Guinness Best of Asia

Investment Commentary – March 2025

RISK

This is a marketing communication. Please refer to the prospectus, supplement, KID and 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. 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	28.12.2017
Sector	IA Asia Pacific Excluding Japan
Managers	Edmund Harriss Mark Hammonds Sharukh Malik
EU Domiciled	Guinness Best of Asia Fund

INVESTMENT POLICY

The Guinness Best of Asia Fund is designed to provide investors with exposure to economic expansion and demographic trends in Asia Pacific and invests in companies listed in the region or deriving at least 50% of their revenues from business activities in the region.

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 and uses the MSCI AC Asia Pacific ex Japan Index as a comparator benchmark only.

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COMMENTARY

In February, the Fund rose 0.5% in GBP terms (Y share class, in GBP) compared to the MSCI AC Asia Pacific ex Japan Net Total Return Index benchmark which fell -1.1%. Over the first two months of the year the Fund is up 3.0% compared to the benchmark which is up 1.0%.

Market performance during the month swung from optimism to pessimism as the US administration persisted with its "will we, won't we" approach to tariffs before deciding in the fact "we will" go ahead with tariffs on China, Mexico and Canada to take effect on 4th March. At the time of writing (6th March) the US has decided to delay tariffs on Mexico at the behest of the US automakers until 2nd April. But tomorrow, of course, is another day.

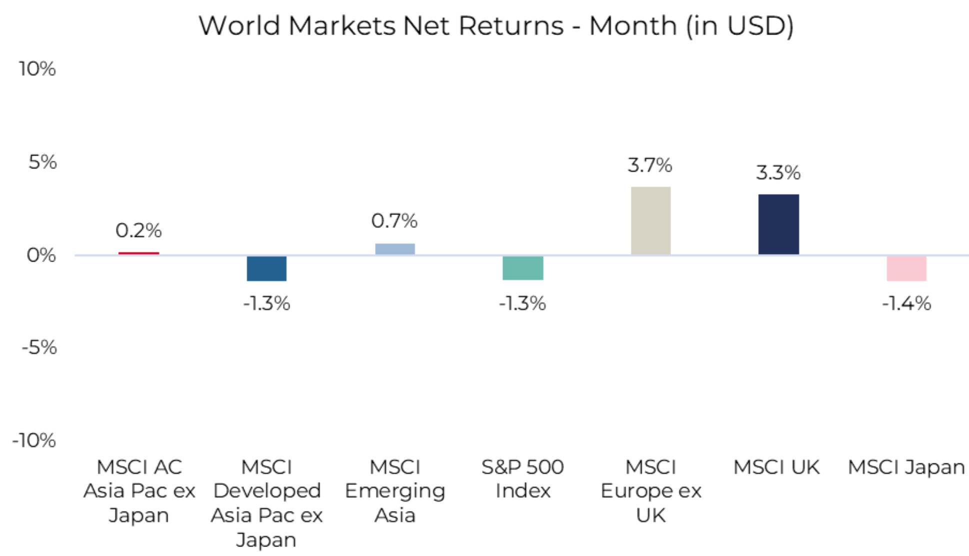
This reminds us, however, of the futility in attempting to match investment decisions to news flow. Instead, we need to understand the rationale behind the policy agenda to take a view on how it might impact upon the companies in which we choose to invest.

We will go discuss further, below, but at its simplest: US policy is shaped by a budget deficit that sees the federal government borrow over $700 billion a year to cover its spending and borrow even more, $900 billion, to pay the interest on the debt it already has. The need to plug the spending gap, stop the debt accrual cycle and bring down longer-term interest rates (bond yields rather than Fed Funds) defines everything the administration is doing. It is being done couched in ideological or transactional terms, but that's the way to sell policies at home that must, if they are to be successful, make people worse off in the short term.

