Guinness Asian Equity Income

2024 Annual Review & Outlook

RISK

This is a marketing communication. Please refer to the prospectuses, supplements, KIDs and KIIDs for the Funds, which contain detailed information on their characteristics and objectives, before making any final investment decisions.

The Funds are equity funds. 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. Further details on the risk factors are included in the Funds' documentation, available on our website.

Past performance does not predict future returns.

ABOUT THE STRATEGY

Launch	19.12.2013
Sector	IA Asia Pacific Excluding Japan
Managers	Edmund Harriss Mark Hammonds
EU Domiciled	Guinness Asian Equity Income Fund
UK Domiciled	WS Guinness Asian Equity Income Fund

INVESTMENT POLICY

The Funds are designed to provide investors with exposure to high quality dividend-paying companies in the Asia Pacific region. The Funds are managed for income and capital growth and invest in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future. The Funds are actively managed. The Guinness Asian Equity Income Fund uses the MSCI AC Pacific ex Japan Index as a comparator benchmark only. The WS Guinness Asian Equity Income Fund uses the MSCI AC Asia Pacific ex Japan Index as a comparator benchmark only.

CONTENTS

PERFORMANCE

In 2024 the Guinness Asian Equity Income Fund produced a total return of 14.9% (Class Y in GBP), compared to the Fund's benchmark, MSCI AC Pacific ex Japan Net Total Return (NTR) Index, which rose 12.1%, outperforming the Index by 2.8%.

Over 10 years, the Fund has produced a cumulative total return of 123.5% compared to the benchmark return of 85.6%. On an annualised basis this equates to 8.4% per annum for the Fund compared to 6.4% per annum for the Index.

Over the same period, it has also outperformed the MSCI AC Asia Pacific NTR Index, as well as both the MSCI AC Asia Pacific Value NTR Index and the equivalent High Dividend NTR Index.

China's domestic economy, consumer demand and the continued strength in capital spending associated with the Artificial Intelligence (AI) theme were the macro factors that dominated companies' operating performance. Valuations were affected by the changed outlook for, and subsequent cuts to, US interest rates. China's policy shift in September caused a sharp rally in Chinese share prices, although actual stimulus has been slow in coming. Finally, the election of Donald Trump in November injected uncertainty given his willingness to employ trade tariffs.

Stock market returns were dominated by the S&P 500, but Asia still had a decent year led by Taiwan, Singapore, Malaysia and China. India performed in line with the benchmark while Australia and Hong Kong were notably weaker. Korea was by far the weakest market with a combination of significant underperformance by Samsung Electronics and a market-wide slump following a botched effort by the President to impose martial law to resolve domestic political gridlock.

Financials, Communication Services, Technology and utilities were the leading sectors; Materials, Health care and Consumer Staples were the laggards. In the Fund, outperformance in 2024 was attributable to our Banks, Insurers and Technology companies, specifically those related to the AI theme. The underweight to TSMC was offset by strength in other technology holdings and by the zero exposure to Samsung. Performance detractors came from the Communication Services, Consumer Discretionary, Healthcare and Real Estate positions.

The Guinness Asian Equity Income Fund grew its dividend by 3.6% and was on a trailing yield of 3.9%* at the year-end, a 30% premium to the market. Over 10 years the dividend has grown 3.4% per annum.

SUMMARY OUTLOOK

We expect US policy, both foreign and domestic, to introduce greater volatility to equity markets. The operating environment will become more uncertain especially with respect to global trade. US dollar interest rates will also be an important factor, primarily affecting valuations. The downward trajectory appears to be elongated as core inflation remains stickier, even if the Federal Reserve Open Market Committee (FOMC) were to place greater emphasis on a different, market-based, assessment of inflation.

China's domestic economic path also remains an important variable. Policy changes were announced in response, we think, to the increased likelihood that without it the 2024 economic growth target might not be achieved. Policy changes have happened and consumer-supportive moves like the popular trade-in programme have been extended; but the overall approach has been measured, and confidence remains fragile.

The portfolio's average annual earnings growth over the 2024-26 period is forecast to be a reasonable 6.2%. This is in line with Fund's long term (10-year) average annual earnings growth rate. It compares to 13.5% for the benchmark. The Fund's 2024 price/earnings (P/E FY) ratio of 10.9x values it at a 19% discount to the market's 13.5x.

**Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the year end. It does not include any preliminary charges. Investors may be subject to tax on the distribution.*

FUND PERFORMANCE

Past performance does not predict future returns.

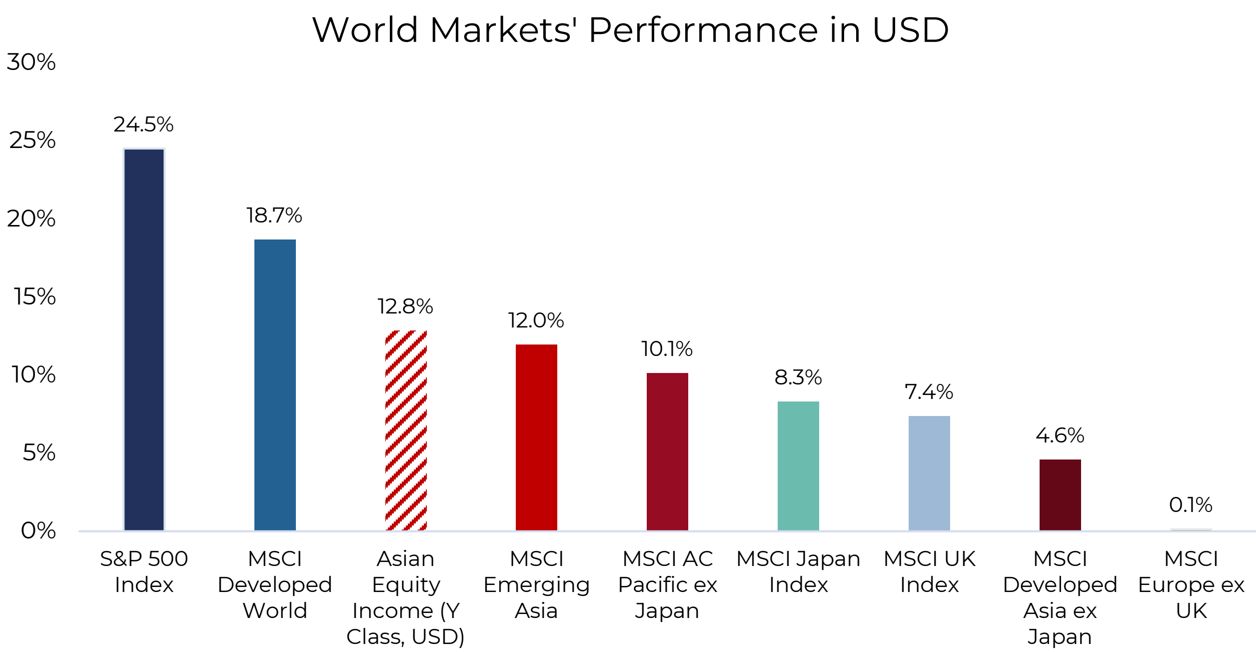
Cumulative % total return, in GBP, to 31/12/2024	1 year	3 years	5 years	10 years	Launch
Guinness Asian Equity Income	14.9	14.4	34.5	123.5	164.0
MSCI AC Pacific ex Japan Index	12.1	1.8	15.3	85.6	102.1
IA Asia Pacific ex Japan sector average	10.0	1.4	23.5	96.3	117.2
IA Asia Pacific ex Japan sector ranking	18/117	12/111	21/105	13/85	8/79
IA Asia Pacific ex Japan sector quartile	1	1	1	1	1

Source: FE fundinfo. Cumulative Total Return for Fund's Y share class and for indexes in GBP. The Fund was launched on 19th December 2013. Data as of 31st December 2024.

