

FSSA Asia Focus B Acc GBP

November 2021
Investment Research



Overview

The managers of this fund are focused on delivering long-term capital accumulation. Investments will primarily be in large and medium sized companies that are based in the region, although the fund may also invest up to 20% in shares of companies listed elsewhere around the world.

Developing markets, such as those invested in, are prone to strong gains as well as significant falls and whilst we believe the fund will deliver attractive capital growth over the long run, in the short-term, it may fall by more than the index.

Note that the managers have a long-term investment horizon and therefore they measure their performance over longer time periods than the average fund in this space. We consider rolling 5-year periods as a reasonable time frame to assess the fund's performance versus the MSCI AC Asia Pacific ex Japan index.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe that rolling five-year periods is a reasonable time frame to assess the fund's performance versus the MSCI AC Asia Pacific ex Japan index.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA Asia Pacific Excluding Japan
Launch Date: 24/08/2015	Fund Size (as at 12 Nov 2021): £1142.7m
Yield: 0.49%	Distribution Pay Date: Jan 31, Jul 31 (Final)
Fund Manager: Martin Lau, Richard Jones	Ongoing Charge Figure: 0.90%
	Transaction Cost ex Ante: 0.13%



Fund Opinion

We believe the managers of this fund are capable of meeting their long-term objectives and aspirations, though there will be times, given the volatile nature of this market, they will fall short of these. Given the emphasis on quality, this strategy might struggle in periods when investors are chasing certain themes or when riskier stocks are in demand. The upside to such an approach is that the team's companies have tended to be more resilient in down markets and have, in aggregate, yielded solid risk-adjusted returns over the long term. FSSA is an autonomous investment management unit within First Sentier Investors, and is responsible for managing its own investment decisions and recruitment. We think this is an important feature and allows the team valuable investment freedoms including the ability to implement their distinctive style of management which focuses on being responsible stewards of capital and being long-term holders of high quality businesses. The FSSA team run a significant amount of Asia Pacific and China equity assets, but we believe they are well resourced and have the necessary supportive infrastructure. Additionally, as a business, they have shown they are willing to cap the size of their funds should they feel they are near to capacity. The fund was launched in August 2015, but the investment culture and approach has been in place for a good many years (since the late 1980s).

Fund Description

All the strategies and funds managed by First Sentier Stewart Asia (FSSA) draw upon the ideas of the whole team. As generalists, the team have plenty of experience investing in the Asian region; additionally, there is extensive overlap of research responsibilities, with the analysts having a significant input on stock ideas and recommendations for the portfolios, although the lead portfolio managers have the final say. The lead manager of this fund, Martin Lau, is a senior member of the team and has well over 20 years of experience managing Asia Pacific and China equity funds. Note that First Sentier Investors (previously First State Investments) was rebranded in September 2020 as part of a global rebranding programme following its acquisition by Mitsubishi UFJ Trust & Banking Corporation in August 2019.

FSSA seeks to be a long-term investor in quality companies. The team strongly believes in the responsible stewardship of capital. They like management with integrity and who have a longer-term vision of growth and returns, and a broader sense of corporate responsibility. Environmental, social and governance (ESG) factors are thus integrated into their investment process, and team members are expected to take into account such issues in their interactions with company management and as part of their investment decision-making process. The bulk of idea generation originate from frequent company and country visits, although ongoing debates within the team, industry contacts and external research also provide investment ideas.

The team assess a company's quality in terms of the management, franchise, as well as, financial strength. They have an absolute return mindset, focusing not just on a company's long-term growth prospects, but also on the potential downside risk of an investment. They will examine a company's history to understand how it has evolved over time and they will consider management incentives, alignment to the strategy and their attitude to risk and growth. They like companies that offer real growth potential (ideally between 5%-10% p.a), visible earnings and that have taken into account environment, social and governance risks, amongst other factors. A firm's pricing power, competitive advantage, business practices, environmental impact, brand and market share are part of the franchise test. When looking at the financials, the team look to assess for instance a firm's cash flow generation, how it intends to finance its future growth, the size and debt structure, as well as its long-term liabilities.