MACRO COMMENTARY

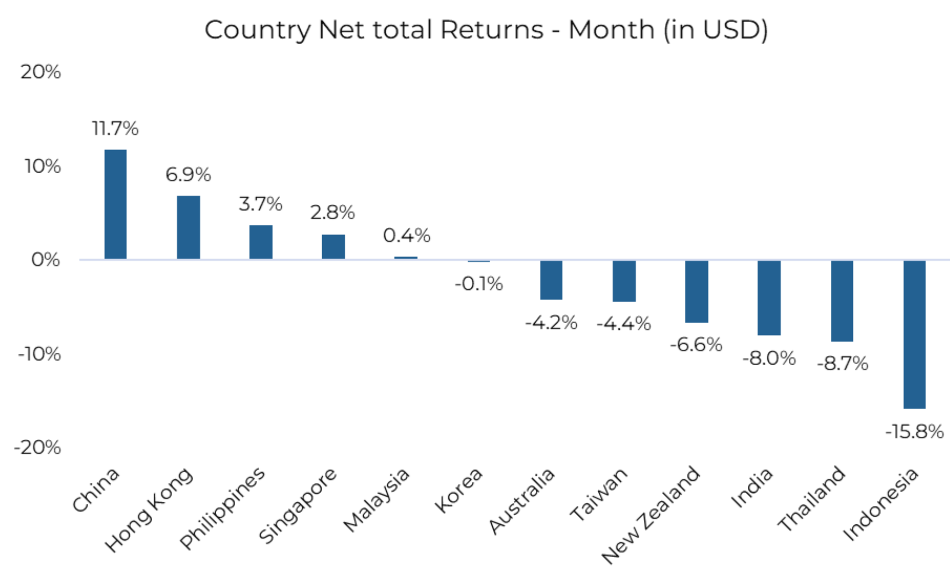
(Market and stock returns discussed below, are in US dollar terms.)

A quick look at the world markets 'skyline' shows Europe and UK strength continuing into February while the US rally appears stalled. In Asia, the emerging country index outperformed the developed Asia index.



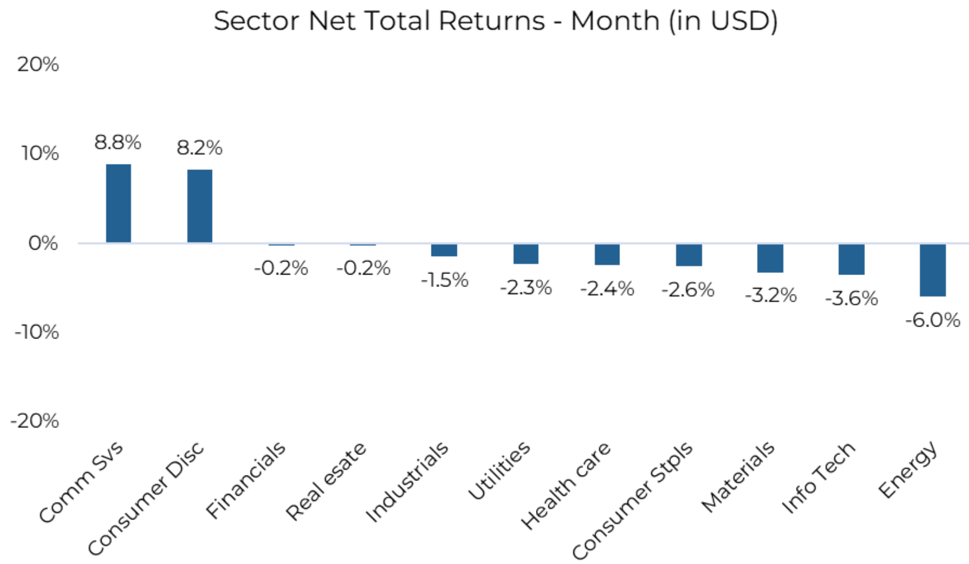
Source: Bloomberg, MSCI. Net returns in US dollars as of 28th February 2025

The difference between the emerging and developed Asia indices is explained in the chart below: China was the best performing market, while Australia, the largest developed Asia market, was down 4%. The more bullish noises associated with the region focus primarily on China. The other big emerging marking regional markets – India, Korea and Taiwan – all fell in February.