REVIEW OF 2024

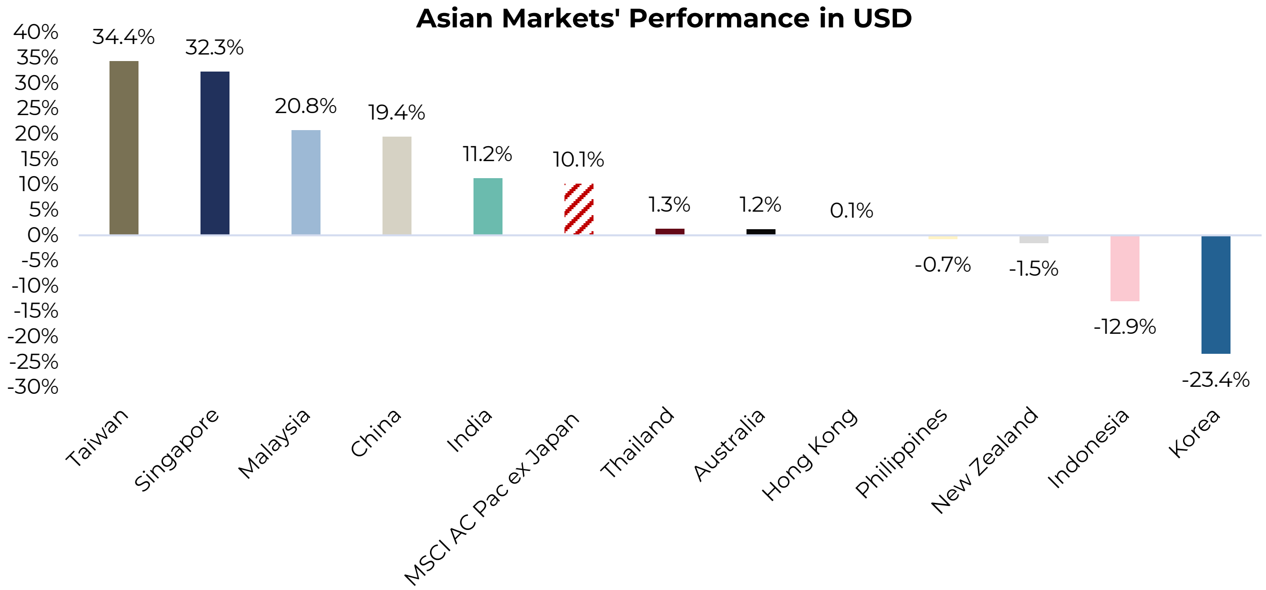
(In the rest of this paper, performance numbers are quoted in US dollar terms unless specified otherwise.)

Key macro themes affecting market performance in 2024 included inflation, interest rates, and progress toward economic recovery in China. There was a significant change in China's economic policy stance at the end of September that appeared to signal a recognition of the severe impact of the property slowdown on domestic confidence. The weakness in the European index came because of the political upheavals in France and Germany both of which are facing rising budget deficits, slow growth and popular dissatisfaction which have resulted in policy gridlock.

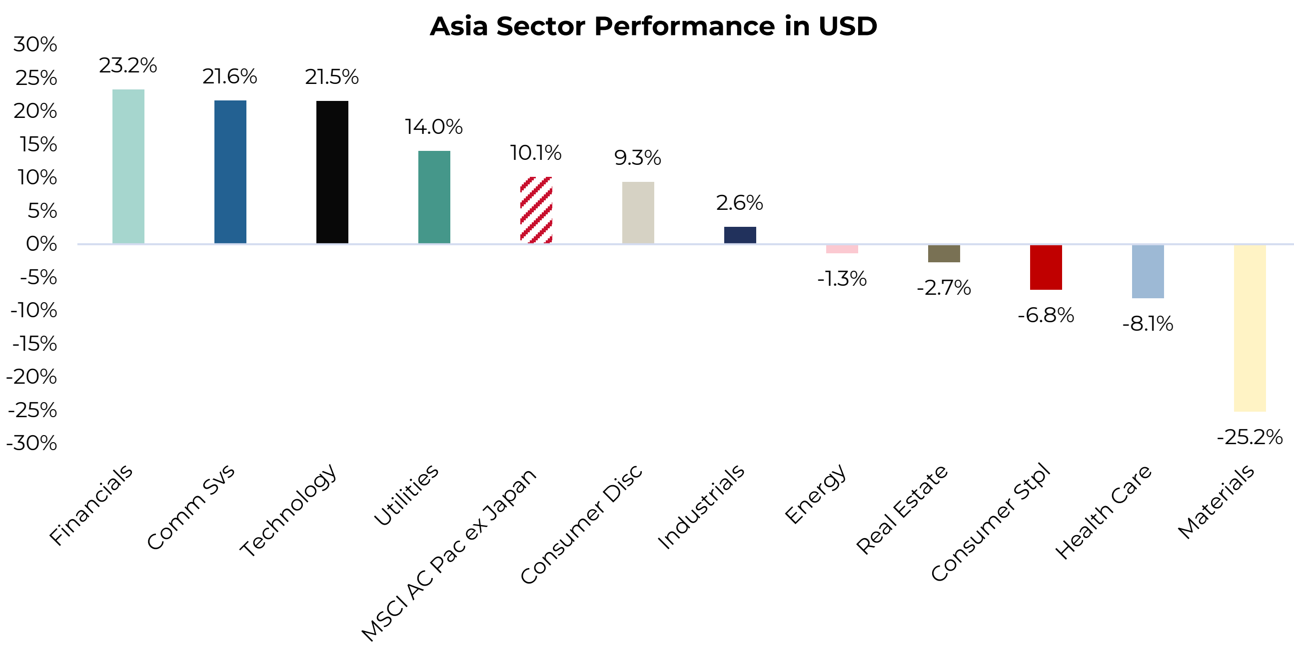


Source: Bloomberg. Developed Asia as measured by MSCI AC Pacific ex Japan NTR Index, Emerging Asia by MSCI EM Asia NTR Index, US by S&P 500 NTR Index and Europe ex UK by MSCI Europe ex UK NTR Index, all in US dollar terms to 31/12/24.

Interest rates in the US began to come down this September from this cycle's peak of 5.5% to 4.5%. This provided a significant boost to US equities and specifically in the large growth segment. The concentration of performance, notably amongst the large technology names driven by Artificial Intelligence (AI) has been widely commented upon but the positive effects of this theme have been evident in Asia. Technology capital spending has risen sharply on growth in data centres and equipment which benefits the major component manufacturers many of whom are based in the region.



Source: Bloomberg. MSCI region and country net total return (NTR) indices in USD terms as at 31/12/24.



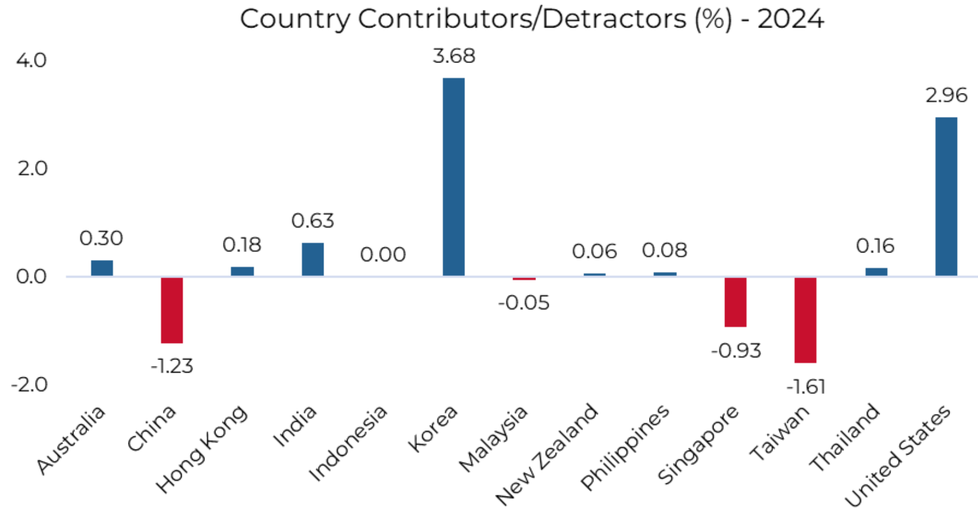
Source: Bloomberg. MSCI AC Pacific ex Japan sector indices in USD terms as at 31/12/24.

Asian market returns in 2024 were led by Taiwan, Singapore, Malaysia, China and India. Indonesia's weaker performance was attributable to China economic weakness via increased trade links between the two countries. However, it was the 23% drop in Korea and the very modest 1% rise in Australia that exerted the greatest drag on the index. Sector performance was led by banks which benefitted from falling interest rates, and by insurers which benefitted from more buoyant markets, and this was most evident in Singapore, Malaysia and China. The Communications services sector in Asia is dominated by Tencent, which had a very strong year in 2024 after a dismal three years up to 2023. The technology sector performance is interesting given outperformance for those exposed to capital spending (on AI), and the underperformance of those focused on consumer electronics.

FUND REVIEW

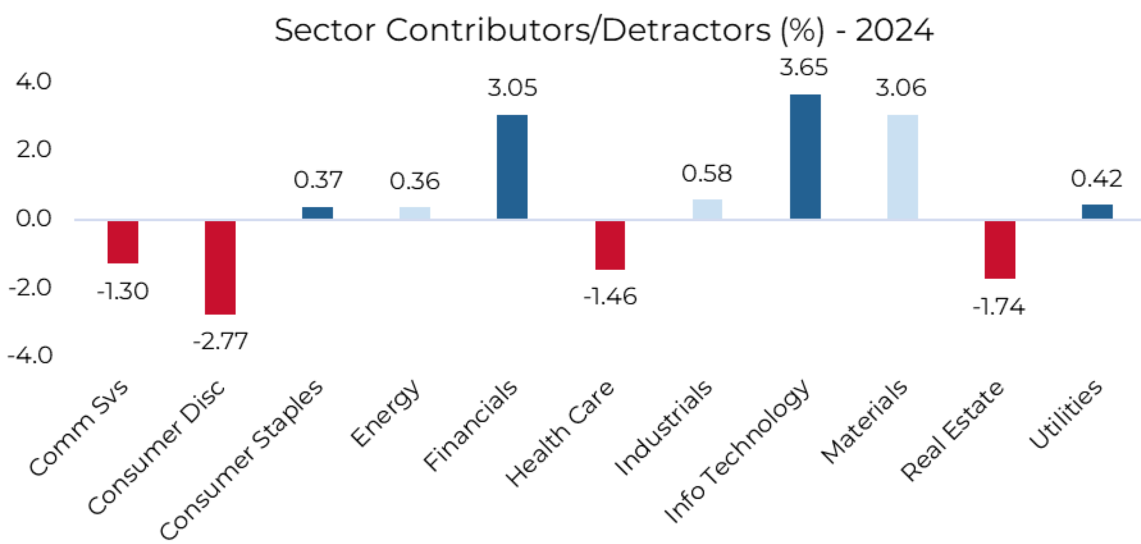
This section discusses the contributors to, and the detractors from, the active return of the Fund. The attribution figures are FactSet and GGI estimates and are not audited performance figures. Estimated returns, contribution and attribution figures are calculated from daily holdings data and do not capture the effects of intraday trading activity, fees and may not fully reflect corporate actions or other factors which impact actual fund performance.

