

FSSA Hong Kong Growth Fund (Irish VCO)

Investment objective and policy

The Fund aims to grow your investment.

The Fund invests at least 70% of its assets in shares of companies which have the potential for long term growth and are based in, or are closely associated with, Hong Kong. The Fund may invest up to 100% of its assets in companies of any size or industry.

The Fund will not invest more than 30% of its assets in China A Shares. The Fund may use derivatives with the aim of risk reduction or efficient management.

Fund information

Fund launch date	30 July 1999
Fund size (US\$m)	114.5
Benchmark	MSCI Hong Kong Net Index*
Number of holdings	43
Fund manager(s)	Martin Lau/Tianyi Tang

* The benchmark of the Fund changed from MSCI Hong Kong Gross to MSCI Hong Kong Net with effect from 1 July 2016. This change has been reflected in the calculation of the benchmark performance.

Available share classes

Share class	Sedol	ISIN
FSSA Hong Kong Growth Fund USD Class I (Accumulation)	0178446	IE0008369823
FSSA Hong Kong Growth Fund USD Class III (Accumulation)	0843528	IE0008375762

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.

Risk factors

This document is a financial promotion for the FSSA Hong Kong Growth 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.**
- **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.
- **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.
- **China market risk:** Although China has seen rapid economic and structural development, investing there may still involve increased risks of political and governmental intervention, potentially limitations on the allocation of the Fund's capital, and legal, regulatory, economic and other risks including greater liquidity risk, restrictions on investment or transfer of assets, failed/delayed settlement and difficulties valuing securities.

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.

Annual performance in USD (%) to 30 June 2025

	12 mths to 30/06/25	12 mths to 30/06/24	12 mths to 30/06/23	12 mths to 30/06/22	12 mths to 30/06/21
FSSA Hong Kong Growth Fund	23.9	-13.7	-7.2	-22.0	36.1
MSCI Hong Kong Net Index	35.7	-18.0	-9.0	-15.2	28.9

Cumulative performance in USD (%) to 30 June 2025

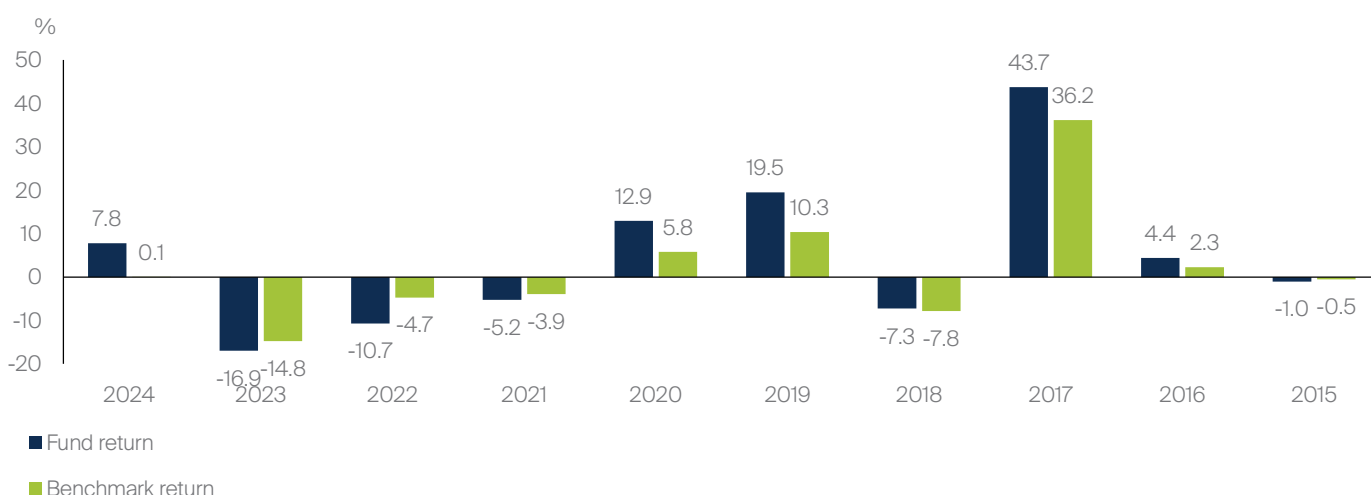
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Hong Kong Growth Fund	1319.9	41.6	5.2	-0.8	23.9	12.9	12.9	5.1
MSCI Hong Kong Net Index	319.8	25.8	10.7	1.2	35.7	20.9	20.9	15.8

