Guinness Greater China

Investment Commentary – August 2024

RISK

This is a marketing communication. Please refer to the prospectus, supplement, KIDs and KIIDs 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 can fall as well as rise as a result of market and currency movement, and you may not get back the amount originally invested. 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	15.12.2015
Index	MSCI Golden Dragon
Sector	IA China & Greater China
Managers	Sharukh Malik CFA Edmund Harriss
EU Domiciled	Guinness Greater China Fund

OBJECTIVE

The Guinness Greater China Fund is designed to provide investors with exposure to economic expansion and demographic trends in China and Taiwan. The Fund is managed for capital growth and invests in profitable companies generating persistently high return on capital over the business cycle. The Fund is actively managed with the MSCI Golden Dragon used as a comparator benchmark only.

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SUMMARY

In July, the Guinness Greater China Fund (Y class, GBP) fell by 4.3%, while the benchmark, the MSCI Golden Dragon Net Total Return Index (MSCI Golden Dragon Index) fell by 3.9%, and the MSCI China Net Total Return Index (MSCI China Index – not a benchmark for the Fund but which we note due to its bias to China, like the Fund) fell by 2.8%.

The People's Bank of China (PBOC) cut the seven-day repo rate (short-term interest rates) by 10 basis points to 1.7%. The five and one-year loan prime rate (LPR) were also cut by 10 basis points to 3.85% and 3.35% respectively.

The National Development and Reform Commission (NDRC) and Ministry of Finance (MoF) issued a new set of policies to stimulate consumption. Of the CNY 1 trillion of ultra long-term special central government bonds, CNY 150bn will be used to support trade-in of household appliances while CNY 150bn will be used to fund upgrades of corporate equipment. When trading in internal combustion engine vehicles, the allowance for qualified EVs will be doubled, from CNY 10k to CNY 20k.

Over the next five years, central state-owned enterprises (SOE) will spend CNY 3trn (c.$414bn) on upgrading large-scale equipment. This is likely to lead to greater demand for domestic equipment manufacturers.

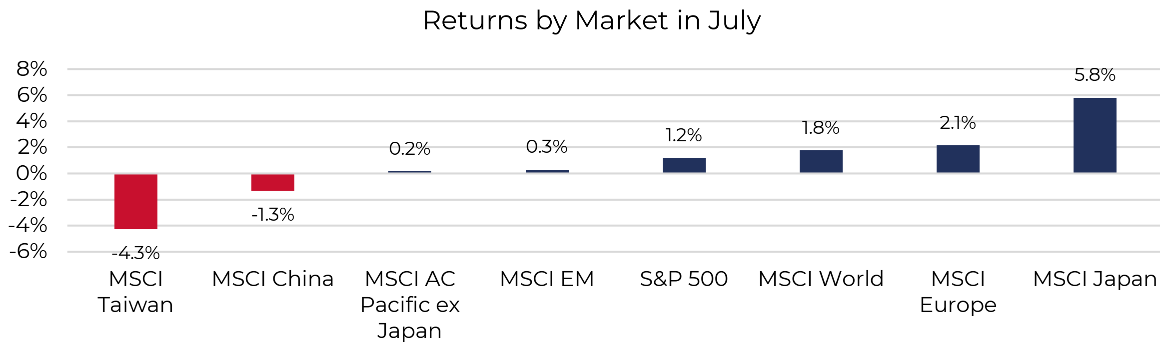
For the macro data covering June, retail sales grew more weakly than expected at 2.0% growth, with autos acting as the main drag. Fixed asset investment (FAI) grew 3.6%, but as always the split between the different types of investment is important. Manufacturing FAI grew 9.3% and infrastructure FAI grew 4.6%, while real estate FAI fell 10.1%. Exports grew 8.6% while imports fell 2.3%. Inflation eased to 0.2%.

Outperformers in the Fund were Alibaba, Hangzhou First Applied Material and Sino Biopharmaceutical. Underperformers were Shenzhou International, Geely Automobile and Elite Material.

