Guinness China A Share

Investment Commentary – July 2024

RISK

This is a marketing communication. Please refer to the prospectus, supplement and KID/KIID for the Fund, which contain detailed information on its characteristics and objectives, before making any final investment decisions.

The Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. The value of an investment and the income from it can fall as well as rise as a result of market and currency movement, and you may not get back the amount originally invested. The Fund invests only in stocks of companies that are based in, or with significant business activities in China; it is therefore susceptible to the performance of that region. In addition, at least 80% of the assets will be in China A shares, which have a greater participation by retail investors than other markets, so its performance may be more volatile. Further details on the risk factors are included in the Fund's documentation, available on our website.

Past performance does not predict future returns.

ABOUT THE STRATEGY

Launch	09.03.2023
Index	MSCI China A Onshore Index
Sector	IA China / Greater China
Managers	Sharukh Malik Edmund Harriss
EU Domiciled	Guinness China A Share Fund

OBJECTIVE

The Fund invests in quality, profitable companies exposed to the structural growth themes we have identified in the China A share market. These themes are built upon changes we have seen in incomes, demographics, production advances and the application of technology in consumer, industrial and infrastructure settings. The Fund is actively managed and uses the MSCI China A Onshore Index as a comparator benchmark only.

CONTENTS

SUMMARY

In the first half of the year, the Guinness China A Share Fund (Y class, GBP) fell by 12.6%, while the benchmark, the MSCI China A Onshore Net Total Return Index, fell by 2.4%.

After a tough start to the year, China was one of the strongest major markets in the second quarter but its rally was led by growth stocks in the offshore market. Onshore stocks, on the other hand, fell slightly.

The Fund's underperformance was driven by its overweight to growth stocks and small and mid-cap stocks, which collectively underperformed value and large-cap stocks. The Fund's underweight to Financials, and more specifically the underweight to banks, of which we do not hold any, also worked against it.

In May, we spent two weeks in China and saw nine companies. We remain of the view that while the economy is weak by China's standards, the quality companies that we are interested in are generally doing fine. In contrast to the gloomy macro news, our companies overall have a growth mindset, investing both domestically and internationally to secure future growth.

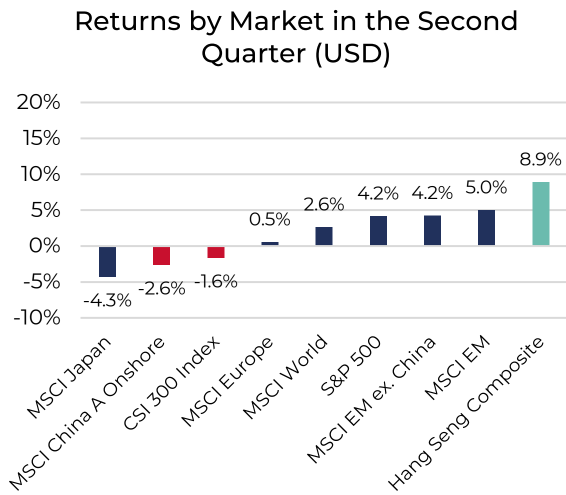
Year-to-date, the strongest three stocks in the Fund are Haier Smart Home, Sany Heavy Industry and Shengyi Technology. The weakest three stocks are Shenzhen Capchem Technology, Venustech and Wuxi Lead Intelligent Equipment.

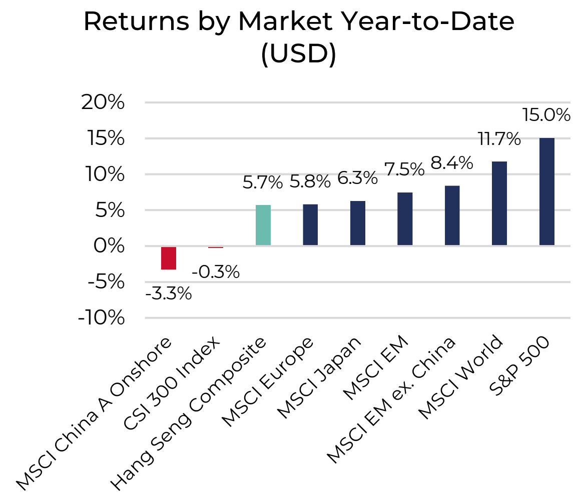
We made one pair of switches, selling Juewei Food and buying Midea in its place.

For our set of high-quality companies, we are seeing the best valuations since the Financial Crisis. Our companies have strong balance sheets and can weather the next few years as China completes its economic transition. To be conservative and assume our companies continue to grow at their historic rate of 14% a year, then combined with a 2.8% dividend yield and an eventual valuation re-rating, we argue China is a very attractive investment opportunity. A potential catalyst on valuations is any decent government stimulus for the property market, which would help stabilise earnings estimates for China as a whole.

MARKET COMMENTARY

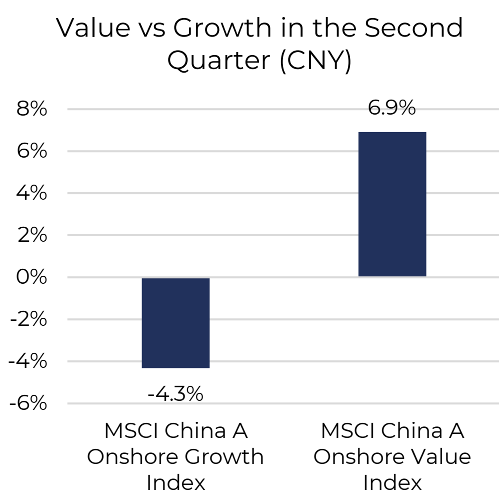
(Performance data in the section in CNY terms unless otherwise stated)

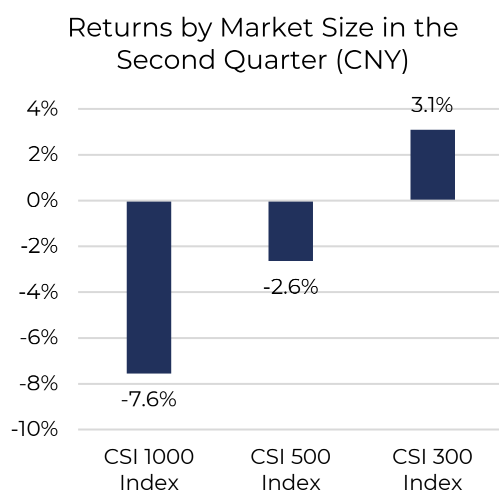




Data from 31/03/24 to 30/06/24, returns in USD, source: Bloomberg, Guinness Global Investors calculations

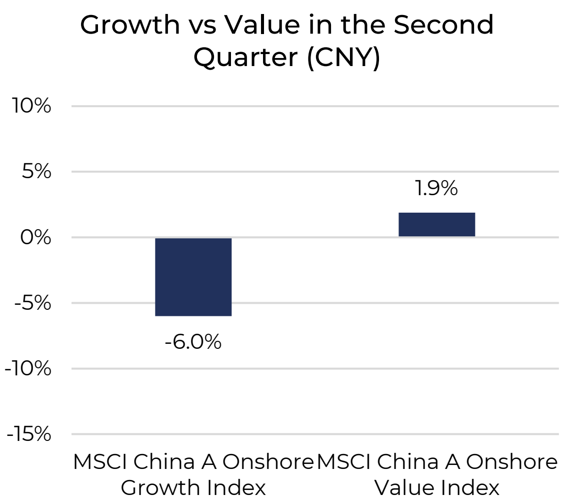
In the second quarter, offshore Chinese markets rallied while onshore markets were weak. The Hang Seng Composite Index rose by 8.9% (in USD) while the MSCI China A Onshore Index fell by 2.6%. Foreign investors targeted growth stocks in the offshore market on the hopes of a beta rally in China. After a weak first quarter, China rebounded in April and for the first half of May, before giving back much of the gains in the second half of May and rising slightly in June.

