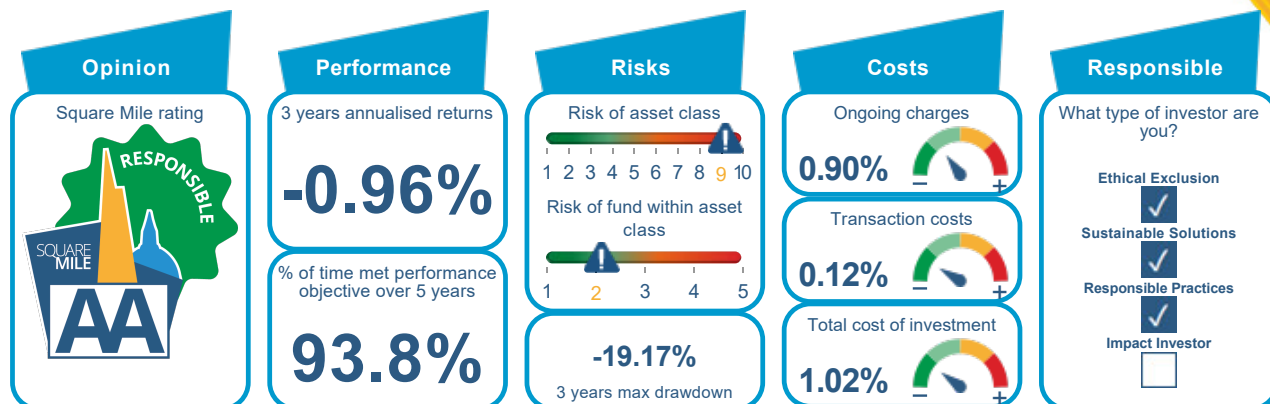


FSSA Asia Focus B Acc GBP

September 2024



Source: Square Mile and Refinitiv, Data as at: 31st July 2024.

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.

Square Mile's Expected Outcome

We believe outperformance of the MSCI AC Asia Pacific ex Japan index over rolling five-year periods, through investments in sustainable companies, is a reasonable expectation.

Square Mile's 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 average shorter-term mindset of investors and 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 Manager's Formal Objective

The Fund aims to achieve capital growth over the medium to long term (at least three years).

Outcome: Capital Accumulation	Domicile: UK
Active/Passive: Active	Benchmark: MSCI AC Asia Pacific Ex Japan
Asset Class: Equity	IA Sector: IA Asia Pacific Excluding Japan
Yield: 1.50%	Fund size: £655 M
Fund Manager: Martin Lau, Richard Jones	Distribution Pay Date: March, September
Fund Price: 2.3 Pounds	Dividend Frequency: Semi-annual
Currency of Share Class: GBP	Share Class Launch Date: 24/08/2015

Source: Square Mile and Refinitiv, Data as at: 31st July 2024

Asset Manager Overview

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.

Fund Manager/Team Overview

All the strategies and funds managed by First Sentier Stewart Asia (FSSA) draw upon the ideas of the whole Asian & EM equity 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 FSSA team and has well over 20 years of experience managing Asia Pacific and China equity funds.

Investment Philosophy & Process Overview

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.

ESG Integration

Asset Manager ESG Integration

First Sentier Investors (previously known as First State) has been a signatory to the UN's Principles for Responsible Investment (PRI) since 2007 and in their last Assessment Report they were awarded 5 out of 5 for Investment & Stewardship policy. First Sentier have been committed to ESG for a significant period of time, which means it is embedded within the firm's culture, as well as the investment process of every team. There is a tendency for asset managers who have a large proportion of their assets in emerging regions to have a greater focus on governance. However, their ESG framework which has developed over time, now considers 35 different ESG factors, which highlights that they also consider the E and S. Square Mile believe that First Sentier are one of the strongest asset managers in the UK when it comes to ESG, which is why they have been awarded our highest ESG company.

Fund ESG Integration

The FSSA team believe that investments ought to have a social purpose as companies that do not look after their customers, employees, suppliers and the larger community, are unlikely to be rewarding long-term investments. Moreover, due to the emphasis on quality, corporate governance is another important consideration for the team along with various other environmental and social factors they look at.

