

FSSA Regional China Fund

Investment objective and strategy

The Fund aims to achieve long term capital appreciation and invests all or substantially all of its assets in the FSSA Greater China Growth Fund (the “Underlying Sub-Fund”), under the Dublin registered First Sentier Investors Global Umbrella Fund plc.

The Underlying Sub-Fund invests primarily (at least 70% of its net asset value) in equity securities or equity-related securities issued by companies with either assets in, or revenues derived from, the People’s Republic of China, Hong Kong, and Taiwan and which are listed, traded or dealt in on regulated markets in the People’s Republic of China, Hong Kong, Taiwan, the U.S., Singapore, Korea, Thailand and Malaysia or in a member state of the OECD.

On 22 September 2020, First State Regional China Fund was rebranded as FSSA Regional China Fund.

Fund information

| | |
|--------------------|--------------------------|
| Fund size (S\$m) | 588.5 |
| Benchmark | MSCI Golden Dragon Index |
| Number of holdings | 46 |

Available share classes

| Share class | Inception date | Nav/per share | ISIN code |
|---------------------|----------------|---------------|--------------|
| Class A (SGD - Acc) | 01 Nov 1993 | S\$3.9598 | SG9999000194 |

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.

Annualised performance in SGD (%) to 31 December 2023 ^

| | Since Inception | 10yrs | 5yrs | 3yrs | 1yr |
|----------------------------|-----------------|-------|------|-------|-------|
| Fund (Ex initial charges) | 7.2 | 4.9 | 2.6 | -10.9 | -10.9 |
| Fund (Inc initial charges) | 7.0 | 4.3 | 1.5 | -12.4 | -15.3 |
| Benchmark | 3.8 | 4.4 | 1.6 | -11.1 | -2.2 |

Cumulative performance in SGD (%) to 31 December 2023 ^

| | Since Inception | 5yrs | 3yrs | 1yr | 3mths |
|----------------------------|-----------------|------|-------|-------|-------|
| Fund (Ex initial charges) | 720.7 | 13.4 | -29.2 | -10.9 | -2.2 |
| Fund (Inc initial charges) | 679.6 | 7.8 | -32.7 | -15.3 | -7.1 |
| Benchmark | 205.0 | 8.5 | -29.9 | -2.2 | -0.5 |

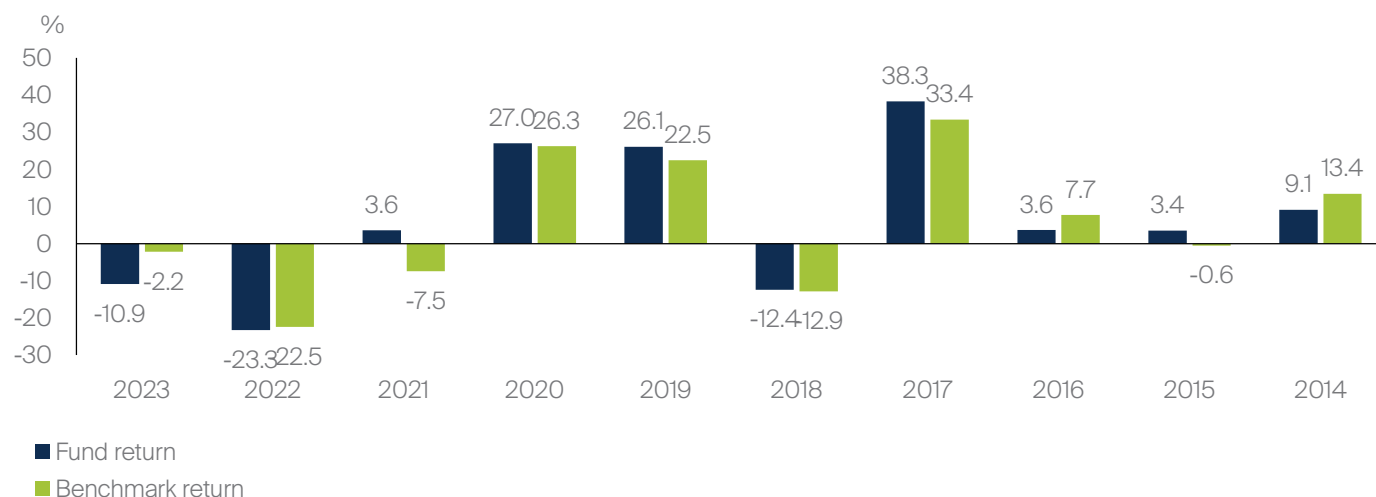
^ The performance prior to 18 Oct 02 is in relation to the Fund before its conversion to a feeder fund.

Performance review

Over the past 12 months, key contributors to performance included Taiwan Semiconductor (TSMC), which rose on the expectation that inventories are close to bottoming out (though the timing of any recovery is still uncertain). 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. Mediatek rose on signs of recovering end-demand for smartphones. The company, which designs integrated circuits on semiconductor chips, is benefiting from the use of artificial intelligence in its processes, as it can optimise performance and shorten the chip development time.

