

# FSSA Japan Equity Fund

-The Fund invests primarily in equity securities and equity related securities which are established or have significant operations in Japan and which are listed, traded or dealt in on regulated markets worldwide.

-The Fund's investments will be concentrated in Japan or may be concentrated in a single sector which may have higher volatility or greater loss of capital than more diversified portfolios.

-Investing in small /mid-capitalisation securities may have lower liquidity and their prices are more volatile to adverse economic developments.

-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 a portfolio of equity and equity related securities which are established or have significant operations in Japan and which are listed, traded or dealt in on regulated markets worldwide.

## Fund information

Fund size (US\$m)	224.2
Benchmark	TOPIX Net Total Return 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)	06 September 2016	US\$15.23	IE00BSJWPN04

<sup>+</sup> Acc represents share class with dividends accumulated.

<sup>▲</sup> With effect from 9 December 2021 the benchmark has been changed from MSCI Japan Index to TOPIX (Tokyo Stock Price Index) (Net Total Return).

## 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 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 Japan Equity Fund Class I (USD - Acc)	3.2	-34.3	-0.4	41.4	35.0
TOPIX Net Total Return Index	19.6	-15.2	1.5	14.5	19.6

### Cumulative performance (% in USD) to 31 December 2023

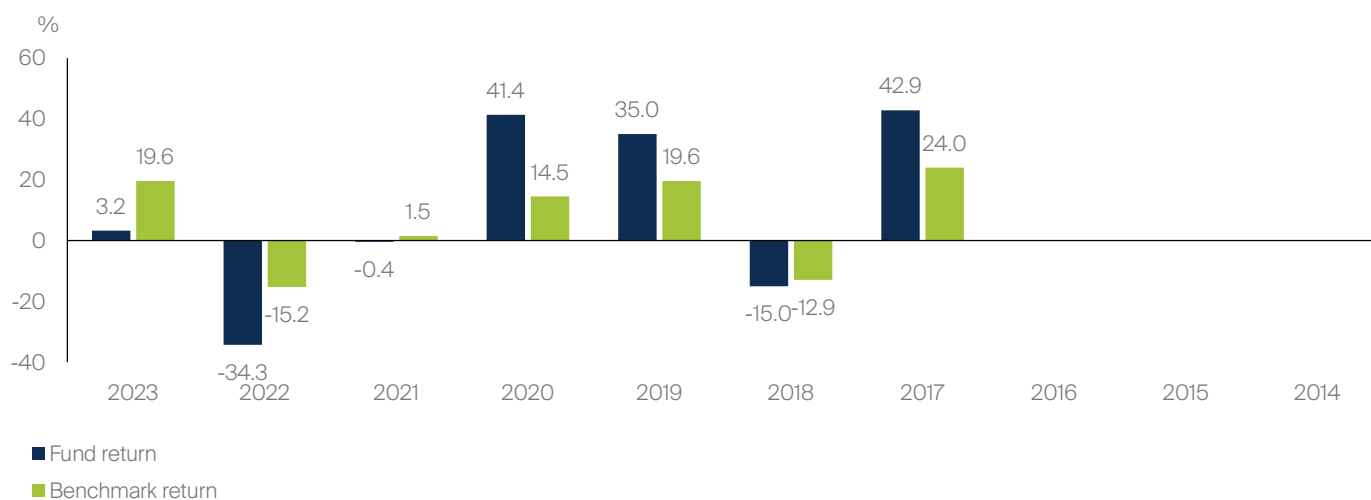
	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
FSSA Japan Equity Fund Class I (USD - Acc)	52.3	-	29.0	-32.4	3.2	3.2	3.5	15.2
TOPIX Net Total Return Index	50.2	-	40.9	2.9	19.6	19.6	7.0	8.0

### Performance review

Over the past 12 months, key contributors to performance included Lasertec, which rose on expectations of a pick-up in customer orders for its next-generation ACTIS systems and improved profit margins, after having booked and completed sales of its lower-margin systems in the recent quarter. Currency should also be a tailwind as the price is mainly denominated in USD and around 90% of revenue is from overseas. Rakus reported strong sales growth and positive forward guidance, driven by the high-margin cloud segment. Management also highlighted improvements in productivity and cost controls.

On the negative side, Olympus was weak due to lower-than-expected earnings results, with rising costs around quality assurance and regulatory affairs being a key headwind. The company faces a number of FDA-related issues related to product safety, which, although serious is also a common trend within the medical devices industry. We believe Olympus should manage to resolve these issues within the next 2-3 years. Nihon M&A declined after reporting slower-than-expected revenue growth. The company is in the middle of internal reforms to improve its corporate culture and labour productivity.