Source: Bloomberg, MSCI. Net returns in US dollars as of 28th February 2025

A sector analysis shows a narrower picture still, from an index perspective. Communication Services and Consumer Discretionary were the only sectors to rise during the month and they were significantly higher. These sectors are dominated by the big Chinese e-commerce and technology names including Alibaba, JD.com, Meituan and Tencent.



Source: Bloomberg, MSCI. Net returns in US dollars as of 28th February 2025.

China

China's market recovery, the stirring of 'animal spirits', began with the policy pivot in September when the significant impact on consumers by the property slowdown appeared to be recognised. Since then, there has been a further drip feed of policy support measures, although they have fallen short of the massive stimulus that was hoped for. Perhaps this is a good thing, since past efforts have seen both hoarding and substantial wastage of handouts. The government is certainly taking a more measured approach.

This year China shocked the world with the launch of a new AI engine, DeepSeek, built on open architecture and available to everyone. Its importance can be gauged by references to comments made by the CEOs of Meta and Microsoft reported in Barron's at the end of January.

Meta CEO Mark Zuckerberg told investors, "*I think there's a number of novel things that [DeepSeek] did that I think we're still digesting. And there are a number of things that they have advances that we will hope to implement in our systems*."

Microsoft CEO Satya Nadella said DeepSeek had some *"real innovations"* that would become broadly used.

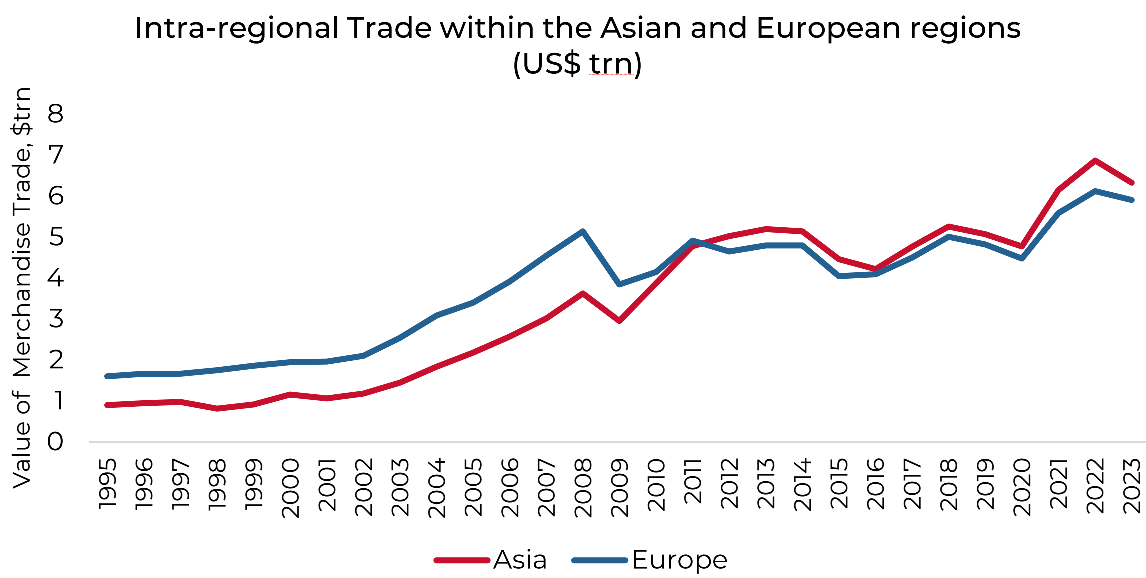
In other words, two of the leading AI integrators have responded to the arrival of DeepSeek by aiming to take these 'advances' and 'innovations' and copy them. Until now, a prevalent view has been that the Chinese have been the ones doing the copying. This has therefore refocused attention on what China is doing in these core industries on which they have been focused for the past 20 years. A cool appraisal shows that steadily, China has achieved technical and market dominance, or is well on the way to doing so, in all of them: 5G, new energy equipment, batteries, EVs, advanced materials, industrial automation, semiconductors, and now AI.

