

# FSSA All China 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 70% in a portfolio of shares of companies based in or where the majority of their activities take place in mainland China that are listed, traded or dealt worldwide. The Fund has no set target for the number of companies it will invest in but the Fund's manager anticipates that typically the Fund will invest in around 40 – 60 stocks. The Fund may invest up to 10% in other funds.

The Fund will only use derivatives to reduce risk or to manage the Fund more efficiently in limited cases.

## Fund information

Fund launch date	01 March 2017
Fund size (£m)	81.0
UK's investment association sector	China/Greater China
Benchmark	MSCI China All Shares Net Index*
Number of holdings	69
Fund manager(s)	Winston Ke/Helen Chen
Research rating ^	Morningstar®:Gold RSM:Rated
Fund yield	1.4%

\* 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.

^ 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 All China Fund in the UK 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.
- **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.
- **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.**

### Available share classes

Share class	Sedol	ISIN
FSSA All China Fund GBP Class B (Accumulation)	BZCCYN9	GB00BZCCYN91
FSSA All China Fund USD Class B (Accumulation)	BZCCYL7	GB00BZCCYL77
FSSA All China Fund GBP Class E (Accumulation)	BGMHMT3	GB00BGMHMT38

### 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 All China Fund in the UK 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.
- **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.
- **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.**

### Annual performance in GBP (%) 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 All China Fund	-27.4	-6.2	-9.6	40.4	38.0
MSCI China All Shares Net Index	-16.5	-14.0	-12.1	29.3	22.7
Sector return	-20.6	-16.0	-11.4	33.3	22.0

### Cumulative performance in GBP (%) to 31 December 2023

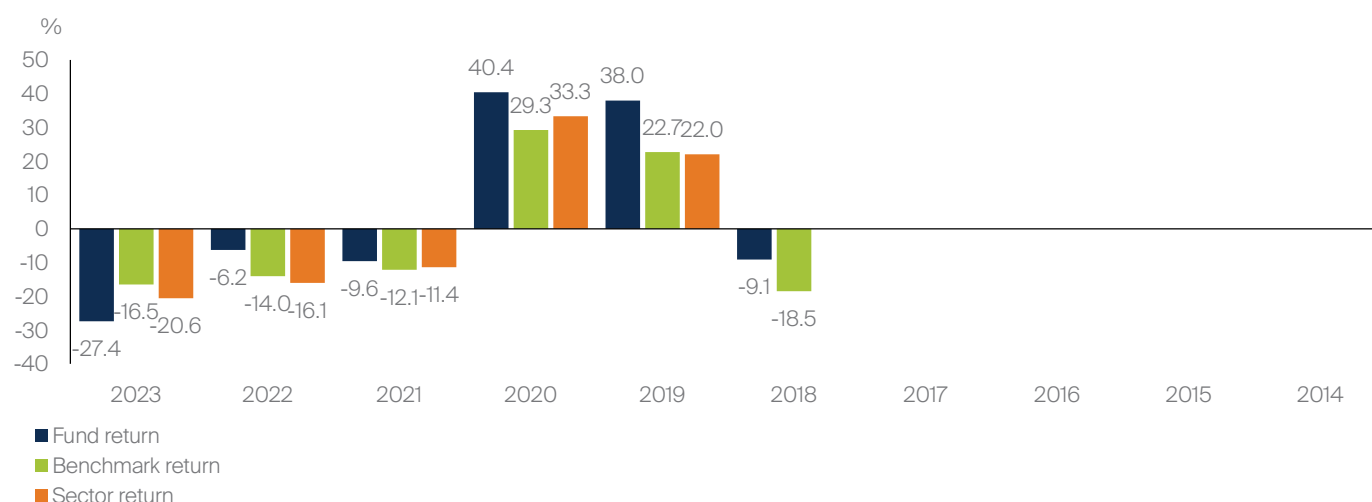
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA All China Fund	11.1	-	19.4	-38.4	-27.4	-27.4	-13.8	-10.6
MSCI China All Shares Net Index	-21.0	-	0.1	-36.9	-16.5	-16.5	-6.8	-7.9
Sector return	-19.3	-	-3.0	-40.8	-20.6	-20.6	-8.7	-8.2

### Performance review

Over the past 12 months, key contributors to performance included ACM Research, which reported strong earnings results, with revenue and net profit significantly ahead of estimates due to improved product mix and therefore wider margins. Silergy showed signs of an improving outlook, with its recent earnings beat on better-than expected sales and improved gross margins from FX gains and lower inventory write-offs. On the negative side, JD.com fell on concerns about slowing sales growth and rising competition. We think the franchise is still solid,

consumer mindshare is strong (especially among mid to high income groups) and valuations are very attractive. 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.

