

FSSA China Growth 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, mainland China. The Fund may invest up to 100% of its assets in any industry and in companies of any size.
 The Fund will invest less than 100% of its assets in China A Shares. The Fund may use derivatives with the aim of risk reduction or efficient management.

Fund information

Fund launch date	20 May 1992
Fund size (US\$m)	2482.2
Benchmark	MSCI China Net Index*
Number of holdings	54
Fund manager(s)	Martin Lau/Winston Ke
Research rating ^	Morningstar@:Gold

* The benchmark changed from MSCI Golden Dragon Index to the above on 01/06/2002. The benchmark of the Fund changed from MSCI China Gross to MSCI China Net with effect from 1 July 2016. 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 China Growth Fund USD Class I (Accumulation)	0844877	IE0008368742
FSSA China Growth Fund USD Class I (Distributing)	B031HY2	IE00B031HY20

Risk factors

This document is a financial promotion for the FSSA China Growth 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.
- **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 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 China Growth Fund USD Class V (Distributing)	BDRM775	IE00BDRM7756
FSSA China Growth Fund GBP Class VI (Distributing)	BDRM786	IE00BDRM7863
FSSA China Growth Fund USD Class VI (Accumulation)	BG1V0V4	IE00BG1V0V41
FSSA China Growth Fund EUR Class VI (Accumulation)	BYXW390	IE00BYXW3909
FSSA China Growth Fund USD Class V (Accumulation)	BJFT2B9	IE00BJFT2B93
FSSA China Growth Fund USD Class VI (Distributing)	OC84T45	IE00019VAKG2
FSSA China Growth Fund CNH Class I Hedged N (Accumulation)		IE000KX3CXG6

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 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 China Growth Fund	-17.9	-19.7	-6.0	32.0	30.6
MSCI China Net Index	-11.2	-21.9	-21.7	29.5	23.5

Cumulative performance in USD (%) to 31 December 2023

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA China Growth Fund	1467.6	23.7	6.7	-38.1	-17.9	-17.9	-10.8	-3.5
MSCI China Net Index	341.1	9.6	-13.2	-45.7	-11.2	-11.2	-6.1	-4.2

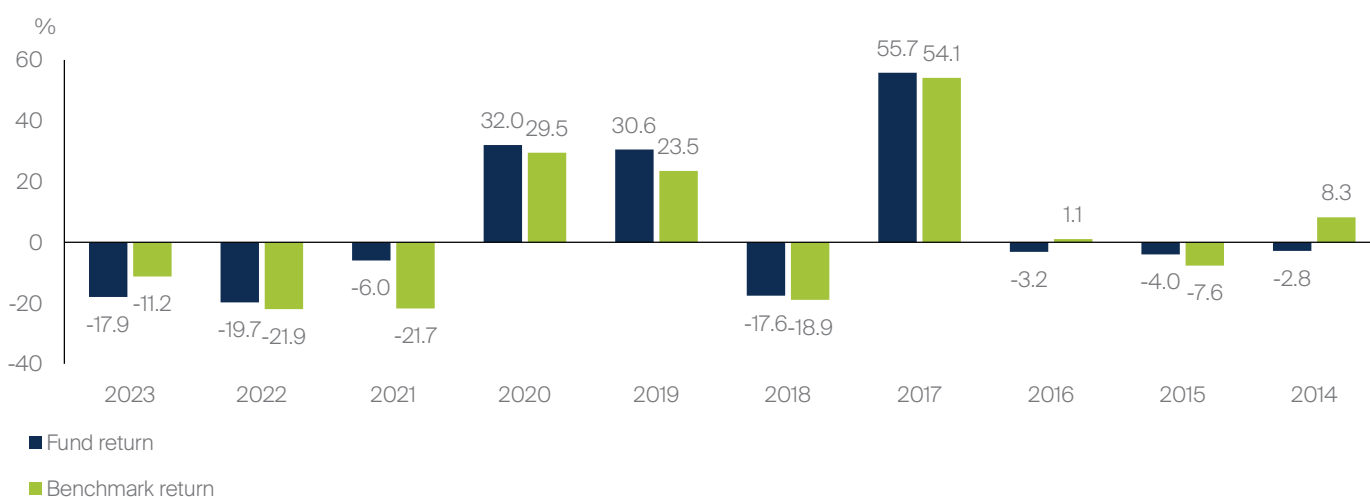
Performance review

Over the past 12 months, key contributors to performance included Midea, which continued to execute well despite the challenging environment. While growth remains difficult and pricing has been under pressure, Midea's focus on innovation has led to a shorter upgrade cycle, with replacements now the dominant driver of demand. Midea enjoys a leading market share in the heating, ventilation and air-conditioning sector, and the launch of its new marketing campaign with English Premier League footballer Erling Haaland should help its aspirations of becoming a major global player in other home goods and small appliances. Mediatek rose on signs of recovering end-demand for smartphones. The company, which designs integrated circuits on semiconductor chips, is benefiting from the use of artificial intelligence in its

processes, as it can optimise performance and shorten the chip development time.