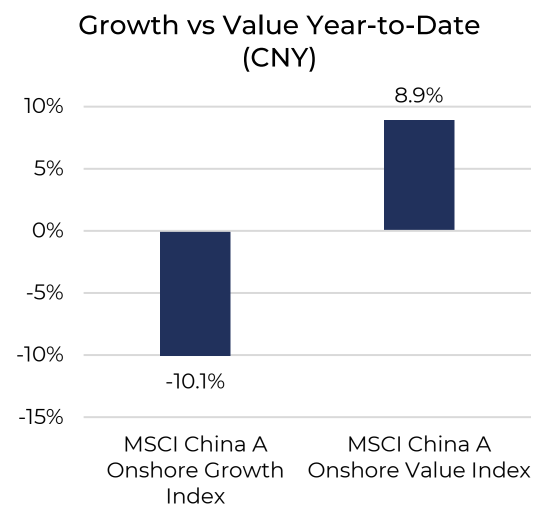




Data from 31/12/23 to 31/03/24, returns in CNY, source: Bloomberg, Guinness Global Investors calculations

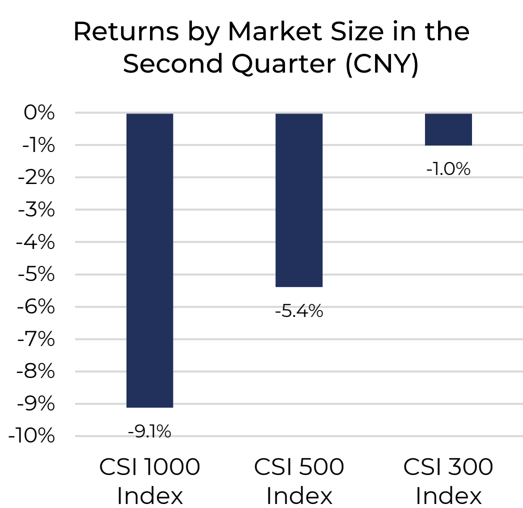
Growth stocks significantly underperformed value stocks. The MSCI China A Onshore Growth Index fell by 4.3% while the corresponding value index rose by 6.9%. We also highlight the significant differences between smaller and larger companies. Due to greater support from the National Team, large-caps (as measured by the CSI 300 Index) outperformed, rising 3.1%. Meanwhile mid-caps and small-caps, which overall benefited less from government support, fell 2.6% and 7.6% respectively.

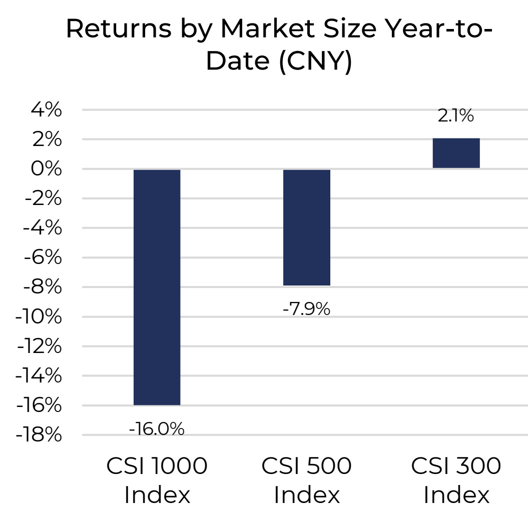




(Left chart: data from 31/03/24 to 30/06/24, right chart: data from 31/12/23 to 30/06/24, returns in CNY, source: Bloomberg, Guinness Global Investors calculations)

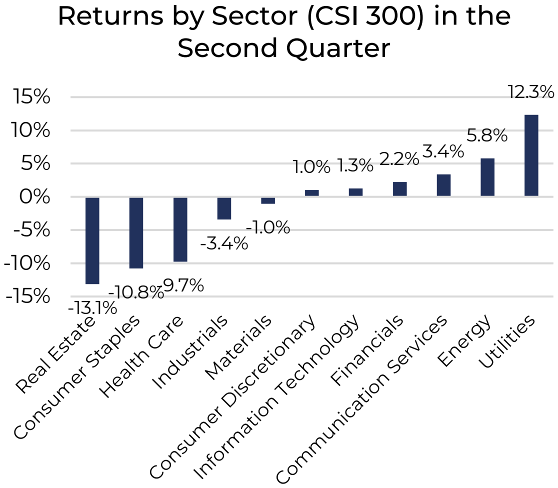
In the second quarter, growth stocks significantly underperformed value stocks, as the MSCI China A Onshore Growth Index fell by 6.0% (in CNY) while the corresponding value index rose by 1.9%. Year-to-date, the value index has risen by 8.9% while the growth index has fallen by 10.1%.

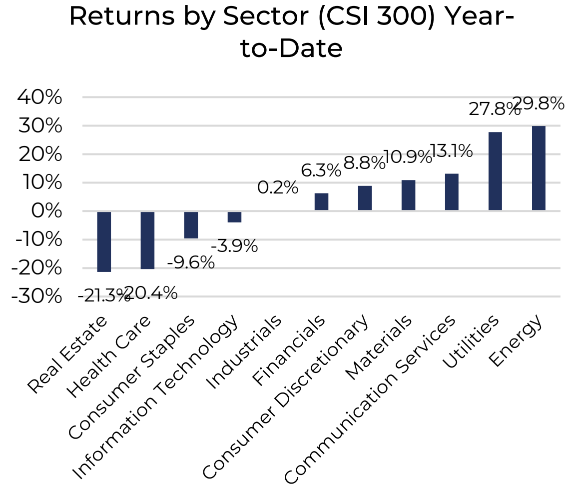




(Left chart: data from 31/03/24 to 30/06/24, right chart: data from 31/12/23 to 30/06/24, returns in CNY, source: Bloomberg, Guinness Global Investors calculations)

Large-caps outperformed significantly in the second quarter, falling 1.0% against the small and mid-cap indexes, which fell 9.1% and 5.4% respectively. Year-to-date, large caps have risen by 2.1% whereas small-caps and mid-caps have fallen by 16.0% and 7.9% respectively.





(Left chart: data from 31/03/24 to 30/06/24, right chart: data from 31/12/23 to 30/06/24, returns in CNY, source: Bloomberg, Guinness Global Investors calculations)

In the second quarter, the best performing sectors in the CSI 300 Index were Utilities (total return +12.3%), Energy (+5.8%) and Communication Services (+3.4%). In their search for value stocks, investors rewarded more stable companies in the Utilities and Energy sector, as well as the telcos such as China Mobile and China Telecom in the Communications Services sector.

