

# FSSA China Growth Fund



- The Fund invests primarily in equity securities 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, QFI, 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)	2,289.7
Benchmark	MSCI China Net Index <sup>▲</sup>
Number of holdings	49

## Available share classes

Share class <sup>+</sup>	Inception date	Nav/per share	ISIN code
Class I (USD - Acc)	17 August 1999	US\$162.14	IE0008368742
Class I Hedged N (CNH - Acc)	01 December 2022	¥81.67	IE000KX3CXG6

<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 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 Growth Fund Class I (USD - Acc)	3.4	-17.9	-19.7	-6.0	32.0
FSSA China Growth Fund Class II (USD - Acc)	3.6	-17.7	-19.4	-5.5	32.7
MSCI China Net Index	19.4	-11.2	-21.9	-21.7	29.5

#### Cumulative performance (% in USD) to 31 December 2024

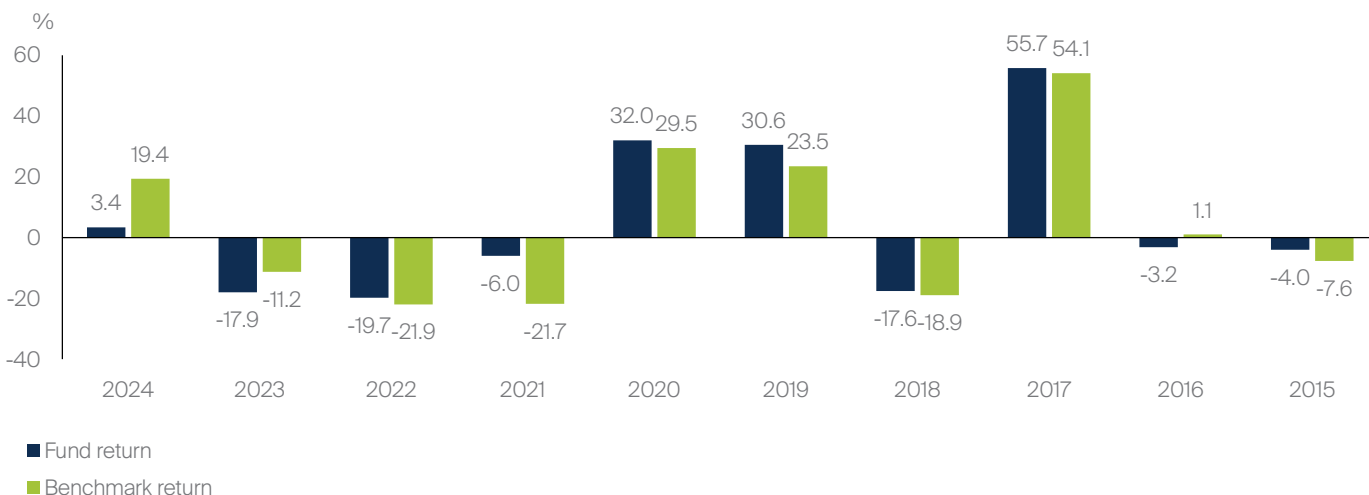
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA China Growth Fund Class I (USD - Acc)	1521.4	31.7	-15.5	-31.9	3.4	3.4	6.9	-9.3
FSSA China Growth Fund Class II (USD - Acc)	2324.9	36.2	-13.9	-31.3	3.6	3.6	6.9	-9.3
MSCI China Net Index	426.8	20.9	-16.1	-17.2	19.4	19.4	14.0	-7.7

#### 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. Tencent also added to performance as it continued to develop new functions within WeChat (such as Video Accounts and Mini Shops) to slowly improve monetisation and enhance the quality of the franchise. Tencent has proven its ability to deliver decent growth despite the weak environment – for example, its Video Accounts grew by 60% in 9M24 and contributed to a high double-digit percentage of its total advertisements' revenue.

On the negative side, CSPC reported weaker-than-expected sales, as legacy drugs were impacted by volume-based procurement (VBP) price cuts. The company also lowered its targets for new products, as the stringent regulatory environment may delay their adoption at hospitals. Shenzhou fell as data in the US and UK suggested soft retail demand, while Nike's cautious outlook hurt sentiment towards apparel makers. In the longer term, we believe Shenzhou could gain market share as brands become more conscious about their supply chain and consolidate in favour of the best quality operators.

#### Calendar year performance (% in USD) to 31 December 2024



Source: Lipper and First Sentier Investors, Nav-Nav (USD total return) data as at 31 December 2024. 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 31 December 2024. 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

We bought ACM Research, a domestic leader in wafer cleaning tools (which are used by memory and logic fabs to improve production yields). We believe it is set to benefit from semiconductor firms' capacity expansions, as well as China building up its domestic semiconductor supply chain.