The chart below shows the contributors and detractors by country:



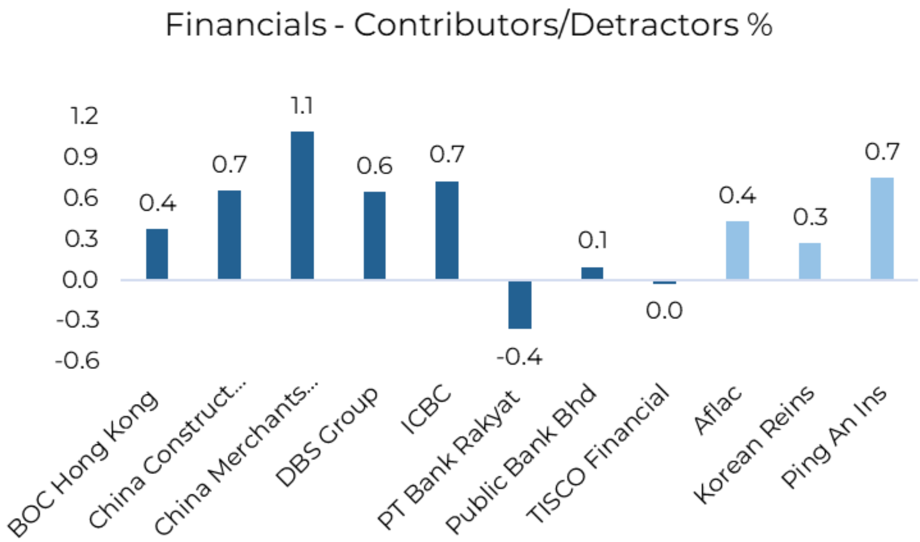
Source: Bloomberg. Data as of 31.12.2024

It shows that in 2024, our positions in China, Singapore and Taiwan cost the Fund in terms of relative performance. The big contributions came from our holdings in the US (we hold three, which derive more than 50% of revenues from the region) and from an underweight exposure to Korea. However, we think the story is better understood through a sector analysis which also more closely reflects our way of thinking about the portfolio.



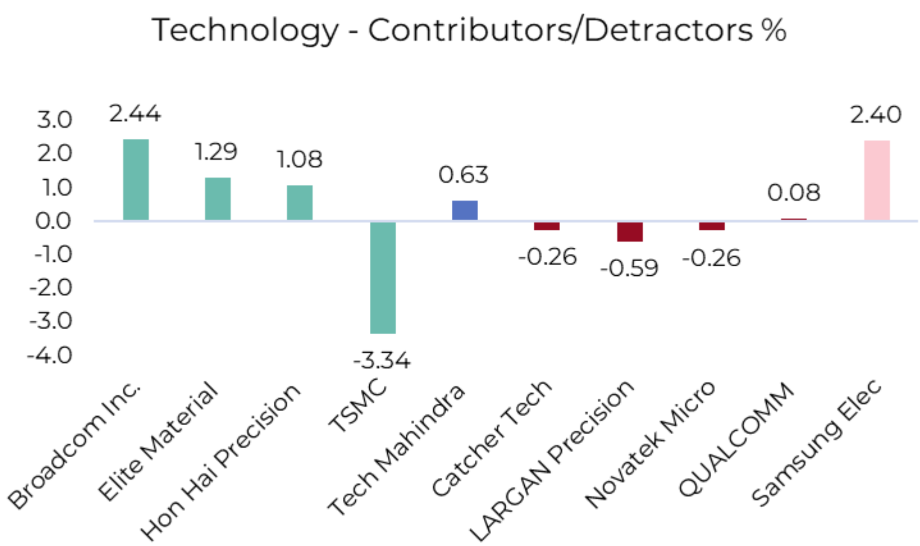
Source: Bloomberg. Data as of 31.12.2024

The main return drivers were the Fund's exposures to Financials (banks and insurers), to Information technology and a zero-weight in Materials. The main detractors came from Consumer discretionary, Health care and Real estate. The performance of Communication services is attributable to the absence of Tencent, which does not pay a sufficiently large dividend. Looking more closely at the underlying return drivers we will first consider the contributors:



Source: Bloomberg. Data as of 31.12.2024

Our Financials exposure is made of up of banks (the dark bars) and insurers (the pale bars); the strong performance from Chinese banks and insurance, both state- and private-owned is notable. In addition, there were positive contributions from DBS in Singapore, Public Bank in Malaysia and BOC Hong Kong. Tisco Financial in Thailand had a neutral relative performance impact, but Indonesia weighed, on macro rather than stock specific considerations. Falling interest rates that boosted bank spreads, stabilising asset quality in the property sector and higher dividend yields in Chinese banks, and improved market performance for insurers' investment portfolios all underpinned a good year for the sector.

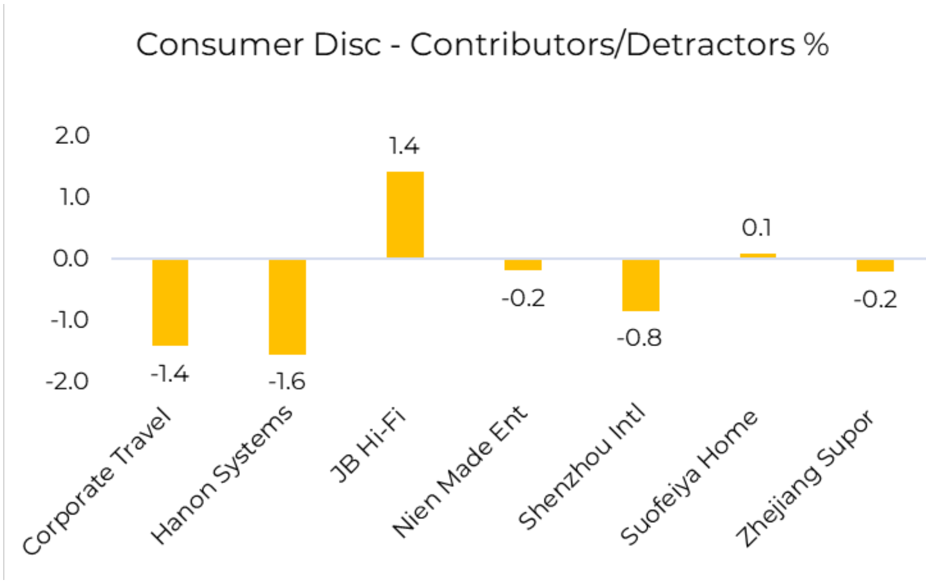


Source: Bloomberg. Data as of 31.12.2024

The Technology companies in the portfolio were led beneficiaries of the AI theme (the dark green bars) and it was helped by a strong performance from our sole Indian stock, IT services company Tech Mahindra. There was a clear difference in outcomes for those more exposed to consumer electronics (the dark and pale pink bars). The chart also shows the cost to us of being unable to hold a big position in TSMC, due to our equal-weight approach, in a year when it rose over 70%. It also shows the benefit to us in not holding Samsung Electronics, which fell almost 40%. These two stock decisions alone go some way to explaining the cost/benefit of our Taiwan/Korean allocations shown at the top this section.

The decision not to hold large individual positions is based on diversifying stock specific risk, but then it becomes important that we make good stock selection elsewhere. In this case strong performance from four other stocks plus our 3% weight in TSMC plus a zero weight in Samsung Electronics combined to deliver outperformance.