Performance review

Over the past 12 months, key contributors to performance included **China Merchants Bank (CMB)**, as investors looked for yield amidst very low interest rates in China. Meanwhile, its business remains resilient, and growth is likely to come from overseas markets, non-banking financial businesses, wealth management and digitalisation, according to the management. **Netease** rose after reporting strong earnings results, with gaming revenue and margins both better than consensus estimates as the increased cost of game development has helped market leaders. Netease plans to release its new games both in China and internationally in future, which will likely aid in the growth of its non-China revenue.

On the negative side, **ZTO Express** declined amid intense competitive pressures within the parcel delivery industry. On the other hand, ZTO's business has been resilient, and as the leading Tongda delivery company, we expect ZTO to benefit from the eventual consolidation in the industry. **Meituan** declined on concerns about the impact of greater competition in the food delivery market, especially after JD.com's entry into the market earlier in the year, and Alibaba's increasing subsidies in this area. Profitability could be structurally lower as a result, but the outlook is uncertain and current visibility on the food delivery business beyond 2025 is not high.

Calendar year performance (% in USD) to 30 June 2025



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 30 July 1999. All performance data for the FSSA Hong Kong Growth Fund Class III (Accumulation) USD as at 30 June 2025. 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 Hong Kong Growth Fund was rebranded as FSSA Hong Kong Growth Fund.

Portfolio review

New purchases over the quarter included **Shenzhen Mindray Bio-Medical Electronics**, a leading medical device manufacturer in China. With its strong focus on R&D, the company has demonstrated a strong track record of new product innovation, growing beyond patient monitoring systems into more advanced areas such as medical imaging and in vitro diagnostics. We believe it is well positioned to benefit from the world's ageing population and increased healthcare spending, and it should gain market share from global leaders as it expands overseas.

We also bought **Atour**, an asset-light hotel management company offering premium services to hotel franchisees. Atour works with the franchisee to source new properties, then sends two hotel managers to oversee the property and instil premium services and training to the rest of the hotel staff. Atour has developed a membership program to create a lower cost distribution channel, passing on the cost savings to both hotel guests (who benefit from lower room prices) and hotel franchisees (in the form of lower booking fees). This fosters greater loyalty to the Atour brand, which attracts more guests and franchisees, resulting in a natural flywheel effect. We believe Atour should benefit from the consumption upgrade trend, as Chinese travellers demand better rooms and services.

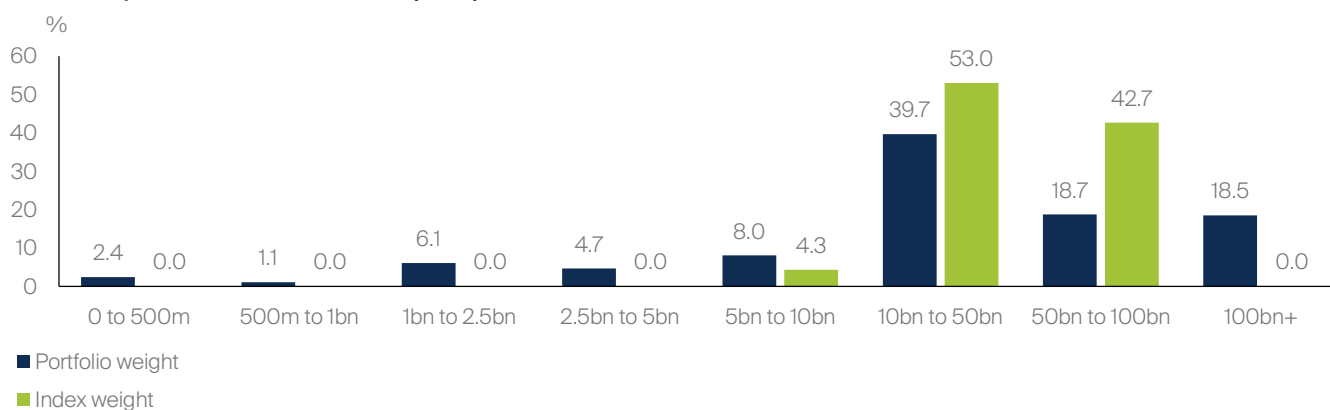
There were no significant disposals over the quarter.

