

FSSA Global Emerging Markets 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 70% in shares of large and mid-sized companies based in emerging markets and are listed on exchanges worldwide. This includes companies that are listed on exchanges in developed markets where the majority of their activities take place in emerging markets. These companies generally have a total stock market value of at least US\$1 billion. Emerging markets are countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body. 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	28 September 2017
Fund size (£m)	71.9
UK's investment association sector	Global Emerging Markets
Benchmark	MSCI Emerging Markets Net Index*
Number of holdings	38
Fund manager(s)	Rasmus Nemmoe/Naren Gorthy
Research rating ^	Morningstar®:Gold RSM:Rated
Fund yield	0.5%

* 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 Global Emerging Markets Focus 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.**
- **Emerging market risk:** Emerging markets tend to be more sensitive to economic and political conditions than developed markets. Other factors include greater liquidity risk, restrictions on investment or transfer of assets, failed/delayed settlement and difficulties valuing securities.
- **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 Global Emerging Markets Focus Fund EUR Class B (Accumulation)	BZCCYF1	GB00BZCCYF18
FSSA Global Emerging Markets Focus Fund GBP Class B (Accumulation)	BZCCYG2	GB00BZCCYG25
FSSA Global Emerging Markets Focus Fund GBP Class E (Accumulation)	BZ8GV67	GB00BZ8GV678
FSSA Global Emerging Markets Focus Fund USD Class Z (Accumulation)	BSMPG59	GB00BSMPG590

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 GBP (%) to 31 March 2024

	12 mths to 31/03/24	12 mths to 31/03/23	12 mths to 31/03/22	12 mths to 31/03/21	12 mths to 31/03/20
FSSA Global Emerging Markets Focus Fund	1.8	4.6	-0.3	46.4	-20.7
MSCI Emerging Markets Net Index	5.9	-4.9	-7.1	42.3	-13.5
Sector return	6.2	-4.5	-9.0	48.6	-14.9

Cumulative performance in GBP (%) to 31 March 2024

	Since Inception	10 yrs	5 yrs	3 yrs	1yr	YTD	6 mths	3 mths
FSSA Global Emerging Markets Focus Fund	31.0	-	23.4	6.2	1.8	3.2	4.7	3.2
MSCI Emerging Markets Net Index	16.4	-	15.1	-6.5	5.9	3.3	6.7	3.3
Sector return	16.5	-	18.3	-8.6	6.2	3.7	7.4	3.7

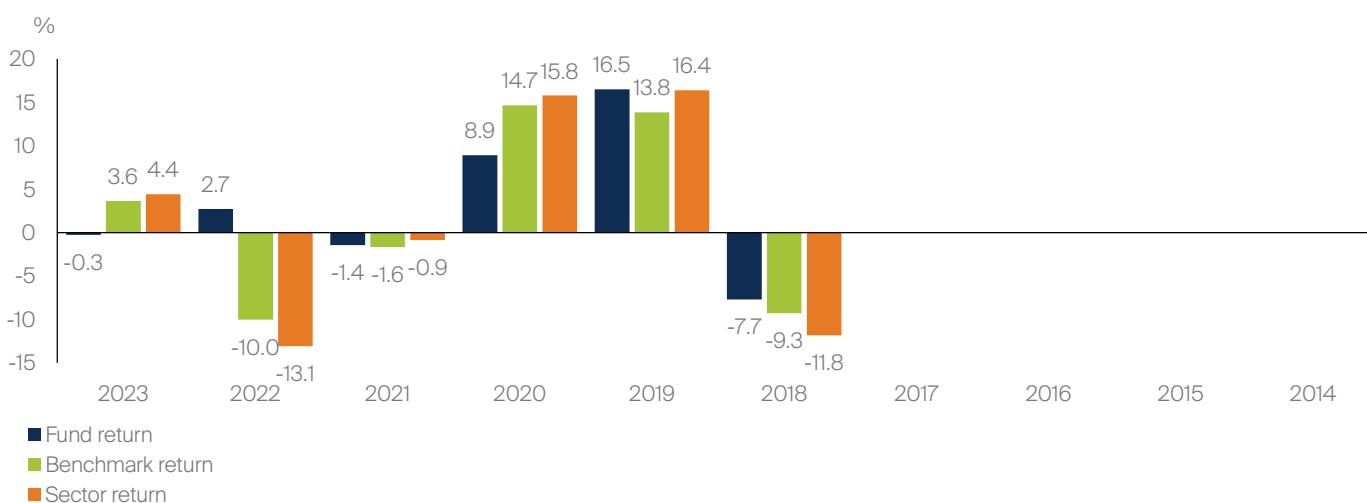
Performance review

Over the past 12 months, key contributors to performance included Alsea, after the company reported sustained growth in same store sales and expanded margins as it pushed to accelerate new store openings. Taiwan Semiconductor (TSMC) rose after management guided for stronger growth and market share gains, with demand for its leading-edge chips boosted by high-performance computing and generative-AI.

