Guinness Greater China

Investment Commentary – September 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

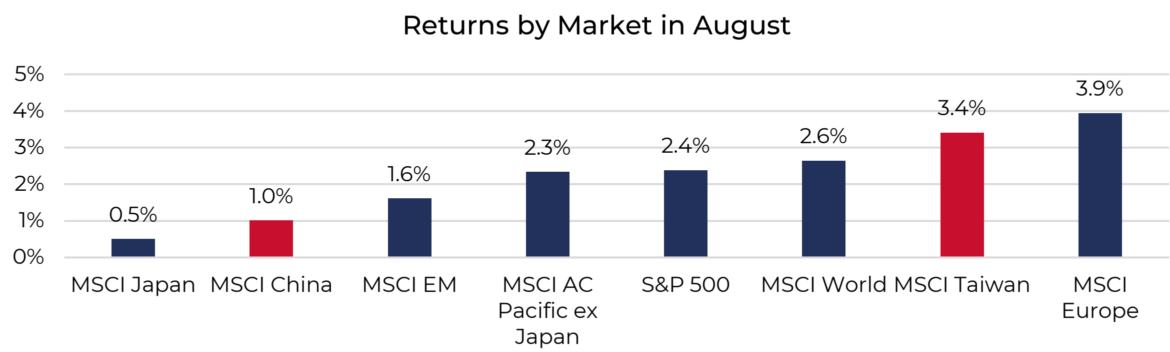
In August, the Guinness Greater China Fund (Y class, GBP) fell by 2.7%, while the benchmark, the MSCI Golden Dragon Net Total Return Index (MSCI Golden Dragon Index) rose by 0.2%, and the MSCI China Net Total Return Index (MSCI China Index) fell by 1.2%.

Outperformers in the Fund were Sino Biopharmaceutical, Elite Material and Geely Automobile. Underperformers were CSPC Pharmaceutical, Xinyi Solar and NetEase.

Relative to the MSCI China Index, contributors to the Fund's relative performance were stock selection in the Consumer Discretionary and Financials sectors. Detractors from performance were the structural underweight to Tencent, stock selection in the Information Technology, Industrials and Consumer Staples sectors, and the Fund's overweight to growth stocks and small and mid-caps.

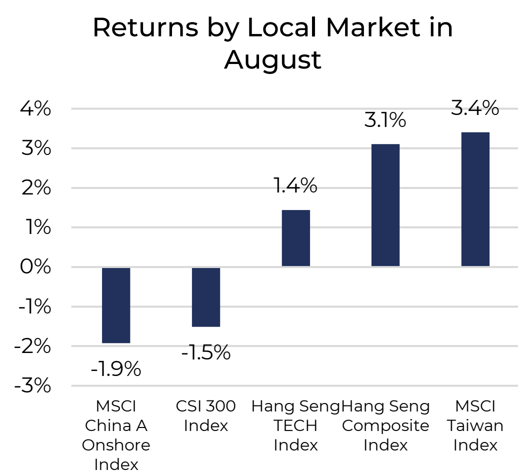
COMMENTARY

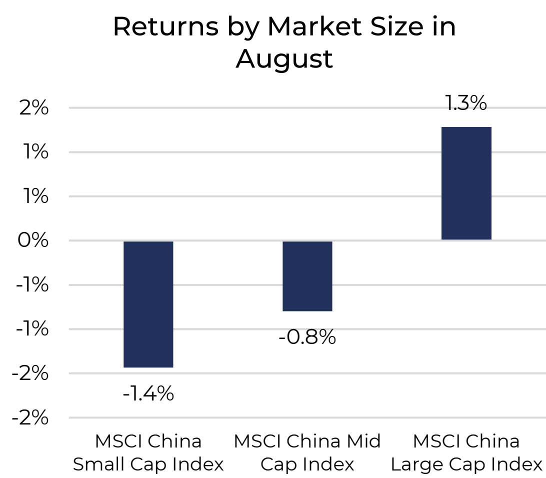
(Performance data in the section in USD terms unless otherwise stated)