The weakest sectors in the second quarter were Real Estate (total return -13.1%), Consumer Staples (-10.8%) and Health Care (-9.7%). The Real Estate sector was a laggard as there are no signs of stabilisation within the property market. Weaker Real Estate names were Greenland Holdings, Shenzhen Overseas Chinese Town and China Vanke. Broadly speaking, lower than expected growth for several well-known companies led to weakness in the Consumer Staples sector. The most significant laggards were Luzhou Laojiao, Jiangsu King's Luck Brewery and Yunnan Botanee Bio-Technology Group. In Healthcare, the Biosecure Act in the US led to weakness for affected Chinese names. The Act essentially prevents federal agencies from working with companies with links to certain Chinese biotech companies.

TRIP TO CHINA

We spent two weeks in China seeing a range of companies across the country. The trip was independently arranged without the help of brokers.

Near Hangzhou we saw a prospective company which manufactures forklifts. The company was relatively early in focusing on electric forklifts and this move is now paying off as revenue and profit growth has accelerated. The company's exports are increasing rapidly and the company's brand is gaining a reputation for quality. Management is aiming for revenue to increase from CNY 16bn in 2023 to CNY c.30bn in three years' time. The company's products are sold in Europe and the US, with management focusing on quality and after sales service to catch up with its established competitors. We were given tours of two manufacturing sites which were impressive, as well as a run through of the various models the company sells.

We also saw Hangzhou First Applied Material, which is the world's largest manufacturer of solar film, which protects solar modules. While much of the solar industry is in significant oversupply, in the solar film segment the supply imbalance is less pronounced. Smaller companies are loss making and are likely to eventually leave the industry, meaning First Applied may increase its market share. Next year the company plans to open two new manufacturing plants in China and one in Vietnam.

In Suzhou we visited a plant run by Shenzhen Inovance Technology, which makes automation equipment. We saw the high level of automation in the plant, partly driven by the company's own robots. We also communicated some of the reasons behind our proxy voting, where we voted against one director as he was an insider on the audit committee, and another director as the company does not have a nomination or remuneration committee. In response, the company said it has recently refreshed its board and this year is planning on creating a nomination and remuneration committee.

We met with China's two largest video game developers, Netease (in Hangzhou) and Tencent (in Hong Kong). With Netease, we discussed the latest quarterly results and the company's approach to shareholder return. With Tencent, the company's video accounts (equivalent to Tiktok) have relatively few ads compared to Douyin and Kuishou so there is potential for revenue in this segment to increase significantly. On semiconductors, the business has a stockpile of cutting-edge chips which management expect to last a few generations. Tencent's large language model (LLM) *Hunyuan* is being used by all teams as the foundational model, which teams can then tailor according to their specific needs. On capital management, the company argues its shares are undervalued and higher buybacks and dividends generate a better internal rate of return than other investments at this moment in time.

In Chengdu, we saw Sinoseal which manufactures mechanical seals mostly used in petrochemical applications, with use cases also in pipelines, nuclear, water and paper making industries. The company explained that it has taken market share from foreign competitors in the domestic market by focusing on lower prices, investment in R&D and very good after sales service. Management think that from a technical perspective, their products are now nearly at the same level as their foreign competitors. To increase export sales, the aim is now to catch up on the technical front and then increase brand awareness abroad in countries on the Belt and Road path. On capital management, Sinoseal is cautious on M&A and will not grow at all costs. The dividend frequency has now increased to a semi-annual payment with a higher payout ratio.

Near Chongqing, we met with Chongqing Fuling Zhacai which makes pickled condiments. Due to climate change the company is seeing more volatility in supply of mustard roots. To deal with this greater volatility, when input prices are low the company likes to put mustard roots into storage. But current storage capacity is limited so the company is building a new state of the art production facility with significantly greater storage capacity. On ESG, we made numerous suggestions on where disclosure could improve and our sense is that we can have a genuine impact on the company's disclosures.

In Guangzhou we saw Suofeiya Home Collection which makes kitchen cabinets and cupboards. Given that it is smaller than the primary market, the secondary market (purchases of older homes) is a channel that Suofeiya has not previously focused on. However as the primary market continues to weaken, management now views the secondary market as a growth driver for the business. In contrast to some of its competitors, Suofeiya has much more control of its sales process which management believes is one of the main drivers behind its good reputation with customers. For example, Suofeiya owns its own software, logistics and after sales service, whereas some of its competitors use third parties for some of these services. By focusing on good service, the aim is that customers enhance the reputation of the business through word of mouth.

STOCK COMMENTARY

Year-to-date, the strongest three stocks in the Fund are Haier Smart Home, Sany Heavy Industry and Shengyi Technology. The weakest three stocks are Shenzhen Capchem Technology, Venustech and Wuxi Lead Intelligent Equipment.

Haier (total return +35.1% in CNY): In Qingdao, we met with Haier Smart Home who are one of the world's largest household appliances companies. While the company's sales are linked to the domestic real estate cycle, the company is still expecting solid growth going forward. For example, washing machines have an average life cycle of 8-10 years, after which they need to be replaced regardless of how the real estate market is doing. To boost sales, Haier has launched its own trade in program where customers can trade in older products for a discount on new products. Meanwhile, the company is expanding its air conditioning (AC) business to catch up with its larger peers. In the past three years, the research team has doubled within the AC segment and CNY 200m (c.$28m) has been spent on quality control labs. Management aim to grow revenue for the AC business from CNY 46bn in 2023 to CNY 80-90bn by 2028, with operating margins in the segment to expand from c.4% in 2023 to 7-8% in 2028.

Sany Heavy Industry (total return +21.5%) is a major manufacturer of construction equipment. Management believe that the domestic excavator cycle has potentially reached a bottom, with smaller excavators leading the rebound. Demand for larger excavators is likely to come from mining customers but for medium excavators, demand is still mostly driven by property developers. Over the past few years the company has been diversifying away from China and the target this year is for 20% export growth.

Shengyi Technology (total return +17.6%) is a manufacturer of copper clad laminates (CCL) which are used to make printed circuit boards. Inventory amongst customers has fallen and though oversupply remains present, the company is expecting an increase in demand later this year. Orders for high speed CCL should be boosted from greater demand for AI chips.

Year-to-date, the weakest three stocks in the Fund are Shenzhen Capchem Technology, Venustech and Wuxi Lead Intelligent Equipment.

Shenzhen Capchem Technology (total return -40.9% in CNY) is a manufacturer of battery electrolytes, an industry which is facing oversupply. Capchem also has a fluorine chemical business but this segment has recently been slower than expected. A new fluorine plant is likely to take time to ramp up, incurring up-front depreciation costs while sales are likely to come through later.