In other words, analysis of ESG factors are an inherent part of the team's investment process. They will engage with company management on environmental, labour and governance issues as well as other ESG matters and they will typically seek to avoid firms that are for instance involved in gambling, tobacco and armaments.

Responsible Investing Approach

The FSSA team's approach to responsible investing is different from other firms. Rather than detail specific criteria and allocate individuals to cover various stocks, it allows team members with personal views and a passion in certain areas, to realise this in the engagement and related research. That is to say, they do not take a simple tick box approach, as they believe that this would be a far too simplistic way to assess what is a hugely complex and subjective area.

The team have long felt that assessing companies based on the strength of their management, financial and overall franchise will help them identify high quality businesses. However, over time the process has evolved and they have recognised that they cannot ignore a company's impact on society and the environment. A good example of this would be in the banking sector where the team look at the loan book exposure to sensitive industries and where companies can use their influence and scale to effect positive change. In terms of governance, the team seek to be long-term investors in capital and measure success over years and not quarters. With this in mind, they look for management teams that are well aligned with minority investors and respect all stakeholders, both in good times and bad. Companies which start to deviate from this path are likely to be sold.

Whilst the FSSA team's approach is less prescriptive, they do have a structured process for engaging with companies. Controversies and areas of concern are recorded in a central log which is reviewed weekly, with specific actions (meetings, calls and letters) to be undertaken by relevant members of the team. Each engagement issue is monitored, logged and escalated as required and therefore the whole team are kept well-informed of any progress made.

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.

Additional Information

Annualised Return: -0.96%

Annualised Volatility: 13.06%

Max Drawdown: -19.17%

Max Gain: 11.64%

Max Loss: -9.18%

Sharpe Ratio: -

Sortino Ratio: -0.21

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

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			

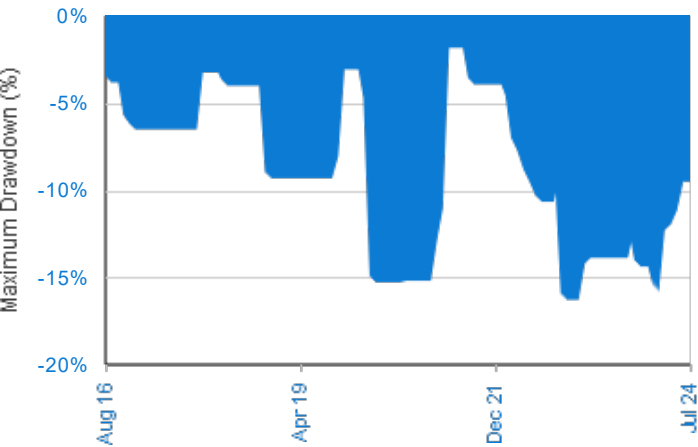
For the full summary of the risks, [click here](#)

3 Year Rolling Sector Outperformance



Source: Square Mile and Refinitiv, Data as at: 6th September 2024. Share price total return.

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and Refinitiv, Data as at: 6th September 2024

Calendar Year Performance To Quarter End

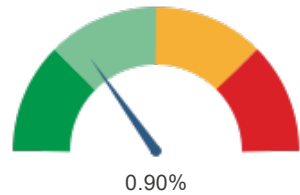
Period	Fund (%)	Sector (%)
2023	-6.1	-0.1
2022	-5.5	-6.4
2021	4.2	1.9
2020	17.7	19.4
2019	15.9	15.7

Source: Square Mile and Refinitiv, Data as at: 14th September 2024

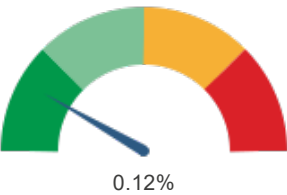
Value for Money

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.

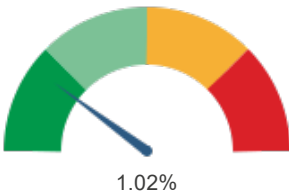
OCF v Peer Group



Transaction Costs v Peer Group



TCI v Peer Group



Source: Square Mile and Refinitiv, Data as at: 31st July 2024.

The Square Mile ratings are reviewed every 6 months. For full details on the methodologies, [click here](#).

For a full list of all Square Mile rated funds, [click here](#).

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