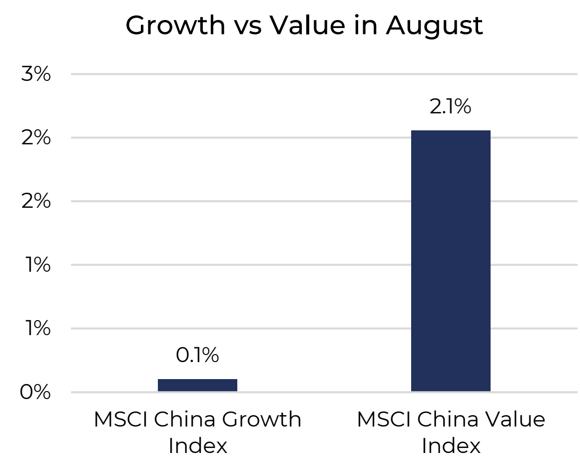
(Data from 31/07/24 to 31/08/24, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

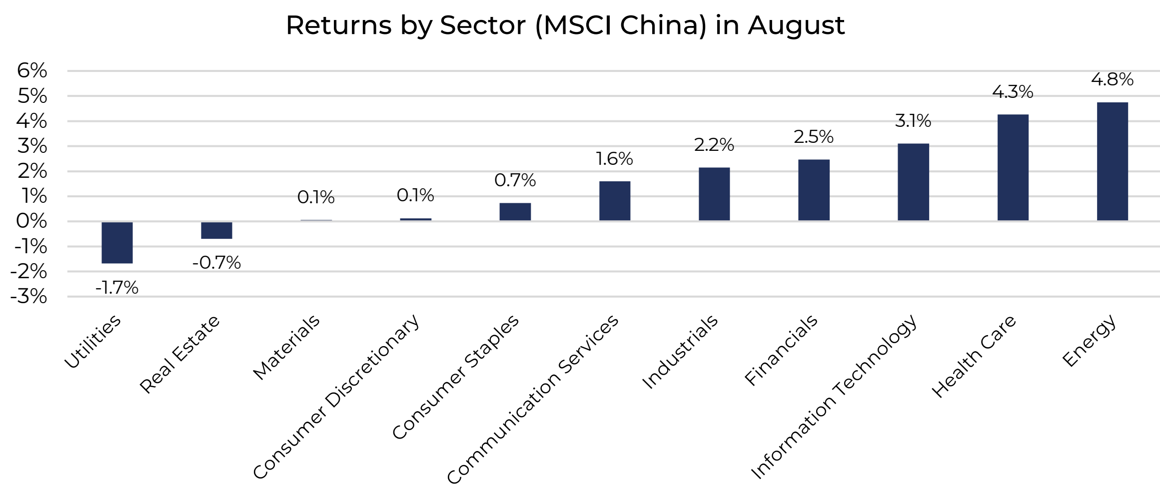
In August, the MSCI China Index rose by 1.0%, lagging the MSCI World Index which rose by 2.6%. During the sell-off in Japan and other developed markets at the beginning of the month, Chinese markets were outperformers, particularly the A share market. Once global markets recovered, however, China lagged in the recovery as another relatively weak set of economic indicators was released. The housing market continues to drop, while export growth was weaker than expected in July.





(Data from 31/07/24 to 31/08/24, returns in USD, source: Bloomberg, Guinness Global Investors calculations)





(Data from 31/07/24 to 31/08/24, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

Offshore markets outperformed onshore markets as the Hang Seng Composite Index rose by 3.1% while the MSCI China A Onshore Index fell by 1.9%. Large-cap stocks notably outperformed as the MSCI China Large Cap Index rose by 1.3% while the small and mid-cap indexes fell by 1.4% and 0.8% respectively. Value stocks outperformed with the MSCI China Value Index rising by 2.1% while the growth index only rose by 0.1%. The best-performing sectors in the MSCI China Index were Energy, Health Care and Information Technology while the weakest were Utilities, Real Estate and Materials.

STOCK COMMENTARY

In August, the strongest three stocks in the Fund were Sino Biopharmaceutical (total return +15.2%), Elite Material (+11.5%) and Geely Automobile (+11.0%).

Sino Biopharmaceutical (SBP) is in the process of moving away from focusing on selling generic drugs and towards a model of drugs developed in-house. In the first half of 2024 revenue grew by 11%, driven by the oncology and analgesia segments. Its subsidiary Beijing Tide, which focuses on analgesia products, faces limited competition and so the segment has grown despite price cuts. SBP remained disciplined on costs and (excluding a one-off gain) core earnings grew by 14%. Management are aiming for sales to grow by double digits in the coming years, driven by a growing contribution from self-developed innovative drugs.