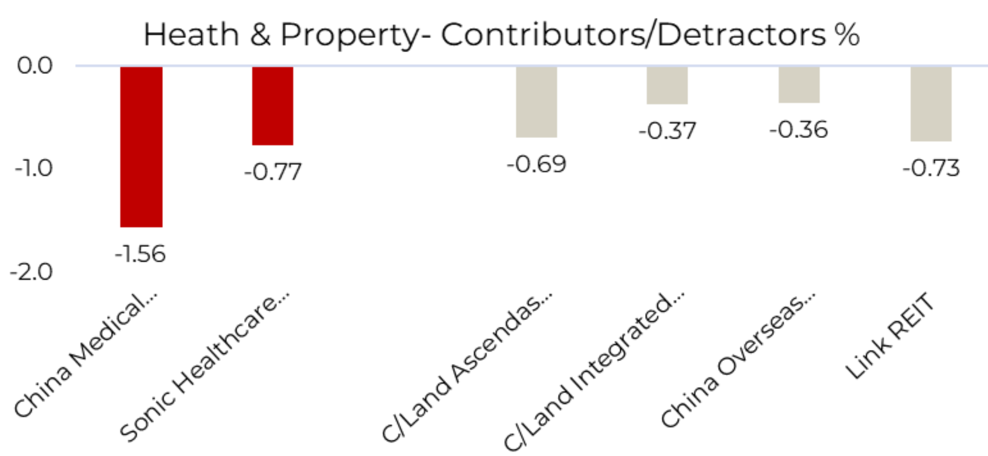
An analysis of the detractors over the year reveals some stock specific disappointments. First, in Consumer discretionary:



Source: Bloomberg. Data as of 31.12.2024

Corporate Travel Management in Australia and Hanon Systems, an auto parts maker, in Korea both reported disappointing results and saw significant share price weakness as a result. After further evaluation we decided to add to Corporate Travel after concluding that whilst a significant management contract had failed to deliver the expected returns, other areas of the business were showing increased operational momentum. Hanon, which is discussed below, we decided to sell. Shenzhou International, a Chinese textile maker with operations in Vietnam and China, underperformed due to weakness in Nike which is one of its major clients. We think this was not reflected across Shenzhou's client base and that the negative read-across presents an opportunity, a view given support by its 2024 dividend growth of 29%. JB HiFi, an Australian electricals retailer, outperformed again as it has every year since 2018.

The final two detracting sectors, Health care and property, have been combined onto a single chart for reasons of space:



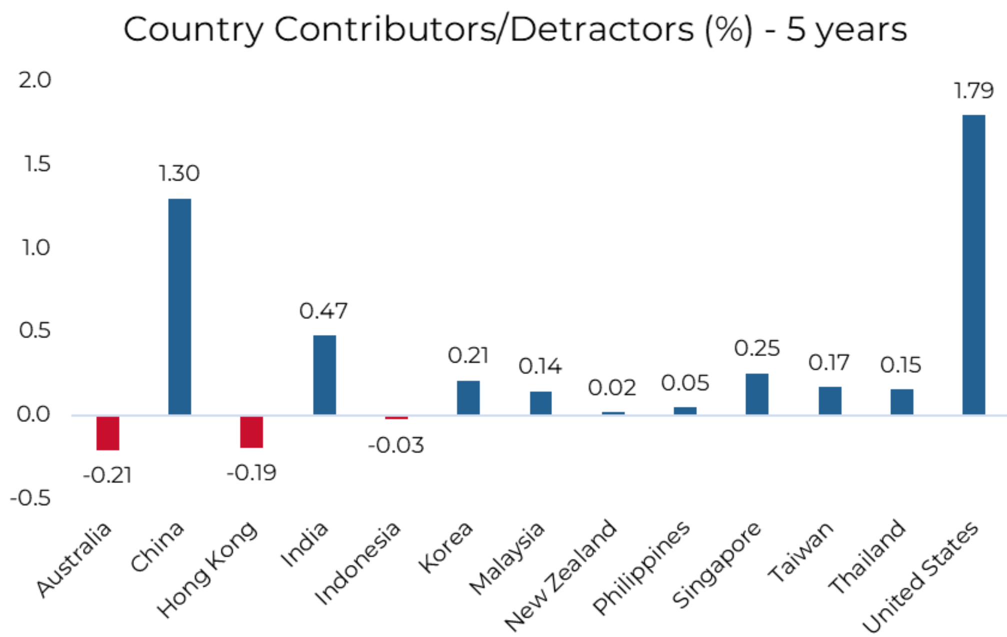
Source: Bloomberg. Data as of 31.12.2024

China Medical System was the third and final stock to report a negative surprise, early in 2024 and as with Corporate Travel, we chose to add. China is trying to bring down health care costs, as are many other governments, and four of the company's big selling drugs came into scope and saw substantial price falls. This has radically altered the growth outlook for the company: the trajectory remains up, which is why we added, but from a lower level, which was reflected in the share price drop on the day of the announcement. The upward trajectory is based on a new drugs and delivery systems pipeline that should see three new products come to market over three years 2024 to 2026. The past year has seen the company keep to that track. The property sector was a poor performer this year. We have three REITs and one Chinese property developer all of which had a poorer year but note that the Chinese developer detracted less than any of the others: it is a well-managed and capitalised business that we expect to come out on top when the sector shakeout is complete.

A 5-year view

The analysis above records what happened in 2024 but it is as well to remember that movements over twelve months can also be heavily influenced by the prior year as under-/out-performances are caught up or given back. Over five years, these market fluctuations even out and the quality, or otherwise, of decision making becomes apparent.

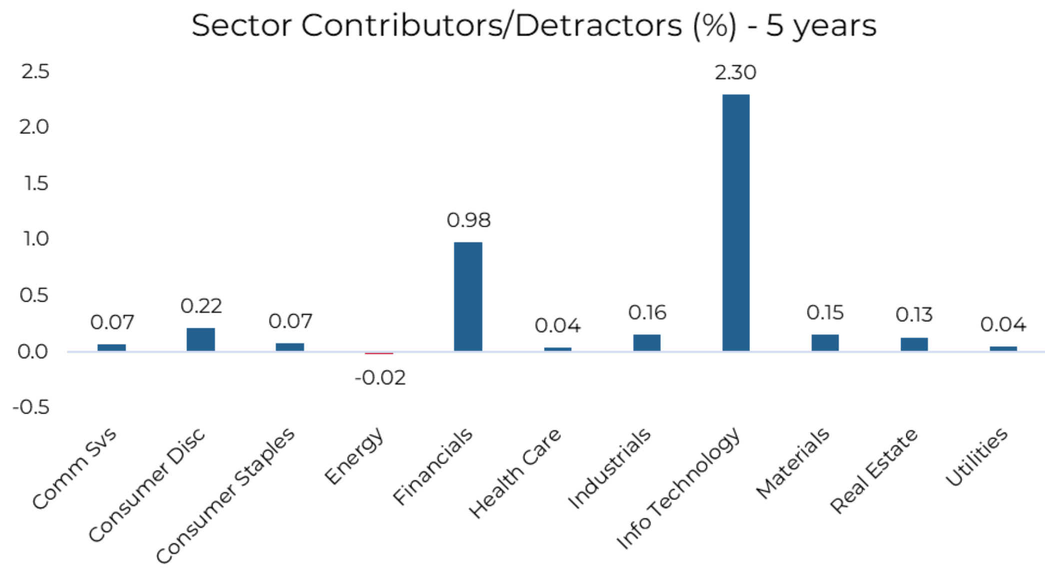
On a country basis:



Source: Bloomberg. Data as of 31.12.2024

We can show that despite the relentless stream of negative headlines, we have added value from our China exposure even with a full weight. Our US names have also added value and this, we would argue, shows the merit of considering companies that generate a substantial proportion of revenues, greater than 50%, from the region. Our underweight position to Australia has cost us in a period when the market has outperformed, but it would have been a lot more were it not for JB HiFi which has risen 227% over the period compared to 41% for the Australian index. Apart from Australia, Hong Kong and Indonesia, we have added value across the region.

On a sector basis:



Source: Bloomberg. Data as of 31.12.2024

The big drivers of performance have come from Financials and Technology. Almost all the Financials stocks have been positive, led by DBS and Aflac but ably supported by those in China, Malaysia and Thailand. A similar picture emerges in Technology with almost all contributing, and the biggest drag being the structural underweight exposure to TSMC.

The most encouraging element, we think, is the fact that with the small exception of Energy (we held on too long to PTT in Thailand, sold in 2020), we have added value across all sectors.

PORTFOLIO CHANGES

In 2024, we made one change in the portfolio.

Sell

Hanon Systems is a Korean auto stock, which gave us exposure to a growing electric vehicle market. Their particular expertise lies in engine cooling technology for both internal combustion engines and electric vehicles, with a sticky customer list reflecting the quality of their products. However, the sector outlook has deteriorated, and roadmap for recovery continues to lengthen. Our thesis in recent quarters had been the company's continued growth in EVs and expectations of cost pressures easing.

The company has been suffering from sub-optimal capacity production driven by slower customers' sales and higher materials and logistics costs. To their credit, Hanon has focused on labour and supply chain streamlining to improve profitability. However, demand pressures from the end market persists, with recent news of VW's struggles emphasising the problem and so we have taken the decision sell the holding. We also noted some dilution as Hanon announced an 11% equity raising, allocated to Hankook Tyre for debt redemption.