### Calendar year performance (% in GBP) 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 GBP, the return may increase or decrease as a result of currency fluctuations. Since inception performance figures have been calculated from 24 November 2017. All performance data for the FSSA All China Fund Class B (Accumulation) GBP 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.

▲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 All China Fund was rebranded as FSSA All China Fund.

### Portfolio review

New positions over the quarter included Silergy, a domestic technology leader in Power Management Integrated Circuits (PMIC). Silergy's four founders are well regarded and all have blue chip experience from leading US analog companies. The company is considered to have the best R&D capabilities and the most competitive products in the industry. We believe its highly competitive products stem from its adoption of the "virtual IDM" model, as one of the few (if not the only) analog design house in China. This allows it to have customised, dedicated production lines with foundry partners, which gives Silergy superior product performance and lower manufacturing cost vs. fabless competitors.

We divested Netease on concerns about rising regulatory risks and sold Weichai Power to raise cash for better ideas elsewhere.

### Stock spotlight

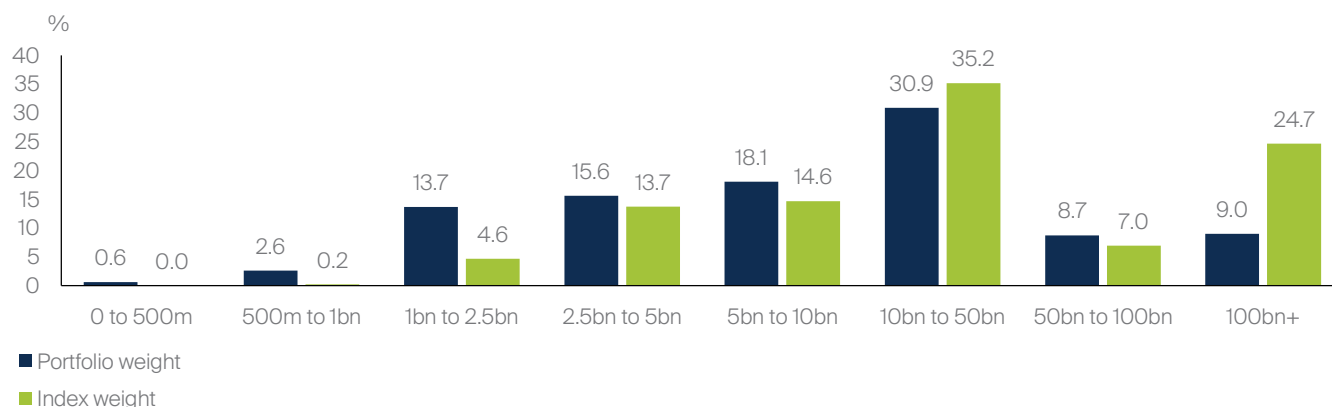
Tencent is the largest social media network and online gaming company in China, with growing businesses in online advertising, cloud services and e-payments/e-commerce. Founded in 1998 by Pony Ma, who remains the CEO and a significant shareholder, Tencent's DNA is focused on experimentation and constantly 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 (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

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.

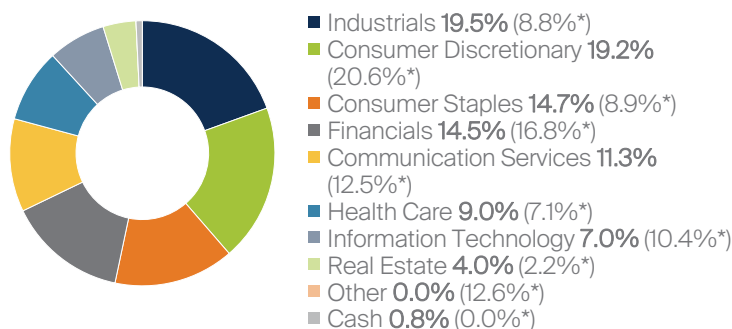
## Ten largest company holdings as at 31 December 2023

