

FSSA China A Shares Fund (Irish VCC)

Investment objective and policy

The Fund aims to grow your investment.
 The Fund invests at least 70% of its assets in shares of companies listed on Chinese Stock Exchanges.
 The Fund may invest up to 100% of its assets in any industry and in companies of any size.
 The Fund may invest up to 100% of its assets in China A Shares and up to 10% of its assets in China B shares.
 The Fund may use derivatives with the aim of risk reduction or efficient management.

Fund information

Fund launch date	04 June 2019
Fund size (US\$m)	24.7
Benchmark	MSCI China A Onshore Net Index
Number of holdings	39
Fund manager(s)	Winston Ke/Qimin Fei
Research rating ^	Morningstar®:Bronze

^ 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 China A Shares Fund in the EEA 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.**
- **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.
- **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.
- **Smaller companies risk:** investments in smaller companies may be riskier and more difficult to buy and sell than investments in larger companies.
- **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.

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 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 China A Shares Fund GBP Class VI (Accumulation)	BJN6RG2	IE00BJN6RG23
FSSA China A Shares Fund USD Class I (Accumulation)	BKF2S51	IE00BKF2S510
FSSA China A Shares Fund AUD Class III (Accumulation)	BKPWC82	IE00BKPWC821
FSSA China A Shares Fund USD Class VI (Accumulation)	BH43G61	IE00BH43G612
FSSA China A Shares Fund USD Class VI (Distributing)	BJ065F0	IE00BJ065F05

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 USD (%) to 31 December 2024

	12 mths to 31/12/24	12 mths to 31/12/23	12 mths to 31/12/22	12 mths to 31/12/21	12 mths to 31/12/20
FSSA China A Shares Fund	5.0	-23.7	-16.8	-2.6	37.3
MSCI China A Onshore Net Index	11.6	-11.7	-27.2	4.0	40.0

Cumulative performance in USD (%) to 31 December 2024

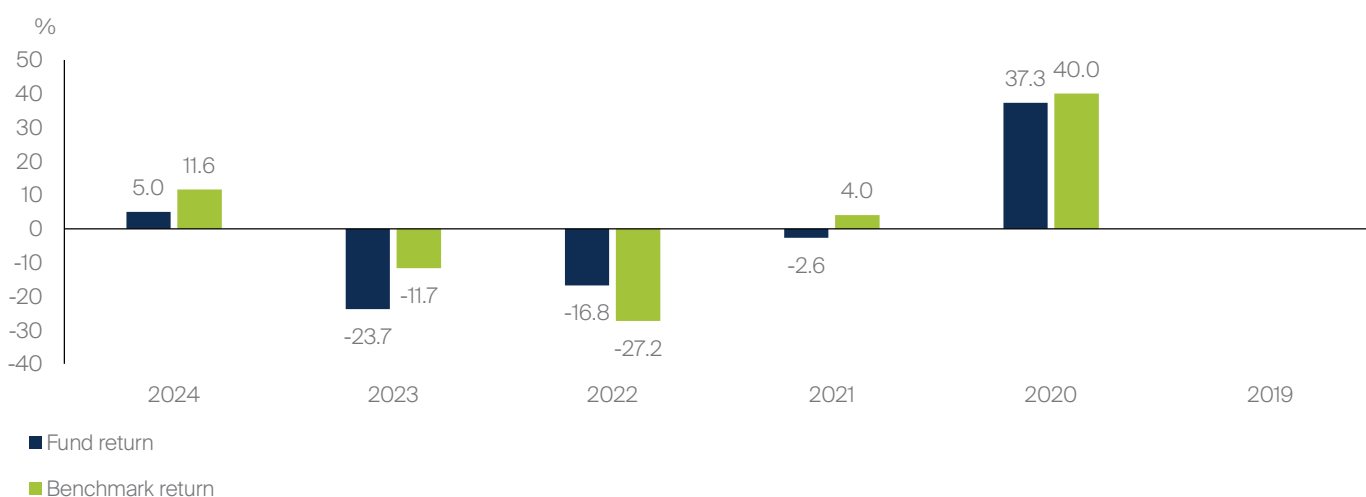
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA China A Shares Fund	0.0	-	-11.0	-33.4	5.0	5.0	9.4	-12.0
MSCI China A Onshore Net Index	19.9	-	4.5	-28.3	11.6	11.6	15.4	-5.0

Performance review

Key contributors over the past 12 months included China Merchants Bank, which reported decent results with steady loan growth and effective cost controls. It also benefited from the government's policy pivot in September, which management expect will help various parts of the business, such as wealth management and retail loan demand. Midea Group continued to execute well despite the challenging environment. While growth remains difficult and pricing has been under pressure, Midea's focus on innovation has led to a shorter upgrade cycle, with replacements now the dominant driver of demand.

On the negative side, Guangzhou Kingmed reported lower sales and profits as the anti-corruption campaign in China's health care industry continued to drag on its business. Shanghai Liangxin was de-rated due to near-term weakness and exposure to the property market. Margins have been compressed over the past couple of years as the management expanded capacity and personnel, taking the long-term view that the company can become many times bigger over the next 5-10 years.