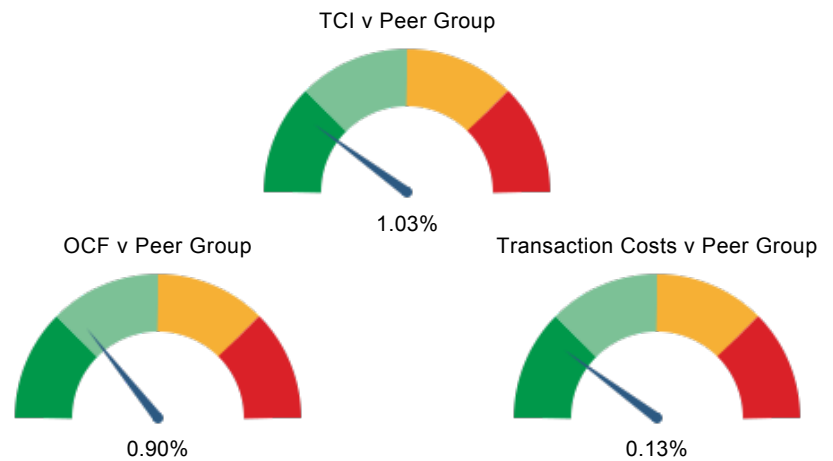
Given the team's heavily research focused approach, only a small number of companies actually meet their high standards. The resultant portfolios are constructed with little reference to a market index, and whilst in this fund, there are certain country limits to ensure sufficient diversification, the sector and country allocation will ultimately be driven by stock selection and can therefore look very different from a regional index. Note that whilst they are mindful of macroeconomic trends, this is primarily in relation to the impact of the cycle on companies, both the opportunities and threats that this may create, and not how they manage portfolios.

Risk Summary

The fund has a high asset class risk score, but it is exposed to stocks listed on Asian markets and these can exhibit significant volatility at times. In other words, the fund invests in developing equities and the main risk is that these can be volatile investments as their performance can be driven by a host of factors. Note that the managers take an absolute return mindset when managing this fund, and ultimately look to provide positive returns over the long run whilst also attempting to preserve capital in more volatile markets. However, as a long-only fund, it will be sensitive to shorter-term market fluctuations and fund returns can be quite variable relative to the index. Overall, as an Asian equity fund, the strategy may be more suitable for investors with a long-term time horizon.

Value for Money

The fund's ongoing charge figure (OCF) and total cost of investment (TCI) are competitive versus its peer group and we think the fund is good value as it offers investors access to an experienced portfolio manager, supported by a well-resourced team, who uses a proven investment approach.



ESG Integration

Company Assessment	0	1	2	3
ESG factors are fully integrated and are instrumental to the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors are fully integrated and are instrumental to the management of this strategy.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	13.76%
Annualised Volatility	13.67%
Max Drawdown	-19.69%
Max Gain	8.67%
Max Loss	-17.63%
Sharpe Ratio	0.90
Sortino Ratio	0.92

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

252.8 pence

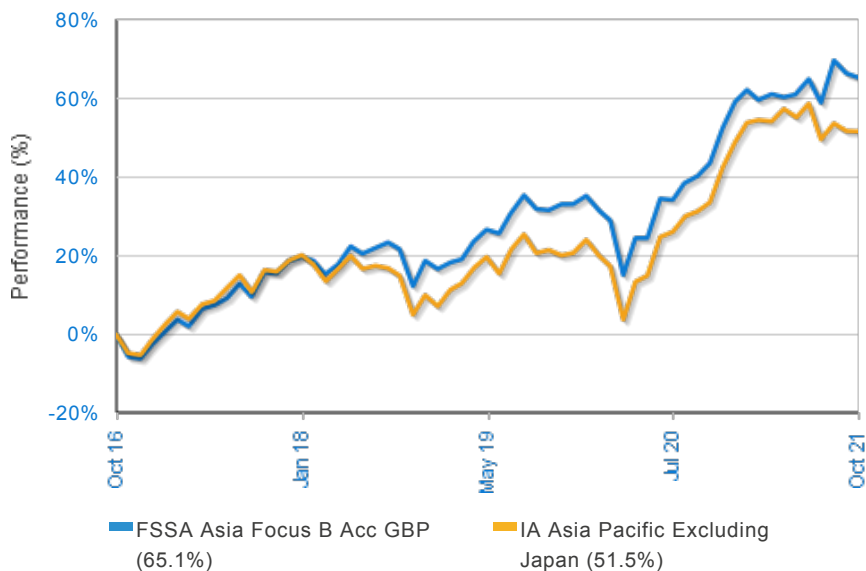
Benchmark

MSCI AC Asia Pacific Ex Japan

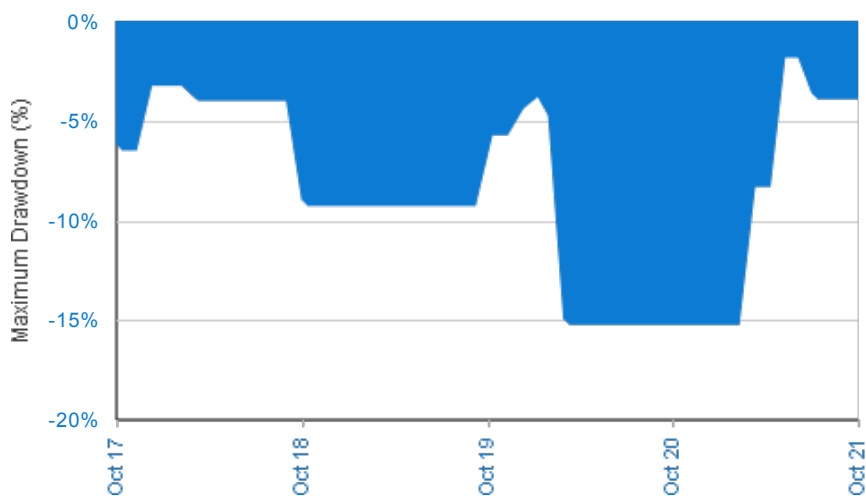
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	18.6	15.5	2
12-24m	6.6	8.1	2
24-36m	8.1	5.6	2
36-48m	11.1	3.8	1
48-60m	15.0	15.7	3

