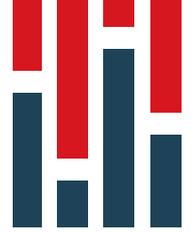


FSSA Investment Managers

Specialists in Asia Pacific and
Global Emerging Markets Equity Strategies





WE ARE SPECIALISTS IN ASIA PACIFIC AND GLOBAL EMERGING MARKETS EQUITY STRATEGIES.

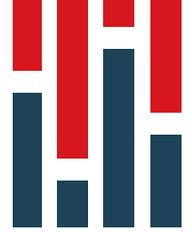
We manage US\$25.1 billion[^] on behalf of clients globally. Operating as an autonomous investment team within First State Investments, we are a team of dedicated investment professionals based in Hong Kong, Singapore and Edinburgh.

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 that we can invest in for the long term.

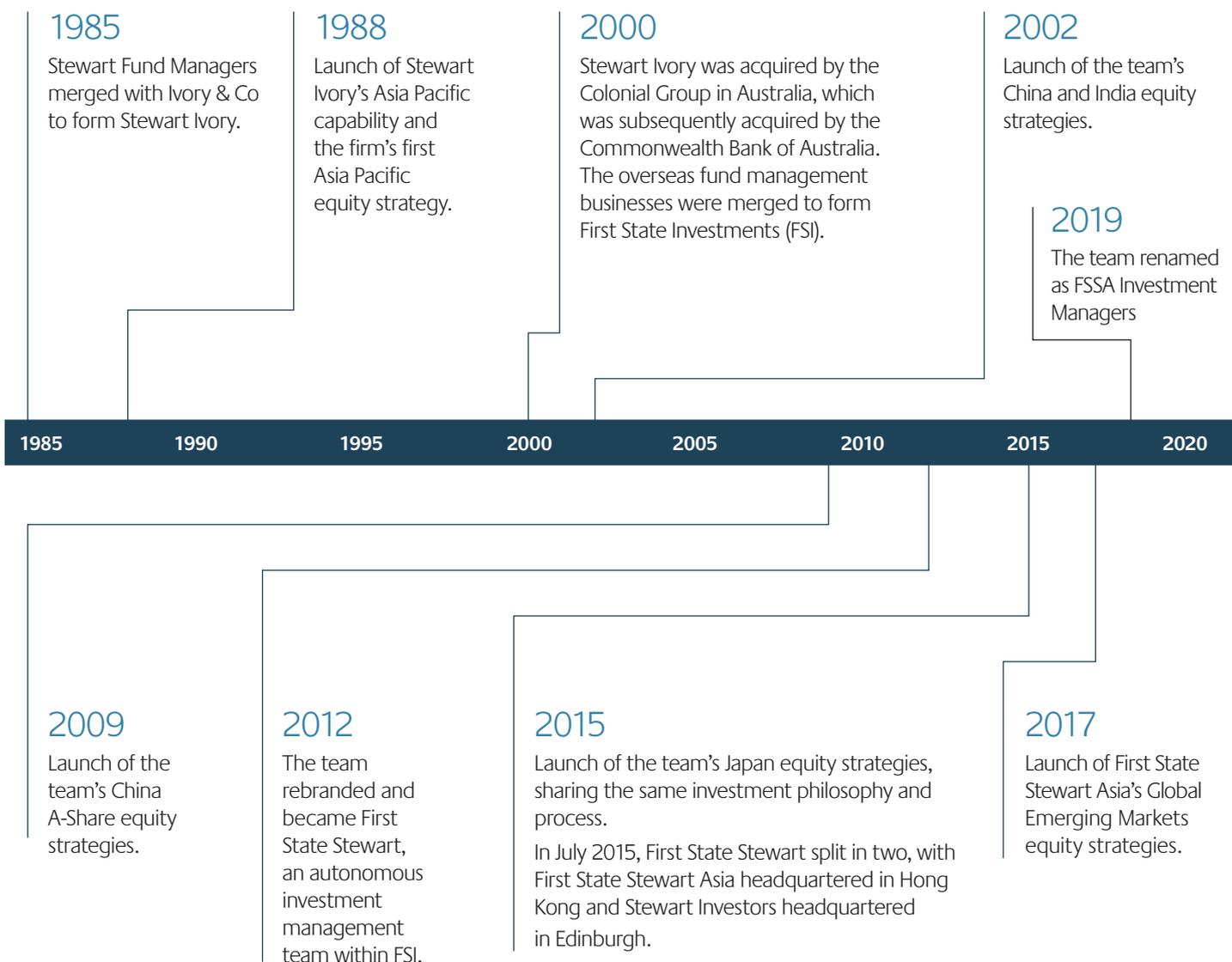
As responsible, long-term shareholders, we have integrated ESG analysis into our investment process and engage extensively on environmental, labour and governance issues.