Relative to the MSCI China Index, contributors to the Fund's relative performance were the underweight to the Communications Services, Energy, Materials and Utilities sector. Detractors from performance were the overweight to growth and small and mid-cap stocks, as well as stock selection in the Information Technology, Financials and Consumer Discretionary sectors.

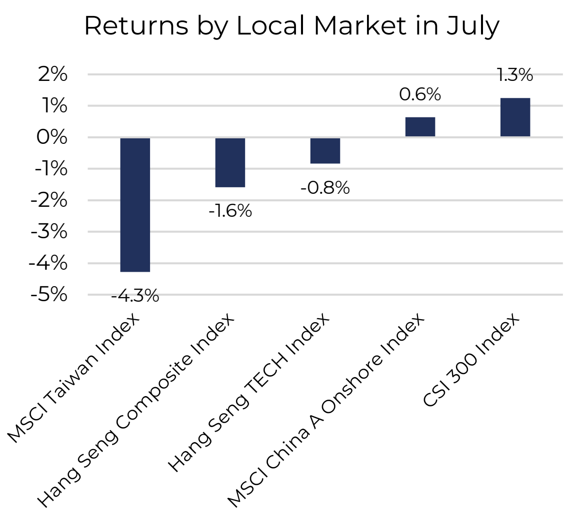
COMMENTARY

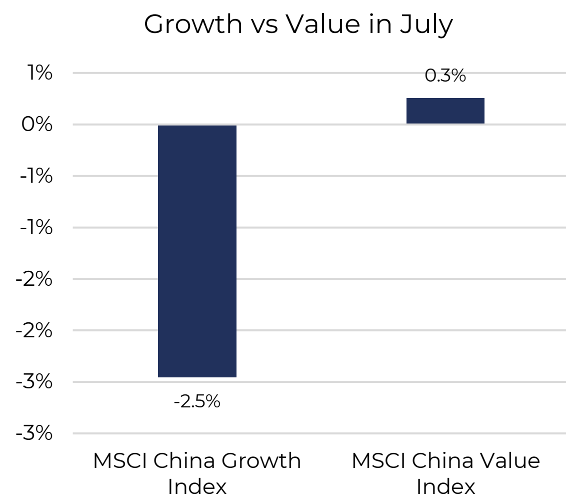
(Performance data in the section in USD terms unless otherwise stated)



(Data from 30/06/24 to 31/07/24, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

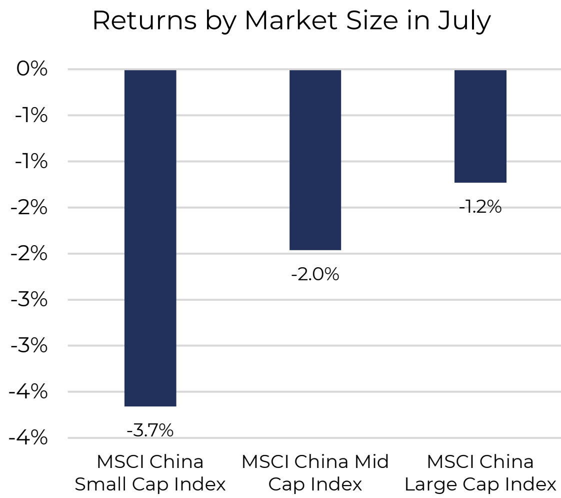
In July, the MSCI China Index fell by 1.3% and so lagged the MSCI World Index which rose by 1.8%. Meanwhile, the MSCI Taiwan Index fell by 4.3%. Donald Trump commented that Taiwan should pay more for its own defence, raising concerns over his commitment to defend the island if he were to win the upcoming US presidential election. The sell-off in AI-related tech stocks in the US led to weakness for Taiwan's tech-heavy market.





(Data from 30/06/24 to 31/07/24, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

Offshore markets underperformed onshore markets, as the Hang Seng Composite Index fell by 1.6% while the MSCI China A Onshore Index rose by 0.6%. Growth stocks underperformed value stocks, as the MSCI China Growth Index fell by 2.5% while the corresponding value index rose by 0.3%.