On the negative side, China Mengniu Dairy has been affected by weak consumer demand as China's economic recovery remains fragile. In the long run we continue to believe it should benefit from the "premiumisation trend", with its deluxe offerings, cheese, ice cream, and sports and elderly nutrition. China Merchants Bank missed the market's expectations, with net profit growth weaker than forecast. Revenue was lower due to a decline in fee income and a compression in net interest margins; but on the positive side, retail loans posted a modest recovery, asset quality remained stable, and deposit growth was strong.

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



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 17 August 1999. All performance data for the FSSA China Growth Fund Class I (Accumulation) USD as at 31 December 2023. 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.

▲On 22 September 2020, First State China Growth Fund was rebranded as FSSA China Growth Fund.

Portfolio review

There were no significant new purchases over the quarter.

We sold out of small positions in Bafang Electric and China Taiping Insurance to consolidate the portfolio into higher-conviction holdings.

Stock spotlight

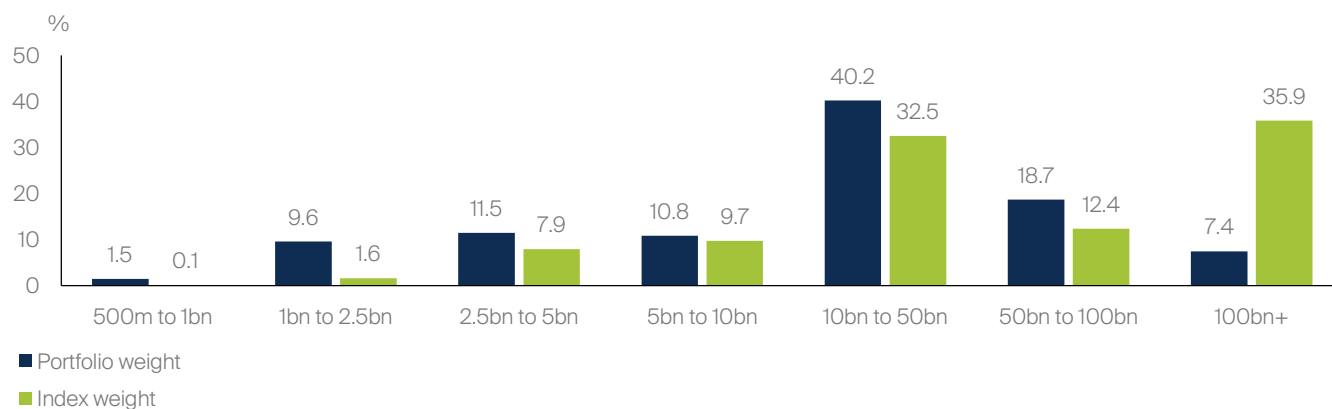
Tencent is the largest social media network and online gaming company in China, with growing businesses in online advertising, cloud services and e-payments/e-commerce. Founded in 1998 by Pony Ma, who remains the CEO and a significant shareholder, Tencent's DNA is focused on experimentation and constantly trying out new things. Alongside the gaming business, which took off in the middle of the 2000s, Tencent's original PC-based chat program "QQ" made the transition to smartphones early on and the company used that experience in 2011 to develop Weixin (WeChat in English).

WeChat is widely considered the world's first "Super App" and is now an integrated part of daily life for more than 1.2bn users. Tencent took advantage of the tremendous network effects created by its messaging app to develop other features on top of it for monetisation. WeChat not only facilitates messaging, but also has a social media app (Moments), a payment app (WeChat Pay) and multiple other services (such as ride hailing, commerce, streaming etc), which together make up an ecosystem with incredibly strong network effects. This results in high barriers to entry that protect its profit pool.

The other key to Tencent's success is related to capital allocation. With the growing dominance of WeChat, Tencent also started to gain notable insights into user preferences. Tencent could spot new trends early and leverage this insight to fund the most promising operators. Early and subsequently very profitable investments in the likes of JD.com, Meituan, Pinduoduo and Kuaishou are testament to that. The benefits also worked two ways, as the investment by Tencent would often ensure a preferential position for these companies in its ecosystem, and thus, greatly enhance the chances of success. This made Tencent the preferred investor by many start-ups and greatly contributed to the value accretion over the years.