Buy

Bank Rakyat is an Indonesian state-owned commercial bank which has expertise in the Micro, Small and Medium Enterprise lending segments, with micro loans making up 48% total loans. Rakyat has a history of managing the higher-risk but higher-yielding micro loan book well, leading to a Net Interest Margin well above its peer set. We had looked at Rakyat as a peer comparator for Bank Mandiri (our original portfolio candidate). However, we saw Mandiri as more similar to a state-owned enterprise with goals aligned closer to government aims whilst Rakyat focused more on improving efficiency and digitisation. This has led to Rakyat having higher ROA, lower leverage and greater consumer focus. The bank has a history of high returns on equity which, after a three-year decline through the Covid period have now returned to historical levels.

Annual buys and sells

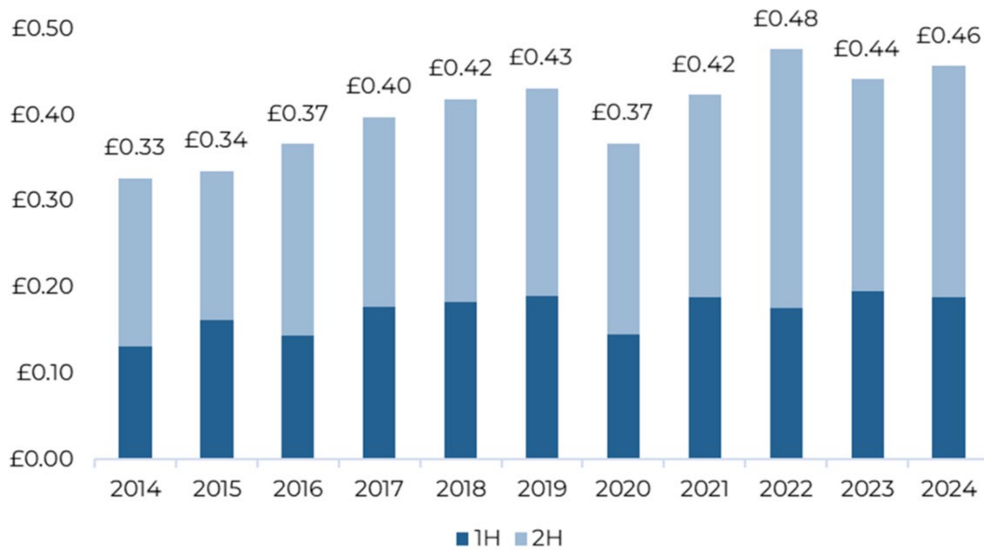
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Buys	2	3	3	1	2	6	8	1	2	0	1
Sells	2	4	3	1	2	6	8*	1	2	0	1
Total Holdings	36	36	36	36	36	36	37	36	36	36	36

** Sale of one position not fully completed by year end.*

DIVIDEND REVIEW

In 2024, the Guinness Asian Equity Income Fund Class Y distribution in GBP terms increased by 3.6%. The EUR distribution rose 6.5% and the distribution in USD terms rose 6.6%. The average distribution yield for the Fund since launch based on the Fund price at the end of year is 4.0% on the Y share class in USD, GBP and EUR terms.

The dividend per share (DPS) history for the Fund's Y share class in Sterling can be seen below.

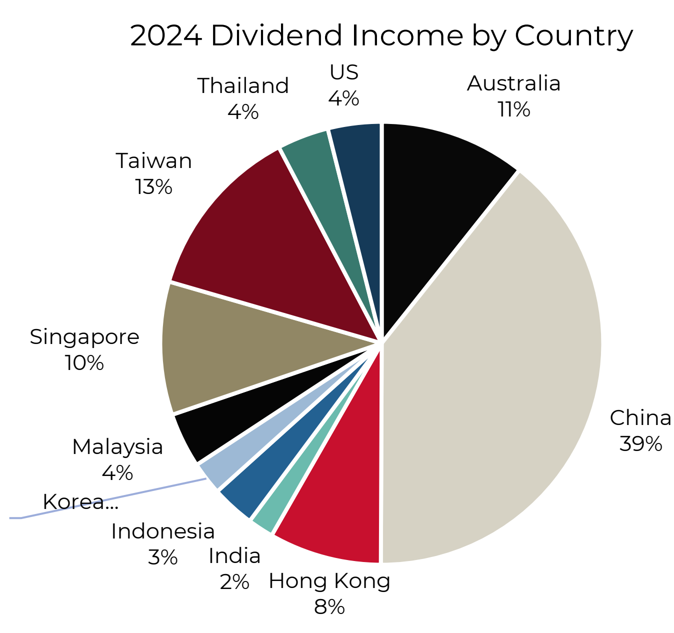


Source: Guinness Global Investors. Class Y dividend growth in GBP. Data as of 01.01.2025.

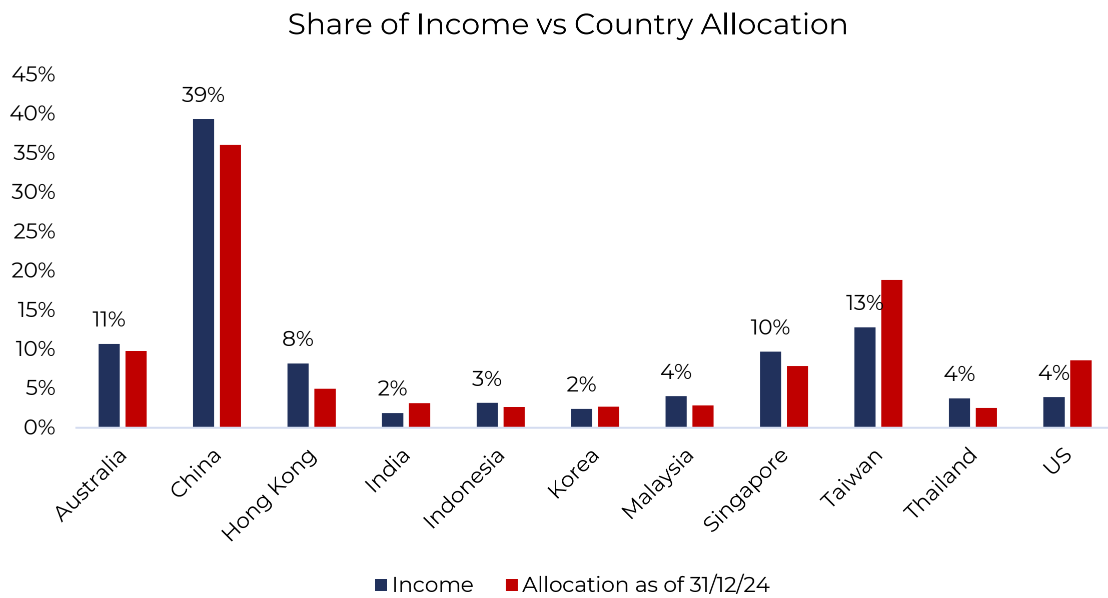
Over the life of the Fund, the GBP dividend has grown at a compound annual growth rate (CAGR) of 3.4% per annum compared to 2.3% per annum for the benchmark.

Dividend Sources

The charts below show the geographic sources of dividend income received by the Fund in 2024, and how they broadly correspond to the regional weightings of the portfolio.

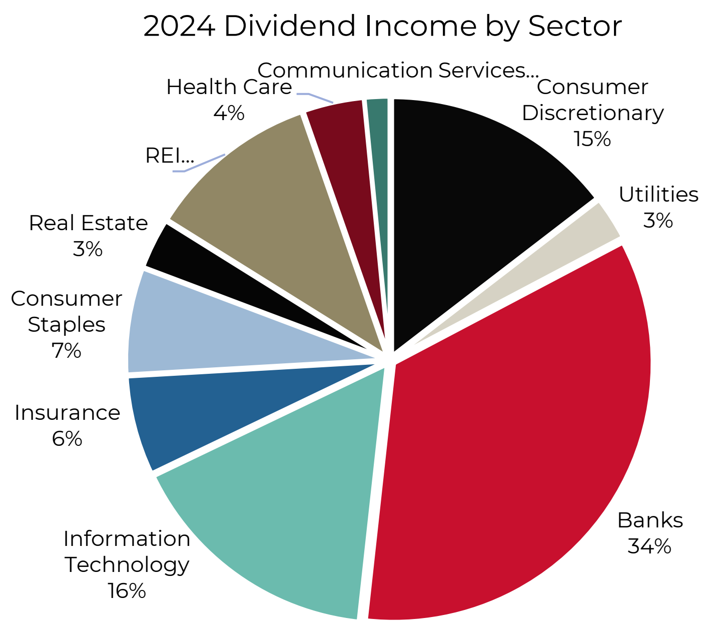


Source: Guinness Global Investors. Data as of 01.01.2025.