On the negative side, JD.com fell on concerns of 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. Tsingtao Brewery weakened despite reporting reasonable earnings results and a positive growth outlook based on continued premiumisation. We think the recent share price performance reflects the market's general concerns about the scope of China's recovery, rather than any fundamental reason.

Calendar year performance (%) in GBP to 31 March 2024



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 01 December 2017. All performance data for the FSSA Global Emerging Markets Focus Fund Class B (Accumulation) GBP as at 31 March 2024. 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 Global Emerging Markets Focus Fund was rebranded as FSSA Global Emerging Markets Focus Fund.

Portfolio review

New positions over the quarter included Netease, the second-largest gaming company in China. The company has a portfolio of mid-sized games with high user stickiness and longevity. It also has a strong pipeline that should support decent growth prospects. With a long track record and impressive returns over the past 20 years, we like the company's strong alignment and mind-set for returning value to shareholders. We also purchased FPT, an IT services and fixed broadband provider in Vietnam. Valuations were reasonable and there is a decent runway of growth ahead – the IT services business contributes half of earnings and is expected to grow at 20-25% per annum in the medium term.

We divested Maruti Suzuki to consolidate the portfolio and sold Godrej Consumer Products on expensive valuations.

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).

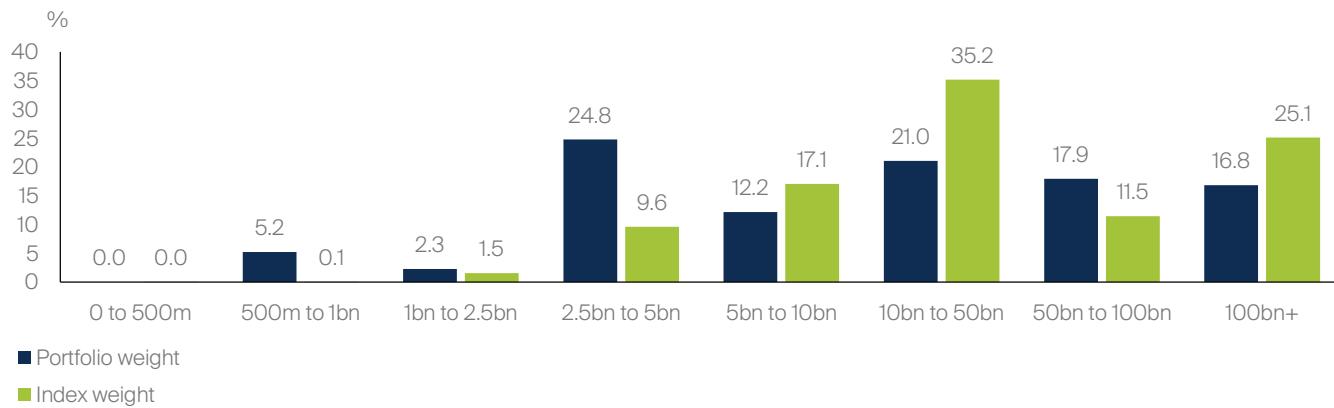
WeChat is widely considered the world's first "Super App" and is now an integrated part of daily life for more than 1.2bn users.

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.

Recently, Tencent has become a more profitable business, driven by the shift in its business mix. New businesses such as video account ads, e-commerce, mini-games, cloud software-as-a-service, and non-payment fintech have higher gross margins than the group level and may continue to grow at over 15% per year. On the other hand, the company's gaming business has been slowing down and may be a drag on overall growth. Despite a challenging macro environment, we are willing to back the company's focus on innovation, profitability and returning capital to shareholders (having announced an RMB100bn buyback plan in 2024).

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

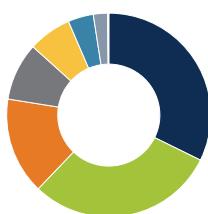
We continue to invest in businesses that we believe have proven management teams and competitive advantages that allow them to capitalise on the long-term secular trends that exist across emerging markets. Whether it is the formalisation of the Indian economy, the continued financialisation of the South African population or the growing adoption of enterprise resource planning (ERP) software by small-to-medium-sized Brazilian companies, we believe the investment opportunities are plenty. Yet, these kinds of businesses are often not well represented in broader indices and thus we believe a bottom-up active investment approach has much value to add.