Stock spotlight

Tencent

We have been shareholders of Tencent since 2005. It operates the largest social media network and online gaming company in China, with growing businesses in online advertising, cloud services, e-payments/e-commerce and overseas gaming. Tencent took advantage of the tremendous network effects created by its WeChat messaging app and developed new features to enhance its users' experience. Today WeChat not only facilitates messaging, it has also integrated social media, payments, ride hailing, e-commerce, and video streaming within its app, which together make up an ecosystem of businesses which are unrivalled and should continue to grow over the medium term. The company continues to innovate with new functions such as Video Accounts and Mini Shops, which should gradually improve monetisation and enhance the quality of the franchise. More recently, it has benefited from its rapid integration of the DeepSeek model into WeChat as well as various other business segments, which suggests that it should be able to continue to strengthen its ecosystem – and continue to enjoy the network effects – in the coming AI era.

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

After a challenging few years, we are starting to see pockets of healthy demand emerging in certain domestically focused sectors. The government is providing more support for businesses and consumers, perhaps in response to rising geopolitical tensions. And, through multi-year investments in R&D and supply chains, Chinese companies have become more competitive on the global stage. These are all reasons to be positive on the long-term outlook for China equities.

On the other hand, the US-led tariffs have raised the uncertainty of the outlook, given the scale and breadth of the taxes. We don't pretend to know the end-result of the disruption to global trade nor are we trying to predict such outcomes. However, it is in times like this that the conservative approach with which we manage our portfolios comes to the fore.

As bottom-up investors, our focus remains on selecting well-run companies with capable leaders, strong franchises, attractive earnings growth and sound balance sheets. Our portfolio is aligned with the structural trends shaping China's economy: innovation, sustainability, and increasing shareholder returns. We believe our holdings in market-leading businesses, led by secular growth trends and underpinned by rising incomes, are likely to remain resilient through this period.

Looking ahead, we are excited about China's future, but it may take time for the investment case to play out. Meanwhile, many companies we own in the portfolio are trading at attractive valuations and the risk-reward looks favourable.

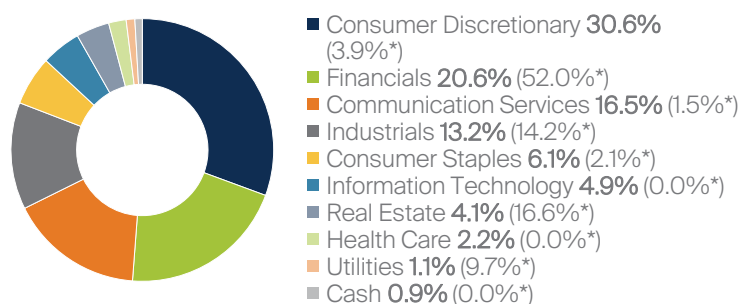
Our long-term investment themes:

- 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.

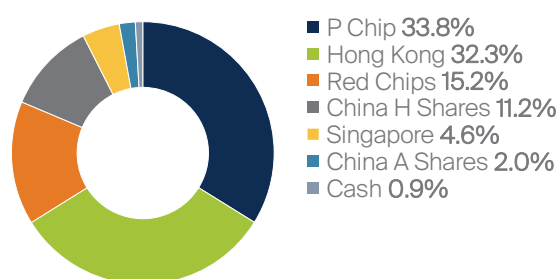
Ten largest company holdings as at 30 June 2025