Calendar year performance (% in USD) to 31 December 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 USD, the return may increase or decrease as a result of currency fluctuations. Since inception performance figures have been calculated from 05 June 2019. All performance data for the FSSA China A Shares Fund Class VI (Accumulation) USD as at 31 December 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.

▲On 22 September 2020, First State China A Shares Fund was rebranded as FSSA China A Shares Fund.

Portfolio review

New purchases over the quarter included Fuyao Glass, a leading auto-glass maker with a large export business. Fuyao has become an industry leader with its competitive moat and strong track record. While the global economy is expected to remain challenging, Fuyao has flexible production capacity and a reasonable overseas presence to provide fast, localised services.

We sold Shenzhen Sunlord on high valuations. Sunlord is a leading provider of microelectronic components (mainly inductors, a type of passive component used in electric circuits), which performed well amid the structural growth trend of "intelligent" electronic devices. We also sold Gree Electric, China's second-largest air-conditioner maker, to consolidate into more attractive opportunities such as Midea.

Stock spotlight

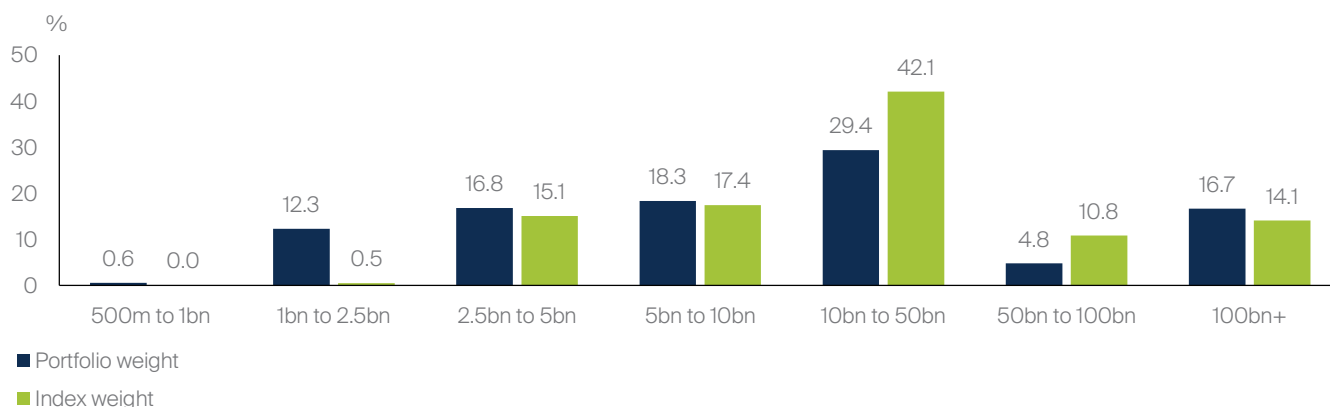
Shenzhen Mindray is the leading medical device manufacturer in China, and well-positioned to benefit from the world's aging population and increasing healthcare spending. The company was founded in Shenzhen in 1991 and has demonstrated a strong track record of new product innovation, mergers and acquisitions, and expansion into new geographies.

Mindray has successfully grown beyond patient monitoring systems into more advanced areas such as medical imaging and in vitro diagnostics. Key to these results is their core competency in research and development (R&D). As sales grew, Mindray maintained R&D spending at 9-10% of revenue, creating a self-perpetuating cycle of new products and sales growth, along with cost savings to customers.

The company is able to offer products with similar features as overseas players but lower prices. This compelling value proposition has helped Mindray expand its global network of customers with sales to 190 countries. Its clients include all the top 20 hospitals in the US, as well as established medical institutions in Europe. Despite its growth, the company is only ranked #27 among the world's medical device companies in terms of sales (as of 2023), which indicates more runway ahead.

Perhaps the most important elements driving Mindray's success are its people and culture. We believe culture comes from the top; and in Mindray's case this comes from the co-founder and chairman, Li Xiting. As the largest shareholder in the company with a 27% stake, Mr Li places a strong emphasis on cash generation, and has rejected the distributors' appeal to make purchases on credit. We believe his risk-aware approach has been integral to the company's strong growth and execution.

Market capitalisation breakdown (USD)



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 USD, the return may increase or decrease as a result of currency fluctuations.

Outlook

The Chinese economy is undergoing difficulties, with ongoing deflationary pressure after the property market started correcting three years ago. Overall corporate earnings growth has been under pressure while domestic demand is likely to remain weak. Since September, China's central government has shown a major change in attitude, recognising the need to stimulate consumption and adopt more progressive fiscal and monetary policies. We think the change in policy stance is positive.

As bottom-up investors, we look for companies which we believe can grow earnings in a sluggish growth environment. Perhaps they are gaining market share, monetising existing businesses or simply have stronger pricing power in a more consolidated industry. We have also seen Chinese companies becoming more proactive in returning cash to shareholders, through increased dividends and buybacks. Meanwhile, even though overall demand is weak, there are still certain secular growth trends in China, such as travel. We believe if we stick to our investment philosophy, we can still find pockets of growth and deliver decent returns for our clients in the long run. We also believe well-managed business franchises will emerge stronger after going through a challenging period, as they adapt to the environment and take steps to strengthen their franchises.