On the negative side, China Mengniu Dairy has been affected by weak consumer demand as China's economic recovery remains fragile. In the long run we continue to believe it should benefit from the "premiumisation trend", with its deluxe offerings, cheese, ice cream, and sports and elderly nutrition. China Merchants Bank missed the market's expectations, with net profit growth weaker than forecast. Revenue was lower due to a decline in fee income and a compression in net interest margins; but on the positive side, retail loans posted a modest recovery, asset quality remained stable, and deposit growth was strong.

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



Source: Lipper and First Sentier Investors, single pricing basis with net income reinvested. Unless otherwise specified, all information contained in this document is as at 31 December 2023. Investment involves risks, past performance is not a guide to future performance.

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.

Portfolio review

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

Stock spotlight

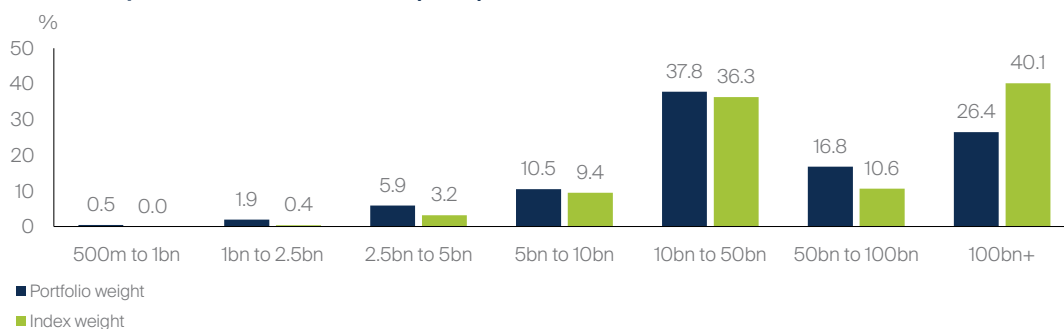
Taiwan Semiconductor (TSMC) is a core holding across FSSA's Asia Pacific, Greater China and Global Emerging Market (GEM) portfolios. We believe it is one of the best ways to capture the rising trend of artificial intelligence (AI), smart devices and the Internet of Things (IoT). Established in 1987, TSMC was the pioneer of the foundry model, which separated semiconductor chip designs (produced by fabless companies) from the fabrication or manufacturing process (outsourced to a foundry). Over the last 30 years, foundries have gained market share from traditional integrated design and manufacturing (IDM) chip companies. There were two main reasons for this: on the manufacturing side, the process has become more complicated and capital intensive; while on the customer side, more fabless (e.g. Nvidia) and system companies (e.g. Apple) have emerged.

TSMC has become the world's largest dedicated contract chip manufacturer, with more than 50% market share. Growth has remained strong due to its advanced technology and strategy of partnering with, instead of competing with, its customers. Although its growth will eventually taper off due to the law of large numbers, for now it should continue to gain market share and outpace the overall industry. It has demonstrated pricing power amid strong customer demand, which can in turn drive more investments in a virtuous cycle.

On the negative side, a recent risk is the added complexity from geopolitics and de-globalisation. As TSMC diversifies geographically and capital expenditure increases, there are grounds for expecting lower marginal returns on capital. For example, TSMC's expansion into the US is turning out to be harder than expected, due to issues around recruitment and training. Having plants outside Taiwan are certainly going to dilute returns. We also think the near-term optimism over AI may be a bit overdone. TSMC has been anticipating the AI wave for many years, and high-performance computing has recently become TSMC's largest revenue source, surpassing smartphones. That said, the valuation still looks attractive with signs that profits are recovering, though earnings seem unlikely to surpass the FY22 high until FY25.

Historically TSMC's business (and share price) has been more cyclical, but its technological lead (in terms of its chips' processing speed and power consumption), as well as its business alignment with clients, has continued to strengthen its competitive position.

Market capitalisation breakdown (SGD)



Source: First Sentier Investors as at 31 December 2023. 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.

Outlook

Investing in China's dynamic market comes with an evolving set of challenges and opportunities. Today, the key challenges include shifts in geopolitics, policy priorities and demographics. In the shorter term, weak consumer confidence and rising unemployment have been additional areas of concern. But, as long-term investors, we also see an attractive opportunity set in a unique market. We have been impressed by the improving quality of Chinese companies and management over the years and we believe there is room for industry leaders to continue to deliver attractive returns in a maturing economy.

As always, we seek to invest in quality companies with proven management, dominant franchises and conservative financials. Market downturns provide us with attractive opportunities to accumulate quality companies at lower prices – and we stand by the belief that the best time to buy is when things appear gloomy and valuations are undemanding. We have taken the opportunity to build up some of the smaller positions in the portfolio, while also adding on weakness to our high conviction and core long-term holdings.

