

# FSSA China Growth Fund

- The Fund invests primarily in equity or equity-related securities issued by companies with either assets in, or revenues derived from China.
- The Fund invests in emerging markets which may have increased risks than developed markets including liquidity risk, currency risk/control, political and economic uncertainties, high degree of volatility, settlement risk and custody risk.
- Investing in securities of small /mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments.
- The Fund's investments may be concentrated in China and single sector which may have higher volatility or greater loss of capital than more diversified portfolios.
- The Fund may expose to China market risk including repatriation risk, uncertainties to PRC taxation policies and risks associated with StockConnects, QFII/RQFII, the ChiNext market and/or the STAR board. The Fund may also expose to RMB currency and conversion risk.
- The Fund may use FDIs for hedging and efficient portfolio management purposes, which may subject the Fund to additional liquidity, valuation, counterparty and over the counter transaction risks.
- It is possible that a part or entire value of your investment could be lost. You should not base your investment decision solely on this document. Please read the offering document including risk factors for details.

## Investment objective and strategy

The Fund aims to achieve long term capital appreciation and invests primarily in equity or equity-related securities issued by companies with either assets in, or revenues derived from the People's Republic of China that are listed, traded or dealt in on regulated markets in China, Hong Kong, Taiwan, the U.S. or in a member state of OECD.

## Fund information

|                    |                                   |
|--------------------|-----------------------------------|
| Fund size (US\$m)  | 3,360.5                           |
| Benchmark          | MSCI China Net Index <sup>▲</sup> |
| Number of holdings | 59                                |

## Available share classes

| Share class <sup>+</sup> | Inception date | Nav/per share | ISIN code    |
|--------------------------|----------------|---------------|--------------|
| Class I (USD - Acc)      | 17 August 1999 | US\$199.30    | IE0008368742 |

<sup>+</sup> Acc represents share class with dividends accumulated.

<sup>▲</sup> The benchmark displayed is the MSCI Golden Dragon Index until 31 May 2002 and the MSCI China Index from 1 June 2002 onwards.

## 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.

### Annual performance (% in USD) to 30 June 2022

|   | 12 mths to<br>30/06/22 | 12 mths to<br>30/06/21 | 12 mths to<br>30/06/20 | 12 mths to<br>30/06/19 | 12 mths to<br>30/06/18 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| FSSA China Growth Fund Class I (USD - Acc)  | -25.7                  | 41.7                   | 9.7                    | -6.7                   | 30.3                   |
| FSSA China Growth Fund Class II (USD - Acc) | -25.3                  | 42.4                   | 10.2                   | -6.2                   | 31.0                   |
| MSCI China Net Index                        | -31.8                  | 27.4                   | 13.1                   | -6.7                   | 21.2                   |