Elite Material is a manufacturer of copper clad laminates (CCLs), which are the base material for printed circuit boards. It was one of the weaker stocks in July and bounced back as one of our stronger stocks in August. Elite is gaining significant market share in AMD's competing chips and 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.

Geely Automobile grew revenue by 39% in the second quarter, selling 480,000 cars. Electric Vehicles, which consists of pure and hybrid vehicles, grew to 37% of units sold. Management indicate capex has peaked and so we expect operating leverage to work in the business's favour in future. Earlier this year, Geely increased its sales target for the year to 2 million units, of which 64% had been achieved by the end of August.

In August, the weakest three stocks in the Fund were CSPC Pharmaceutical (-17.0%), Xinyi Solar (-15.2%) and Netease (-12.7%).

CSPC Pharmaceutical saw an unexpected drop in operating performance in the second quarter. Its oncology and cardiovascular sales were impacted by price cuts and growth in newer areas such as nervous system, while anti-infectives was not large enough to offset this weakness. Management have said their earlier aim for double-digit growth in revenue this year is unlikely to be achieved.

In the first half of 2024, Xinyi Solar reported revenue growth of 4% and earnings per share (EPS) growth of 41%. Despite the bounce in activity, overcapacity remains present in much of the solar supply chain. Solar glass prices remain depressed and even though volumes are increasing, this has nearly all been offset by falling prices. Management has pared back its expansion plans in light of the industry's overcapacity problems. We continue to hold the stock because as the largest solar glass manufacturer in the world, with c.50% global market share, Xinyi Solar benefits as the lowest-cost producer. At current prices many smaller competitors are likely loss-making and eventually may have to leave the industry. As the supply/demand dynamics rebalance, we expect Xinyi Solar to benefit. In the meantime, its strong balance sheet allows it to weather the current period of weakness.

NetEase fell following its results which included more moderate guidance than the market had expected. Revenues grew 6% and the gross profit margin expanded 3 percentage points to 63%. Net profit was down on foreign exchange translation and a higher (normalised) tax rate. However, a combination of weaker revenue coming through from legacy games plus a perceived shortfall in new games coming through has caused a sell-off. This pattern of sell-off and rally on the timing of new launches is endemic to this stock. The company has an excellent track record in new game design, and we regard this slowdown as temporary.

ATTRIBUTION

In August, the Guinness Greater China Fund (Y class, USD) fell by 0.5% while the benchmark, the MSCI Golden Dragon Index rose by 2.4%, and the MSCI China Index rose by 1.0%.

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, the Fund benefited from less of the 3.4% increase in the MSCI Taiwan Index.

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

- Stock selection in the Consumer Discretionary sector, driven by not holding Pinduoduo and good performance from Travelsky, Geely and Midea.
- Stock selection in the Financials sector, driven by AIA Group, Ping An Insurance and Hong Kong Exchanges & Clearing. Additionally, not holding the large state-owned banks contributed positively.

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

- 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 was an outperformer in the month and so the Fund benefited from less of its performance than the index.
- Stock selection in the Information Technology sector, driven by Venustech, Xinyi Solar and not holding Xiaomi.

- Stock selection in the Industrials sector, driven by Wuxi Lead Intelligent Equipment and Shenzhen Inovance Technology.
- Stock selection in the Consumer Staples sector, driven by Inner Mongolia Yili Group.
- 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 SWITCHES

We sold Venustech Group and in its place bought Haitian International.

Venustech is a cybersecurity company whose largest shareholder is China Mobile. Though cybersecurity standards have been made more stringent in China over the past few years, the industry has struggled. Some local governments, whose incomes are under pressure from the weak property market, have cut budgets for cybersecurity spending. Accordingly, despite the attractive long-term picture for cybersecurity demand, in the current environment the entire industry has struggled and has failed to provide the secular growth we look for.