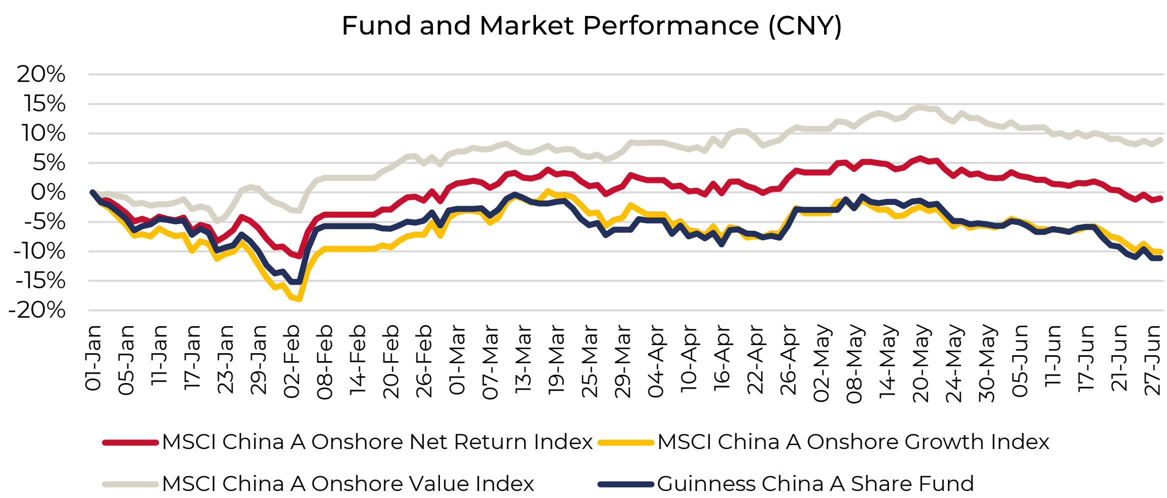
Venustech (total return -36.1%) is a major provider of cybersecurity services in China. Historically its customer base was targeted toward government clients and large companies, but due to the weaker macroenvironment, government clients are cutting budgets, which is an issue facing the whole industry. Venustech, however, does benefit from closer cooperation with its largest shareholder, China Mobile. Last year China Mobile became the controlling shareholder in Venustech and as a result China Mobile disbanded its internal cybersecurity business and is now redirecting business towards Venustech. Venustech should benefit from greater demand from China Mobile's customers, diversifying Venustech's customer base. Last year Venustech derived CNY 200-300 million from sales to China Mobile and in the medium term the target is to grow this to CNY 1 billion. Overall, management is targeting at least 20% revenue and net profit growth in 2024.

Wuxi Lead Intelligent Equipment (total return -35.0%) is a manufacturer of battery production equipment. With concerns over potential battery overcapacity in China, the market is paying attention to Lead Intelligent' s order book. We expect growth in the company's new orders to come from overseas. We know Lead Intelligent has exposure to major customers abroad such as Volkswagen and ACC (a joint venture between Stellantis, Mercedes and TotalEnergies). CATL, which is one of the world's largest battery manufacturers, is the second largest shareholder in Lead Intelligent. Therefore we expect Lead Intelligent to benefit from CATL's new plant in Hungary.

ATTRIBUTION

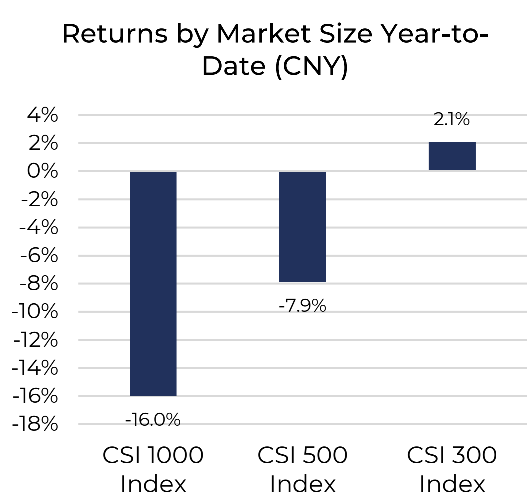
In the first six months of the year, the Guinness China A Share Fund (Y class, USD) fell by 13.3%, while the benchmark, the MSCI China A Onshore Index fell by 3.3%.

The Fund targets quality, profitable companies which give exposure to the structural growth themes in China. Year-to-date, growth stocks have significantly underperformed value stocks – the MSCI China A Onshore Index has fallen 10.1% (in CNY) year-to-date, whereas the corresponding value index has risen by 8.9%. In such an environment, we would not expect the Fund to outperform its benchmark. We show in the chart below that the Fund broadly tracked the performance of the growth index during the first six months of the year.



(Data from 31/12/23 to 30/06/24, returns in CNY, source: Bloomberg, Guinness Global Investors calculations)

We also point out that the Fund is overweight to small and mid-cap stocks, while it is underweight to large-cap stocks. As mentioned earlier, large-cap stocks have significantly outperformed year-to-date – the CSI 300 Index (large-caps) has increased by 2.1% while the CSI 500 Index (mid-cap) has fallen by 7.9% and the CSI 1000 Index (small-caps) has fallen by 16.0%. Based on Bloomberg categorisations, the Fund is c.21% overweight to mid-caps and c.9% overweight to small-caps, while the Fund is 30% underweight to large-caps. Therefore the Fund has captures far less of the rally in large-caps than the benchmark, and has captured more of the weakness in mid and small-caps.



(Data from 31/12/23 to 30/06/24, returns in CNY, source: Bloomberg, Guinness Global Investors calculations)

We are completely comfortable with the positioning of the Fund and its overweight to growing small and mid-cap companies. The most interesting names in the onshore market are the “Little Giants” – companies which are in the industries that are likely to make China a developed country. These companies are getting government support in the form of a lax regulatory environment, greater government orders and lower taxes. These Little Giants are currently being ignored by the market and we strongly believe that once China completes its economic transition away from property, these companies are likely to have a long path of compounded growth ahead of them.

In the first half of the year, relative to the MSCI China A Onshore Index, areas which helped the Fund’s performance were:

- Individual stock performance, led by Haier Smart Home (total return +35.1% in CNY), Sany Heavy Industry (+21.5%), Shengyi Technology (+17.6%), Nari Technology (+14.4%) and Zhejiang Weixing New Building Materials (+11.4%).

- Stock selection in the Health Care sector, driven by not holding the biotech names exposed to potential US restrictions.

- Underweight in the Real Estate sector, where we have no exposure.

In the first half of the year, areas which detracted from the Fund’s relative performance were:

- Underweight to Financials, and more specifically the underweight to the Banks industry where we have no holdings. The Banks industry is the largest industry within the benchmark with a c.10% weight. As domestic investors are chasing value stocks with undemanding valuations, they have flocked to the large state-owned enterprise (SOE) banks. Therefore the Banks industry has been the biggest positive contributor to performance for the benchmark. Stocks such as China Merchants Bank (total return +19.5% in CNY), Bank of Communications (+23.1%), Agricultural Bank of China (+26.5%), Shanghai Pudong Development Bank (+24.6%) and ICBC (+19.5%) have led the way. We do not own these large SOE banks as they do not give exposure to the long-term structural growth themes in China. We estimate that of the Fund’s 10.0% underperformance relative to the benchmark, c.1.7% can be attributed to the underweight in the large SOE banks.

- Stock selection in the Materials sector, driven by Shenzhen Capchem Technology (total return -40.9% in CNY), Shanghai Putailai New Energy Technology (-31.9%) and Shandong Sinocera (-22.4%). Not holding the metal and mining names was a further detractor.