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.

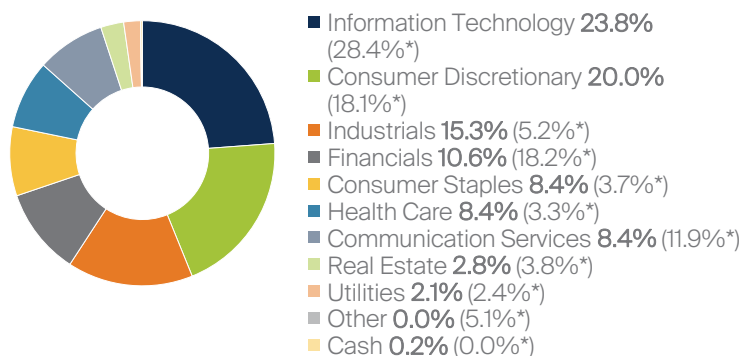
Ten largest company holdings as at 31 December 2023

| Stock name | Geography | Sector | Portfolio weight (%) |
|--|-----------|------------------------|----------------------|
| Taiwan Semiconductor (TSMC) | Taiwan | Information Technology | 9.8 |
| Tencent Holdings Ltd. | China | Communication Services | 6.0 |
| Midea Group | China | Consumer Discretionary | 5.6 |
| AIA Group Limited | Hong Kong | Financials | 4.1 |
| China Merchants Bank Co., Ltd. Class H | China | Financials | 3.7 |
| ANTA Sports Products Ltd. | China | Consumer Discretionary | 3.5 |
| China Mengniu Dairy Co., Ltd. | China | Consumer Staples | 3.5 |
| Shenzhen Mindray Bio-Medic-A | China | Health Care | 3.3 |
| JD.com | China | Consumer Discretionary | 3.2 |
| Advantech | Taiwan | Information Technology | 3.1 |

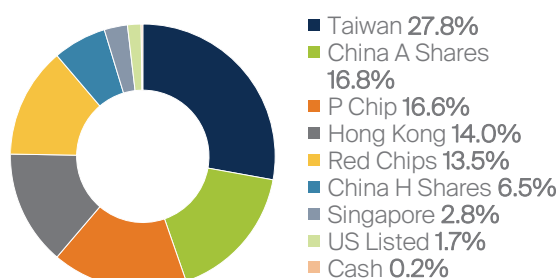
Source: First Sentier Investors as at 31 December 2023. Sector and Share class classifications provided by FactSet and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, 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.

Sector breakdown



Share class breakdown



*Index weight

Top 5 contributors to absolute performance

3 months to 31 December 2023

| Stock name | Geography | Sector | Value added (bps*) |
|--|-----------|------------------------|--------------------|
| Taiwan Semiconductor Manufacturing Co., Ltd. | Taiwan | Information Technology | 166 |
| Silergy Corp. | China | Information Technology | 105 |
| MediaTek Inc | Taiwan | Information Technology | 75 |
| CSPC Pharmaceutical Group Limited | China | Health Care | 60 |
| Techtronic Industries Co., Ltd. | Hong Kong | Industrials | 53 |

12 months to 31 December 2023

| Stock name | Geography | Sector | Value added (bps*) |
|--|-----------|------------------------|--------------------|
| Taiwan Semiconductor Manufacturing Co., Ltd. | Taiwan | Information Technology | 227 |
| MediaTek Inc | Taiwan | Information Technology | 112 |
| Accton Technology Corp. | Taiwan | Information Technology | 89 |
| Realtek Semiconductor Corp | Taiwan | Information Technology | 88 |
| Advantech | Taiwan | Information Technology | 71 |

Bottom 5 contributors to absolute performance

3 months to 31 December 2023

| Stock name | Geography | Sector | Value added (bps*) |
|--|-----------|------------------------|--------------------|
| Ping An Insurance (Group) Company of China, Ltd. Class H | China | Financials | -84 |
| China Mengniu Dairy Co., Ltd. | China | Consumer Staples | -84 |
| China Merchants Bank Co., Ltd. Class H | China | Financials | -75 |
| ANTA Sports Products Ltd. | China | Consumer Discretionary | -57 |
| China Resources Land Limited | China | Real Estate | -32 |

12 months to 31 December 2023

| Stock name | Geography | Sector | Value added (bps*) |
|--|-----------|------------------------|--------------------|
| China Mengniu Dairy Co., Ltd. | China | Consumer Staples | -183 |
| China Merchants Bank Co., Ltd. Class H | China | Financials | -168 |
| JD.com, Inc. Class A | China | Consumer Discretionary | -143 |
| ENN Energy Holdings Limited | China | Utilities | -130 |
| Ping An Insurance (Group) Company of China, Ltd. Class H | China | Financials | -118 |

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. 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. 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.

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