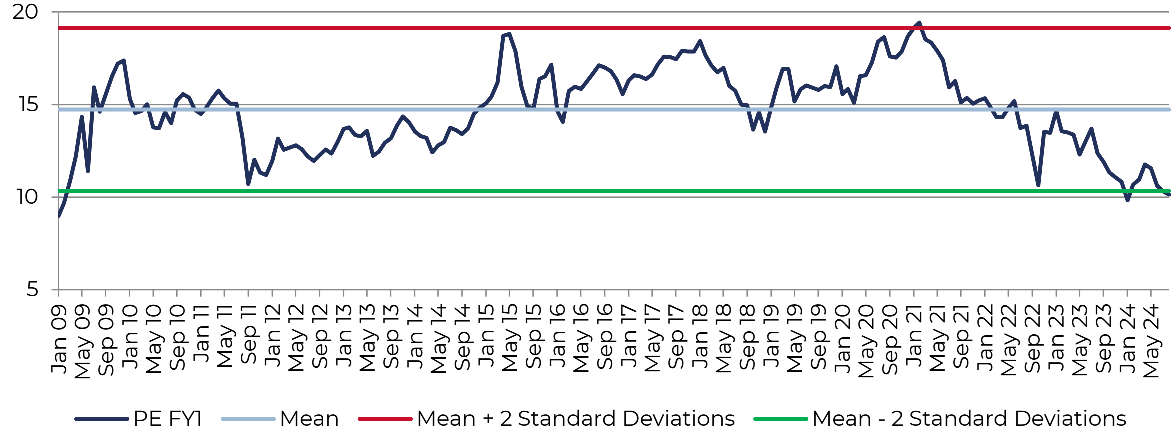
Haitian International is the world's largest manufacturer of plastic injection moulding machines. It is likely to benefit from government stimulus for its customers to upgrade older equipment. Additionally, Haitian gives indirect exposure to the trade-in of consumer goods, where consumers are given subsidies to trade in their older household appliances for newer products. This should lead to greater capex for some of Haitian's downstream customers, leading to greater demand for their machines. Management also say reshoring is creating opportunities for the business, since if new plants are being created in, for example, South East Asia, this should also boost demand for plastic injection moulding machines. Haitian trades at a very favourable risk-reward ratio for a consistently high return on capital business.

OUTLOOK

For the companies we hold in the Fund, in the first six months of the year the median increase in revenue was 4%. Meanwhile the median increase in EPS was 8%. For the 23 companies in the Fund that report quarterly results, in the second quarter the median increase in revenue was 3% and the median increase in EPS was 5%. This growth may be a surprise given the gloomy headlines on China. We remind investors that we hold a group of good quality, growing stocks. For the first time since Chinese markets peaked in early 2021, we are now seeing a number of our companies beat sell-side estimates. As of early September, consensus sell-side estimates for the Fund's estimated 2024 earnings were upgraded by 0.4% compared to the end of July.

Despite this growth, our companies continue to become cheaper and are being ignored by both domestic and foreign investors. Our view is that investors 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. Based on consensus analyst estimates, the Fund's holdings in aggregate are expected to grow net income by 21% in 2024 and 9% in 2025. On a valuation basis, the Fund is trading on a forward year price earnings ratio of 10.1x. 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.

Historic Forward Year Price/Earnings Ratio for Current Holdings



(Data from 31/12/08 to 31/08/24, 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	$7.2m
Fund launch	15.12.2015
OCF	0.89%
Benchmark	MSCI Golden Dragon TR