Competitive advantages in the form of strong brands, distribution advantages, cost leadership or simply providing a service/product that customers cannot live without, are the main traits that characterise our companies. We believe the current correction in share prices presents an excellent opportunity for long-term investors like us to accumulate leading franchises at attractive prices. We believe our holdings continue to offer long-term attractive compounding opportunities and our analysis suggests that they can grow earnings at around 20% compound annual growth rate (CAGR) on a weighted average basis over the medium term. For this kind of growth, the portfolio's aggregate valuations, at around 5% free cash flow yield or a 22x price-to-earnings ratio (PER) seem reasonable (and sustainable) to us. This makes us optimistic from both an absolute and a relative perspective.

Ten largest company holdings as at 31 March 2024

Stock name	Country	Sector	Portfolio weight (%)
Alsea, S.A.B. de C.V.	Mexico	Consumer Discretionary	7.8
Taiwan Semiconductor (TSMC)	Taiwan	Information Technology	6.9
ICICI Bank Limited	India	Financials	5.9
ICICI Lombard General Insurance Co. Ltd.	India	Financials	5.2
HDFC Bank	India	Financials	5.1
Tencent Holdings Ltd.	China	Communication Services	4.8
Prosus N.V. Eur0.05	China	Consumer Discretionary	4.2
Tsingtao Brewery	China	Consumer Staples	4.0
Credicorp Ltd.	Peru	Financials	4.0
Despegar.com, Corp.	Argentina	Consumer Discretionary	3.8

Sector breakdown



- Financials **32.4%** (22.4%*)
- Consumer Discretionary **30.0%** (12.4%*)
- Consumer Staples **15.4%** (5.6%*)
- Information Technology **9.2%** (23.7%*)
- Communication Services **6.9%** (8.6%*)
- Health Care **4.0%** (3.5%*)
- Industrials **2.3%** (7.0%*)
- Other **0.0%** (16.8%*)
- Cash **-0.2%** (0.0%*)

*Index weight

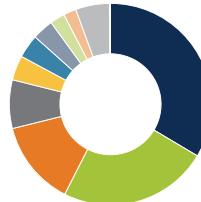
Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security.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

Country breakdown



- China **33.7%** (25.1%*)
- India **24.0%** (17.7%*)
- Mexico **13.7%** (2.7%*)
- Taiwan **7.8%** (17.6%*)
- Peru **4.0%** (0.3%*)
- Argentina **3.8%** (0.0%*)
- South Africa **3.4%** (2.8%*)
- South Korea **2.4%** (12.8%*)
- Indonesia **2.0%** (1.9%*)
- Other **5.4%** (19.0%*)
- Cash **-0.2%** (0.0%*)

*Index weight

Top 5 contributors to absolute performance

3 months to 31 March 2024

Stock name	Country	Sector	Value added (bps*)
Alsea, S.A.B. de C.V.	Mexico	Consumer Discretionary	191
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	149
ICICI Lombard General Insurance Co. Ltd.	India	Financials	92
Despegar.com, Corp.	Argentina	Consumer Discretionary	82
ICICI Bank Limited	India	Financials	61

12 months to 31 March 2024

Stock name	Country	Sector	Value added (bps*)
Alsea, S.A.B. de C.V.	Mexico	Consumer Discretionary	469
Despegar.com, Corp.	Argentina	Consumer Discretionary	213
ICICI Lombard General Insurance Co. Ltd.	India	Financials	200
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	186
ICICI Bank Limited	India	Financials	113

Bottom 5 contributors to absolute performance

3 months to 31 March 2024

Stock name	Country	Sector	Value added (bps*)
HDFC Bank INR1	India	Financials	-99
Commercial International Bank - Egypt (CIB) S.A.E.	Egypt	Financials	-72
TravelSky Technology Ltd. Class H	China	Consumer Discretionary	-71
Sichuan Swellfun 'A'CNY1	China	Consumer Staples	-64
Silergy Corp.	Taiwan	Information Technology	-54

12 months to 31 March 2024

Stock name	Country	Sector	Value added (bps*)
JD.com, Inc. Class A	China	Consumer Discretionary	-207
Tsingtao Brewery	China	Consumer Staples	-173
Sichuan Swellfun 'A'CNY1	China	Consumer Staples	-135
Tencent Holdings Ltd.	China	Communication Services	-123
TravelSky Technology Ltd. Class H	China	Consumer Discretionary	-97

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.

Portfolio risk analysis - ex-post 3 years annualised to 31 March 2024

Risk measure	Value	Risk description
Beta	0.94	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	0.76	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	14.16%	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	13.68%	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	6.18%	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 2024

Risk measure	Value	Risk description
Dividend Yield (Fund)	1.39%	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)	2.80%	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)	3.41	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)	1.94	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)	19.53	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)	14.14	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.

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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