(Data from 30/06/24 to 31/07/24, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

Large-caps outperformed in July, falling 1.2% against the small and mid-cap indexes which fell 3.7% and 2.0% respectively.

The best performing sectors in the MSCI China Index were Health Care (total return +4.1%), Financials (+1.6%) and Consumer Discretionary (+0.3%). Within Health Care, biotech names led the strength, rebounding slightly after several months of weakness. In the Financials sector, life insurers were strong on better growth prospects while brokers rallied on potential consolidation of the industry. Within the Consumer Discretionary sector, Alibaba led the bulk of gains for the sector with additional contribution from the EV names Li Auto, Xpeng and Nio. The weakest sectors in the month were Energy (total return -7.1%), Real Estate (-6.4%) and Utilities (-5.1%). Within the Energy sector, oil prices fell on the prospect of oil production in the US rising if Trump wins the election. Real Estate companies sold off as the sector continues to weaken, with no major stimulus announced by the government. In the Utilities sector, weaker names were Enn Energy, China Resources Power and Huaneng Power.

STOCK COMMENTARY

In July, the strongest three stocks in the Fund were Alibaba (total return +9.8%), Hangzhou First Applied Material (+6.3%) and Sino Biopharmaceutical (+5.2%).

Alibaba changed its fee structure for its e-commerce platforms *Taobao* and *Tmall*. The company removed its annual merchant fee and now charges a software service fee worth 0.6% of gross merchandise value (GMV). The removal of the annual fee is likely to attract more smaller merchants, who due to their smaller size are likely to receive discounts on the service fee. The new structure should lead to a boost to earnings for Alibaba yet its overall fee take is likely to remain lower than Pinduoduo, its main competitor.

There was no specific news on Hangzhou First Applied Material or Sino Biopharmaceutical.

In July, the weakest three stocks in the Fund were Shenzhou International (total return -13.2%), Geely Automobile (-9.5%) and Elite Material (-8.9%).

Shenzhou is a garment manufacturer supplying the likes of Nike and Uniqlo. Based on the monthly sales data for its competitors, it seems apparel manufacturers are seeing solid growth across the board. Shenzhou's factories are now running at 100% capacity which may give the business some additional pricing power.

Geely is one of China's best known automobile manufacturers. In the first quarter, revenue increased by 56% with a 48% increase in volume and a 6% increase in average selling prices. Gross margins fell slightly due to intense competition but losses in the premium EV brand *Zeekr* fell, leading to net profits more than doubling. Management increased its annual volume target by 5% to 2 million cars.

In such an intense competitive environment, we regard an increase in volume targets as a positive sign. On capital management, Geely says capex has peaked and so as volumes increase, utilisation rates across its plants are likely to increase, leading to margin improvement.

Elite Material was weak as it is likely the business has lost significant market share in supplying copper clad laminates (CCLs) for Nvidia's HGX AI Supercomputer platform. However we point out the business has multiple other drivers. Elite is gaining significant market share in AMD's competing chips. Elite has also carved out a niche in supplying products for Low Earth Orbit (LEO) satellites, where sales are growing very quickly. Additionally Intel's *Eagle Stream* platform for servers is seeing rising demand, which is positive for Elite as these newer servers have 60% greater CCL content than the previous generation. Combined, we expect these drivers to generate enough growth to offset the lost Nvidia orders.

ATTRIBUTION

In July, the Guinness Greater China Fund (Y class, USD) fell by 2.7%, while the benchmark, the MSCI Golden Dragon Index fell by 2.4%, and the MSCI China Index fell by 1.3%.

The MSCI Golden Dragon Index is a weighted average of the MSCI China, Taiwan and Hong Kong indexes. As of the end of June, Taiwan's weight in the Golden Dragon Index was c.40%. In the Fund, we hold two positions in Taiwan which collectively have a weight of c.6.5%. As the Fund is underweight to Taiwan compared to the benchmark, it saw less of a performance drag from Taiwan which underperformed, as the MSCI Taiwan Index fell by 4.3%. But it was the Fund's China exposure which meant it underperformed both the benchmark and the MSCI China Index in the month.