- Stock selection in the Information Technology sector, driven by Venustech (-36.1%), Zhejiang Jingsheng Mechanical & Electrical (-33.5%), Shenzhen H&T Intelligent (-24.1%), Xiamen Faratronic (-15.7%) and Hangzhou First Applied (-14.2%).

- Stock selection in the Industrials sector, led by Wuxi Lead Intelligent Equipment (-35.0%), Shenzhen Inovance Technology (-18.1%) and Jiangsu Hengli Hydrauilic (-13.5%).

- Stock selection in the Consumer Discretionary sector, led by China Tourism Group Duty Free (-23.6%) and Guangzhou Restaurant Group (-15.9%).

- Underweight to Utilities and Energy, where we have no exposure. We estimate that of the Fund’s 10.0% underperformance relative to the benchmark, c.1.2% can be attributed to the underweight to these two sectors.

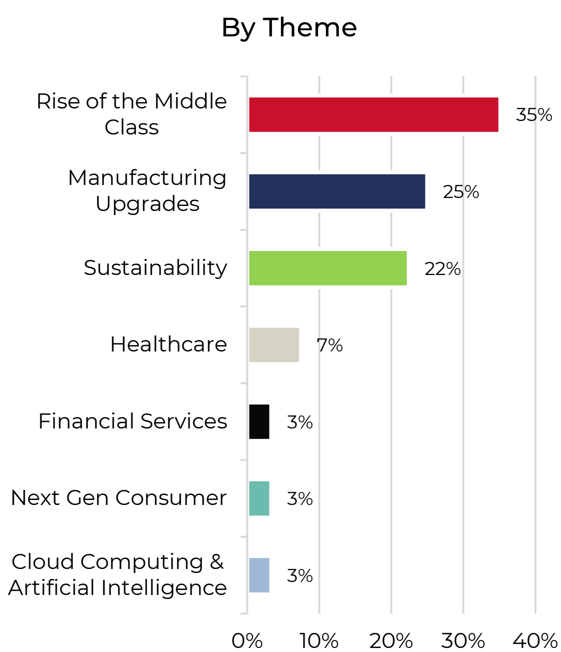
CHANGES TO THE PORTFOLIO

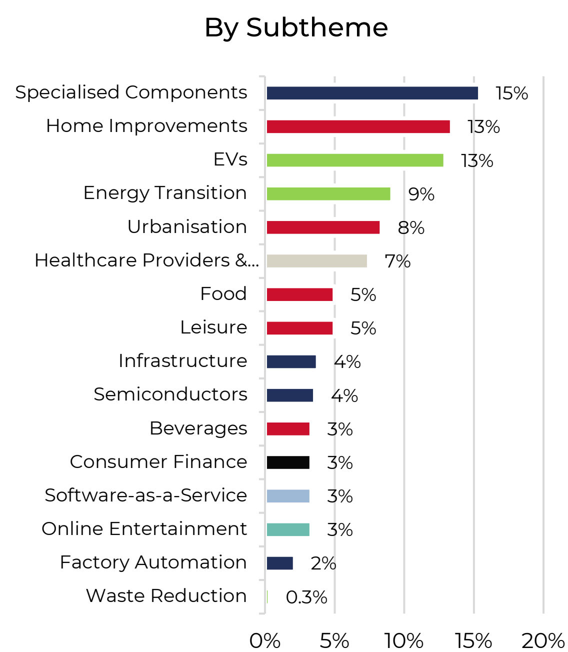
We sold the full position in Juewei Food as it became clear that though the number of stores the company runs was increasing, productivity per store was flattening. Poor communication from management as to the underlying reasons as to why this was the case was the trigger for reviewing the position against alternatives.

For a lower valuation multiple, we initiated a position in Midea. Midea is one of the world's largest household appliances companies, selling items such as fridges, freezers, dishwashers. It is also one of the world's largest air conditioner manufacturers. The company has a long track record of growing its asset base at a high cash return on capital. We expect revenues and profits to continue to grow, which is attractive in the current economic environment in China. We also like Midea because it owns Kuka which it bought from a German company in 2016. As China's working population shrinks and wages rise, greater automation is likely to be a trend and so owning one of the world's most advanced robotics companies makes Midea very attractive.

PORTFOLIO POSITIONING

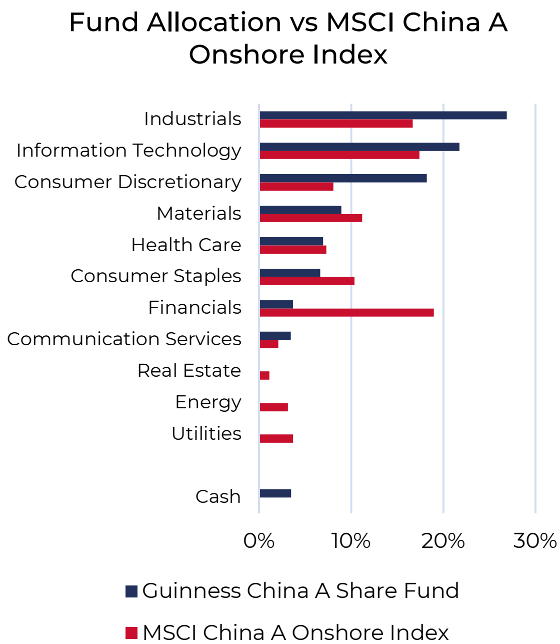
By theme, the Fund's largest exposures are to the Rise of the Middle Class, Manufacturing Upgrades and Sustainability. Important subthemes include Specialised Components, Home Improvements, and EVs.

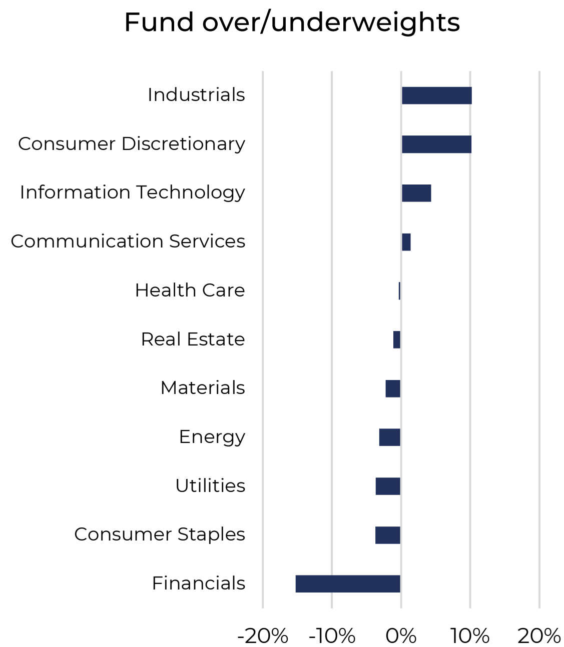




(Data as of 30/06/24, source: Guinness Global Investors calculations. Data assumes portfolio is equally weighted)

On a sector basis, the Fund's largest exposures are to the Industrials, Information Technology and Consumer Discretionary sectors. Relative to the MSCI China A Onshore Index, the Fund is overweight in the Industrials and Consumer Discretionary sectors. The Fund is underweight in the Financials sector as we do not hold any of the banks.



