Available share classes

Share class ⁺	Inception date	Nav/per share	ISIN code
Class I (USD - Acc)	18 October 2002	US\$51.18	IE0009570106

⁺ 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 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 USD) to 31 December 2023

	12 mths to 31/12/23	12 mths to 31/12/22	12 mths to 31/12/21	12 mths to 31/12/20	12 mths to 31/12/19
FSSA Asia Opportunities Fund Class I (USD - Acc)	2.3	-15.8	5.4	13.2	15.1
MSCI AC Asia ex Japan Net Index	6.0	-19.7	-4.7	25.0	18.2

Cumulative performance (% in USD) to 31 December 2023

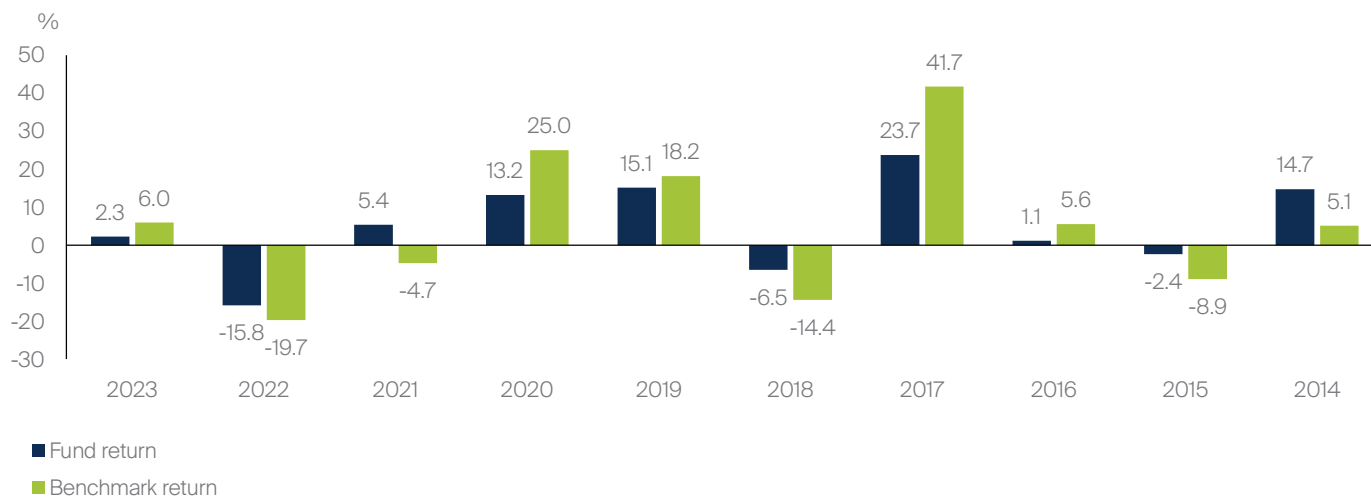
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Asia Opportunities Fund Class I (USD - Acc)	411.8	55.0	18.3	-9.2	2.3	2.3	-0.4	4.3
MSCI AC Asia ex Japan Net Index	278.3	47.0	19.8	-18.9	6.0	6.0	2.9	6.4

Performance review

Over the past 12 months, key contributors to performance included Taiwan Semiconductor (TSMC) which was buoyed by the positive sentiment on AI-related stocks. TSMC has maintained its cutting-edge technology leadership (in terms of its chips' processing speed and power consumption); and this, along with its business alignment with its customers, has continued to strengthen its competitive position. Colgate-Palmolive (India) benefited from recovering volume growth and margin expansion throughout 2023.

On the negative side, China Mengniu Dairy declined on weak consumer demand, though we continue to believe it should benefit gradually from the long-term premiumisation trend with its deluxe offerings, cheese, ice cream, and sports and elderly nutrition. China Resources Beer (CR Beer) fell, with volume growth expected to remain under pressure amid weak consumer spending. The company plans to continue rationalising its operations (by closing plants and reducing staff numbers) to improve margins over the next few years.

Calendar year performance (% in USD) to 31 December 2023



Source: Lipper and First Sentier Investors, Nav-Nav (USD total return) data as at 31 December 2023. This Fund is a sub fund of Ireland domiciled First Sentier Investors Global Umbrella Fund Plc. As at 6 September 2016, the investment policy has been clarified and the name of the fund has been changed from First State Asia Innovation Fund to First State Asia Opportunities Fund to reflect the change. 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). Gross of tax benchmark performance is shown before 1 July 2016 and net of tax benchmark performance is shown after the aforementioned date. Unless otherwise specified, all information contained in this document is as at 31 December 2023. Investment involves risks, past performance is not a guide to future performance. On 22 September 2020, First State Asia Opportunities Fund was rebranded as FSSA Asia Opportunities Fund.

