

FSSA Asia Opportunities Fund (FISHVEX)



Investment objective and policy

The Fund aims to grow your investment.
 The Fund invests at least 70% of its assets in shares of companies based in, or closely associated with, the Asian Region (excluding Australia, New Zealand and Japan). The Fund may invest in any emerging markets in the Asia Pacific Region (excluding Australia, New Zealand and Japan), in companies of any size or industry.
 Emerging markets are countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body. The Fund will not invest more than 50% of its assets in China A Share.
 The Fund may use derivatives with the aim of risk reduction or efficient management.

Fund information

Fund launch date	18 October 2002
Fund size (US\$m)	26.6
Benchmark	MSCI AC Asia ex Japan Net Index*
Number of holdings	43
Fund manager(s)	Richard Jones/Rizi Mohanty
Research rating ^	Morningstar@:Silver

* The benchmark changed from the MSCI AC Asia Information Technology to the above on 01/12/2008. The benchmark of the Fund changed from MSCI AC Asia ex Japan Gross to MSCI AC Asia ex Japan Net with effect from 1 July 2016. This change has been reflected in the calculation of the benchmark performance.

^ This does not constitute an investment recommendation and is not indicative of future results. Methodology available on rating provider's website.

Available share classes

Share class	Sedol	ISIN
FSSA Asia Opportunities Fund USD Class I (Accumulation)	3218145	IE0009570106

Risk factors

This document is a financial promotion for the FSSA Asia Opportunities 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.**
- **Emerging market risk:** Emerging markets tend to be more sensitive to economic and political conditions than developed markets. Other factors include greater liquidity risk, restrictions on investment or transfer of assets, failed/delayed settlement and difficulties valuing securities.
- **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.
- **Smaller companies risk:** investments in smaller companies may be riskier and more difficult to buy and sell than investments in larger 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.

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 2023

	12 mths to 31/12/23	12 mths to 31/12/22	12 mths to 31/12/21	12 mths to 31/12/20	12 mths to 31/12/19
FSSA Asia Opportunities Fund	2.3	-15.8	5.4	13.2	15.1
MSCI AC Asia ex Japan Net Index	6.0	-19.7	-4.7	25.0	18.2

Cumulative performance in USD (%) to 31 December 2023

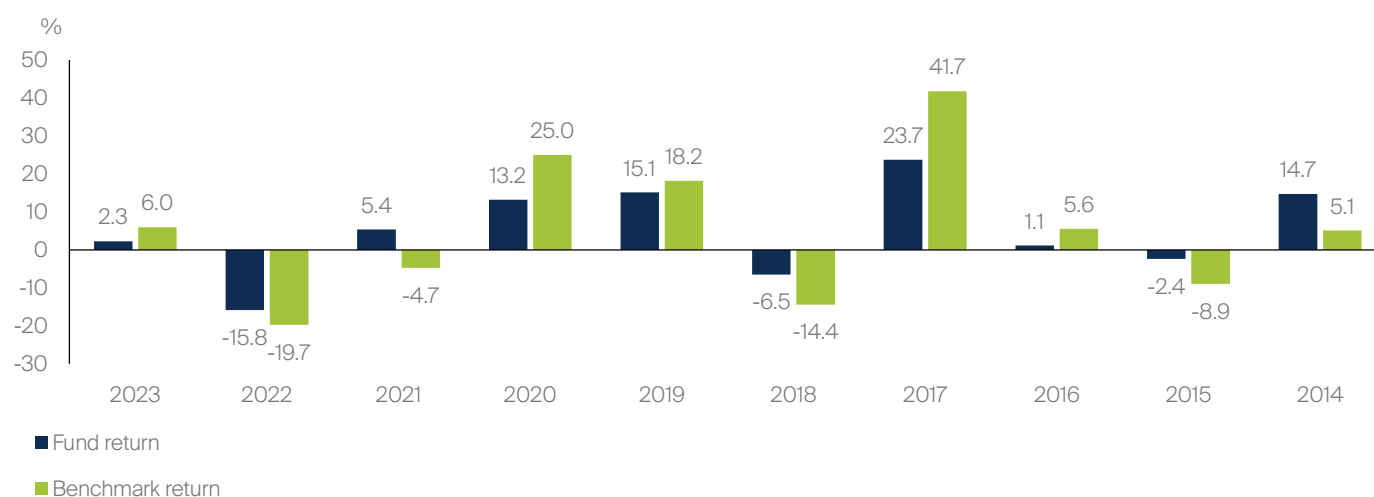
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Asia Opportunities Fund	411.8	55.0	18.3	-9.2	2.3	2.3	-0.4	4.3
MSCI AC Asia ex Japan Net Index	278.3	47.0	19.8	-18.9	6.0	6.0	2.9	6.4

Performance review

Over the past 12 months, key contributors to performance included Taiwan Semiconductor (TSMC) which was buoyed by the positive sentiment on AI-related stocks. TSMC has maintained its cutting-edge technology leadership (in terms of its chips' processing speed and power consumption); and this, along with its business alignment with its customers, has continued to strengthen its competitive position. Colgate-Palmolive (India) benefited from recovering volume growth and margin expansion throughout 2023.

