FSSA Investment Managers

September 2023

For investment professionals only

Reasons-to-invest

# All China equities

## Why invest in China?

The investment case for China continues to develop led by the continuing broadening of the market. A wider universe allows investors to leverage key Chinese growth drivers such as a rapidly expanding middle class and the adoption of next generation manufacturing equipment and processes.

**Dominant consumer franchises**
Franchises leveraging rising incomes and demand for premium products offer growth potential

**Financial services growth**
Positive demographics, rising income levels and urbanisation drive demand for financial products

**Healthcare spending**
Healthcare spend per capita will grow benefitting companies providing drugs and medical services

**Technology leaders**
Higher R&D spend will promote technology champions within niche markets

## Strategy overview

FSSA All China strategy invests in high quality companies where most corporate activity is based in China, including Hong Kong. All China strategies will typically have 30–50 holdings within portfolios.

Benchmark indices are not used in portfolio construction as these do not fully represent the available opportunities within China. Investment considerations include quality of management, track record executing long-term strategies and an analysis of a company's ability to compound growth in excess of its cost of capital.

## Key strategy facts

- Aim: capital growth over medium-long term (>3 years)
- Universe: individual sector exposure max. 30% other than financials (40%), IT (40%), consumer discretionary & staples (50%)
- FSSA 20-year track record managing China equity strategies
- Lead manager: Winston Ke, 18 years investment experience

## Why FSSA?

FSSA Investment Managers are specialists in Asia Pacific and Global Emerging Markets equity strategies. Our investment strategies cover regional and single country portfolios across the universe of small, mid and large-cap stocks.

An autonomous team within the First Sentier Group, we are bottom-up investors using fundamental research to construct high-conviction portfolios. ESG analysis is core to our process as we seek to identify high-quality, long-term investment opportunities.

This is a financial promotion for The FSSA China Strategy. This information is for professional clients only in the UK and 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 significantly 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..

**Concentration risk:** the Fund invests in a relatively small number of companies which may be riskier than a fund that invests in a large number of companies.

**Smaller companies risk:** Investments in smaller companies may be riskier and more difficult to buy and sell than investments in larger companies.

For a full description of the terms of investment and the risks please see the Prospectus and Key Investor Information Document for each Fund. **If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice.**

## Investment approach

FSSA are long-term, fundamental bottom-up investors. Our investment approach is to research quality companies, buy them at a sensible price and hold for the long-term. We look for companies with proven management teams with a record of successfully managing their businesses across economic cycles.

The most attractive opportunities are likely to be companies with dominant franchises and an ability to deliver sustainable and predictable long-term returns. ESG engagement is core to our process as we believe companies with good or improving ESG standards are likely to be superior investments.

**Long-term investors**
Long-term investors. Promote improvement through active engagement

**Bottom-up analysis**
Bottom-up research. Ability to compound growth in excess of cost of capital

**Quality companies**
Strong management, high ESG standards, competitive advantage, record across cycles

**Valuation discipline**
Both financial and non-financial metrics to determine fair market value

**Conservative approach**
Resilient portfolios. Long term returns through consistent compounding of returns

**Benchmark agnostic**
Index considerations not part of portfolio construction. High-conviction portfolios

**ESG integration**
Sustainability issues viewed as investment issues. Active ESG engagement

## For more information

www.fssaim.com

www.firstsentierinvestors.com