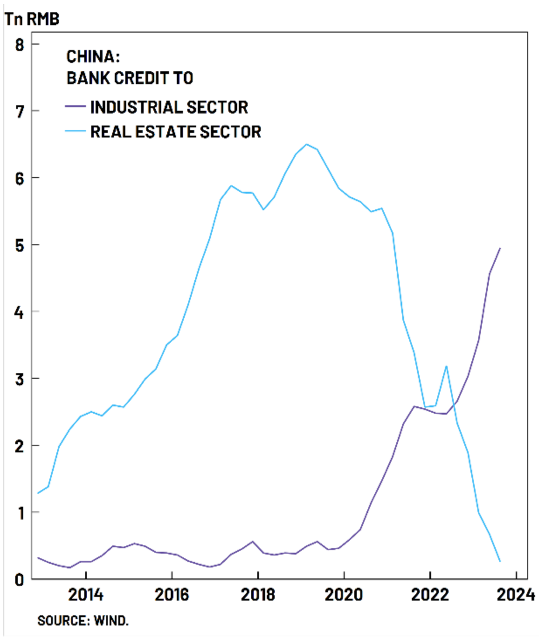


(Data as of 30/06/24, source: Guinness Global Investors calculations, Bloomberg)

OUTLOOK

Following our trip to China, we remain of the view that while the economy is weak by China's standards, the quality companies that we are interested in are generally doing fine. In contrast to the gloomy macro news, our companies overall have a growth mindset, investing both domestically and internationally to secure future growth. For our manufacturing companies in particular, the general trend is they are moving up the value chain and from a quality perspective, are catching up to their Western competitors. Export sales are becoming more of a focus for our companies and we expect Chinese companies across the board to become more competitive on the global front.

We argue that the government has, for the past few years, been intentionally deleveraging the property sector. One of the reasons behind this was to tackle the accumulation of debt, particularly amongst private property developers which has for some time presented itself as a source of systematic risk. Since 2020, the government has been clamping down on the use of the aggressive debt funded growth in the property sector, leading to Evergrande and other private property developers' business models failing.



The second reason behind the intentional deleveraging push in the property market is driven by China's long-term economic plan. Ultimately, for China to become rich on a per-capita basis, capital needs to be diverted away from property and towards the new pillar industries with higher value add per person. Real estate accounts for at least c.20% of China's GDP and 23% of its capital investment. China's GDP per capita is currently c.$12,500 per person and to take it to the level of countries such as Korea and Japan, with GDP per capita of c.$35,000 and $39,000 respectively, real estate is not the answer. The answer is also unlikely to be found in other industries that foreign investors have historically been attracted to in China, such as video games (Tencent) and e-commerce (Alibaba). For China to become a wealthy nation, the new pillar industries are going to need capital to grow. These industries include (but are not limited to) the EV supply chain, industrial automation, semiconductor manufacturing and research into pharmaceutical development and healthcare equipment. We can see in the chart that while lending to the real estate sector has plummeted, at the same time lending to the industrial sector, which contains many of these pillar industries, has increased significantly.

(Source – BCA Research, January 2024)

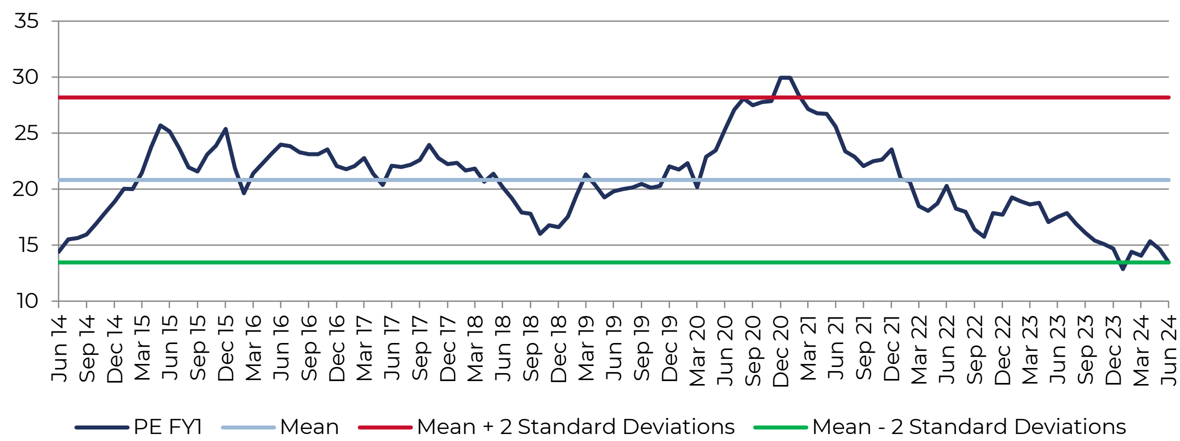
China's current problem is that while in the long term the deleveraging of the property sector is positive, in the short term, because of its large contribution to GDP, the declining real estate market is creating a drag on growth. Meanwhile while the new pillar industries are growing, they are still relatively small in size and are certainly not large enough to offset the weakness in real estate.

So at what point could the new pillar industries become large enough to offset the weakness in property? Goldman Sachs looked specifically at EVs, batteries, wind and solar power generation as their proxy for the pillar industries. In their scenario, by 2028 the new pillar industries may become large enough to offset the weakness in property, assuming property continues to decline. Of course their work only looks into three specific industries and ignores China's other pillar industries, so using similar logic we believe that well before 2028, China's pillar industries are likely to become large enough to offset the falling real estate market. Work by Bloomberg also points us to a similar conclusion.

However, of course this point is still a few years away. Until then, government stimulus is needed to help the economic navigate the ongoing economic transition. The real estate sector continues to plummet and now requires stabilisation. Recently, more loosening measures were announced for the property market. Loans obtained from the Housing Provident Fund had their interest rates cut by 0.25 percentage points - the fund is a social security savings scheme modelled on the Central Provident Fund in Singapore. The large cities of Hangzhou (population 10.4 million) and Xi'an (population 13.0 million) removed virtually all restrictions on property purchases. In April, Chengdu (population 16.3 million) did the same.

From an investment perspective, we break down prospective returns into changes from valuation multiples, earnings growth and dividends. On valuations, our holdings remain cheap. The Fund's holdings in aggregate are trading at a forward price/earnings ratio of 13.5x which is two standard deviations below the holdings' 15-year average. Historically our holdings have bottomed at a price/earnings ratio of 12.9x which implies only c.4% downside. Taking a more optimistic view, if investors believe our argument that China is undergoing an economic transition which will move it into higher value-add industries, then a higher valuation multiple in three to five years may be more appropriate. Our holdings long-term average price/earnings ratio is 20.8x, which implies 54% upside from current levels.