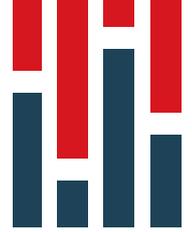


[^] As at 30 June 2019.



FSSA Investment Managers was formerly a part of First State Stewart, the Asia Pacific and Global Emerging Markets team of Stewart Ivory & Company Limited. After years of organic growth, in July 2015 the First State Stewart team split in two: one based primarily in Hong Kong (FSSA) and the other based primarily in Edinburgh (Stewart Investors).





Our investment approach is centred on identifying quality companies, buying them at a sensible price and holding for the long term. 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.

Bottom-up stock selection

We are research-driven, bottom-up investors, carrying out detailed fundamental analysis to identify high quality companies to invest in for the long term. We travel extensively to meet with companies to assess the quality of management and their track record of executing long-term strategies; and supplement this with a qualitative and quantitative analysis of the company's ability to compound growth in excess of the cost of capital.

Quality companies

We define quality companies as those that have an effective management team, high governance standards, a long-term mind-set, strong competitive advantages and an established track record of surviving previous cycles. In addition, we look for cultural integrity and the alignment of management with shareholders. We also make use of ESG analysis to distinguish quality companies from the rest. We believe that owning quality companies that are able to respond effectively to market uncertainties is the best way to mitigate potential losses in the medium-to-long term.

Strong valuation discipline

We strive to ensure that we pay sensible prices for our investments. We use a range of financial and non-financial metrics to estimate a fair market valuation (FMV) for the companies that we want to own and buy at price levels which provide a sufficient 'margin of safety' over the medium-to-long term. We carry out regular FMV reviews to update the potential risk/reward of every stock in our portfolios and on our watch list.

Long-term investing

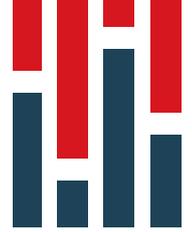
We are responsible, long-term investors and prefer to invest in quality companies that we can buy and hold. Through active engagement, we believe we are able to raise legitimate concerns and persuade management to address the issues at hand, thereby adding to portfolio performance. We believe our approach encourages good ESG practices and is critical in carrying out our stewardship duties.

Absolute return mind-set

We are conservative investors with an absolute return mind-set. Defining risk in terms of the permanent loss of capital, we evaluate the potential downside of an investment decision as much as the upside. We would expect our portfolios to exhibit lower volatility than the peer group and outperform more often in down markets. Conversely, we would expect our performance to lag in highly buoyant or momentum-driven markets.

Benchmark indifference

We do not use benchmark indices in our portfolio construction process as we do not believe that they fully represent the available opportunities within Asia Pacific and Global Emerging Markets. Instead, we rely on our bottom-up stock selection to construct relatively concentrated and high-conviction portfolios. As we are not required to own companies, sectors or countries that we do not favour, our portfolio weightings can look very different to the benchmark.



We believe that the Asia Pacific region and Global Emerging Market countries have plenty of quality companies which have the potential to grow over the long term. Spurred by low penetration rates for goods and services, and barriers to entry which protect profits and cash flow, these companies – often consumer, financial and industrial businesses – have a good track record of compounding earnings and creating long-term value for stakeholders.

These are a few of the long-term investment themes that support our bottom-up stock selection.

Dominant consumer franchises

With favourable demographics and populations that are still growing – particularly in Southeast Asia and India – we believe dominant consumer franchises in Asia should offer decent growth over the long term. These businesses command strong margins and pricing power through various elements of brand, distribution and innovation. Minimal capital intensity and strong cash generation promote investment for growth, as well as the potential for rising dividends.