Stock name	Country	Sector	Portfolio weight (%)
Tencent Holdings Ltd.	China	Communication Services	9.0
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	7.1
JD.com	China	Consumer Discretionary	5.3
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	4.6
China Merchants Bank Co., Ltd. Class H	China	Financials	4.2
Meituan Class B	China	Consumer Discretionary	4.0
Bank of Ningbo	China	Financials	3.6
Huazhu Group Ltd USD0.00001	China	Consumer Discretionary	3.5
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	3.4
Sino Biopharmaceutical Limited	China	Health Care	3.4

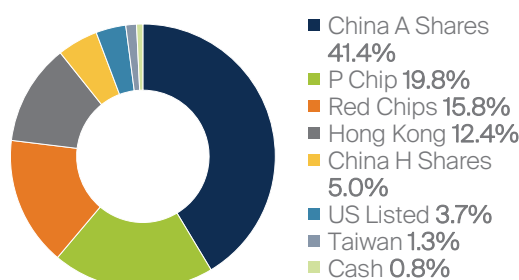
Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security.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

## 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	56
Sino Biopharmaceutical Limited	China	Health Care	55
Luxshare Precision Industry Co. Ltd. Class A	China	Information Technology	19
Yifeng Pharmacy Chain Co Ltd Class A	China	Consumer Staples	17
Autobio Diagnostic A Cny1	China	Health Care	16

### 12 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
ACM Research, Inc. Class A	USA	Information Technology	94
Silergy Corp.	China	Information Technology	51
Netease Inc	China	Communication Services	41
China Overseas Grand Oceans Group Limited	China	Real Estate	19
Shenzhen Fuanna Bedding A	China	Consumer Discretionary	11

## Bottom 5 contributors to absolute performance

### 3 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-169
Meituan Class B	China	Consumer Discretionary	-155
Bank of Ningbo Co., Ltd. Class A	China	Financials	-114
China Merchants Bank Co., Ltd. Class H	China	Financials	-87
Shanghai Liangxin Electrical Co., Ltd. Class A	China	Industrials	-82

### 12 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-322
Meituan Class B	China	Consumer Discretionary	-301
JD.com, Inc. Class A	China	Consumer Discretionary	-280
Bank of Ningbo Co., Ltd. Class A	China	Financials	-185
China Merchants Bank Co., Ltd. Class H	China	Financials	-183

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 December 2023

Risk measure	Value	Risk description
Beta	1.13	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	25.88%	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	21.91%	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	8.44%	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)	2.53%	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)	2.64%	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)	1.73	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)	1.63	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)	12.17	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)	10.89	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](http://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.

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 © (2023) First Sentier Investors

All rights reserved.



### For further information

#### Head of Distribution, UK and Europe

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

#### Sales Director, Europe and Third Party Distributions

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

#### Head of Wholesale, UK and Ireland

Tom Burton +44 (0)20 7332 6559 [tom.burton@fssaim.com](mailto:tom.burton@fssaim.com)

#### Sales Director, Wholesale

Matt Lepine +44 (0)20 7332 6840 [matt.lepine@fssaim.com](mailto:matt.lepine@fssaim.com)

#### Institutional Relationship Director FSSA

Fraser Wood +44 (0)131 473 2529 [fraser.wood@fssaim.com](mailto:fraser.wood@fssaim.com)

#### Head of Distribution, Ireland

Frank Glennon +44(0)7776 138105 [frank.glennon@firstsentier.com](mailto:frank.glennon@firstsentier.com)

#### Sales Director, Europe

Eva von Sydow +33 (0)1 72 25 66 36 [eva.vonsydow@firstsentier.com](mailto:eva.vonsydow@firstsentier.com)

#### Sales Directors, Germany and Austria

Emmanuel Litique +49 (0) 69 2443 71631 [emmanuel.litique@firstsentier.com](mailto:emmanuel.litique@firstsentier.com)

Robert Retz +49 (0) 69 2443 71633 [robert.retz@firstsentier.com](mailto:robert.retz@firstsentier.com)

#### Senior Institutional Business Development Director, Germany and Austria

Sascha Beisheim +49 (0) 69 2443 71634 [sascha.beisheim@firstsentier.com](mailto:sascha.beisheim@firstsentier.com)

#### Head of Institutional Sales, UK and EMEA

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

#### UK Consultant Relations

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