Portfolio review

We bought Tencent, the largest social media network and online gaming company in China, with growing businesses in online advertising, cloud services and e-payments/e-commerce. Its profits have returned to year-on-year growth on the back of strong demand for online games and certain advertising segments. We expect decent growth for Tencent's advertising business, driven by the recent monetisation of Weixin's short video function and the recovery of advertising demand. Cloud and fintech could also become major growth engines in the mid-to-long term.

We also bought Fairwood, a Chinese quick-service restaurant based in Hong Kong. While fundamentally a decent franchise, the business has been struggling since 2018 due to cost pressures, Hong Kong protests and pandemic restrictions. In 2023, Hong Kong's restaurant industry has been improving gradually albeit slowly, while the group is adopting a prudent approach to enhance its operations. Recent initiatives include digitisation and adding menu items to attract health-focused consumers, and we bought the stock at attractive valuations.

We sold Jardine Matheson to consolidate into higher-conviction opportunities.

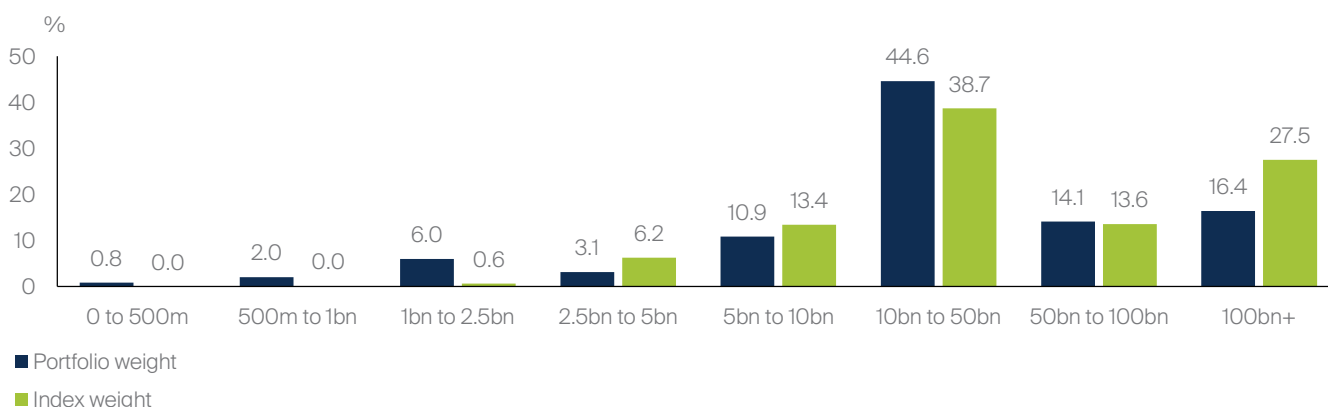
Stock spotlight

We have been shareholders of HDFC Bank, India's largest private sector bank, for close to two decades. Thanks to its conservative and risk-aware lending, it has consistently gained market share at the expense of state-owned banks, which are plagued by asset quality and capital adequacy issues. The management team is highly experienced, with CEO Sashidhar Jagdishan at the helm. State-owned banks continue to make up nearly 60% of the Indian banking system, although this number has shrunk from 75% a decade ago. Industry growth continues to be led by greater penetration of banking services and financialisation of savings among a large under-banked population.

HDFC Bank has delivered industry-leading returns over the last two decades, while consistently focusing on risk management. Earnings per share (EPS) has compounded at 23% compound annual growth rate (CAGR) over this period, while shareholders have earned a total return of 19% in US dollar terms.

This has been underpinned by investments in the branch network, which has grown by 65% in the last 5 years, as well as a focus on digital channels – already 95% of all their transactions are via Internet & Mobile, whilst the bank accounts for 28% of all e-commerce transactions in India. Finally, we believe the recent merger with HDFC Corp will lead to a stronger financial conglomerate with leading positions in segments such as asset management and life insurance. It should result in significant synergies across business lines, which will be accretive to their returns over time.

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. 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 AC Asia ex Japan Net Index.