On the negative side, China Mengniu Dairy declined on weak consumer demand, though we continue to believe it should benefit gradually from the long-term premiumisation trend with its deluxe offerings, cheese, ice cream, and sports and elderly nutrition. China Resources Beer (CR Beer) fell, with volume growth expected to remain under pressure amid weak consumer spending. The company plans to continue rationalising its operations (by closing plants and reducing staff numbers) to improve margins over the next few years.

Calendar year performance (% in USD) to 31 December 2023



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 18 October 2002. All performance data for the FSSA Asia Opportunities Fund Class I (Accumulation) USD as at 31 December 2023. 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 Asia Opportunities Fund was rebranded as FSSA Asia Opportunities Fund.

Portfolio review

We bought Tencent, the largest social media network and online gaming company in China, with growing businesses in online advertising, cloud services and e-payments/e-commerce. Its profits have returned to year-on-year growth on the back of strong demand for online games and certain advertising segments. We expect decent growth for Tencent's advertising business, driven by the recent monetisation of Weixin's short video function and the recovery of advertising demand. Cloud and fintech could also become major growth engines in the mid-to-long term.

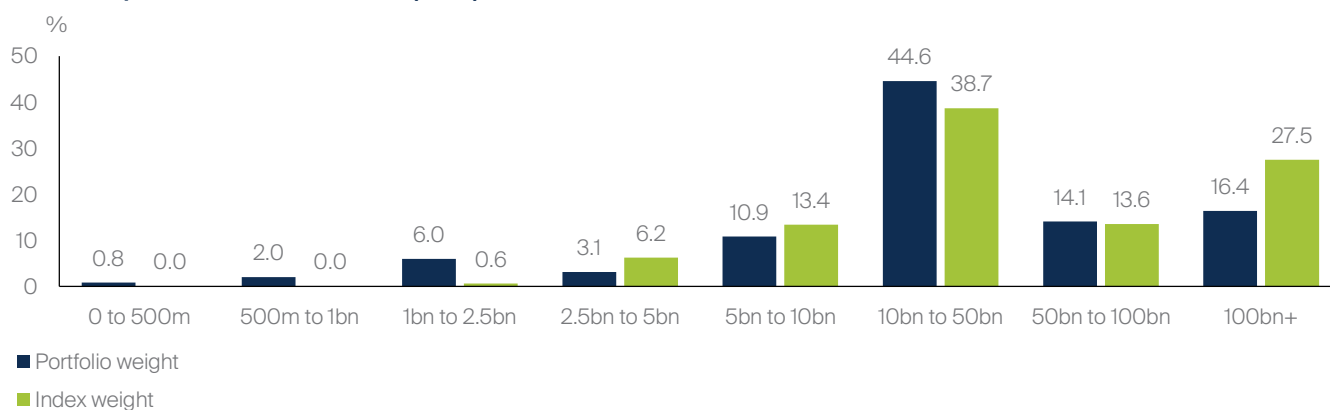
We also bought Fairwood, a Chinese quick-service restaurant based in Hong Kong. While fundamentally a decent franchise, the business has been struggling since 2018 due to cost pressures, Hong Kong protests and pandemic restrictions. In 2023, Hong Kong's restaurant industry has been improving gradually albeit slowly, while the group is adopting a prudent approach to enhance its operations. Recent initiatives include digitisation and adding menu items to attract health-focused consumers, and we bought the stock at attractive valuations.

We sold Jardine Matheson to consolidate into higher-conviction opportunities.

Stock spotlight

We have been shareholders of HDFC Bank, India's largest private sector bank, for close to two decades. Thanks to its conservative and risk-aware lending, it has consistently gained market share at the expense of state-owned banks, which are plagued by asset quality and capital adequacy issues. The management team is highly experienced, with CEO Sashidhar Jagdishan at the helm. State-owned banks continue to make up nearly 60% of the Indian banking system, although this number has shrunk from 75% a decade ago. Industry growth continues to be led by greater penetration of banking services and financialisation of savings among a large under-banked population. HDFC Bank has delivered industry-leading returns over the last two decades, while consistently focusing on risk management. Earnings per share (EPS) has compounded at 23% compound annual growth rate (CAGR) over this period, while shareholders have earned a total return of 19% in US dollar terms. This has been underpinned by investments in the branch network, which has grown by 65% in the last 5 years, as well as a focus on digital channels – already 95% of all their transactions are via Internet & Mobile, whilst the bank accounts for 28% of all e-commerce transactions in India. Finally, we believe the recent merger with HDFC Corp will lead to a stronger financial conglomerate with leading positions in segments such as asset management and life insurance. It should result in significant synergies across business lines, which will be accretive to their returns over time.