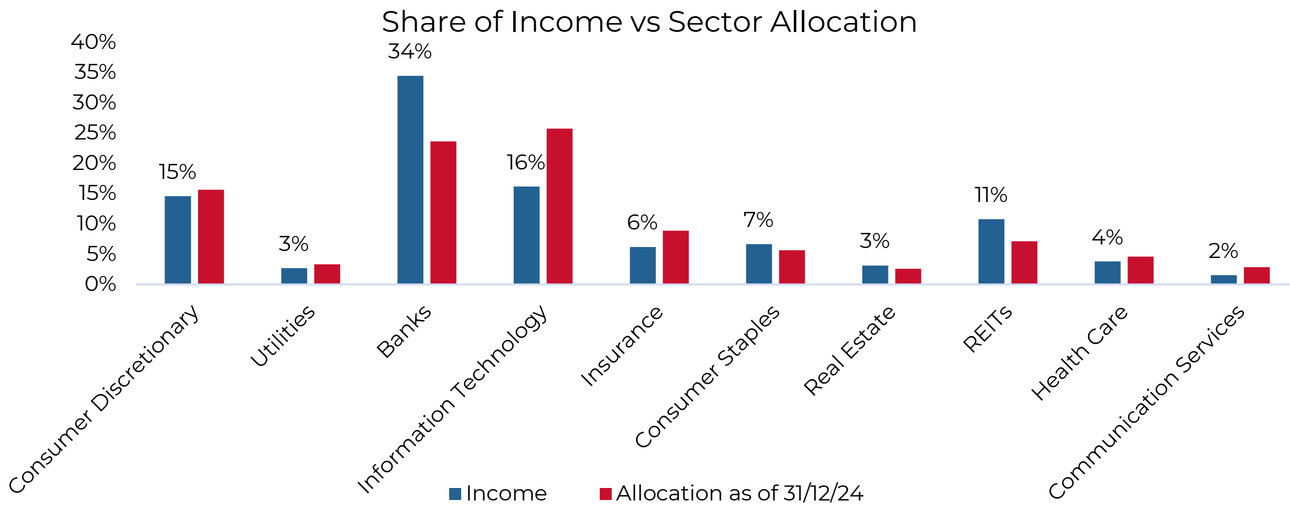


Source: Guinness Global Investors. Based on dividend income received and due to the Fund included in 2024 Fund distribution, converted into the Fund's base currency, USD. Data as of 01.01.2025.

By sector, the sources of income in 2024 were as follows:



Source: Guinness Global Investors. Data as of 01.01.2025.



Source: Guinness Global Investors. Data as of 01.01.2025.

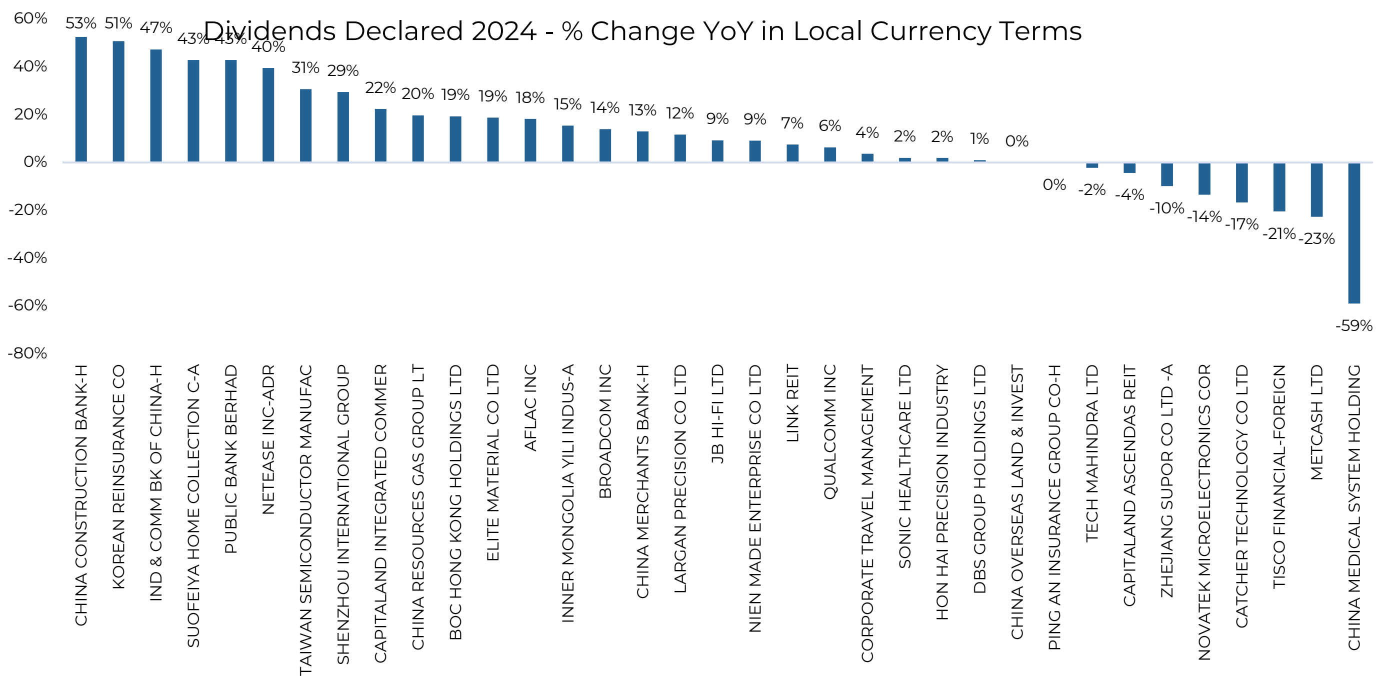
As with the country alignment, the share of income coming from each sector is quite similar to our sector allocation. The notable standouts here are banks, which had a lower income weighting, and Information Technology, which had a higher weighting.

DIVIDEND ACTIONS

In 2024, out of our 36 holdings:

- 26 companies **grew** their dividends.
- 2 companies kept dividends **flat.**
- 8 companies reported **lower** dividends.

The chart below shows the year-on-year percentage change in dividend per share for each of our portfolio companies.

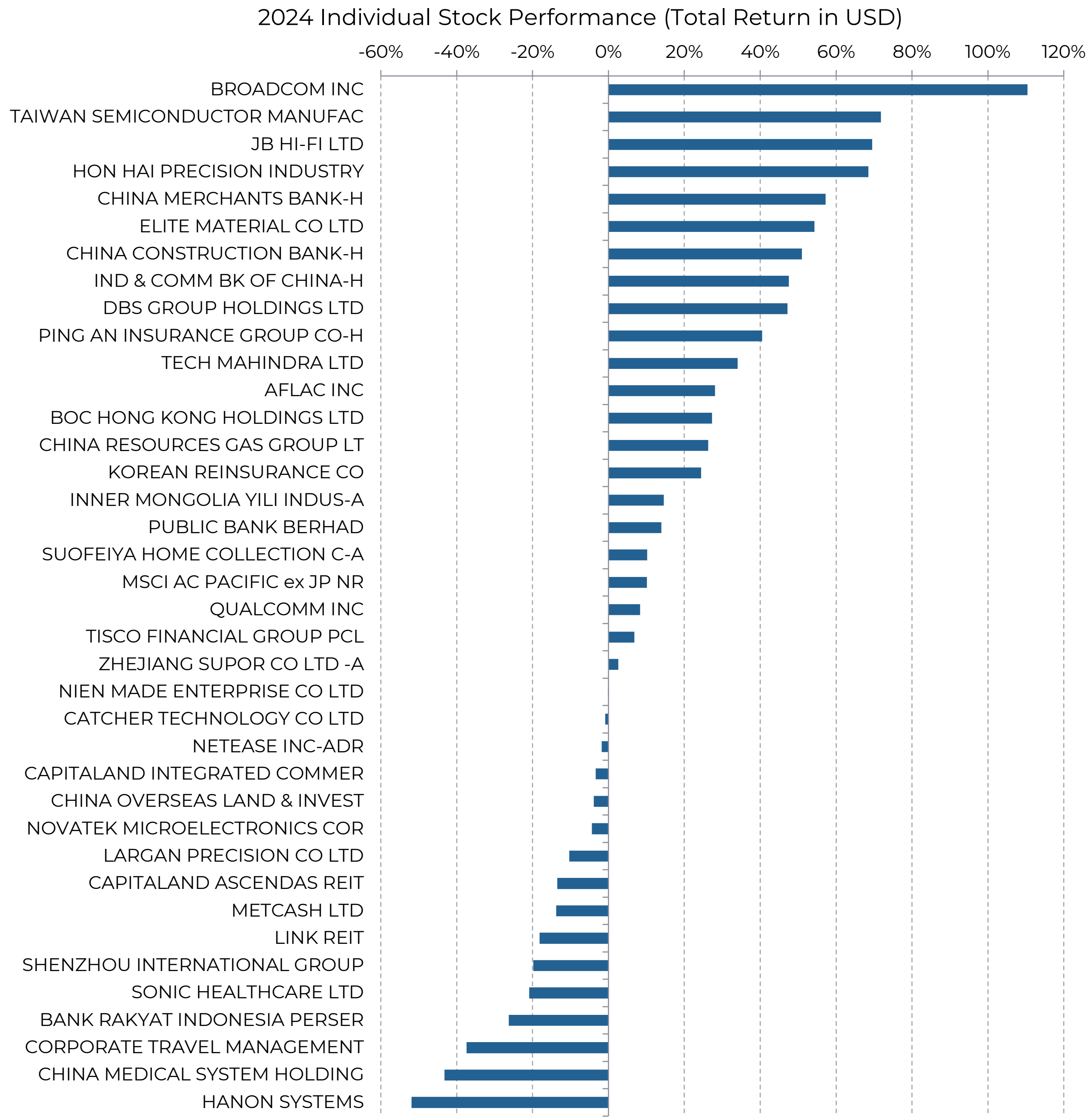


Source: Company reports. Dividends declared and the shares gone ex-dividend in 2024, in local currency terms. Data as of 01.01.2025.