Stock name	Country	Sector	Portfolio weight (%)
Tencent Holdings Ltd	China	Communication Services	9.2
AIA Group Limited	Hong Kong	Financials	6.9
Netease Inc	China	Communication Services	5.3
China Merchants Bank Co., Ltd. Class H	China	Financials	4.0
ANTA Sports Products Ltd.	China	Consumer Discretionary	3.7
Jardine Matheson Holdings Limited	Hong Kong	Industrials	3.5
Shenzhou International Group Holdings Limited	China	Consumer Discretionary	3.5
Meituan Class B	China	Consumer Discretionary	3.1
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	3.0
Huazhu Group Ltd	China	Consumer Discretionary	3.0

Sector breakdown



Share class breakdown



*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 30 June 2025

Stock name	Country	Sector	Value added (bps*)
Netease Inc	China	Communication Services	153
AIA Group Limited	Hong Kong	Financials	120
NetEase Cloud Music Inc.	China	Communication Services	84
CSPC Pharmaceutical Group Limited	China	Health Care	74
China Merchants Bank Co., Ltd. Class H	China	Financials	65

12 months to 30 June 2025

Stock name	Country	Sector	Value added (bps*)
Tencent Holdings Ltd	China	Communication Services	344
China Merchants Bank Co., Ltd. Class H	China	Financials	238
Netease Inc	China	Communication Services	225
AIA Group Limited	Hong Kong	Financials	216
Standard Chartered PLC	UK	Financials	184

Bottom 5 contributors to absolute performance

3 months to 30 June 2025

Stock name	Country	Sector	Value added (bps*)
Meituan Class B	China	Consumer Discretionary	-87
China Mengniu Dairy Co., Ltd.	China	Consumer Staples	-51
JD.com, Inc. Class A	China	Consumer Discretionary	-49
China Resources Beer (Holdings) Co. Ltd.	China	Consumer Staples	-24
Trip.com Group Ltd.	China	Consumer Discretionary	-22

12 months to 30 June 2025

Stock name	Country	Sector	Value added (bps*)
Shenzhou International Group Holdings Limited	China	Consumer Discretionary	-112
Fairwood Holdings Limited	Hong Kong	Consumer Discretionary	-45
ZTO Express (Cayman), Inc. Class A	China	Industrials	-36
Meituan Class B	China	Consumer Discretionary	-27
Haier Smart Home Co., Ltd. Class H	China	Consumer Discretionary	-20

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.

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 fluctuation.

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 30 June 2025

Risk measure	Value	Risk description
Beta	1.04	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	0.05	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	28.96%	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	26.00%	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	10.29%	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 30 June 2025

Risk measure	Value	Risk description
Dividend Yield (Fund)	3.25%	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)	3.74%	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)	1.57	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)	1.12	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)	14.00	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)	15.79	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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For further information

Head of Distribution, UK and Europe

Graham Fox	+44 (0)20 7332 6530	graham.fox@firstsentier.com
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Sales Director, Europe and Third Party Distributions

Marc Bishop	+44 (0)20 7332 6556	marc.bishop@firstsentier.com
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Head of Wholesale, UK and Ireland

Tom Burton	+44 (0)20 7332 6559	tom.burton@fssaim.com
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Sales Director, Wholesale

Matt Lepine	+44 (0)20 7332 6840	matt.lepine@fssaim.com
-------------	---------------------	------------------------

Institutional Relationship Director FSSA

Fraser Wood	+44 (0)131 473 2529	fraser.wood@fssaim.com
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Head of Distribution, Ireland

Frank Glennon	+44(0)7776 138105	frank.glennon@firstsentier.com
---------------	-------------------	--------------------------------

Sales Director, Europe

Eva von Sydow	+33 (0)1 72 25 66 36	eva.vonsydow@firstsentier.com
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Sales Directors, Germany and Austria

Emmanuel Litique	+49 (0) 69 2443 71631	emmanuel.litique@firstsentier.com
Robert Retz	+49 (0) 69 2443 71633	robert.retz@firstsentier.com

Senior Institutional Business Development Director, Germany and Austria

Sascha Beisheim	+49 (0) 69 2443 71634	sascha.beisheim@firstsentier.com
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Head of Institutional Sales, UK and EMEA

Peter Swan	+44 (0)20 7332 9428	peter.swan@firstsentier.com
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