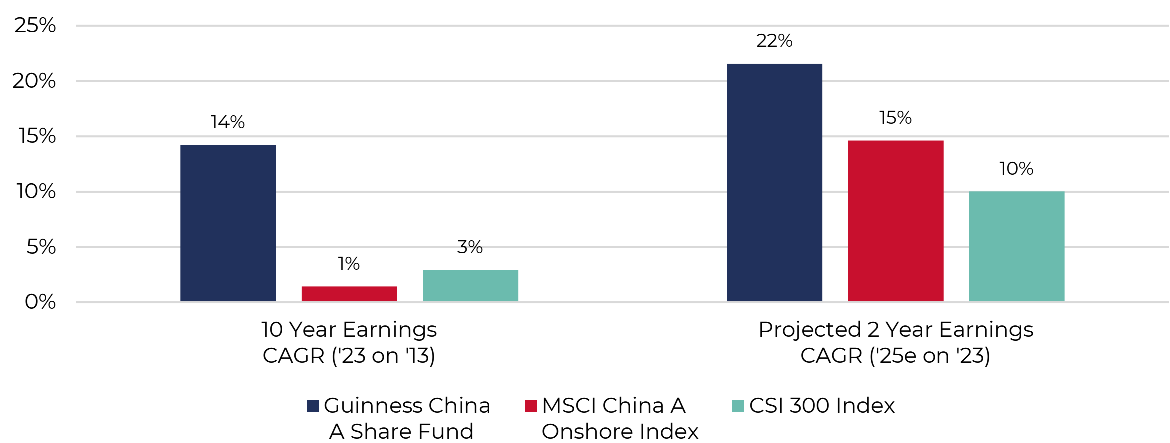
Historic Forward Year Price/Earnings Ratio for Current Holdings



(Data from 30/06/14 to 30/06/24, source: Bloomberg, Guinness Global Investors calculations. A simulation based on actual historic data for the Fund's current holdings. The Fund was launched on 09.03.2023. Calculations assume an equally weighted portfolio)

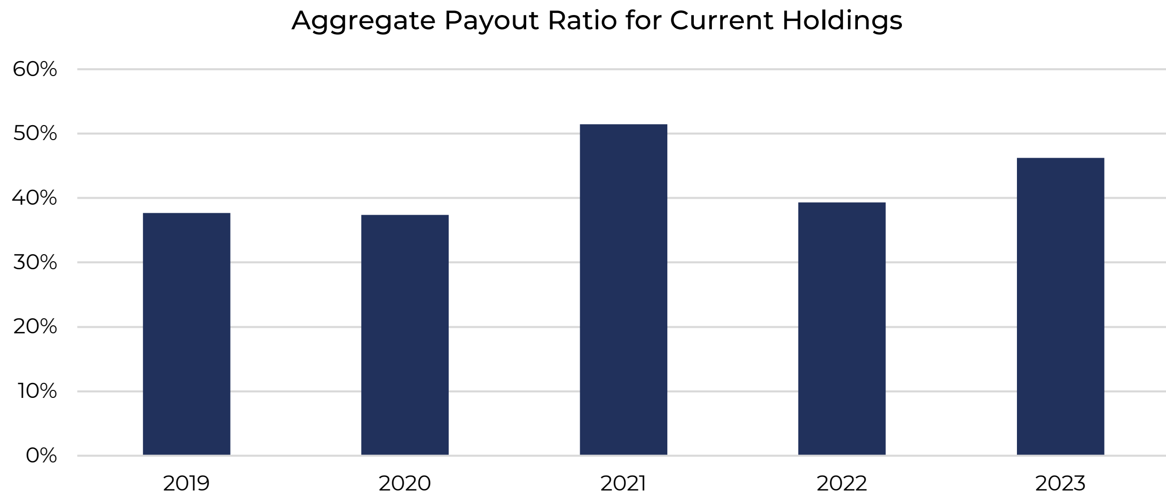
The longer the time horizon, the more important earnings growth is. Here we point out the Fund's strong track record in this respect. Over the past decade, our holdings in aggregate have grown earnings by 14% a year. Meanwhile the MSCI China A Onshore Index has seen earnings grow by 1% a year over the past decade, despite all of the economic growth in China. We argue a passive approach is not the best way to get exposure to high quality, compounding companies in China. Based on consensus analyst estimates, the Fund's holdings in aggregate are expected to grow earnings by 22% a year over the next two years. But we will be more conservative and assume a 14% growth rate is more appropriate. At such an attractive risk reward ratio (as measured by valuations), a 14% earnings growth rate is surely of interest to investors.

Historic and Estimated Future Earnings Growth



(Source: Bloomberg, MSCI, Guinness calculations. Data as of 30/06/2024. Fund series assumes $1m equally weighted into current holdings. Data for Guinness China A Share Fund is a simulation based on actual historic data for the Fund's current holdings. The Fund was launched on 09.03.2023)

Finally we point out better capital allocation from our holdings. The government is encouraging companies to distribute excess cash to shareholders and improve payout ratios. For our current holdings, the aggregate payout ratio has improved from 38% in 2019 to 46% in 2023. Though the Fund does not have a distribution share class, the forward net dividend yield is 2.8%.



(Source: Bloomberg, MSCI, Guinness calculations. Data as of 30/06/2024. Fund series assumes $1m equally weighted into current holdings. A simulation based on actual historic data for the Fund's current holdings. The Fund was launched on 09.03.2023)

In summary, for our set of high-quality companies, we are seeing the best valuations since the financial crisis. Our companies have strong balance sheets and can weather the next few years as China completes its economic transition. If we be conservative and assume our companies continue to grow at their historic rate of 14% a year, then combined with a 2.8% dividend yield and an eventual valuation re-rating, we argue China is a very attractive investment opportunity. A potential catalyst on valuations is any decent government stimulus for the property market, which would help stabilise earnings estimates for China as a whole.

Portfolio Managers

Sharukh Malik
Edmund Harriss

GUINNESS CHINA A SHARE FUND - FUND FACTS

Fund size	$0.7m
Fund launch	09.03.2023
OCF	0.89%
Benchmark	MSCI China A Onshore TR

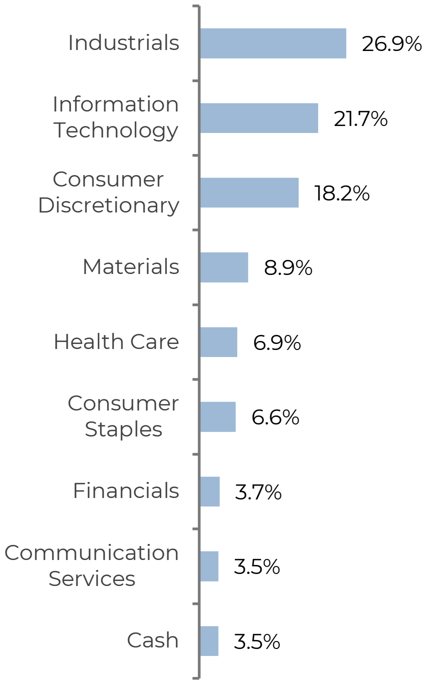
GUINNESS CHINA A SHARE FUND - PORTFOLIO

Top 10 holdings

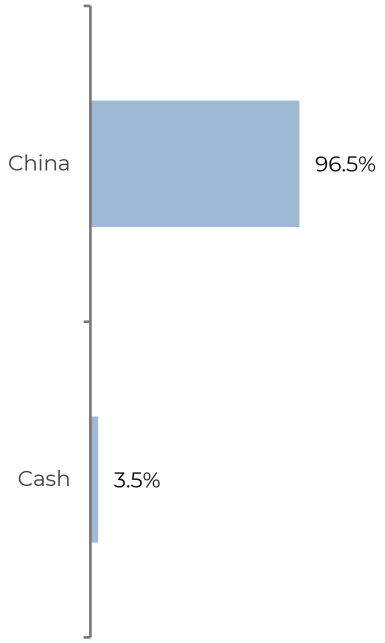
Sany Heavy Industry	4.1%
Shenzhen Mindray Bio-Medical	4.0%
Sinoseal Holding	3.8%
Shengyi Technology	3.8%
NARI Technology	3.7%
Ping An Insurance Group	3.7%
Midea Group	3.5%
G-bits Network Technology Xiam	3.5%
Haier Smart Home	3.4%
Hongfa Technology	3.3%