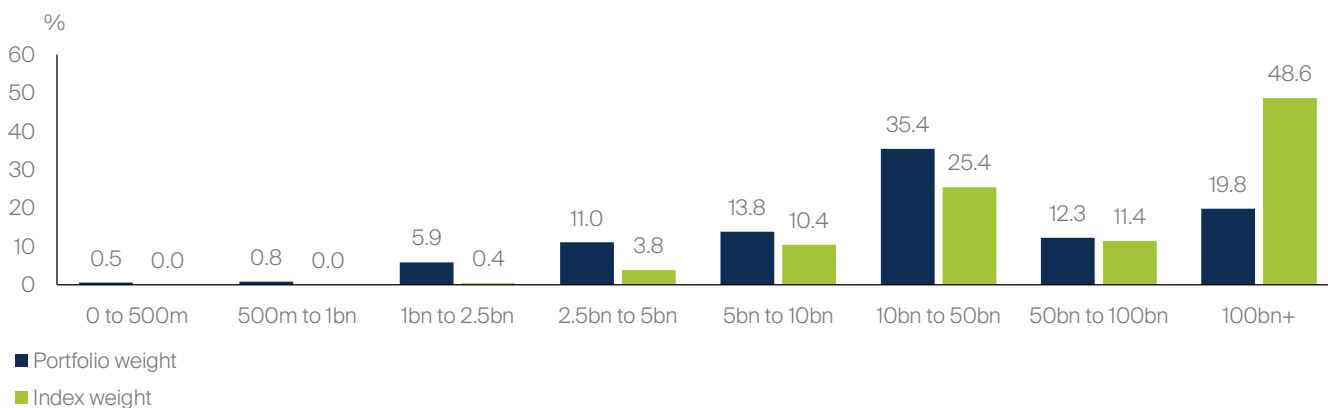
We divested Shenzhen Sunlord and China Resources Medical to consolidate the portfolio.

### 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: 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

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 think the change in policy stance is 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.

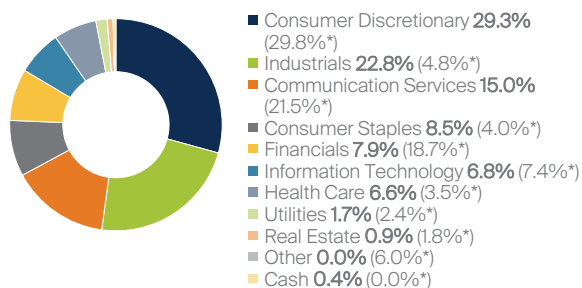
## Our long-term investment themes:

- 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

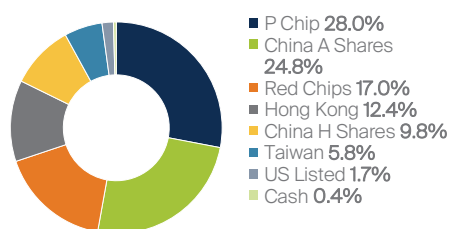
Stock name	Geography	Sector	Portfolio weight (%)
Tencent Holdings Ltd.	China	Communication Services	9.7
Shenzhou International Group Holdings Limited	China	Consumer Discretionary	4.8
Midea Group	China	Consumer Discretionary	4.6
China Merchants Bank Co., Ltd. Class H	China	Financials	4.5
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	4.4
Netease Inc	China	Communication Services	4.4
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	4.1
Shenzhen Mindray Bio-Medic-A	China	Health Care	3.8
ANTA Sports Products Ltd.	China	Consumer Discretionary	3.6
Hongfa Technology Co., Ltd. Class A	China	Industrials	2.9

## Sector breakdown



\*Index weight

## Share class breakdown



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 31 December 2024

Stock name	Geography	Sector	Value added (bps*)
Sunny Optical Technology (Group) Co., Ltd.	China	Information Technology	28
MediaTek Inc	Taiwan	Information Technology	23
China Merchants Bank Co., Ltd. Class H	China	Financials	18
Trip.com Group Ltd.	China	Consumer Discretionary	15
Realtek Semiconductor Corp	Taiwan	Information Technology	13

### 12 months to 31 December 2024

Stock name	Geography	Sector	Value added (bps*)
Tencent Holdings Ltd.	China	Communication Services	354
China Merchants Bank Co., Ltd. Class H	China	Financials	226
Midea Group Co. Ltd. Class A	China	Consumer Discretionary	200
Ping An Insurance (Group) Company of China, Ltd. Class H	China	Financials	84
MediaTek Inc	Taiwan	Information Technology	84

## Bottom 5 contributors to absolute performance

### 3 months to 31 December 2024

Stock name	Geography	Sector	Value added (bps*)
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-89
ANTA Sports Products Ltd.	China	Consumer Discretionary	-73
Shenzhen Mindray Bio-Medic-A	China	Health Care	-68
Techtronic Industries Co., Ltd.	Hong Kong	Industrials	-53
Tencent Holdings Ltd.	China	Communication Services	-52

### 12 months to 31 December 2024

Stock name	Geography	Sector	Value added (bps*)
CSPC Pharmaceutical Group Limited	China	Health Care	-117
Shandong Weigao Group Medical Polymer Co. Ltd. Class H	China	Health Care	-84
Shenzhou International Group Holdings Limited	China	Consumer Discretionary	-64
Guangzhou Kingmed Diagnostics Group Co. Ltd. Class A	China	Health Care	-63
Yifeng Pharmacy Chain Co Ltd Class A	China	Consumer Staples	-63

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

Investment involves risks, past performance is not a guide to future performance. Refer to the offering documents of the respective funds for details, including risk factors. The information contained within this document has been obtained from sources that First Sentier Investors ("FSI") believes to be reliable and accurate at the time of issue but no representation or warranty, expressed or implied, is made as to the fairness, accuracy or completeness of the information. To the extent permitted by law, neither FSI, nor any of its associates, nor any director, officer or employee accepts any liability whatsoever for any loss arising directly or indirectly from any use of this. It does not constitute investment advice and should not be used as the basis of any investment decision, nor should it be treated as a recommendation for any investment.

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