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



Source: Lipper and First Sentier Investors, Nav-Nav (USD total return) data as at 31 December 2023. This Fund is a sub fund of Ireland domiciled First Sentier Investors Global Umbrella Fund Plc. Class I (USD-Acc) is the non-dividend distributing class of the fund, the performance quoted are based on USD total return (non-dividend distributing). With effect from 9 December 2021, the benchmark has been changed from MSCI Japan Index to TOPIX (Tokyo Stock Price Index) (Net Total Return). 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. On 22 September 2020, First State Japan Equity Fund was rebranded as FSSA Japan Equity Fund.

### Portfolio review

New purchases over the quarter included JEOL, a global leader in electron beam technology which is used in scientific and measurement instruments, semiconductor equipment and medical devices. It makes key components for multi-beam mask writers (MBMWs – a device that writes complex circuit patterns on EUV photomasks) and has an exclusive partnership to supply IMS Nanofabrication, who manufactures MBMWs and sells them to semiconductor companies like Taiwan Semiconductor (TSMC) and Intel. We believe JEOL should benefit from the long-term structural growth in demand for EUV technology, although in the near term it may fluctuate based on the order outlook and utilisation rates.

We also bought Koito Manufacturing, the largest maker of automotive headlamps in the world. The company has a strong franchise, robust balance sheet and R&D focus. The price-to-book ratio had fallen to attractive levels, while the new management is increasing dividend payouts and buying back shares. With no large capital expenditures expected in the next few years, we expect more cash to be returned to shareholders.

We divested Nidec Corporation and Murata Manufacturing to consolidate the portfolio into higher-conviction opportunities.

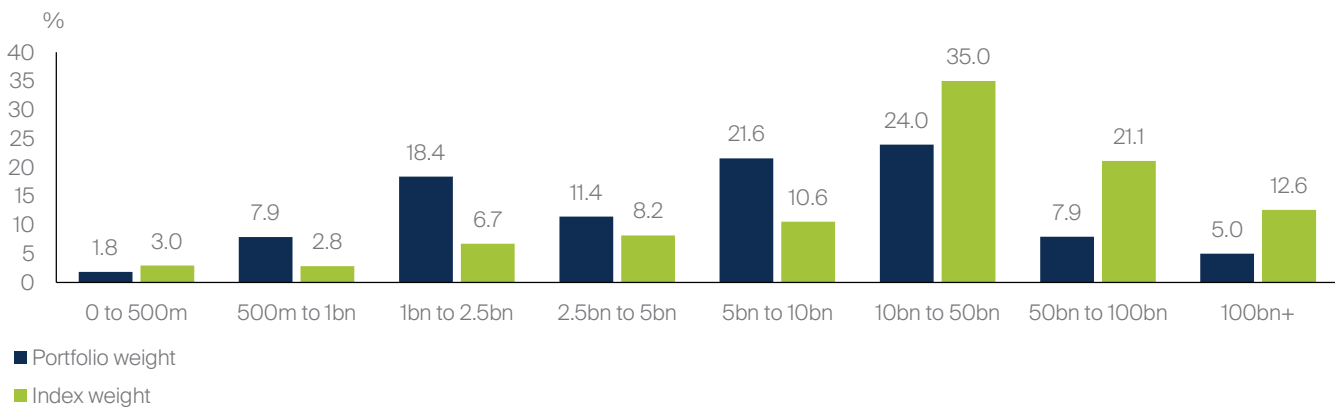
### Stock spotlight

GMO Payment Gateway is the largest online payment processing company in Japan with 25-30% market share. We believe it has a long runway of growth ahead, given the low penetration of e-commerce and offline cashless payments in Japan. With more offline retailers and consumer brand companies launching e-commerce portals, GMO Payment is well positioned to capture the market, due to its extensive experience and track record in the payments industry. The company's strong growth is supported by its continuous efforts to enter new areas like digital content and utility payment services.

Besides e-commerce, the emergence of cashless payment transactions could be another growth driver. Recent policies, such as merchant subsidies and consumer rewards programs (which have been primary catalysts in other nations), are expected to accelerate the pace of transition. The company has also been entering new verticals, such as health care and education, driven by the digital transformation (DX) trend. Another new business pillar is the buy now, pay later (BNPL) business, which should accelerate as the sales capability improves.