Top 10 holdings	36.8%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

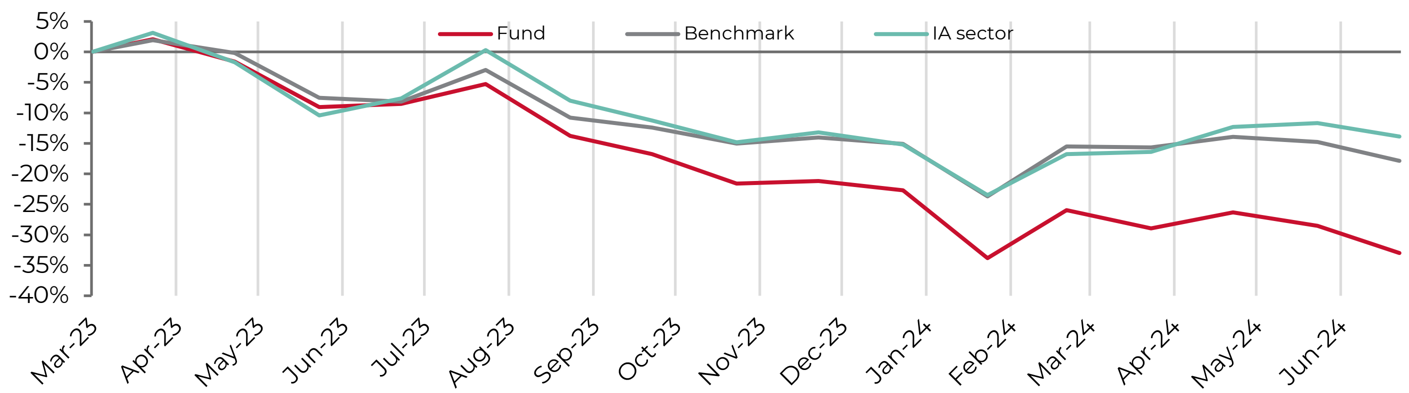
GUINNESS CHINA A SHARE FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-5.6%	-12.6%	-26.4%	-	-	-
MSCI China A Onshore TR	-3.0%	-2.4%	-10.1%	-	-	-
IA China/Greater China TR	-1.8%	+2.4%	-6.2%	-	-	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-6.3%	-13.3%	-26.8%	-	-	-
MSCI China A Onshore TR	-3.6%	-3.3%	-10.6%	-	-	-
IA China/Greater China TR	-2.5%	+1.5%	-6.8%	-	-	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-5.0%	-10.7%	-25.5%	-	-	-
MSCI China A Onshore TR	-2.4%	-0.3%	-9.0%	-	-	-
IA China/Greater China TR	-1.2%	+4.6%	-5.1%	-	-	-

GUINNESS CHINA A SHARE FUND - ANNUAL PERFORMANCE

(GBP)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	-	-	-	-	-	-	-	-	-	-
MSCI China A Onshore TR	-	-	-	-	-	-	-	-	-	-
IA China/Greater China TR	-	-	-	-	-	-	-	-	-	-
(USD)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	-	-	-	-	-	-	-	-	-	-
MSCI China A Onshore TR	-	-	-	-	-	-	-	-	-	-
IA China/Greater China TR	-	-	-	-	-	-	-	-	-	-
(EUR)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	-	-	-	-	-	-	-	-	-	-
MSCI China A Onshore TR	-	-	-	-	-	-	-	-	-	-
IA China/Greater China TR	-	-	-	-	-	-	-	-	-	-

GUINNESS CHINA A SHARE FUND - PERFORMANCE SINCE LAUNCH (USD)



Source: FE fundinfo to 30.06.24. Investors should note that fees and expenses are charged to the capital of the Fund. This reduces the return on your investment by an amount equivalent to the Ongoing Charges Figure (OCF). The current OCF for the share class used for the fund performance returns is 0.89%. Returns for share classes with a different OCF will vary accordingly. Transaction costs also apply and are incurred when a fund buys or sells holdings. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

IMPORTANT INFORMATION

Issued by Guinness Global Investors, a trading name of Guinness Asset Management Limited, which is authorised and regulated by the Financial Conduct Authority.

This report is designed to inform you about Guinness China A Share Fund. It may provide information about the Fund's portfolio, including recent activity and performance. It contains facts relating to the equity markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report. OCFs for all share classes are available on www.guinnessgi.com .

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Documentation
The documentation needed to make an investment, including the Prospectus, the Key Investor Document (KID) / Key Investor Information Document (KIID) and the Application Form, is available in English from www.guinnessgi.com or free of charge from:-
• the Manager: Waystone Management Company (IE) Limited (Waystone IE) 2nd Floor 35 Shelbourne Road, Ballsbridge, Dublin D04 A4E0, Ireland; or,
• the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

Waystone IE is a company incorporated under the laws of Ireland having its registered office at 35 Shelbourne Rd, Ballsbridge, Dublin, D04 A4E0 Ireland, which is authorised by the Central Bank of Ireland, has appointed Guinness Asset Management Ltd as Investment Manager to this fund, and as Manager has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive.

Investor Rights
A summary of investor rights in English is available here: https://www.waystone.com/waystone-policies/
Residency
In countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful, the Fund should not be distributed to resident Retail Clients.
NOTE: THIS INVESTMENT IS NOT FOR SALE TO U.S. PERSONS.

Structure & regulation
The Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and authorised and supervised by the Central Bank of Ireland, which operates under EU legislation. If you are in any doubt about the suitability of investing in this Fund, please consult your investment or other professional adviser.

Switzerland
This is an advertising document. The prospectus and KID for Switzerland, the articles of association, and the annual and semi-annual reports can be obtained free of charge from the representative in SwitzerlandReyl & Cie S.A., Rue du Rhône 4, 1204 Geneva, Switzerland. The paying agent is Banque Cantonale de Genève, 17 Quai de l'Ile, 1204 Geneva, Switzerland.

Singapore
The Fund is not authorised or recognised by the Monetary Authority of Singapore ("MAS") and shares are not allowed to be offered to the retail public. The Fund is registered with the MAS as a Restricted Foreign Scheme. Shares of the Fund may only be offered to institutional and accredited investors (as defined in the Securities and Futures Act (Cap.289)) ('SFA') and this material is limited to the investors in those categories.

Telephone calls will be recorded and monitored.