

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)	72.6
UK's investment association sector	Global Emerging Markets
Benchmark	MSCI Emerging Markets Net Index*
Number of holdings	42
Fund manager(s)	Rasmus Nemmoë/Naren Gorthy
Research rating ^	Morningstar@:Gold RSM:Rated
Fund yield	0.7%

* 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

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 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 Global Emerging Markets Focus Fund	-0.3	2.7	-1.4	8.9	16.5
MSCI Emerging Markets Net Index	3.6	-10.0	-1.6	14.7	13.8
Sector return	4.4	-13.1	-0.9	15.8	16.4

Cumulative performance in GBP (%) to 31 December 2023

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Global Emerging Markets Focus Fund	27.0	-	28.1	1.0	-0.3	-0.3	2.3	1.5
MSCI Emerging Markets Net Index	12.7	-	19.7	-8.3	3.6	3.6	4.4	3.3
Sector return	11.8	-	23.0	-10.2	4.4	4.4	3.5	3.6

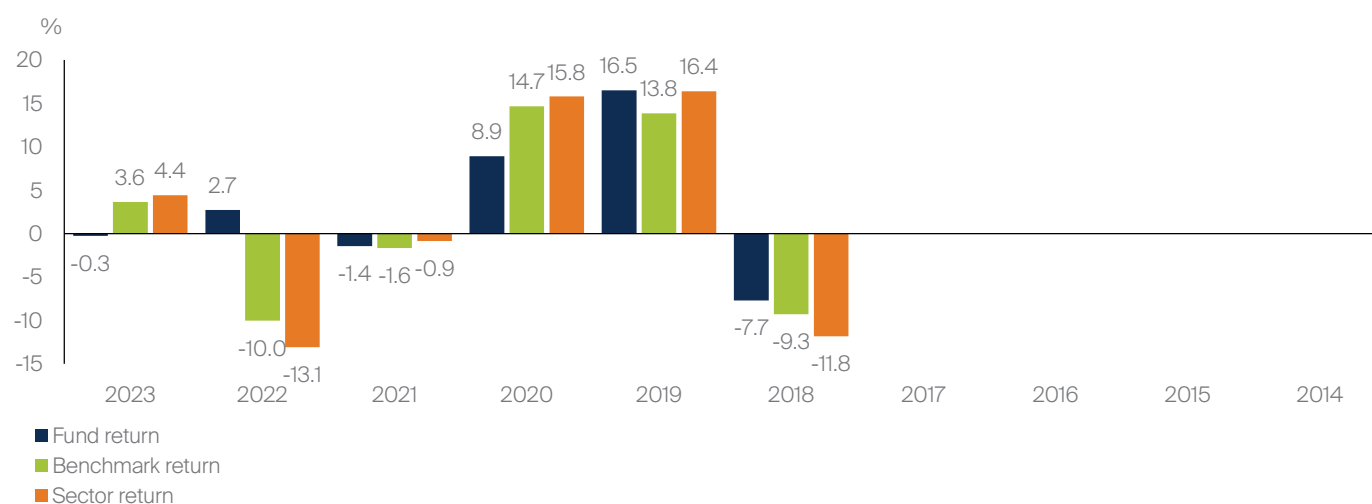
Performance review

Key contributors to performance over the past 12 months included Alsea, after the company reported sustained growth in same store sales and expanded margins, as it pushed to accelerate new store openings. MercadoLibre rose as the company achieved profitability gains across almost all product lines and geographies, exceeding the market's expectations.

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 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 01 December 2017. All performance data for the FSSA Global Emerging Markets Focus 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 Global Emerging Markets Focus Fund was rebranded as FSSA Global Emerging Markets Focus Fund.

Portfolio review

During the quarter, we bought Regional SAB, the 10th largest bank in Mexico with a strong presence in the northern region. The bank focuses on lending to small and medium enterprises (SMEs), and has a good track record of profitability due to its risk-aware culture and knowledge of the region. However, it has a weaker deposit franchise compared to larger banks, with a higher cost of funding. Despite this, the bank's long-term ROA and ROE are strong, and it has a leading digital offering in the country called Hey Banco. The founding family owns 30% of the bank, and is actively involved in management with the second generation now at the helm.

There were no significant disposals over the period.