### Cumulative performance (% in USD) to 30 June 2022

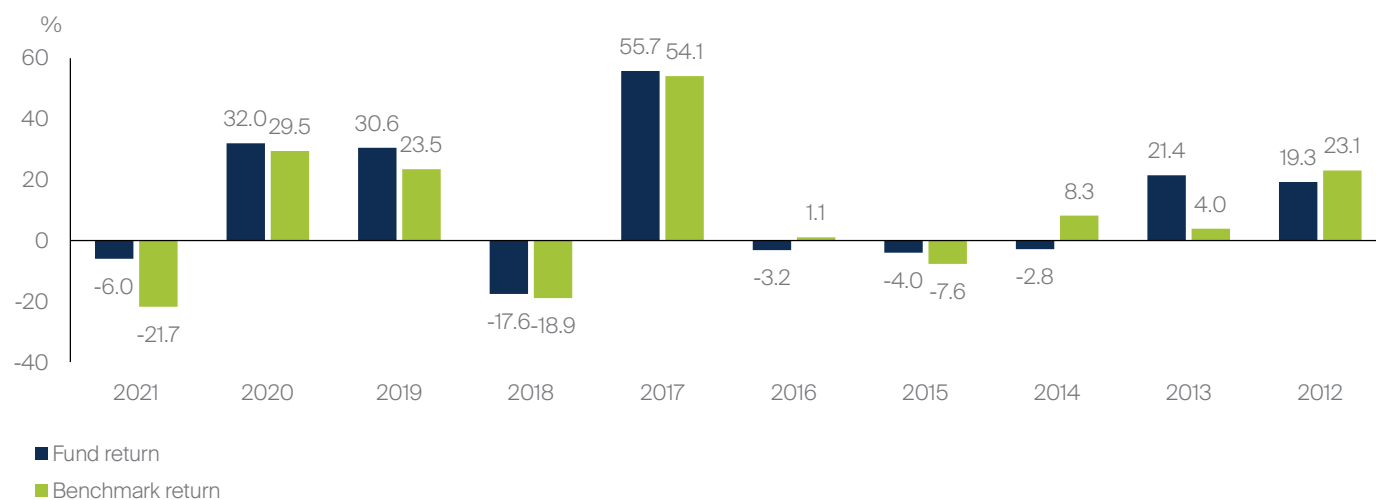
|   | Since<br>Inception | 10 yrs | 5 yrs | 3 yrs | 1 yr  | YTD   | 6 mths | 3 mths |
|---|--------------------|--------|-------|-------|-------|-------|--------|--------|
| FSSA China Growth Fund Class I (USD - Acc)  | 1893.1             | 119.7  | 40.5  | 15.5  | -25.7 | -16.3 | -16.3  | -0.9   |
| FSSA China Growth Fund Class II (USD - Acc) | 2864.5             | 125.1  | 44.0  | 17.3  | -25.3 | -16.1 | -16.1  | -0.7   |
| MSCI China Net Index                        | 464.6              | 72.4   | 11.2  | -1.7  | -31.8 | -11.3 | -11.3  | 3.4    |

### Performance review

Over the past 12 months, key contributors to performance included Zhejiang Chint, which benefited from strong sales growth in its established core business plus a surge in its emerging residential photovoltaic (PV) segment. China Resources Land (CR Land) rose on expectations of solid earnings results, with strong retail sales driving higher rental income from its shopping malls. On the

negative side, Tencent weakened on concerns about the regulatory environment and a slowdown in revenue growth. Techtronic declined on concerns about a slowdown in consumer demand in the US, its largest market, as rising gas prices and broad inflation dampened spending.

### Calendar year performance (% in USD) to 30 June 2022



Source: Lipper and First Sentier Investors, Nav-Nav (USD total return) data as at 30 June 2022. This Fund is a sub fund of Ireland domiciled First Sentier Investors Global Umbrella Fund Plc. Class I (USD-Acc) and Class II (USD-Acc) are the non-dividend distributing class of the fund, the performance quoted are based on USD total return (non-dividend distributing). Class II (USD-Acc) was launched on 20 May 1992 and has been closed for subscription. The benchmark displayed is the MSCI Golden Dragon Index until 31 May 2002 and the MSCI China Index from 1 June 2002 onwards. Gross of tax benchmark performance is shown before 1 July 2016 and net of tax benchmark performance is shown after the aforementioned date. Class I (USD - Acc) performance is shown in the above chart. Unless otherwise specified, all information contained in this document is as at 30 June 2022. Investment involves risks, past performance is not a guide to future performance. On 22 September 2020, First State China Growth Fund was rebranded as FSSA China Growth Fund.

