

First State China Focus Fund (Irish VCC)

Investment objective and policy

The Fund aims to grow your investment. The Fund invests at least 70% of its assets in shares of large and mid sized companies that are based in, or closely associated with, mainland China. These companies generally have a total stock market value of at least US \$1.5 billion. The Fund may invest up to 100% of its assets in any industry. The Fund will not invest more than 100% 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 January 2008
Fund Size (US\$m)	168.2
Benchmark	MSCI China Index*
Number Of Holdings	26
Fund Manager(s)	Quanqiang Xian/Martin Lau

* The benchmark of the Fund changed from MSCI China Gross to MSCI China 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
First State China Focus Fund USD Class I (Accumulation)	B29SXG5	IE00B29SXG58
First State China Focus Fund USD Class III (Accumulation)	B29SXJ8	IE00B29SXJ89

About FSSA Investment Managers

FSSA Investment Managers is an autonomous investment management team within First State Investments, with dedicated investment professionals based in Hong Kong, Singapore and Edinburgh. 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 First State China Focus 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.
- **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.
- **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 region helps spread risk.
- **China market risk:** Investing in the Chinese market involves risks such as legal, regulatory and economic. The securities markets in China may subject the Fund to greater uncertainty than investments in more developed countries.

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 Investor 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.**

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Annual Performance in USD (%) to 30 September 2019

	12 mths to 30/09/19	12 mths to 30/09/18	12 mths to 30/09/17	12 mths to 30/09/16	12 mths to 30/09/15
First State China Focus Fund	6.9	-1.3	24.1	0.5	-21.9
MSCI China Index	-3.9	-2.2	33.0	13.1	-4.8

Cumulative Performance in USD (%) to 30 September 2019

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
First State China Focus Fund	55.4	64.8	2.8	30.9	6.9	16.6	-4.1	-3.5
MSCI China Index	50.9	63.4	34.6	25.0	-3.9	7.6	-8.6	-4.7

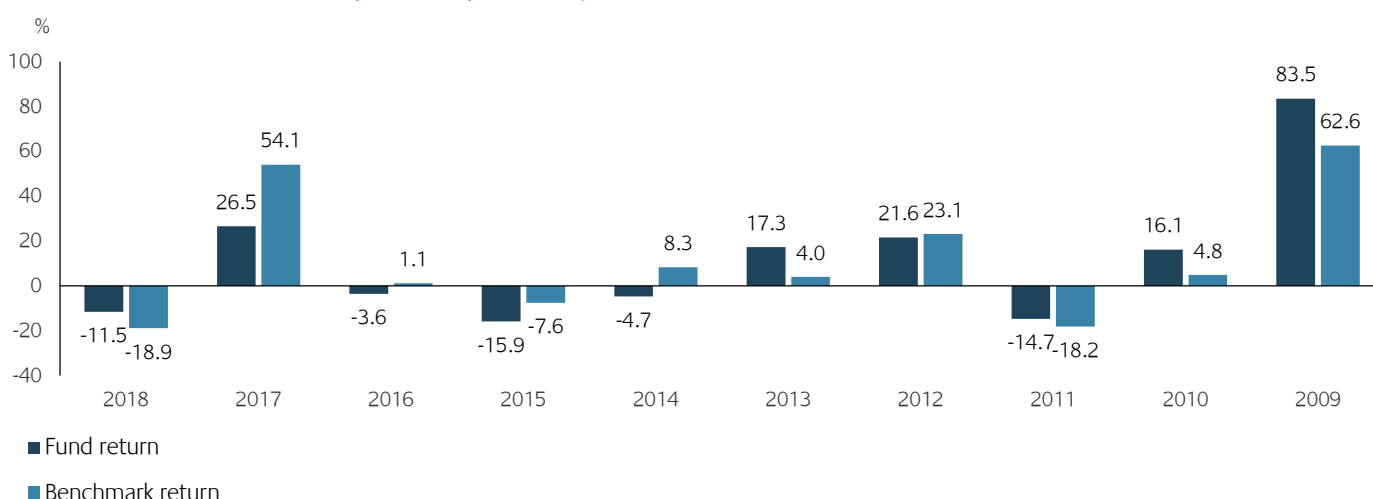
Market Review

The MSCI China Index decreased over the quarter, with GDP growth now forecasted to reach 6.2% year-on-year for 2019, down from 6.6% in 2018. Trade talks with the US have veered between optimism and caution, but an agreement between the two parties seems to be no closer. Following the implementation of tariff hikes, China's exports to the US fell 5.8% month-on-month in August, on top of a 3.4% decline in July. On the domestic front, the auto segment continued to drag on retail sales and bank loan growth slowed further, although aggregate credit growth was stable. Meanwhile, China continues to reform its financial and capital markets, with QFII and RQFII quotas removed completely in September.

