

FSSA China Focus 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 large and mid sized companies that are based in, or closely associated with, mainland China that are listed on exchanges worldwide. These companies generally have a total stock market value of at least US \$1 billion. The Fund may invest up to 100% of its assets in any industry. The Fund will not invest more than 100% of its assets in China A Shares.

The Fund may use derivatives with the aim of risk reduction or efficient management.

Fund information

Fund launch date	30 January 2008
Fund size (US\$m)	90.5
Benchmark	MSCI China Net Index*
Number of holdings	42
Fund manager(s)	Helen Chen/Winston Ke

* The benchmark of the Fund changed from MSCI China Gross to MSCI China Net with effect from 1 July 2016. This change has been reflected in the calculation of the benchmark performance.

Available share classes

Share class	Sedol	ISIN
FSSA China Focus Fund USD Class III (Accumulation)	B29SXJ8	IE00B29SXJ89
FSSA China Focus Fund USD Class I (Accumulation)	B29SXG5	IE00B29SXG58

Risk factors

This document is a financial promotion for the FSSA China Focus 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.
- **Concentration risk:** The Fund invests in a relatively small number of companies which may be riskier than a Fund that invests in a large number of companies.
- **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.
- **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.

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 Focus Fund	7.8	-23.6	-17.1	-13.9	26.9
MSCI China Net Index	19.4	-11.2	-21.9	-21.7	29.5

Cumulative performance in USD (%) to 31 December 2024

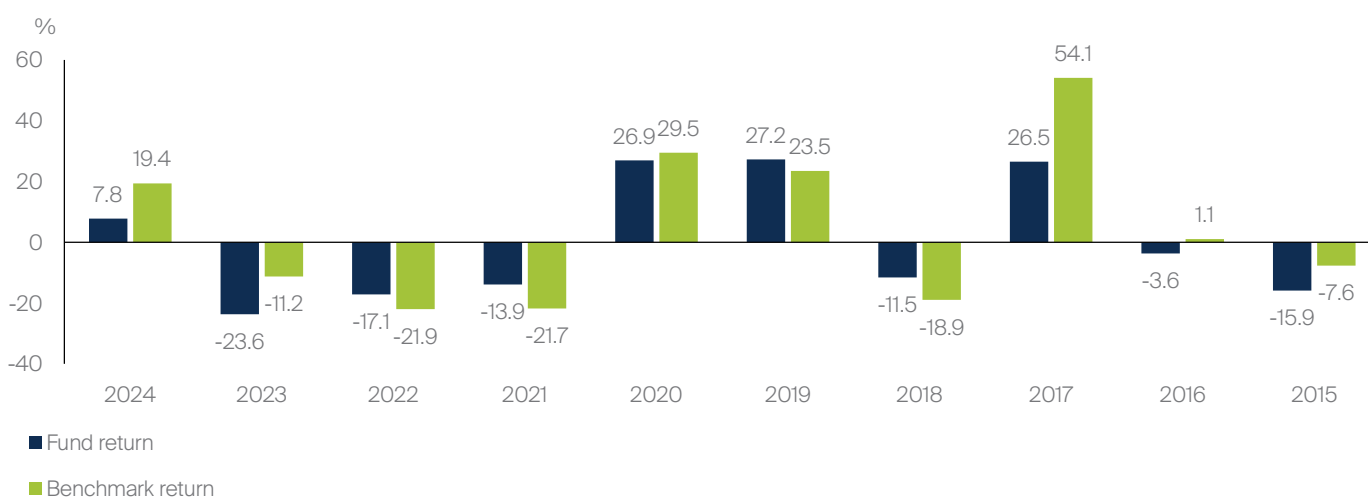
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA China Focus Fund	26.5	-13.9	-25.4	-31.8	7.8	7.8	8.9	-11.2
MSCI China Net Index	45.3	20.9	-16.1	-17.2	19.4	19.4	14.0	-7.7

Performance review

Over the past 12 months, key contributors to performance included China Merchants Bank, which reported 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. Meituan also rose as the company reduced its losses in community group buying (CGB) and conducted share buybacks, a sign of increased focus on shareholder returns and better alignment. The company has defended its competitive position and shown resilience amid a difficult macro environment.

