

FSSA Asia Opportunities Fund



Investment objective and strategy

The Fund aims to achieve long term capital appreciation and invests all or substantially all of its assets in the FSSA Asia Opportunities Fund (the “Underlying Sub-Fund”), under the Dublin registered First Sentier Investors Global Umbrella Fund plc. The Underlying Sub-Fund invests primarily (at least 70% of its net asset value) in equity securities or equity-related securities of companies that are listed, or have their registered offices in, or conduct a majority of their economic activity in the Asia region (excluding Australia, New Zealand and Japan).

On 22 September 2020, First State Asia Opportunities Fund was rebranded as FSSA Asia Opportunities Fund.

Fund information

Fund size (S\$m)	19.3
Benchmark	MSCI AC Asia ex Japan Index [▲]
Number of holdings	43

Available share classes

Share class	Inception date	Nav/per share	ISIN code
Class A (SGD - Acc)	26 Nov 1999	S\$1.2943	SG9999000152

[▲]Inception - 30 Nov 08 : MSCI AC Asia Information Technology Index (Previously known as MSCI AC Asia Free Information Technology Index)
From 1 Dec 08 : MSCI AC Asia ex Japan Index

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.

Annualised performance in SGD (%) to 31 December 2023 ^

	Since Inception	10yrs	5yrs	3yrs	1yr
Fund (Ex initial charges)	1.3	4.6	2.4	-3.5	0.3
Fund (Inc initial charges)	1.1	4.1	1.3	-5.1	-4.7
Benchmark	0.6	4.6	3.3	-6.5	4.6

Cumulative performance in SGD (%) to 31 December 2023 ^

	Since Inception	5yrs	3yrs	1yr	3mths
Fund (Ex initial charges)	36.2	12.5	-10.0	0.3	0.8
Fund (Inc initial charges)	29.4	6.9	-14.5	-4.7	-4.3
Benchmark	16.3	17.8	-18.2	4.6	2.9

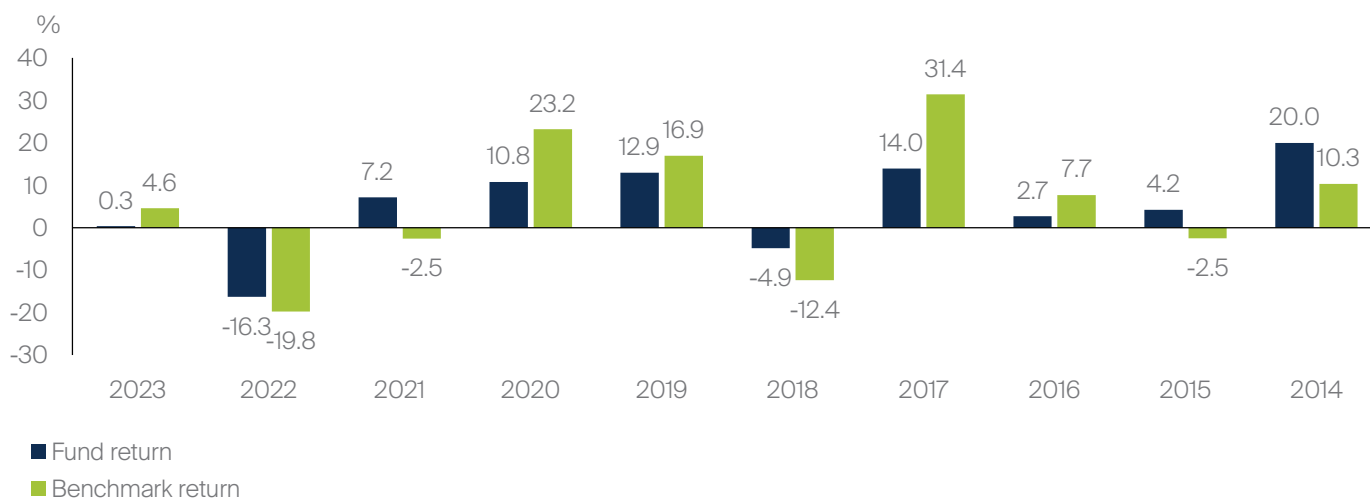
^ The performance prior to 18 Oct 02 is in relation to the Fund before its conversion to a feeder fund.

Performance review

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

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

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



Source: Lipper and First Sentier Investors, single pricing basis with net income reinvested. Unless otherwise specified, all information contained in this document is as at 31 December 2023. Investment involves risks, past performance is not a guide to future performance.

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.