Performance Review

On portfolio holdings, China Merchants Port Holdings declined on concerns about a broader economic slowdown. China Telecom weakened given the relatively static 4G market, with anticipated growth from the rollout of 5G still on the horizon. On the positive side, Li Ning strengthened on the appointment of new joint CEO, Kosaka Takeshi. Mr Takeshi joins the business with extensive experience and will focus on operation and execution, with his appointment offering assurances on the direction of the company's brand turnaround. ASM Pacific rose, driven by positive sentiment and demand for 5G-related infrastructure.

Calendar Year Performance (% in USD) to 30 September 2019



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 January 2008. All performance data for the First State China Focus Fund Class I (Accumulation) USD as at 30 September 2019. Source for fund - Lipper IM / First State Investments (UK) Limited. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management and administration fee) and other costs charged to the fund (e.g. transaction and custody costs), 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.

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Portfolio Review

There were no significant transactions over the period.

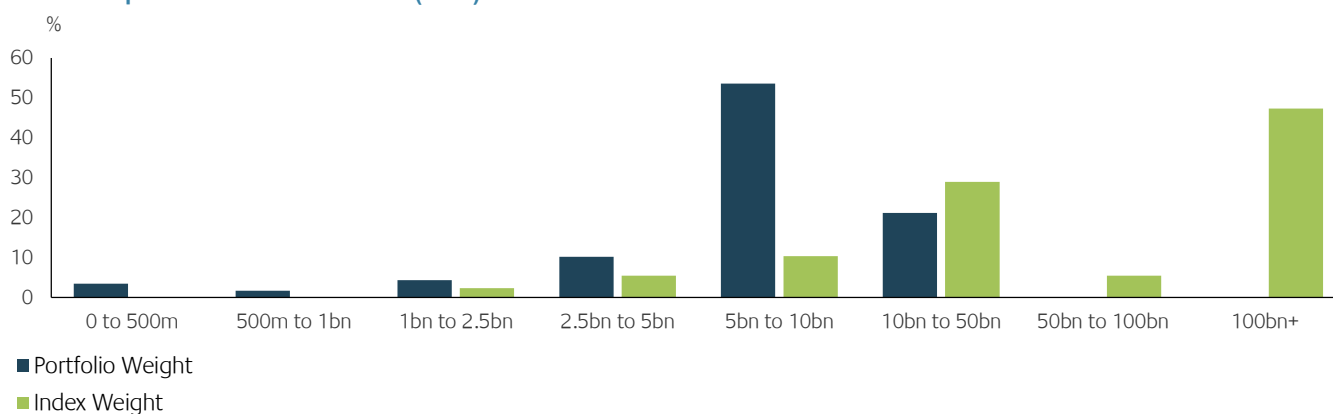
Stock Spotlight

Tsingtao Brewery is one of the oldest brewers in China and perhaps the only Chinese beer with a well-known brand outside of its domestic market. It was listed on the Hong Kong Stock Exchange in 1993 (it was the first H-share) as China began to open up its economy. Tsingtao has since evolved to become one of China's leading breweries, with circa 18% share of the China beer market.

The first decade of private ownership was characterised by brand building and M&A, with profitability targeted much later. In more recent years, its strategy has become clearer. While management initially targeted growth by increasing volumes and expanding its brand portfolio, distribution reach and capacity, they have now started to focus on value-added products over sales volume.

Given the premiumisation trend in China's beer market, Tsingtao's high-end products (such as Tsingtao Draft) have benefitted from rising sales – and this has helped profitability. The company managed to pass on rising costs by raising average selling prices (ASP) last year, with meaningful profit growth over the period.

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 State Investments. 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 State Investments' 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.

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Outlook

We cannot predict which side will triumph in the trade war, or how long negotiations will continue; but, having invested in China equities over numerous cycles and market scares, we believe that our bottom-up stock selection and focus on quality should continue to deliver positive returns over the long term. While our portfolios have not been immune to market volatility, the companies we own have tended to preserve capital better during downturns.

Declining markets are often seen as a negative, but we view such periods as opportunities to buy high quality companies at cheaper valuations – which helps to compound returns in the long run. As valuations fluctuate on trade war concerns, we have taken advantage of share price corrections to add to existing holdings and initiate new positions.

On a longer-term basis, we believe that the trade war will have limited impact on our portfolios, as many of the businesses we own have proven that they are able to develop new capabilities, innovate and remain competitive in response to challenging headwinds. Meanwhile, China's growth story remains intact and the structural trends of consumption upgrading and healthcare spending should persist as incomes continue to rise.

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.