Outlook

It has been a decade of poor performance across most Asian markets, but in our view that means there are grounds for greater optimism. One prerequisite for higher returns is lower prices, while slower growth (at the economy and at company levels) could, paradoxically, pave the way for higher shareholder returns. In a tougher operating environment, the better companies tend to strengthen their position and gain market share. That is why "quality" tends to perform well in bear markets.

From that perspective we are relatively optimistic, particularly as the quality of the portfolio has seldom been better and the valuation looks attractive. As always, the team's investment process and philosophy remains driven from the bottom up and is focused on finding the region's best companies that can grow larger over time. Meanwhile, we believe pessimism, anchored by lower valuations, is usually a good reason to think more constructively about the opportunities.

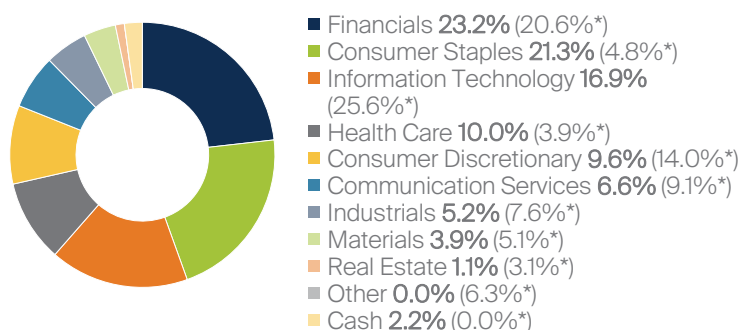
Our long-term investment themes:

- 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 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.

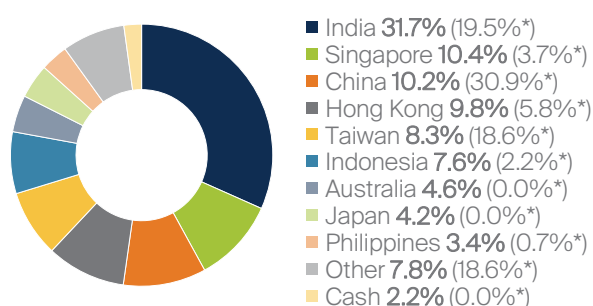
Ten largest company holdings as at 31 December 2023

Stock name	Geography	Sector	Portfolio weight (%)
HDFC Bank	India	Financials	6.5
CSL	Australia	Health Care	4.6
Colgate-Palmolive (India) Limited	India	Consumer Staples	4.5
Mahindra & Mahindra	India	Consumer Discretionary	4.2
Taiwan Semiconductor (TSMC)	Taiwan	Information Technology	4.1
Oversea-Chinese Banking Corporation	Singapore	Financials	4.0
Axis Bank Limited	India	Financials	3.2
Tata Consultancy Serv. Ltd	India	Information Technology	3.2
Godrej Consumer Products Limited	India	Consumer Staples	3.1
NAVER Corp.	South Korea	Communication Services	3.0

Sector breakdown



Geographic breakdown



*Index weight

*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 31 December 2023

Stock name	Geography	Sector	Value added (bps*)
Colgate-Palmolive (India) Limited	India	Consumer Staples	102
CSL	Australia	Health Care	86
HDFC Bank INR1	India	Financials	73
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	72
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	59

12 months to 31 December 2023

Stock name	Geography	Sector	Value added (bps*)
Colgate-Palmolive (India) Limited	India	Consumer Staples	187
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	112
PT Astra Otoparts Tbk	Indonesia	Consumer Discretionary	109
Mahindra & Mahindra Ltd.	India	Consumer Discretionary	106
Godrej Consumer Products Limited	India	Consumer Staples	85

Bottom 5 contributors to absolute performance

3 months to 31 December 2023

Stock name	Geography	Sector	Value added (bps*)
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-66
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-52
PT Astra Otoparts Tbk	Indonesia	Consumer Discretionary	-42
Jardine Matheson Holdings Limited	Hong Kong	Industrials	-40
Shiseido Company,Limited	Japan	Consumer Staples	-22

12 months to 31 December 2023

Stock name	Geography	Sector	Value added (bps*)
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-127
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-113
Shiseido Company,Limited	Japan	Consumer Staples	-78
Vitasoy International Holdings Limited	Hong Kong	Consumer Staples	-67
AIA Group Limited	Hong Kong	Financials	-67

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.

Important information

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