Portfolio review

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

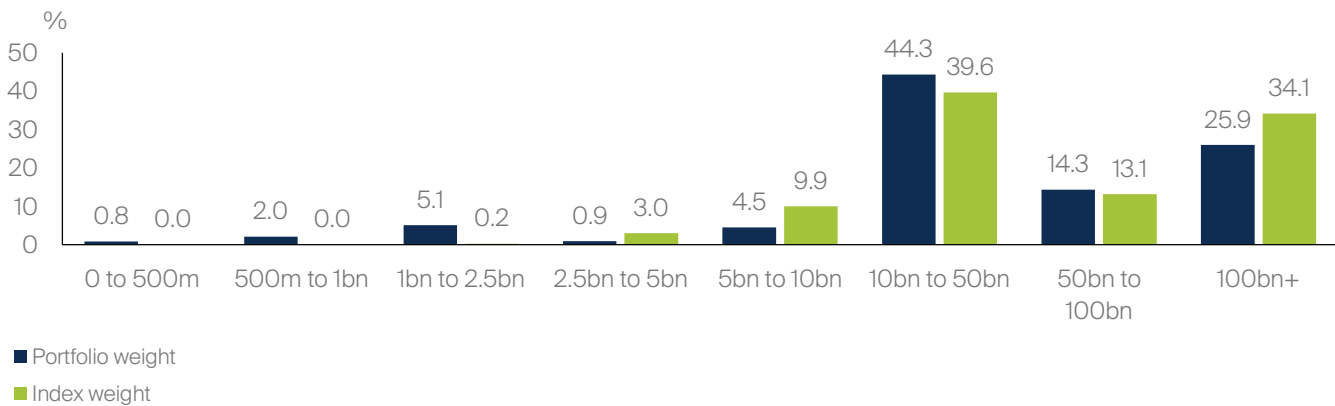
We also bought Fairwood, a Chinese quick-service restaurant based in Hong Kong. While fundamentally a decent franchise, the business has been struggling since 2018 due to cost pressures, Hong Kong protests and pandemic restrictions. In 2023, Hong Kong's restaurant industry has been improving gradually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

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

Stock spotlight

We have been shareholders of HDFC Bank, India's largest private sector bank, for close to two decades. Thanks to its conservative and risk-aware lending, it has consistently gained market share at the expense of state-owned banks, which are plagued by asset quality and capital adequacy issues. The management team is highly experienced, with CEO Sashidhar Jagdishan at the helm. State-owned banks continue to make up nearly 60% of the Indian banking system, although this number has shrunk from 75% a decade ago. Industry growth continues to be led by greater penetration of banking services and financialisation of savings among a large under-banked population. HDFC Bank has delivered industry-leading returns over the last two decades, while consistently focusing on risk management. Earnings per share (EPS) has compounded at 23% compound annual growth rate (CAGR) over this period, while shareholders have earned a total return of 19% in US dollar terms. This has been underpinned by investments in the branch network, which has grown by 65% in the last 5 years, as well as a focus on digital channels – already 95% of all their transactions are via Internet & Mobile, whilst the bank accounts for 28% of all e-commerce transactions in India. Finally, we believe the recent merger with HDFC Corp will lead to a stronger financial conglomerate with leading positions in segments such as asset management and life insurance. It should result in significant synergies across business lines, which will be accretive to their returns over time.

Market capitalisation breakdown (SGD)



Source: First Sentier Investors as at 31 December 2023. 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.

Outlook

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

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

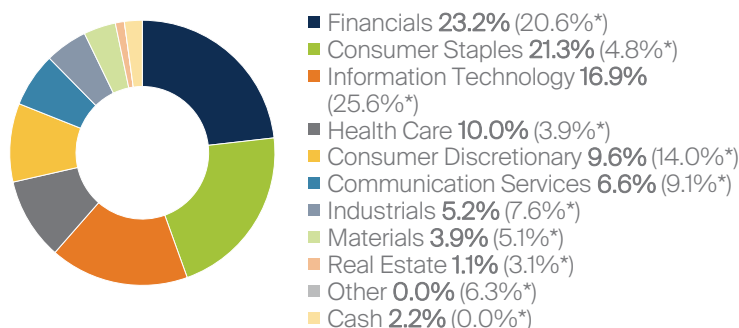
Our long-term investment themes:

- Dominant consumer franchises which have an edge in brand, distribution and innovation.
- High quality financials, supported by a strong deposit franchise or a specific loan niche.
- The rise in healthcare spending, due to increasing incomes and healthy consumer choices.
- Beneficiaries of a smarter, more connected world.
- An ageing population and the growing trend of automation.

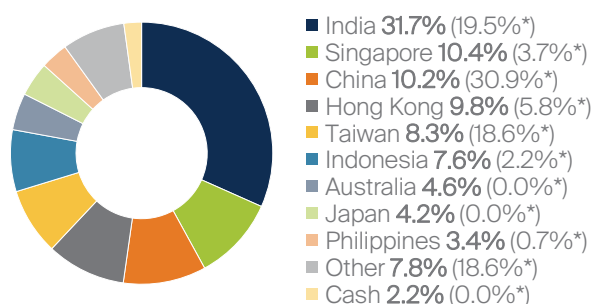
Ten largest company holdings as at 31 December 2023

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

Sector breakdown



Geographic breakdown



*Index weight

*Index weight

Source: First Sentier Investors as at 31 December 2023. Sector and Country classifications provided by FactSet and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. The above Fund weightings may or may not include reference to multiple securities. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%.

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Top 5 contributors to absolute performance

3 months to 31 December 2023

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

12 months to 31 December 2023

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

Bottom 5 contributors to absolute performance

3 months to 31 December 2023

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

12 months to 31 December 2023

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

Stock contributions show the impact of the individual stock's performance to the total fund performance. These stock contributions show the top 5 and bottom 5 contributors to the fund and are not representative of the performance of the fund as a whole. 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. 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.

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