Stock spotlight

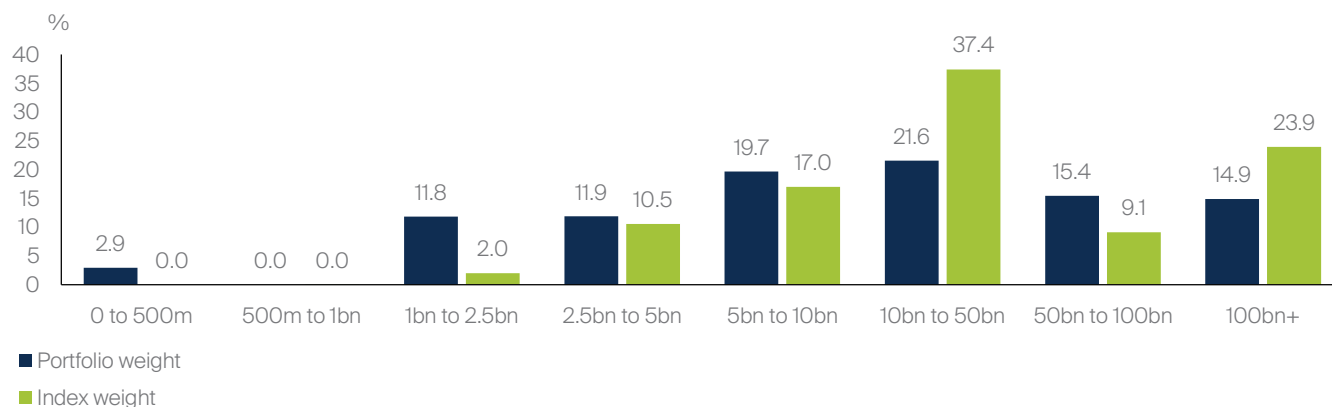
Alsea is the largest quick-service restaurant (QSR) operator in Latin America with over 4,000 stores, about 80% of which are self-operated. The company operates globally-recognised brands such as Starbucks (1,500 stores), Domino's (1,300 stores) and Burger King (400 stores) in the region.

Alsea was established in 1990 by the Torrado brothers in Mexico as Domino's first franchise in the country. They are known as honest and capable operators who, over time, have taken on new brand franchises successfully while expanding into other countries. The management, led by CEO Armando Torrado Martinez, has demonstrated a deep understanding of the operations and has taken steps to address concerns about frequent CEO changes and leverage.

The company has a focused growth strategy, with a particular emphasis on the Starbucks and Domino's brands. These brands have high return on investment (ROI) potential, and Alsea plans to open a significant number of new stores for these brands in the next five years.

Valuation-wise, Alsea may appear expensive, but we see upside potential given its quality and long-term growth prospects. The company's financials are improving, with a target of reducing leverage and improving the revenue mix towards Starbucks and Domino's.

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.

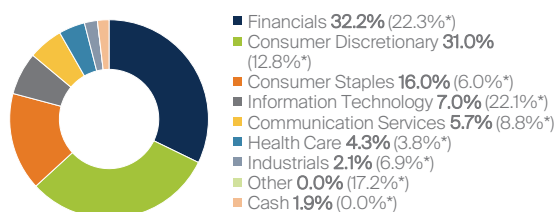
Our long-term investment themes:

- 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.

Ten largest company holdings as at 31 December 2023

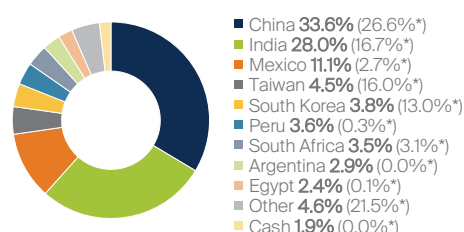
Stock name	Country	Sector	Portfolio weight (%)
Aalsea, S.A.B. de C.V.	Mexico	Consumer Discretionary	6.3
HDFC Bank	India	Financials	6.1
ICICI Bank Limited	India	Financials	5.5
Taiwan Semiconductor (TSMC)	Taiwan	Information Technology	4.5
ICICI Lombard General Insurance Co. Ltd.	India	Financials	4.5
Tencent Holdings Ltd.	China	Communication Services	4.2
Prosus N.V. Eur0.05	China	Consumer Discretionary	4.2
Tsingtao Brewery	China	Consumer Staples	4.1
JD.com	China	Consumer Discretionary	4.0
Credicorp Ltd.	Peru	Financials	3.6

Sector breakdown



*Index weight

Country breakdown



*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	Country	Sector	Value added (bps*)
Despegar.com, Corp.	Argentina	Consumer Discretionary	62
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	61
Silergy Corp.	China	Information Technology	59
Capitec Bank Holdings Limited	South Africa	Financials	58
Amorepacific Corp.	South Korea	Consumer Staples	42

12 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
Alesa, S.A.B. de C.V.	Mexico	Consumer Discretionary	372
Despegar.com, Corp.	Argentina	Consumer Discretionary	169
MercadoLibre, Inc.	USA	Consumer Discretionary	119
Qualitas Controladora S.A.B. de C.V.	Mexico	Financials	103
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	102

Bottom 5 contributors to absolute performance

3 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
Tsingtao Brewery	China	Consumer Staples	-104
ANTA Sports Products Ltd.	China	Consumer Discretionary	-67
Yum China Holdings Inc	China	Consumer Discretionary	-55
Syngene International Ltd.	India	Health Care	-42
Tencent Holdings Ltd.	China	Communication Services	-39

12 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
JD.com, Inc. Class A	China	Consumer Discretionary	-329
Tsingtao Brewery	China	Consumer Staples	-157
ANTA Sports Products Ltd.	China	Consumer Discretionary	-104
Sichuan Swellfun 'A' CNY1	China	Consumer Staples	-99
TravelSky Technology Ltd. Class H	China	Consumer Discretionary	-68

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 December 2023

Risk measure	Value	Risk description
Beta	0.90	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	0.56	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	13.45%	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	13.06%	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	6.78%	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)	1.33%	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)	2.84%	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)	3.31	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)	1.86	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)	19.25	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)	12.71	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

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