In July, relative to the MSCI China Index, areas which helped the Fund's performance were:

- Underweight to the Communication Services sector, driven by the Fund's structural underweight to Tencent. The Fund is run on an equally weighted basis and so each position has a neutral weight of 3.2%. As of the end of June, Tencent's weight in the MSCI China Index was 16.6%, making it the largest stock by far in that index. Tencent's share price underperformed in July, which detracted from the index's performance more than from the Fund's performance.

- Underweight to the Energy, Materials and Utilities sectors, where the Fund has no exposure and which underperformed.

In July, areas which detracted from the Fund's relative performance were:

- The Fund's focus on growth stocks worked against it, as value stocks significantly outperformed growth stocks.

- The Fund has an overweight to small and mid-caps which underperformed large-caps. The most interesting names in the onshore market are the "Little Giants" – smaller 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.

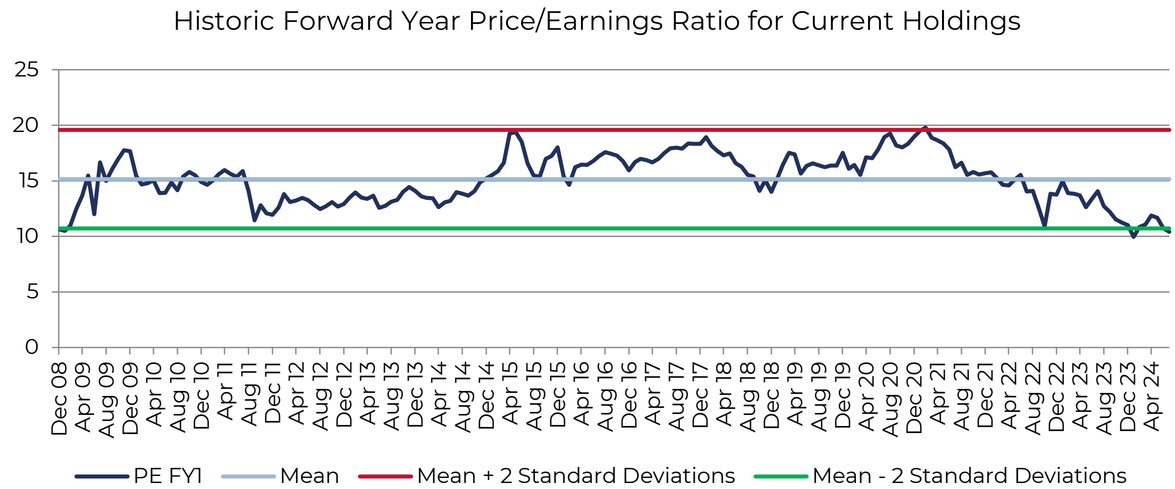
- Stock selection in the Information Technology sector, driven by Elite Material, Venustech and TSMC.

- Stock selection in the Financials sector, driven by Hong Kong Exchanges & Clearing and the underweight to the large state-owned enterprise (SOE) banks. As a reminder, the Fund does not hold any of the large SOE banks which have been significant outperformers as a value play. We do not own these large SOE banks as they do not give exposure to the long-term structural growth themes in China.

- Stock selection in the Consumer Discretionary sector, driven by the Fund's structural underweight to Alibaba, and Fund holdings Shenzhou International Group, Geely Automobile and Suofeiya Home Collection.

OUTLOOK

Our view is that investors, both domestically and abroad, are significantly undervaluing the high-quality companies in China that we target. These companies have strong balance sheets with relatively little debt, and so can weather the next few years of relative weakness, as China completes its transition away from real estate and towards the new pillar industries. The companies we own give exposure to the structural growth themes in China and while earnings expectations have been falling, importantly these companies are still expected to grow. Based on consensus analyst estimates, the Fund's holdings in aggregate are expected to grow net income by 20% in 2024 and 12% in 2025. On a valuation basis, the Fund is trading on a forward year price/earnings ratio of 10.4x. For the holdings in aggregate, this valuation is one of the lowest levels we have seen since the Financial Crisis, which presents one of the best risk-reward ratios we have seen for some time.