**Portfolio review**

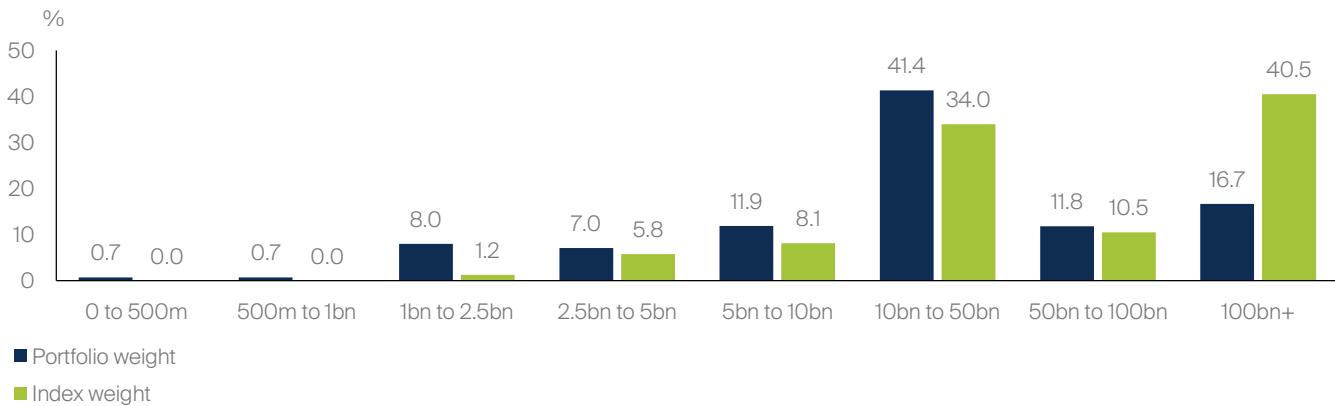
There were no significant new purchases or complete disposals over the quarter.

**Stock spotlight**

China Resources Beer (CRB) is the largest beer company in China, with around 31% market share. As Chinese GDP and the middle class cohort have grown, so the opportunity has been about premiumising, modernising and improving unit economics. CRB's share of premium sales has grown rapidly in recent years and is now just under 20% of turnover, helped in part by a 2019 merger with Heineken China.

The group has a strong balance sheet with net cash, and cash-flow generation is strong. Investor concerns about higher input prices (50% of beer's cost-of-goods-sold consists of packaging like aluminium cans) has temporarily depressed the share price, but we believe CR Beer's gross profit margin of circa 40% should limit the impact of inflation on net profit. Additionally, beer companies have usually been able to pass on costs through higher average selling prices, in common with most consumer goods companies. With attractive valuations and relatively undemanding assumptions, we believe CR Beer should provide a solid and dependable real rate of return.

**Market capitalisation breakdown (USD)**



Data source: First Sentier Investors. 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. 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. The index refers to MSCI China Net Index.

## Outlook

We expect the China market to normalise gradually after the pandemic-related events of the last two years. There are positive signs of reopening, which should lead to a boost in consumption and a recovery in the domestic economy. As the US Federal Reserve starts its tightening cycle and raises interest rates, liquidity will shrink – not just in the US but also in Asia. We believe China's countercyclical easing should make the market more attractive to global investors as the government turns more pro-growth.

Inflation remains a key issue – both in China and globally. China imports oil, grain and copper from the global market and the prices of these raw materials have increased, which could affect corporate profits. In our meetings with portfolio holdings we have been focused on assessing their ability to pass through costs – generally, if the company produces branded products and the sector is highly consolidated, it should be able to pass on cost pressures to customers.

Our strategy against this backdrop is to be selective in our investments, seeking to buy good quality companies to hold for at least 3-5 years or more. We continue to see attractive opportunities in China's increasing urbanisation, consumption upgrading, technical innovation, and the rise in healthcare spending.

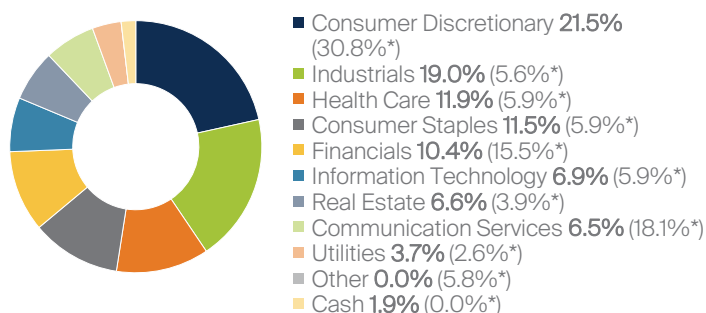
## Our long-term investment themes:

- 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.