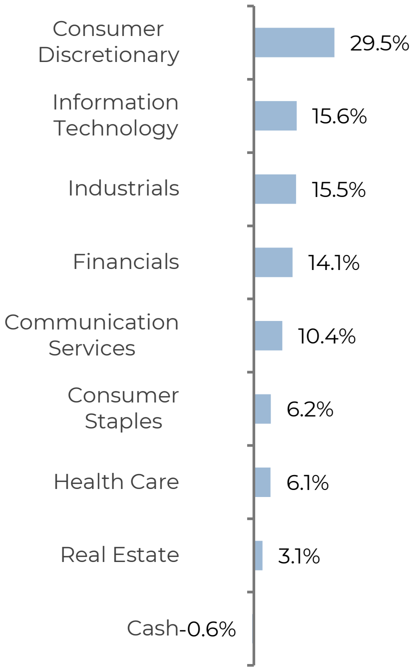
GUINNESS GREATER CHINA FUND - PORTFOLIO

Top 10 holdings

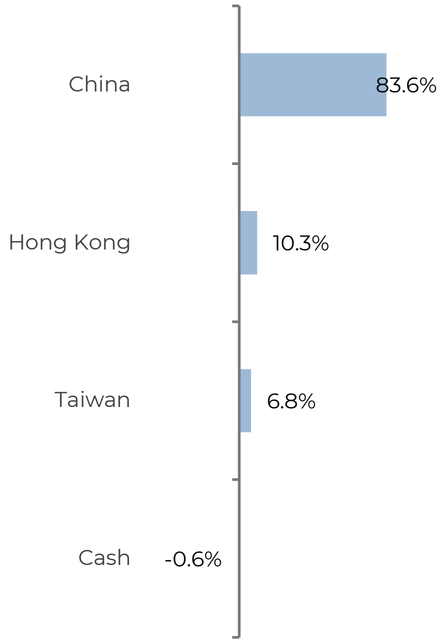
Tencent Holdings	4.1%
Ping An Insurance	3.8%
Midea Group Co Ltd	3.7%
TravelSky Technology	3.7%
AIA Group Ltd	3.6%
Sany Heavy Industry	3.5%
Elite Material	3.5%
HKEX	3.4%
NARI Technology	3.4%
Geely Automobile Holdings	3.3%

Top 10 holdings	35.9%
Number of holdings	31

Sector



Country



Past performance does not predict future returns.

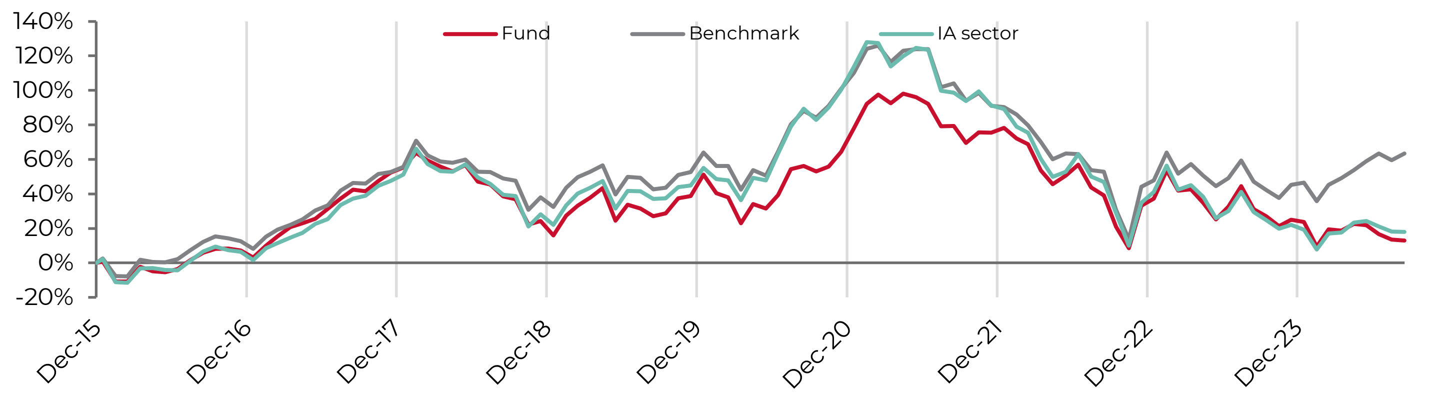
GUINNESS GREATER CHINA FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-2.7%	-11.4%	-17.0%	-34.0%	-17.6%	-
MSCI Golden Dragon TR	+0.0%	+8.2%	+7.0%	-16.2%	+6.2%	-
IA China/Greater China TR	-2.4%	-4.2%	-12.2%	-37.8%	-20.2%	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-0.5%	-8.7%	-13.9%	-37.0%	-11.1%	-
MSCI Golden Dragon TR	+2.4%	+11.5%	+11.0%	-20.0%	+14.6%	-
IA China/Greater China TR	-0.2%	-1.2%	-8.9%	-40.6%	-13.9%	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-2.7%	-8.9%	-15.5%	-32.8%	-11.5%	-
MSCI Golden Dragon TR	+0.1%	+11.3%	+8.8%	-14.6%	+14.0%	-
IA China/Greater China TR	-2.4%	-1.4%	-10.7%	-36.7%	-14.4%	-

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 31.08.24. 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.