(Data from 31/12/08 to 31/07/24, source: Bloomberg, Guinness Global Investors calculations. The chart shows historic data for the Fund's current holdings. The Fund was launched on 15.12.2015. Calculations assume an equally weighted portfolio.)

Portfolio Managers

Sharukh Malik
Edmund Harriss

GUINNESS GREATER CHINA FUND - FUND FACTS

Fund size	$7.5m
Fund launch	15.12.2015
OCF	0.89%
Benchmark	MSCI Golden Dragon TR

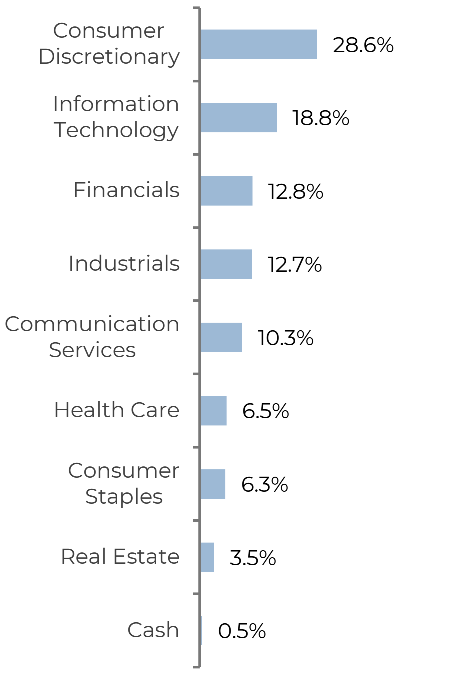
GUINNESS GREATER CHINA FUND - PORTFOLIO

Top 10 holdings

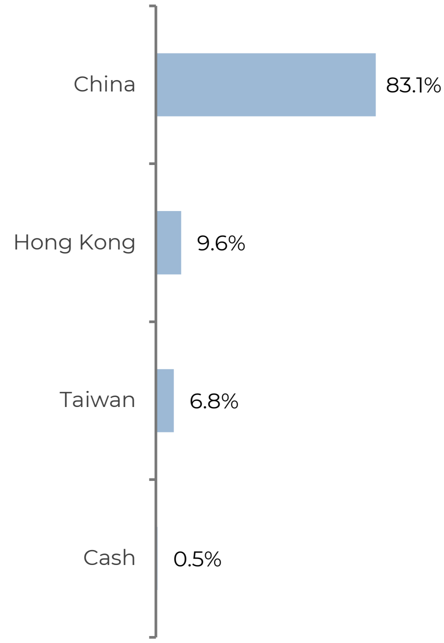
Alibaba Group	3.7%
Elite Material	3.7%
Tencent Holdings	3.7%
NetEase	3.6%
Zhejiang Supor	3.5%
China Overseas Land	3.5%
NARI Technology	3.5%
Midea Group Co Ltd	3.4%
CSPC Pharmaceutical Group	3.3%
Haier Smart Home	3.3%

Top 10 holdings	35.2%
Number of holdings	31

Sector



Country



Past performance does not predict future returns.