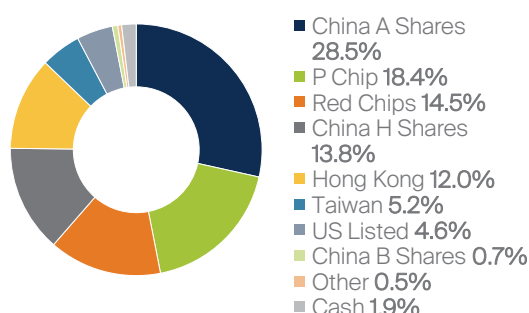
## Ten largest company holdings as at 30 June 2022

| Stock name   | Country   | Sector                 | Portfolio weight (%) |
|--|-----------|------------------------|----------------------|
| Tencent Holdings Ltd.                                    | China     | Communication Services | 6.5                  |
| Midea Group  | China     | Consumer Discretionary | 4.8                  |
| China Merchants Bank Co., Ltd. Class H                   | China     | Financials             | 4.7                  |
| China Mengniu Dairy Co. Ltd.                             | China     | Consumer Staples       | 4.1                  |
| Ping An Insurance (Group) Company of China, Ltd. Class H | China     | Financials             | 3.8                  |
| ENN Energy Holdings Limited                              | China     | Utilities              | 3.7                  |
| JD.com, Inc. Sponsored ADR Class A                       | China     | Consumer Discretionary | 3.5                  |
| China Resources Land Limited                             | China     | Real Estate            | 3.4                  |
| Techtronic Industries Co., Ltd.                          | Hong Kong | Industrials            | 2.9                  |
| ANTA Sports Products Ltd.                                | China     | Consumer Discretionary | 2.9                  |

## Sector breakdown



## Share class breakdown



\*Index weight

Sector and Share class 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%.

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.

The index refers to MSCI China Net Index.

## Top 5 contributors to absolute performance

### 3 months to 30 June 2022

| Stock name                               | Country | Sector                 | Value added (bps*) |
|--|---------|------------------------|--------------------|
| Tsingtao Brewery                         | China   | Consumer Staples       | 52                 |
| JD.com, Inc. Sponsored ADR Class A       | China   | Consumer Discretionary | 46                 |
| Shanghai Liangxin Electrical Co Ltd - A  | China   | Industrials            | 44                 |
| ENN Energy Holdings Limited              | China   | Utilities              | 44                 |
| China Resources Beer (Holdings) Co. Ltd. | China   | Consumer Staples       | 41                 |

### 12 months to 30 June 2022

| Stock name                                       | Country | Sector           | Value added (bps*) |
|--|---------|------------------|--------------------|
| Zhejiang Chint Electrics Co., Ltd Class A        | China   | Industrials      | 114                |
| China Resources Land Limited                     | China   | Real Estate      | 51                 |
| Yifeng Pharmacy Chain Co Ltd Class A             | China   | Consumer Staples | 17                 |
| Shanghai Hanbell Precise - A                     | China   | Industrials      | 16                 |
| Shanghai International Airport Co., Ltd. Class A | China   | Industrials      | 10                 |

## Bottom 5 contributors to absolute performance

### 3 months to 30 June 2022

| Stock name                             | Country   | Sector                 | Value added (bps*) |
|--|-----------|------------------------|--------------------|
| Techtronic Industries Co., Ltd.        | Hong Kong | Industrials            | -157               |
| China Merchants Bank Co., Ltd. Class H | China     | Financials             | -89                |
| Silergy Corp                           | China     | Information Technology | -43                |
| CSPC Pharmaceutical Group Ltd.         | China     | Health Care            | -40                |
| Tencent Holdings Ltd.                  | China     | Communication Services | -35                |

### 12 months to 30 June 2022

| Stock name                             | Country   | Sector                 | Value added (bps*) |
|--|-----------|------------------------|--------------------|
| Tencent Holdings Ltd.                  | China     | Communication Services | -289               |
| Techtronic Industries Co., Ltd.        | Hong Kong | Industrials            | -155               |
| ANTA Sports Products Ltd.              | China     | Consumer Discretionary | -138               |
| Alibaba Group Holding                  | China     | Consumer Discretionary | -135               |
| China Merchants Bank Co., Ltd. Class H | China     | Financials             | -108               |

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.

### Important information

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