High quality financials

We believe banks and high quality financials should benefit from similar drivers as consumer businesses (demographics, rising incomes and urbanisation). Often, the best banks are supported by a strong deposit franchise or a specific loan niche; and are positioned in markets with low (but growing) financial inclusion. We believe this provides better opportunities to generate high margins and an attractive return on assets, over a market cycle.

Beneficiaries of the rise in healthcare spending

Many Asia Pacific and Global Emerging Market countries are under-invested in healthcare compared to the global average. As these economies become richer, we expect healthcare and health-related spending to rise. This includes government spending on prevention and public health services, as well as consumer spending on personal health care and healthier lifestyle choices.

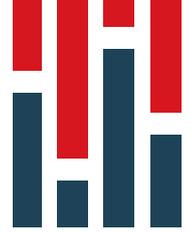
CASE STUDY **HDFC Bank**

HDFC Bank is India's largest private bank by market capitalisation. With more than half of India's population still unbanked, we believe the long-term opportunity for HDFC is significant.

The current managing director, Aditya Puri has an impressive track record. Having led the bank since incorporation, he is credited for building HDFC Bank into the high quality franchise it is today. In 2017, when system credit fell to its lowest level in 60 years, the bank managed to grow its customer deposits and loans at over 20% per year, with low credit costs. This led to an incremental loan market share of 24%, compared to its overall share of 7% (based on stock of loans outstanding). We believe this gap should only grow.

Meanwhile, the way customers interact with banks is changing. The vast majority of transactions now take place through digital channels instead of at bank branches. By investing in digital ahead of peers, HDFC has built a formidable market share in digital/mobile banking (its platform enjoys the highest number of mobile banking transactions, compared to peers).

While large state-owned and private banks deal with legacy problems of asset quality and capital adequacy, HDFC's management can focus on strengthening relationships with clients and improving profitability. With this in mind – and by looking at valuations through a different lens – we believe that HDFC's high earnings multiple masks an attractive long-term investment case.



Beneficiaries of a smarter, more connected world

The ever-present use of technology and the digitalisation of everything has created new industry sectors, as well as professional consultancies and consumer companies around them. As the world becomes smarter and more connected, Asian technology firms should benefit from strong end demand and a growing market. Taiwanese semiconductor foundries and equipment manufacturers, as well as Chinese internet giants, are among the leaders in their fields – not just in Asia, but globally.

Growing trend of automation

The combination of low birth rates and higher life expectancy is transforming the world's population structure. In Asia, particularly in China and Japan, the proportion of older, retired people to those of working age is growing. As robots become smarter and less costly, manufacturers are more likely to automate their processes to tackle the falling labour participation rate and, at the same time, improve efficiencies in the long run.

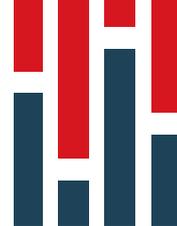
CASE STUDY Taiwan Semiconductor (TSMC)

Established in 1987, TSMC pioneered the foundry model, which separates semiconductor chip designs (produced by fabless companies) from the fabrication or manufacturing process, (outsourced to a foundry). It became the industry leader due to its ability to deliver more advanced technology, as well as its strategy of partnering with its customers in chip design.

We believe TSMC is one of the best ways to capture the trend of artificial intelligence, smart devices and the Internet of Things (IoT). As consumer electronics become more complex and require increasingly powerful processors, demand for TSMC's advanced chips should continue to grow. The business has a good long-term track record and is highly cash generative. It is one of the few semiconductor companies globally that held up relatively well during last year's rout on technology stocks.

Governance standards are high and the board has a good mix of knowledge and experience. Chairman Mark Liu and CEO C.C. Wei are both well-regarded TSMC 'lifers' having rotated through various business divisions before being anointed successors to the founder, Morris Chang (whom retired in June 2018).

Valuations remain reasonable, assuming low-single digit industry growth and TSMC continuing to outgrow the overall market.

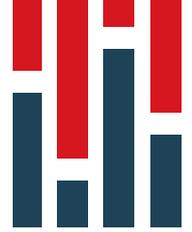


The investment team consists of 21 investment professionals based in Hong Kong, Singapore and Edinburgh. We have a distinct culture and team structure, which has contributed to the stability of the team. Around half of our analysts joined as graduates; and the majority of our portfolio managers have been with us for most of their careers.