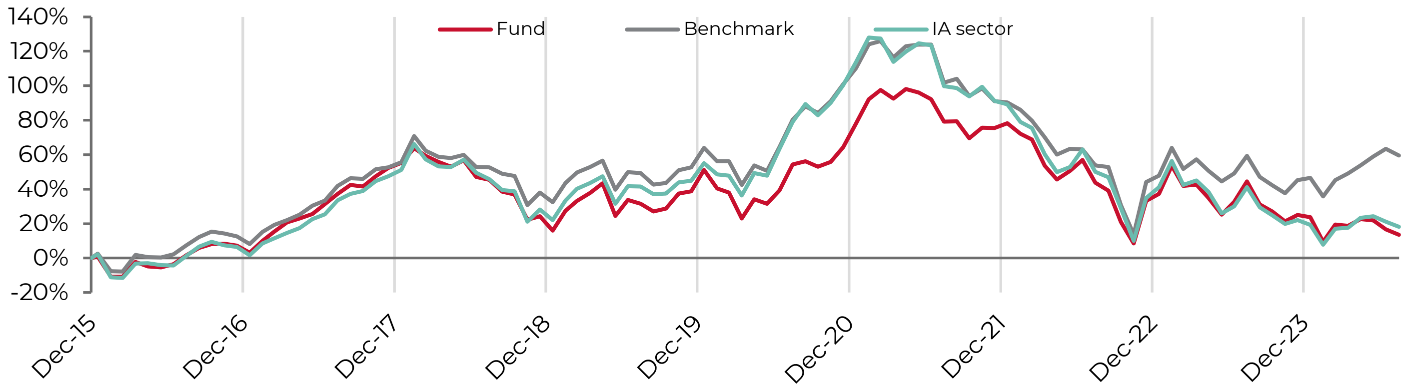
GUINNESS GREATER CHINA FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-4.3%	-8.9%	-21.3%	-31.4%	-17.7%	-
MSCI Golden Dragon TR	-3.9%	+8.1%	+0.3%	-14.4%	+1.9%	-
IA China/Greater China TR	-4.1%	-1.8%	-16.2%	-36.0%	-20.5%	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-2.7%	-8.3%	-21.4%	-36.7%	-13.6%	-
MSCI Golden Dragon TR	-2.4%	+8.9%	+0.2%	-21.0%	+6.9%	-
IA China/Greater China TR	-2.6%	-1.1%	-16.3%	-40.9%	-16.6%	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-3.7%	-6.3%	-19.9%	-30.6%	-11.1%	-
MSCI Golden Dragon TR	-3.3%	+11.2%	+2.1%	-13.4%	+9.9%	-
IA China/Greater China TR	-3.5%	+1.0%	-14.7%	-35.2%	-14.2%	-

GUINNESS GREATER CHINA FUND - ANNUAL PERFORMANCE

(GBP)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	-15.0%	-13.3%	+1.0%	+14.2%	+25.3%	-20.7%	+37.6%	+22.1%	-	-
MSCI Golden Dragon TR	-6.5%	-12.6%	-8.6%	+24.2%	+19.0%	-9.5%	+31.3%	+25.7%	-	-
IA China/Greater China TR	-20.2%	-16.0%	-10.7%	+33.6%	+22.2%	-14.2%	+35.9%	+18.5%	-	-
(USD)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	-9.9%	-23.0%	+0.1%	+17.9%	+30.4%	-25.3%	+50.4%	+2.3%	-	-
MSCI Golden Dragon TR	-0.9%	-22.3%	-9.5%	+28.2%	+23.8%	-14.8%	+43.8%	+5.4%	-	-
IA China/Greater China TR	-15.4%	-25.4%	-11.5%	+37.8%	+27.1%	-19.2%	+48.7%	-0.7%	-	-
(EUR)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	-12.9%	-17.9%	+7.7%	+8.1%	+32.8%	-21.5%	+32.3%	+5.5%	-	-
MSCI Golden Dragon TR	-4.3%	-17.3%	-2.6%	+17.6%	+26.1%	-10.5%	+26.3%	+8.6%	-	-
IA China/Greater China TR	-18.3%	-20.5%	-4.8%	+26.4%	+29.4%	-15.1%	+30.6%	+2.3%	-	-

GUINNESS GREATER CHINA FUND - PERFORMANCE SINCE LAUNCH (USD)



Source: FE fundinfo to 31.07.24. 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 Greater China 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.

This document is provided for information only and all the information contained in it is believed to be reliable but may be inaccurate or incomplete; any opinions stated are honestly held at the time of writing, but are not guaranteed. The contents of the document should not therefore be relied upon. It should not be taken as a recommendation to make an investment in the Fund or to buy or sell individual securities, nor does it constitute an offer for sale.

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 Switzerland, REYL & 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.