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 31 Oct 2021)

Company Name	%
TAIWAN SEMICONDUCTOR MANUFACTURING	5.8
HDFC BANK LTD	5.0
TENCENT HLDGS LIMITED	4.1
CSL LTD	3.4
SAMSUNG ELECTRONICS CO	3.4
NAVER CORP	3.3
RESMED INC	3.2
MIDEA GROUP CO LTD	3.0
ICICI BANK	2.9
TATA CONSULTANCY SERVICES	2.8

Sector Breakdown

(Data as at 31 Oct 2021)



- Financials (22%)
- Information Technology (20%)
- Consumer Staples (15%)
- Consumer Discretionary (13%)
- Health Care (9%)
- Communications (7%)
- Industrials (7%)
- Real Estate (2%)
- Utilities (2%)
- Other (1.3%)

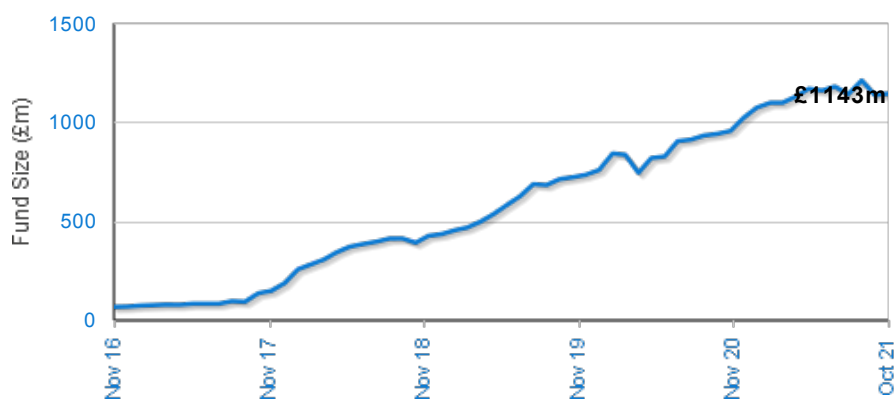
Geographic Breakdown

(Data as at 31 Oct 2021)



- China (23%)
- India (21%)
- Taiwan (11%)
- Korea (9%)
- Hong Kong (9%)
- Japan (5%)
- Singapore (4%)
- Australia (4%)
- Philippines (3%)
- Other (10.9%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk	●		
Derivative Risk			●
Manager Risk		●	

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund invests abroad and is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominately invests in emerging regions. Economic, political, legal and market events in the region may have a material adverse effect on the fund price. Valuations in emerging market assets can be volatile.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The lead manager is seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if the lead manager were to leave.

FE Risk Rating: 77.00

SRRI: 5

Disclaimer

This factsheet is aimed at professional advisers only and should only be relied upon by such persons. It is published by, and remains the copyright of, Square Mile Investment Consulting and Research Ltd ("SM"). Unless agreed by SM, this commentary may only be used by the permitted recipients and shall not be provided to any third parties. SM makes no warranties or representations regarding the accuracy or completeness of the information contained herein. This information represents the views of SM at the date of publication but may be subject to change without reference or notification to you.

The value of investment in funds can fall as well as rise, as can any income payment received from an investment. Any information relating to past performance is not a guide to future performance. If you are unsure of an investment decision you should seek professional financial advice.

SM does not offer investment advice or make recommendations regarding investments and nothing in this factsheet shall be deemed to constitute financial or investment advice in any way and shall not constitute a regulated activity for the purposes of the Financial Services and Markets Act 2000.

This factsheet shall not constitute or be deemed to constitute an invitation or inducement to any person to engage in investment activity. Should you undertake any investment activity based on information contained herein, you do so entirely at your own risk and SM shall have no liability whatsoever for any loss, damage, costs or expenses incurred or suffered by you as a result. The fund's prospectus provides a complete description of the risk factors. Unless indicated, all figures are sourced from FE fundinfo. The information in this factsheet is believed to be reliable but its completeness and accuracy is not guaranteed. SM does not accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.