On the negative side, China Resources Beer (CRB) fell as weak demand led to a decrease in beer sales volumes. Although we underestimated the growth slowdown, CR Beer's execution has been decent amid a difficult environment. The premium beer segment is still growing faster than the overall portfolio (albeit at a slower pace than before). Guangzhou Kingmed reported lower sales and profits as the anti-corruption campaign in China's health care industry continued to drag on its business.

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 30 January 2008. All performance data for the FSSA China Focus Fund Class I (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 Focus Fund was rebranded as FSSA China Focus Fund.

Portfolio review

New purchases over the quarter included Hundsun Technologies, a leading software provider for the financial industry. The company has a strong track record of growth and is well-positioned to benefit from the long-term development of China's capital markets. Most of its revenue comes from brokers and asset managers, which have scope to increase their IT spending. The management plans to leverage Hundsun's dominant position in trading and settlement systems to expand into adjacent areas, such as risk management, wealth management and data services. Furthermore, Hundson's business model generates consistent cash flow, which implies room to increase shareholder returns through dividends and share buybacks.

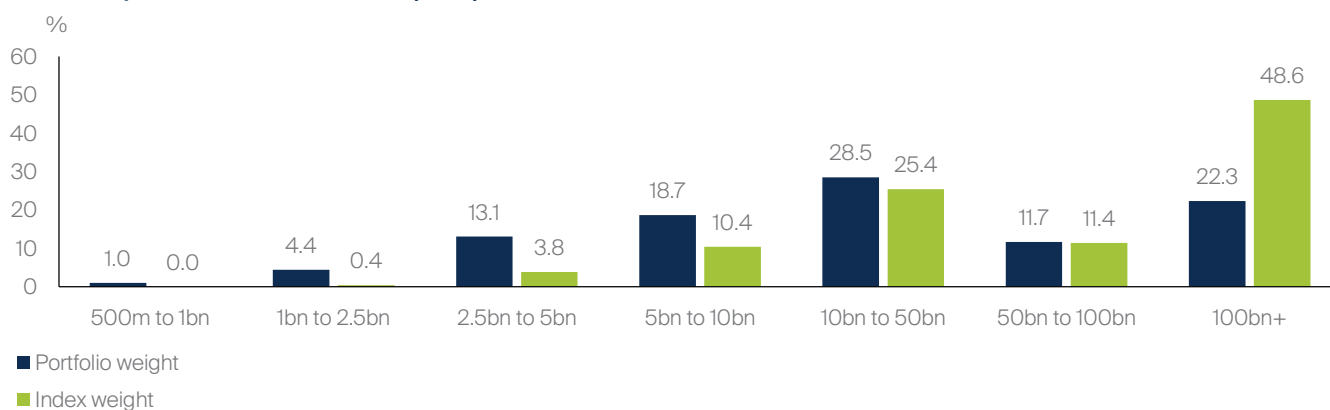
We sold Shenzhen Sunlord and Shanghai Liangxin to consolidate into more attractive opportunities.

Stock spotlight

Shenzhou is a leading contract manufacturer of textiles, with sportswear and key customers Nike, Adidas, Puma and Uniqlo accounting for the bulk of its sales. We think it is a high-quality company, judging from its track record of good ESG practices and ability to gain market share. Its vertical integration allows for quality control, shorter production times and better margins than peers. The company has humble beginnings, starting in 1987 with a father-son team (who started their careers as factory workers, both at age 13 coincidentally). Because of their background, they have always treated their employees well with good working conditions and above-industry compensation. They have also benefited from a series of key strategic decisions. In its early years, the company built a sewage treatment plant, a rarity at the time and despite opposition from other employees, to ensure they were doing business the right way. This helped years later, when local governments shut down Shenzhou's competitors for poor waste treatment.

When the company listed in 2005, they transitioned from predominantly casual wear to focusing on sportswear, based on its growth potential. They also invested in overseas expansion early to reduce the risk of trade tariffs and to lower labour costs, having entered Cambodia in 2005 and Vietnam in 2014. Now more than half of its production is outside of China. Although China's textile industry is losing share, chairman Ma Jianrong sees potential to upgrade the industry via digitisation, green production and automation, and target the growing domestic consumer base.