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

It has been a decade of poor performance across most Asian markets, but in our view that means there are grounds for greater optimism. One prerequisite for higher returns is lower prices, while slower growth (at the economy and at company levels) could, paradoxically, pave the way for higher shareholder returns. In a tougher operating environment, the better companies tend to strengthen their position and gain market share. That is why "quality" tends to perform well in bear markets. From that perspective we are relatively optimistic, particularly as the quality of the portfolio has seldom been better and the valuation looks attractive. As always, the team's investment process and philosophy remains driven from the bottom up and is focused on finding the region's best companies that can grow larger over time. Meanwhile, we believe pessimism, anchored by lower valuations, is usually a good reason to think more constructively about the opportunities.

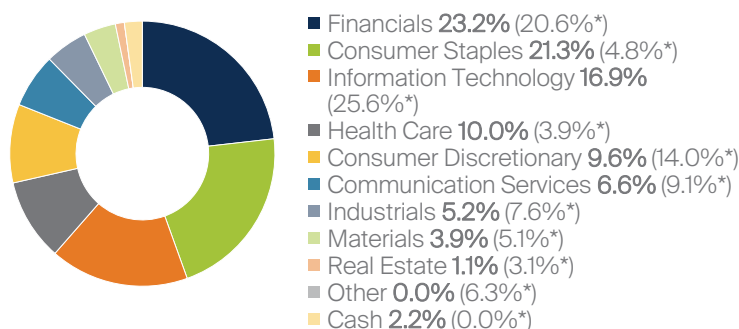
Our long-term investment themes:

- Dominant consumer franchises which have an edge in brand, distribution and innovation.
- High quality financials, supported by a strong deposit franchise or a specific loan niche.
- 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.

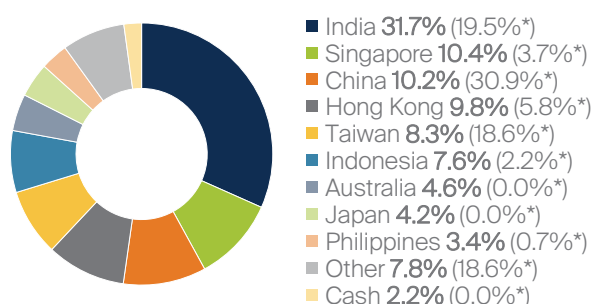
Ten largest company holdings as at 31 December 2023

Stock name	Country	Sector	Portfolio weight (%)
HDFC Bank	India	Financials	6.5
CSL	Australia	Health Care	4.6
Colgate-Palmolive (India) Limited	India	Consumer Staples	4.5
Mahindra & Mahindra	India	Consumer Discretionary	4.2
Taiwan Semiconductor (TSMC)	Taiwan	Information Technology	4.1
Oversea-Chinese Banking Corporation	Singapore	Financials	4.0
Axis Bank Limited	India	Financials	3.2
Tata Consultancy Serv. Ltd	India	Information Technology	3.2
Godrej Consumer Products Limited	India	Consumer Staples	3.1
NAVER Corp.	South Korea	Communication Services	3.0

Sector breakdown



Country breakdown



*Index weight

*Index weight

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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Top 5 contributors to absolute performance

3 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
Colgate-Palmolive (India) Limited	India	Consumer Staples	102
CSL	Australia	Health Care	86
HDFC Bank INR1	India	Financials	73
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	72
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	59

12 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
Colgate-Palmolive (India) Limited	India	Consumer Staples	187
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	112
PT Astra Otoparts Tbk	Indonesia	Consumer Discretionary	109
Mahindra & Mahindra Ltd.	India	Consumer Discretionary	106
Godrej Consumer Products Limited	India	Consumer Staples	85

Bottom 5 contributors to absolute performance

3 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-66
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-52
PT Astra Otoparts Tbk	Indonesia	Consumer Discretionary	-42
Jardine Matheson Holdings Limited	Hong Kong	Industrials	-40
Shiseido Company,Limited	Japan	Consumer Staples	-22

12 months to 31 December 2023

Stock name	Country	Sector	Value added (bps*)
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-127
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-113
Shiseido Company,Limited	Japan	Consumer Staples	-78
Vitasoy International Holdings Limited	Hong Kong	Consumer Staples	-67
AIA Group Limited	Hong Kong	Financials	-67

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 2023

Risk measure	Value	Risk description
Beta	0.70	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	0.67	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	14.62%	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	18.72%	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	8.38%	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 2023

Risk measure	Value	Risk description
Dividend Yield (Fund)	2.05%	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)	2.64	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)	1.77	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)	19.80	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)	13.68	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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