Our long-term investment themes:

- Globally competitive exporters with a growing international business.
- 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 the urbanisation trend.
- Beneficiaries of environmental protection.

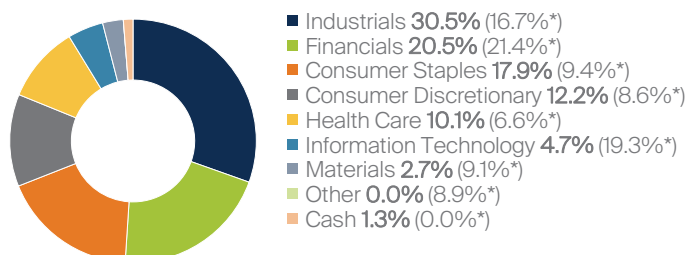
Ten largest company holdings as at 31 December 2024

Stock name	Country	Sector	Portfolio weight (%)
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	9.1
China Merchants Bank Co., Ltd. Class A	China	Financials	7.2
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	7.2
Centre Testing International Group Co., Ltd. Class A	China	Industrials	6.2
Bank of Ningbo	China	Financials	6.1
Shanghai Liangxin Electrical Co., Ltd. Class A	China	Industrials	4.7
Shenzhen Mindray Bio-Medic-A	China	Health Care	4.3
Beijing New Building Materials (Group) Co Ltd Class A	China	Industrials	4.1
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	4.0
Luxshare Precision Industry Co. Ltd. Class A	China	Information Technology	3.8

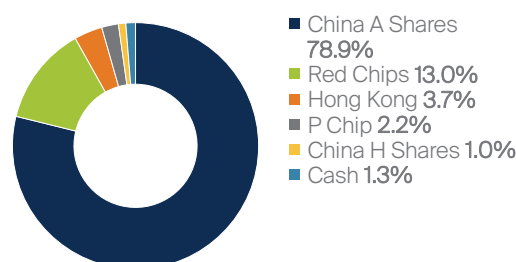
Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security.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



Share class breakdown



*Index weight

Top 5 contributors to absolute performance

3 months to 31 December 2024

Stock name	Country	Sector	Value added (bps*)
Shenzhen Sunlord Electronics Co., Ltd. Class A	China	Information Technology	8
Midea Group Co. Ltd. Class H	China	Consumer Discretionary	3
Fuyao Glass Industry Group Co., Ltd. Class A	China	Consumer Discretionary	3
Hangzhou Oxygen Plant Group Co., Ltd. Class A	China	Materials	3
Huangshan Novel CO 'A'CN1	China	Materials	3

12 months to 31 December 2024

Stock name	Country	Sector	Value added (bps*)
China Merchants Bank Co., Ltd. Class A	China	Financials	281
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	214
Midea Group Co. Ltd. Class A	China	Consumer Discretionary	159
Beijing New Building Materials (Group) Co Ltd Class A	China	Industrials	121
Bank of Ningbo Co., Ltd. Class A	China	Financials	110

Bottom 5 contributors to absolute performance

3 months to 31 December 2024

Stock name	Country	Sector	Value added (bps*)
Centre Testing International Group Co., Ltd. Class A	China	Industrials	-140
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-134
Guangzhou Kingmed Diagnostics Group Co. Ltd. Class A	China	Health Care	-100
Ping An Insurance (Group) Company of China, Ltd. Class A	China	Financials	-80
Shenzhen Mindray Bio-Medic-A	China	Health Care	-76

12 months to 31 December 2024

Stock name	Country	Sector	Value added (bps*)
Guangzhou Kingmed Diagnostics Group Co. Ltd. Class A	China	Health Care	-154
WuXi AppTec Co., Ltd. Class A	China	Health Care	-84
Shanghai Liangxin Electrical Co., Ltd. Class A	China	Industrials	-75
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-69
Yifeng Pharmacy Chain Co Ltd Class A	China	Consumer Staples	-63

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 2024

Risk measure	Value	Risk description
Beta	1.10	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	-0.11	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	29.14%	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	24.38%	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	11.77%	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 2024

Risk measure	Value	Risk description
Dividend Yield (Fund)	2.95%	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)	2.49%	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)	1.84	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)	1.71	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)	14.09	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)	15.69	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.

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References to "we" or "us" are references to First Sentier Investors.

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For further information

Head of Distribution, UK and Europe

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

Sales Director, Europe and Third Party Distributions

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

Head of Wholesale, UK and Ireland

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

Sales Director, Wholesale

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

Institutional Relationship Director FSSA

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

Head of Distribution, Ireland

Frank Glennon +44(0)7776 138105 frank.glennon@firstsentier.com

Sales Director, Europe

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

Sales Directors, Germany and Austria

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

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

Senior Institutional Business Development Director, Germany and Austria

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

Head of Institutional Sales, UK and EMEA

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

UK Consultant Relations

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