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 see the change in policy stance as 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:

- 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 a smarter, more connected world.
- An ageing population and the growing trend of automation.
- Globally competitive exporters with a growing international business.

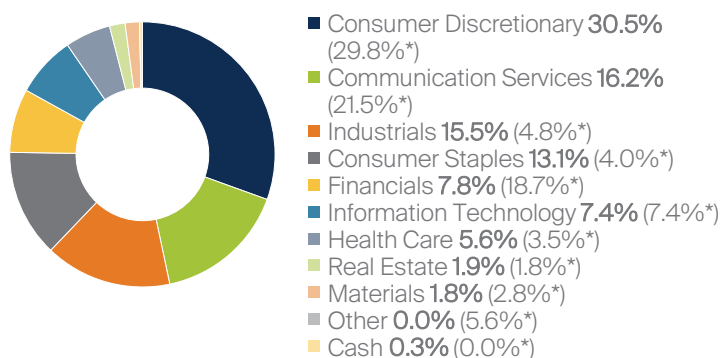
Ten largest company holdings as at 31 December 2024

Stock name	Country	Sector	Portfolio weight (%)
Tencent Holdings Ltd.	China	Communication Services	9.3
Meituan Class B	China	Consumer Discretionary	5.8
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	5.2
ZTO Express (Cayman), Inc. Class A	China	Industrials	5.1
JD.com	China	Consumer Discretionary	4.5
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	4.2
Shenzhou International Group Holdings Limited	China	Consumer Discretionary	3.8
Yadea Group Holdings Ltd.	China	Consumer Discretionary	3.7
China Merchants Bank Co., Ltd. Class H	China	Financials	3.7
Shenzhen Mindray Bio-Medic-A	China	Health Care	3.6

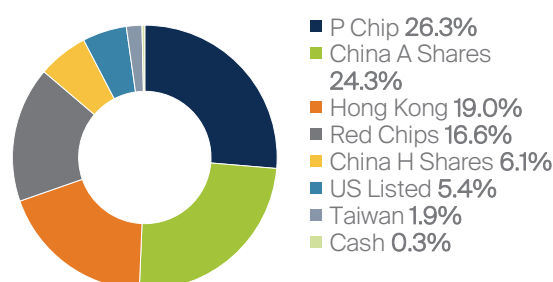
Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. 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*)
Sunny Optical Technology (Group) Co., Ltd.	China	Information Technology	44
MediaTek Inc	Taiwan	Information Technology	17
China Merchants Bank Co., Ltd. Class H	China	Financials	15
Shenzhen Sunlord Electronics Co., Ltd. Class A	China	Information Technology	9
Midea Group Co. Ltd. Class H	China	Consumer Discretionary	2

12 months to 31 December 2024

Stock name	Country	Sector	Value added (bps*)
Meituan Class B	China	Consumer Discretionary	402
Tencent Holdings Ltd.	China	Communication Services	384
China Merchants Bank Co., Ltd. Class H	China	Financials	216
Midea Group Co. Ltd. Class A	China	Consumer Discretionary	130
Haier Smart Home Co., Ltd. Class H	China	Consumer Discretionary	124

Bottom 5 contributors to absolute performance

3 months to 31 December 2024

Stock name	Country	Sector	Value added (bps*)
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-154
ZTO Express (Cayman), Inc. Class A	China	Industrials	-123
JD.com, Inc. Class A	China	Consumer Discretionary	-87
Shenzhen Mindray Bio-Medic-A	China	Health Care	-63
Kanzhun A ADR	China	Communication Services	-59

12 months to 31 December 2024

Stock name	Country	Sector	Value added (bps*)
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-99
Guangzhou Kingmed Diagnostics Group Co. Ltd. Class A	China	Health Care	-98
Yifeng Pharmacy Chain Co Ltd Class A	China	Consumer Staples	-69
Kanzhun A ADR	China	Communication Services	-68
Hangzhou Oxygen Plant Group Co., Ltd. Class A	China	Materials	-66

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	1.06	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	-0.61	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	34.79%	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	32.30%	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	6.89%	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)	2.63%	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)	2.57%	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)	2.57	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)	1.92	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)	15.10	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)	11.84	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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References to "we" or "us" are references to First Sentier Investors.

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