Note that the dividend from Rakyat is not shown in the chart as it was a new addition to the portfolio, added in the second half of the year.

STOCK PERFORMANCE

The chart below shows the total return for each position in the portfolio. Of the 36 names in that were in the portfolio in 2024, 18 underperformed the benchmark and 18 outperformed. The chart below shows individual stock performance for 37 names as it includes both Hanon, which we sold in August, and Bank Rayat, which we added as a replacement, as well as the benchmark performance. Rakyat has underperformed the benchmark since it was added to the portfolio, down -8.6% to 31st December 2024 versus benchmark gains of 10.1% in the same period.



Source: Bloomberg. Data as of 31/12/24.

Leaders

Of our top five performing stocks, three were in the Information Technology sector, one in the Consumer Discretionary sector, and one was a Bank.

Broadcom Inc. is a designer, developer and manufacturer of semiconductors and infrastructure software services. We bought this stock in December 2022 after a period of weakness associated with the tech sector. During the period that we have held Broadcom, we have seen the shape of the company shift quite dramatically, widening its business scope to include recurring Software revenues, and now directing its business towards the high-growth AI segment, offsetting slower growth related to historical wireless chip business. 2024 was a continuation of this story, with much of the outperformance driven by the AI story.

Taiwan Semiconductor Manufacturing Co (TSMC) is a manufacturer of high-end semiconductors. This is another company that has benefitted greatly from the AI excitement. Key customers are ramping up their AI-related products, which necessitate higher-end chips, where TSMC dominates- the company commands more than 55% of foundry market share, and almost 90% market share of the most advanced nodes currently in production. Additionally, whilst dividend growth has been expected, the rate of this growth has been faster than sell-side expectations, further amplifying positive sentiment around the company.

JB Hi-Fi Ltd is an Australian retailer of consumer electronics and home appliances. As in 2023, the market had been sceptical about the company's ability to sustain high quality results (seen through the COVID era) and expected a slower market sales growth outlook. However, results quality has persisted, and was particularly strong in the second half of the year. In August, JB Hi-Fi outperformed peers, showing sales growth during a period where the Australian Bureau of Statistics recorded a contraction in electrical and electronic goods sales. This trend of market share gains continued through the rest of the year, with JB Hi-Fi continuing to beat sell-side expectations and driving outperformance.

Hon Hai Precision is historically known as a manufacturer of consumer electronics products for its client base, with Apple a notable customer. Whilst the company did indeed benefit from higher iPhone shipments, we have also seen a shift in sell-side interest towards Hon Hai's growth avenues, in particular, the company's ability to manufacture products directly related to AI servers. Whilst AI-related products were low contributors to Hon Hai's 2024 revenues (c5%), there is increasing evidence that Hon Hai will be able to grow this segment, backed by its market-leading position in AI servers (including dominance in production for Nvidia's AI servers) and global production edge, which has driven a valuation re-rating.

China Merchants Bank, historically one of China's most profitable banks, was negatively impacted in 2023 by weak asset markets, weak property market, and a slower COVID rebound leading to slower consumption and investing activity, driving negative investor sentiment. Outperformance in 2024 was driven by a reversal of this, with multiple re-rating in the first half of the year, and a sharp rally in September on the back of stimulus measures released by the Chinese government.

Laggards

Excluding Bank Rakyat, which was added in August, our five worst performing stocks fell into two sectors; three were in the Consumer Discretionary sector (including Hanon Systems, which was sold in August), and two in the Health Care sector.

China Medical Systems is probably the leading pharmaceutical licensor in China, with growing in-house R&D and strong sales network. The company has over twelve new products (in various phases) in their product pipeline which are expected to launch in the next two to three years. However, in March, the company reported results for Fiscal Year 2023 that fell well short of market expectations through a combination of larger price cuts for drugs included in China's Volume-based procurement programme (VBP) and lower sales of non-VBP drugs, due to the anti-graft campaign. This has triggered significant downgrades to earnings forecasts in the near-term, although the investment thesis for the stock outlined above remains unchanged. The stock sold off sharply and, we believe, reflects more than fully the changed outlook. As such, we see China Medical Systems as having limited downside from March lows and added to it in line with our portfolio approach.

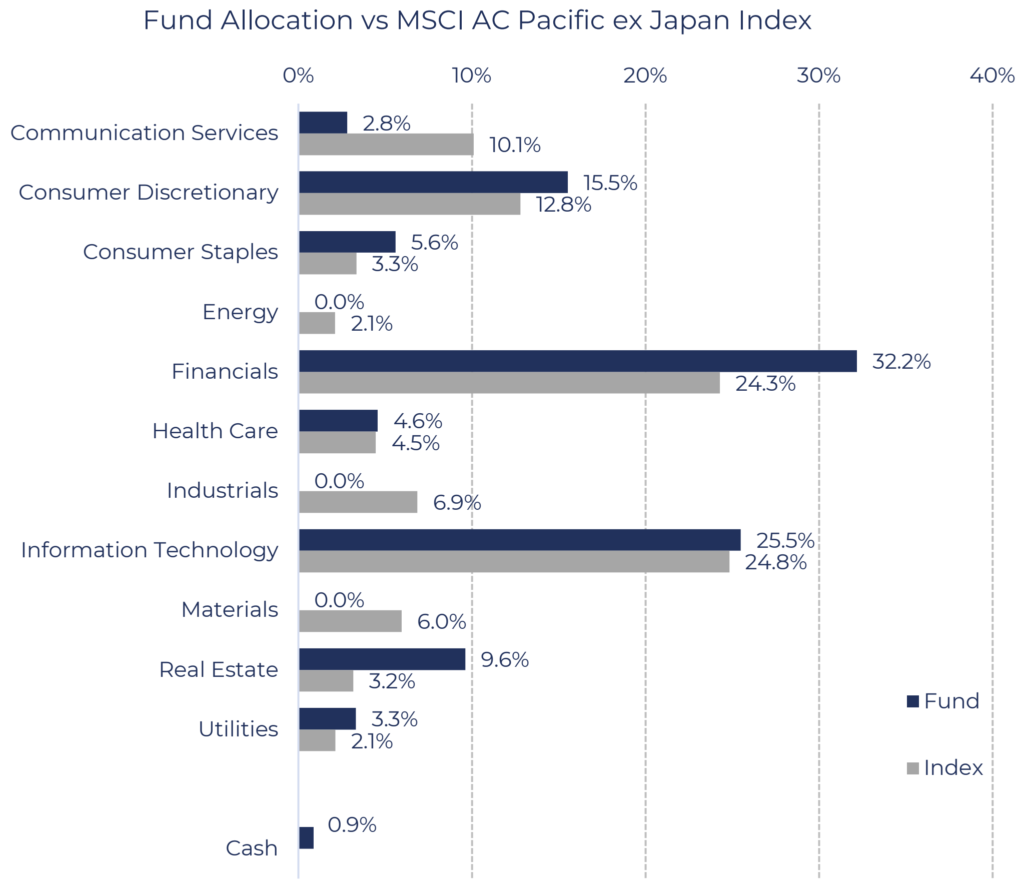
Corporate Travel Management is an Australian travel services provider for business and government clients that span the globe. In 2023, the company had signed what was expected to be a lucrative contract with the U.K. government, with management expecting it to add AUD30m to the company's EBITDA. An update in February showed that the contract had been permanently rebased and was now expected to contribute an extra AUD5m to EBITDA instead, causing management to downgrade their 2024 guidance and driving a sharp sell-off. Sentiment around the stock remained weak for most of the rest of the year, as 2024 results came in even softer than sell-sides updated forecasts. With expectations now reset for 2025, and a stronger second half of 2024 versus the first half, we are incrementally more positive on Corporate Travel's outlook and will be keeping an eye on upcoming results.

Sonic Healthcare is an Australian health care business that provides pathology services, as well as diagnostic imaging and operation of medical centres. COVID-related testing had boosted revenues and earnings in 2022, but the company then faced the problem of tempering sell-side expectations through the fade of those revenues, and the related temporary, but heightened costs associated with scaling back that part of the business. In addition to that, 2024 also brought headwinds in the form of continued inflationary pressures, and currency headwinds, dragging down investor sentiment. From our view, we understand the unwind of the previously lucrative COVID business will take time, and are encouraged to see that the core, underlying business remains in a state of organic growth, and so the stock remains in the portfolio.