We expect Tencent's gaming business to recover domestically with the government's resumption of new game licenses. The ambition to build a global gaming franchise will also gradually bear fruit. We also foresee 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. Putting it all together, we believe Tencent can achieve a 10-15% growth rate for the next 3-5 years.

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

Investing in China's dynamic market comes with an evolving set of challenges and opportunities. Today, the key challenges include shifts in geopolitics, policy priorities and demographics. In the shorter term, weak consumer confidence and rising unemployment have been additional areas of concern. But, as long-term investors, we also see an attractive opportunity set in a unique market. We have been impressed by the improving quality of Chinese companies and management over the years and we believe there is room for industry leaders to continue to deliver attractive returns in a maturing economy.

As always, we seek to invest in quality companies with proven management, dominant franchises and conservative financials. Market downturns provide us with attractive opportunities to accumulate quality companies at lower prices – and we stand by the belief that the best time to buy is when things appear gloomy and valuations are undemanding. We have taken the opportunity to build up some of the smaller positions in the portfolio, while also adding on weakness to our high conviction and core long-term holdings.

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.

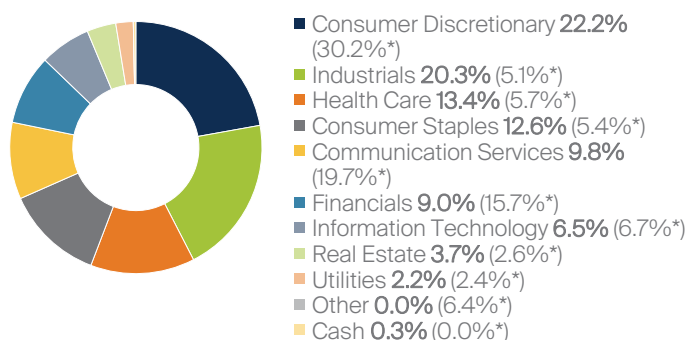
Ten largest company holdings as at 31 December 2023

Stock name	Country	Sector	Portfolio weight (%)
Tencent Holdings Ltd.	China	Communication Services	7.4
Midea Group	China	Consumer Discretionary	6.2
China Merchants Bank Co., Ltd. Class H	China	Financials	4.5
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	4.2
ANTA Sports Products Ltd.	China	Consumer Discretionary	3.9
Ping An Insurance (Group) Company of China, Ltd. Class H	China	Financials	3.8
JD.com	China	Consumer Discretionary	3.6
Shenzhen Mindray Bio-Medic-A	China	Health Care	3.5
CSPC Pharmaceutical Group Limited	China	Health Care	3.1
Shenzhen Inovance Technology Co., Ltd Class A	China	Industrials	2.9

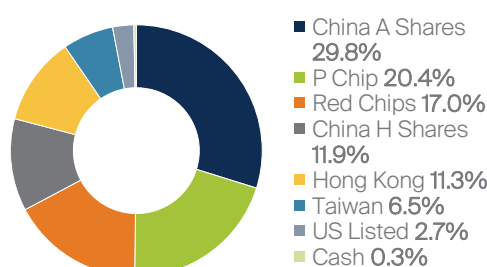
Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. 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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Sector breakdown



Share class breakdown



*Index weight

Top 5 contributors to absolute performance

3 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
Silergy Corp.	China	Information Technology	70
CSPC Pharmaceutical Group Limited	China	Health Care	68
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	55
MediaTek Inc	Taiwan	Information Technology	51
Shenzhen Mindray Bio-Medic-A	China	Health Care	41

12 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
MediaTek Inc	Taiwan	Information Technology	70
Midea Group Co. Ltd. Class A	China	Consumer Discretionary	36
Advantech	Taiwan	Information Technology	34
Silergy Corp.	China	Information Technology	31
Netease Inc	China	Communication Services	27

Bottom 5 contributors to absolute performance

3 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
Ping An Insurance (Group) Company of China, Ltd. Class H	China	Financials	-100
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-95
China Merchants Bank Co., Ltd. Class H	China	Financials	-85
ANTA Sports Products Ltd.	China	Consumer Discretionary	-61
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-41

12 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-194
China Merchants Bank Co., Ltd. Class H	China	Financials	-185
Ping An Insurance (Group) Company of China, Ltd. Class H	China	Financials	-138
JD.com, Inc. Sponsored ADR Class A	China	Consumer Discretionary	-132
ENN Energy Holdings Limited	China	Utilities	-121

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 31 December 2023

Risk measure	Value	Risk description
Beta	0.83	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	0.60	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	25.48%	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	29.23%	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	8.91%	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 December 2023

Risk measure	Value	Risk description
Dividend Yield (Fund)	2.95%	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)	2.65%	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)	2.16	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)	1.72	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)	12.75	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)	9.79	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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