The pace of growth in gross merchandise value (GMV) slowed after the pandemic as shoppers moved from online to offline, but profits continued to grow by 25-30%. Meanwhile, valuations have derated to a 10-year low, so we used the opportunity to add to our position.

### 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 TOPIX (Tokyo Stock Price Index) (Net Total Return).

## Outlook

Amid rising concerns about the global economy, the FSSA Japan portfolio has maintained a balanced approach by investing in global franchises with dominant market share in niche industries with secular growth drivers; and domestic leaders in industries that are underpenetrated but well-proven in other developed markets.

The companies we like to own are managed by strong management teams and can generate sustainable earnings growth and return on equity without relying on leverage or the macro environment. We also own regional consumer companies, global industrials and medical equipment/services companies with dominant franchises, strong balance sheets and steady cash flow. These businesses should remain relatively defensive in the event of a recession.

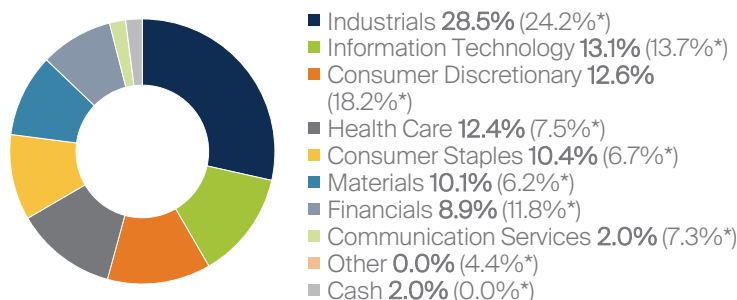
## Ten largest company holdings as at 31 December 2023

Stock name	Geography	Sector	Portfolio weight (%)
GMO Payment Gateway, Inc.	Japan	Financials	7.3
Ajinomoto Co., Inc.	Japan	Consumer Staples	5.1
BayCurrent Consulting, Inc.	Japan	Industrials	5.0
Recruit Holdings Co., Ltd.	Japan	Industrials	4.4
RAKUS Co., Ltd.	Japan	Information Technology	4.2
Lasertec Corp.	Japan	Information Technology	3.5
Sony Group Corporation	Japan	Consumer Discretionary	3.5
SMS Co., Ltd.	Japan	Industrials	2.9
Olympus Corp.	Japan	Health Care	2.9
MonotaRO Co., Ltd.	Japan	Industrials	2.8

## Our long-term investment themes:

- Global factory automation and robotics leaders.
- Best-in-class consumer franchises that are dominant in the Asia Pacific region.
- Manufacturers in niche industries which have a leading edge globally.
- Solutions providers for Japan's structural labour shortage.
- Leading internet verticals that disrupt old-school industries.

## Sector breakdown



\*Index weight

Sector 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	Geography	Sector	Value added (bps*)
Lasertec Corp.	Japan	Information Technology	227
GMO Payment Gateway, Inc.	Japan	Financials	179
RAKUS Co., Ltd.	Japan	Information Technology	147
Recruit Holdings Co., Ltd.	Japan	Industrials	140
Benefit One Inc.	Japan	Industrials	95

### 12 months to 31 December 2023

Stock name	Geography	Sector	Value added (bps*)
Lasertec Corp.	Japan	Information Technology	208
RAKUS Co., Ltd.	Japan	Information Technology	164
Recruit Holdings Co., Ltd.	Japan	Industrials	129
Sony Group Corporation	Japan	Consumer Discretionary	103
KeePer Technical Laboratory Co.Ltd.	Japan	Materials	90

## Bottom 5 contributors to absolute performance

### 3 months to 31 December 2023

Stock name	Geography	Sector	Value added (bps*)
Shoei Co. Ltd. (7839)	Japan	Consumer Discretionary	-47
Nidec Corporation	Japan	Industrials	-27
Nextone Inc NPV	Japan	Communication Services	-15
Shiseido Company,Limited	Japan	Consumer Staples	-14
M3, Inc.	Japan	Health Care	-14

### 12 months to 31 December 2023

Stock name	Geography	Sector	Value added (bps*)
Nihon M&A Center Holdings Inc.	Japan	Industrials	-113
Olympus Corp.	Japan	Health Care	-106
Shoei Co. Ltd. (7839)	Japan	Consumer Discretionary	-99
Nextone Inc NPV	Japan	Communication Services	-97
MonotaRO Co., Ltd.	Japan	Industrials	-76

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

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