Our team members come from diverse backgrounds and speak 15 local languages and dialects, which contributes to the quality of research and analysis when meeting with companies. All portfolio managers are, first and foremost, also analysts; and the entire team contribute stock ideas to each of our client portfolios.

Strategy	Portfolio manager	Benchmark	Approximate number of stocks	Minimum free float market cap
Asia Focus Strategy	Martin Lau	MSCI AC Asia Pacific ex Japan	70-80	USD1.5 billion free float
Asia Pacific Select Strategy*	Alistair Thompson	MSCI AC Asia Pacific ex Japan	50-55	USD5 billion free float
Asian Equity Plus Strategy	Martin Lau	MSCI AC Asia Pacific ex Japan	65-75	USD1.5 billion free float
Asian Growth Strategy	Richard Jones	MSCI Asia ex Japan	40-45	USD1.5 billion free float
China Growth Strategy	Martin Lau	MSCI China	45-55	Nil
China A Shares Strategy	Quanqiang Xian	MSCI China A Onshore	25-35	Nil
Global Emerging Markets Equity Strategy	Rasmus Nemmo	MSCI Emerging Markets	40-45	Nil
Indian Subcontinent Strategy	Vinay Agarwal	MSCI India	40-50	Nil
Japan Equity Strategy	Sophia Li	MSCI Japan	40-50	Nil

* Only available in separate accounts.



Our investment strategies cover regional and single country portfolios across the universe of small-, mid- and large-cap stocks. We offer collective funds and segregated mandates to suit specific client needs.

Asia Pacific ex-Japan

Our range of Asia Pacific equity strategies cover small, mid and large-cap stocks and are invested with a medium-to-long-term time horizon in mind. Our portfolios are invested in quality companies that we believe have long-term, sustainable growth drivers and should benefit from Asia's structural tailwinds. We are specialists in Asia Pacific equities and have been managing regional Asia Pacific portfolios since 1988**.

Global Emerging Markets

Our Global Emerging Markets (GEM) strategies cover developing and frontier markets and are biased towards mid-cap companies that have the potential to grow much larger over time. Similar to our Asia Pacific strategies, we invest with a medium-to-long-term time horizon, and tend to favour dominant franchises operating in industries with long-term structural tailwinds. We continue to add to our GEM research capabilities, and adopt the same high-conviction, bottom-up approach to investing.

Greater China Region

Our Greater China strategies cover China, Hong Kong and Taiwan. We offer a range of single country and regional portfolios that provide investors with the option of tailoring their investment exposure to these key markets. Though China provides the largest opportunity set in the region, Taiwan, with its large technology sector, and Hong Kong, with its more developed governance and regulatory framework, offer a number of interesting investment opportunities.

China A-Shares

Our China A-Share strategy is invested in domestic market leaders as well as globally competitive Chinese companies that are expanding overseas. As China continues to liberalise its financial markets, we have increasingly found attractive investment opportunities to add to our portfolios and now manage more than US\$2.3 billion[^] of client assets in China A-Shares.

Indian Subcontinent

Our Indian Subcontinent strategies cover India, Pakistan, Bangladesh and Sri Lanka. We tend to favour dominant consumer franchises, high quality private banks and infrastructure companies. We believe large populations, supportive demographics and underpenetrated markets in this region should provide a favourable long-term growth environment for these types of companies.

Japan

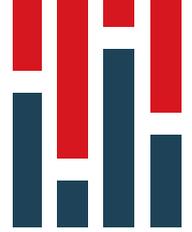
Our Japan equity strategies are focused on secular growth trends which do not rely on broader growth in economy to perform well. These include well-managed Japanese companies that have global brand recognition, domestic leaders that have grown over multiple cycles, and automation companies that have benefitted from structural demand growth.

Scottish Oriental Smaller Companies Trust

FSSA Investment Managers is the investment manager of the Scottish Oriental Smaller Companies Trust, an investment company listed on the London Stock Exchange. The Company invests mainly in smaller listed companies with market capitalisations of US\$3 billion (or below) across the Asia region (including the Indian Subcontinent but excluding Japan and Australasia).

** As part of the wider First State Stewart team.

[^] FSSA Investment Managers, approximate calculations as at 30 June 2019. Other than our China A-Share strategy, we also have a portion of our Asia Pacific, Global Emerging Markets and Greater China strategies invested in the China A-Share market.



Important information

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