



FSSA Investment Managers

Our Core Beliefs

1 | We believe in quality

At FSSA, we seek to invest in quality companies, as defined by the strength of their management, franchise and financials. We believe that management is by far the most important driver of quality, as the decisions management make affect the quality of the franchise and the attractiveness of a company's financials over the long term. Simply put, our objective is to invest in a diversified portfolio of quality companies, which have highly competent managers, leading franchises, strong cash flow generation and solid balance sheets. We don't believe there is a price for everything. Poor quality businesses do not form a part of our investment universe, no matter how attractive the growth opportunity or valuation becomes.

2 | We are bottom-up stock pickers

We invest in people and real businesses, not pieces of paper or stock market tickers. The starting point for our portfolios is a blank sheet of paper. We do not, and cannot, forecast market movements and therefore believe the best way to generate superior long-term returns is to identify highly competent management teams and entrust them to grow our clients' capital, no matter the underlying economic backdrop. To enable us to do so, we carry out well over 1,500 meetings each year where we assess company managements' capabilities and the underlying strength of the franchises they run.

3 | We believe in the investment case for Asia and Emerging Markets

The fastest growth, some of the highest levels of innovation, and the bulk of human advancement is happening in Asian and Emerging Market economies. With this progress comes a burgeoning middle class with a heightened propensity to consume and levels of company formation that is reminiscent of the United States in the early 20th century. We believe the opportunity to participate in this growth is a fantastic multi-decade opportunity.

4 | We are long-term growth investors

We are growth, not value investors. In Asia and Emerging Markets, extracting value is far from easy given that it is normal for companies to have a controlling shareholder. We make investment decisions with at least a three-to-five year view, though our ideal holding period is much longer (10, perhaps 20 years, or more). Once we have identified our preferred companies – those that can grow earnings sustainably – we aim to benefit from the power of long-term compounding. We are, however, sensitive to valuations and strive not to overpay for growth. A great company might not make a good investment if it is overpriced.

5 | We define risk as the risk of capital loss, not underperforming an index

Our investment approach focuses on generating absolute returns for our clients. With every investment we make, we look at the potential downside and not just upside. We believe the best way to outperform an index in the long run is to spend little, if any time looking at it. We endeavour to avoid getting carried away during periods of irrational exuberance and are willing to accept underperformance in the short and even medium term when compared to a benchmark index to ensure we protect capital when the tide turns.

6 | We are pragmatic contrarians

While many in the industry build detailed financial models and aim to forecast the next quarter's earnings to the nearest cent, we find it is better to be approximately right in the long term than be exactly wrong in the short term. We do not try to time our entry and exit from companies – we merely wish to buy great companies at reasonable valuations. To do this, we pursue broader insights rather than worry about the minutiae of a company. And we challenge ourselves on what we don't know, rather than assume we know everything.

7 | We invest in companies where we are an aligned partner

As minority investors in businesses, we need to be aligned with management and the controlling shareholder. We find that companies who treat their shareholders as partners rather than as privileged onlookers are more likely to treat all stakeholders well, thereby solidifying their franchise. We also find that having access to management allows us to drive shareholder value by engaging on environmental, social and governance (ESG) issues. Owning shares in a business brings with it responsibilities as well as rights and we take both seriously.

8 | Sustainability is a key part of our process and always has been

ESG is a core part of our process and not an overlay or add on. We have always believed that sustainability issues are also investment issues and can have an outsized impact on a company's returns. Poor environmental or social practices could eventually mean losing the licence to operate, while weak governance indicates a lack of the necessary checks and balances on management. We find that the past is often the best guide to the future; therefore, we look at a company and its management's history and refuse to invest where there have been poor practices in



the past. This makes sense from both an investment and an ethical perspective – we believe not every stock has a price. Markets that are too focused on the short term frequently fail to price in negative externalities, which only become significant once they are apparent to all.

9 | We believe in the team

We operate in a collegiate working environment with a flat structure. We encourage the kind of culture where the most junior team member can speak up and question the most senior. First and foremost, all members of the FSSA team are analysts. There are no experts – we are all generalists, striving to challenge each other and ourselves. We believe elevating individuals into experts with definitive knowledge leads to the loss of intellectual debate on which we thrive. Only by constantly questioning each other and the investment case for our portfolio holdings can we ensure that we continue to generate strong returns for our clients.

10 | We believe in our funds

All members of the team have a significant portion of their wealth invested in FSSA's funds. We invest our clients' money as if it were our own money, and our co-investments reinforce this belief. Not only do we wish to align with our clients, we cannot think of a better long-term investment for our own money than our own funds. Our business structure, remuneration and investment philosophy all focuses on the long term, which means we have the luxury of making genuine long-term investment decisions without the industry pressure of chasing short-term performance. We are convinced that this mind-set is the best way to achieve both superior long-term returns and team success, and consider it our key competitive advantage.

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