Shenzhou International is a textiles and apparel manufacturer with a globally diversified customer base and production facilities in China and Southeast Asia. The company had a strong start to 2024, with a share price rally in the second quarter. However, investor sentiment soured in the second half, driven by order declines related to downwards sales revisions from key customer, Nike who contributes close to 30%of Shenzhou's revenues. We believe this reaction was overblown, as Shenzhou continues to gain wallet share from all customers and has been able to partially offset losses from Adidas with strong double-digit growth from other key customers (Uniqlo and Adidas). Whilst it is fair for the market to have some concern related to Nike's performance, we believe Shenzhou's leading fabric IP, and speedy lead times means other clients will continue to increase their portion of business with Shenzhou, leading to a more balanced customer profile in the longer term.

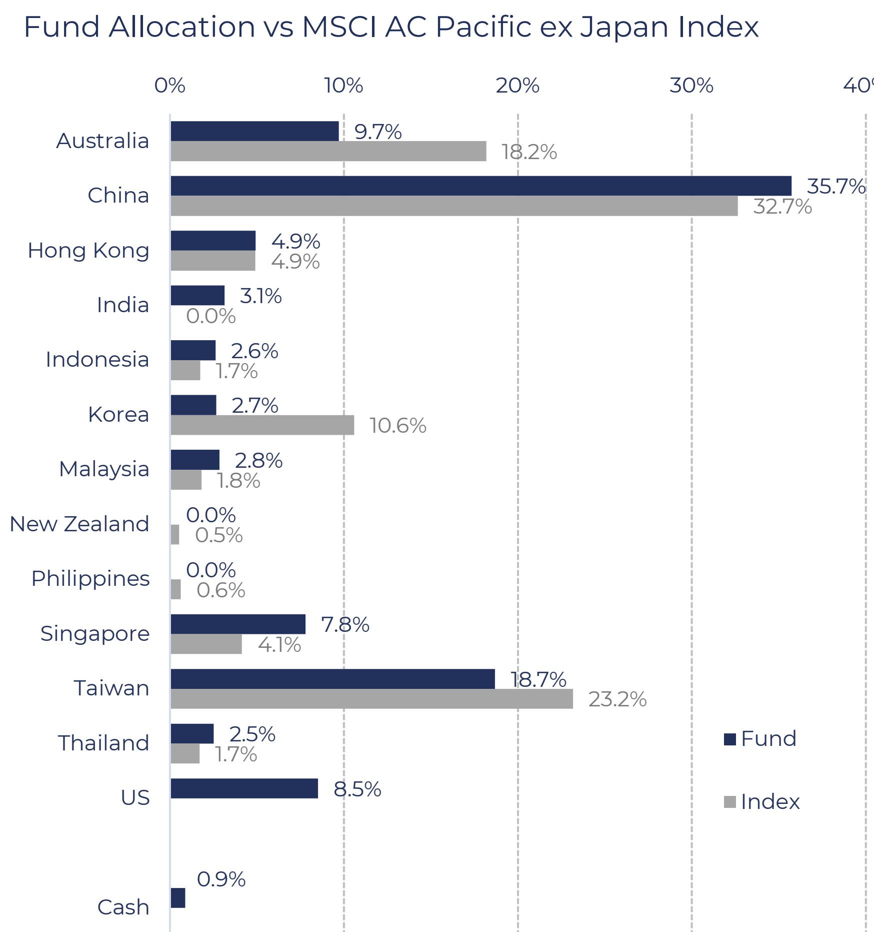
PORTFOLIO POSITIONING

The chart below shows the differences in sector allocation between the Fund and our benchmark. Note that we do not hold any Energy or Materials stocks as we believe these sectors have a classically cyclical nature and are therefore incompatible with our investment process.



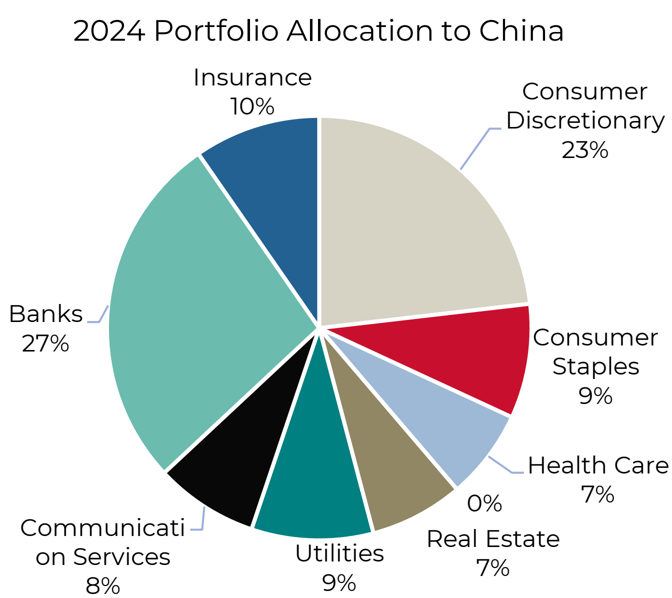
Source: Guinness Global Investors, Bloomberg. Data as of 31st December 2024

As a reminder, the portfolio's geographic exposure includes two countries, India and the US, which are not included in the Guinness Asian Equity Income Fund's benchmark, the MSCI AC Pacific ex Japan Index. The Fund is not run by reference to its benchmark and so the weighting to these areas is unaffected by the index construction. The Fund's requirement is that businesses must be listed and traded in the Asia Pacific region or must have at least 50% of their assets or derive at least 50% of their revenues from within the region. Our three US-listed positions are the insurance company Aflac and semiconductor designers Qualcomm and Broadcom, all of which derive over half of their revenues from the Asia Pacific region.



Source: Guinness Global Investors, Bloomberg. Data as of 31st December 2024

The allocation to China at 36% is the Fund's largest single country exposure and the chart below shows the underlying exposures with the actual portfolio weights.



Source: Guinness Global Investors as of 31st December 2024

OUTLOOK

Our focuses in 2025 are broadly a continuation of 2024; China recovery, US policy, inflation and technology spend.

We do not expect any dramatic moves from the Chinese government. Instead, we believe they will continue to ease monetary policy by recapitalising banks and, more interestingly, by recapitalising local authorities. Declines in the property market have led to lower associated revenues for local governments, many of which also struggle with mounting debt, and yet they are expected to play a significant role in improving local economies. This debt restructuring will hopefully allow local governments to take a greater role in their local communities and move towards domestic recovery.

On the consumer front, the government revealed a trade-in programme last year, which proved to be popular enough to warrant expansion both in terms of size and scope. Domestic sentiment, whilst incrementally more optimistic, broadly remains cautious as the country shifts away from using property as an economic driver towards newer growth pillars such as electric vehicles, industrial automation, sustainable energy. We believe it will take a few more years before the transition is complete but are encouraged by what we see as an improving domestic environment that continues to offer us interesting and appropriately valued opportunities.

With the re-election of Donald Trump, US policy has swung back into focus, in particular, policies surrounding trade and tariffs as a means to attain geopolitical objectives. Whilst we accept that this environment will likely pressure company valuations, we believe the effect on operational performances of quality companies like the ones we hold and the ones we look for will be smaller than market sentiment would suggest. The last decade has brought about a diversification in global supply chains, driven in part by Trump's first election, and followed by COVID. Quality companies will have proactively adapted to these trends and so should offer a more diverse footprint leading to, in our view, a lower-than-expected tariff impact.

Core inflation has fallen at a slower rate than expected with mixed data making the decline hard to navigate, and we expect this trend to continue into 2025. We view this environment as similar to the last few years i.e. one that creates a trickier valuation environment and we will continue to navigate as we have done - by focusing on companies with strong underlying operational ability first, before considering valuations through the lens of discount rates and related country and company risk premiums.

Technology spend has continued to be driven by AI trends in 2024, and we believe this will continue for at least the next twelve months. We are seeing evidence of growing demand in AI-related products, for example, with TSMC expecting strong AI-related chip demand in 2025.

With planned tax cuts in the US, we could also see improvements in consumer spending lifting sales in consumer electronics, further boosted by an incoming replacement cycle of devices bought during the pandemic era, and promotion of personal computers (PCs) with integrated AI functionality- according to Nielsen, 10% consumers already claim that AI integration is a key criterion when purchasing their PC. This in turn, would benefit Asia as whole, given the region's dominance in manufacturing.

Despite a tricky 2024, we can show that the portfolio continues to deliver on all four of the pillars on which the Fund is built, and as ever, we will continue to focus on these pillars as we move through 2025.

		Fund	**MSCI AC Pacific ex Japan Index**
Quality	ROE	16%	10%
	Weighted average net debt / equity	8%	42%
Value	PE (2025e)	10.7x	13.5x
	FCF Yield (LTM)	11.4%	5.1%
Dividend	Dividend Yield (LTM)	3.9% (net)	3.0% (gross)
	Weighted average pay-out ratio	60%	54%
Conviction	Number of stocks	36	1,113
	Active share	91%	-

Source: Guinness Global Investors, Bloomberg. Portfolio metrics versus index. As of 31st December 2024.

Portfolio Managers
Edmund Harriss
Mark Hammonds