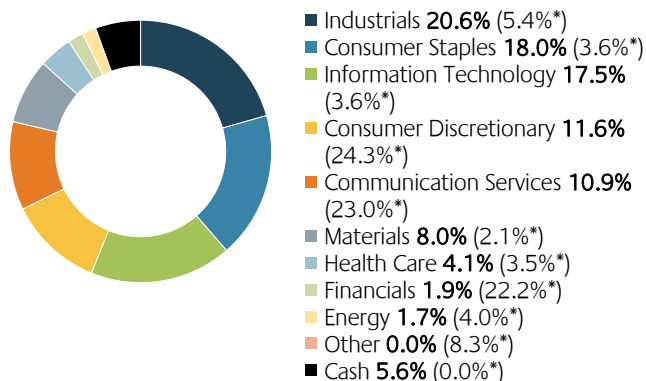
Ten Largest Company Holdings as at 30 September 2019

Stock Name	Country	Sector	Portfolio Weight (%)	Index Weight (%)
Tsingtao Brewery	China	Consumer Staples	8.4	0.1
China Telecom Corp. Ltd. Class H	China	Communication Services	7.3	0.4
China Merchants Port Holdings	China	Industrials	6.8	0.1
Xinjiang Goldwind Sci & Tec H Share	China	Industrials	5.8	0.1
Lenovo Group Limited	China	Information Technology	5.6	0.3
Sun Art Retail Group Limited	China	Consumer Staples	5.5	0.1
Great Wall Motor Co., Ltd. H Share	China	Consumer Discretionary	4.7	0.1
First State China A Shares Fund	China	Multiple Sectors	4.5	0.0
Li Ning Company Limited	China	Consumer Discretionary	4.4	0.3
Wanhua Chemical Group Co Ltd	China	Materials	4.2	0.1

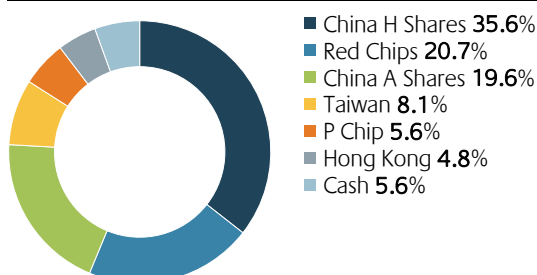
Sector and Country classifications provided by Factset and First State Investments. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. 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%.

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 State Investments' 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.

Sector Breakdown



Share Class Breakdown



*Index Weight



Top 5 contributors to absolute performance

3 months to 30 September 2019

Stock Name	Country	Sector	Value added (bps*)
Li Ning Company Limited	China	Consumer Discretionary	94
ASM Pacific Technology Limited	Hong Kong	Information Technology	62
MediaTek Inc	Taiwan	Information Technology	51
Xinjiang Goldwind Sci & Tec-H	China	Industrials	43
Sun Art Retail Group Limited	China	Consumer Staples	36

12 months to 30 September 2019

Stock Name	Country	Sector	Value added (bps*)
Li Ning Company Limited	China	Consumer Discretionary	546
Tsingtao Brewery	China	Consumer Staples	244
MediaTek Inc	Taiwan	Information Technology	113
China Mengniu Dairy Co. Ltd.	China	Consumer Staples	106
Xinjiang Goldwind Sci & Tec-H	China	Industrials	105

Bottom 5 contributors to absolute performance

3 months to 30 September 2019

Stock name	Country	Sector	Value added (bps*)
China Merchants Port Holdings	China	Industrials	-73
China Telecom Corp. Ltd. Class H	China	Communication Services	-67
Lenovo Group Limited	China	Information Technology	-64
Li & Fung Limited	Hong Kong	Consumer Discretionary	-62
Delta Electronics, Inc.	Taiwan	Information Technology	-51

12 months to 30 September 2019

Stock name	Country	Sector	Value added (bps*)
China BlueChemical Ltd. Class H	China	Materials	-195
China Merchants Port Holdings	China	Industrials	-126
Li & Fung Limited	Hong Kong	Consumer Discretionary	-105
China Longyuan Power Group Corp. Ltd. Class H	China	Utilities	-84
Sun Art Retail Group Limited	China	Consumer Staples	-61

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 and administration fee) 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 State Investments.



Portfolio Risk Analysis - Ex-Post 3 Years Annualised to 30 September 2019

Risk Measure	Value	Risk Description
Beta	0.69	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	0.36	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	15.80%	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	19.19%	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	10.30%	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 September 2019

Risk Measure	Value	Risk Description
Dividend Yield (Fund)	3.63%	The annual dividend yield paid per share divided by the share price. This factor measure the value of company shares according to the stream of dividend income resulting from share ownership.
Dividend Yield (Index)	2.28%	The annual dividend yield paid per share divided by the share price. This factor measure the value of company shares according to the stream of dividend income resulting from share ownership.
Price to Book (Fund)	1.34	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)	1.56	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)	12.99	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)	11.70	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.



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References to "we" or "us" are references to First State Investments.

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Certain funds referred to in this document are identified as sub-funds of First State Global Umbrella Fund, an umbrella investment company registered in Ireland ("VCC"). Further information is contained in the Prospectus and Key Investor Information Documents of the VCC which are available free of charge by writing to: Client Services, First State Investments (UK) Limited, Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB or by telephoning 0800 587 4141 between 9am and 5pm Monday to Friday or by visiting www.firststateinvestments.com. Telephone calls may be recorded. The distribution or purchase of shares in the funds, or entering into an investment agreement with First State Investments may be restricted in certain jurisdictions.

Representative and Paying Agent in Switzerland: The representative and paying agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. Place where the relevant documentation may be obtained: The prospectus, key investor information documents (KIIDs), the instrument of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

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