This now raises several other questions. In recent years, China has embarked on regulatory and property market crackdowns and Chinese assets have been treated as 'uninvestable', implying no need to think about them. However, not only has China emerged from the property market collapse without either a financial collapse or a recession, but it now appears much further along the road to a transition into higher value-added activities. These new industries are ones in which China is more advanced, and it has the academic research as well as physical assets in place; they are also approaching a scale that provides a genuine alternative source of economic growth to replace the moribund property sector.

At the recent political gathering in China, we heard a reaffirmation of the 'around' 5% economic growth target and an inflation target of 2%. There is also a commitment to make consumption, rather than investment, the top priority. All will be challenging to achieve, but taken in the round, the ambition, the willingness to try, the knowledge skills and capital available and finally, the still cheap valuations are things that should pique investor interest.

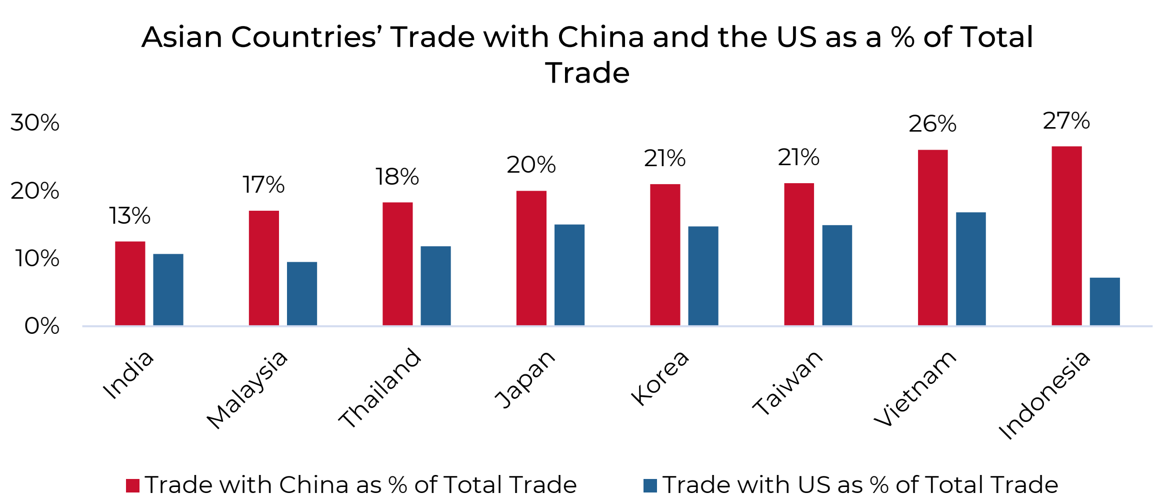
Any recovery in domestic activity in China should also be a benefit to other countries in the region. Over the past 30 years a network of alliances, trade pacts and multi-point production has developed. This is because, as an economic region built around manufacturing, it has often come under pressure from trading partners looking to protect their own industries. The US Textile, Apparel and Footwear Act of 1990 is an early example. The diversification within the region is the product of long experience and makes companies and the region arguably more adaptable than many peers when facing the kinds of pressures emerging today. These networks also provide routes for the economic benefits of any recovery in Asia's largest economy to transmit to other countries.

As a bloc, Asia does more trade within the region (intra-regional trade) than Europe.



Source: UN Trade & Development, Guinness calculations. 31.12.23

We can also see that most countries in the region do more trade with China than they do with the US.



Source: Comtrade, Guinness calculations. Data covers 2023

Asia will not be immune from the effects of US trade policies, but the region now has plenty of economic and trade links within and between countries to be considered as an economic area with more domestic drivers and greater resilience than its valuations suggest.

US

As discussed above, US domestic and international policy is largely shaped, in our view, in response to an unsustainable deficit. This will require actions for which the electorate is in no way prepared and which was not part of the election campaign. We now see the tone changing in real time, including recently in the State of the Union address when the likely impacts of tariffs were downplayed as “minor disturbances”. Since then, further questions have arisen such as Trump declining on Fox News to rule out the possibility of a recession.

Deficit resolution must involve spending cuts and retrenchment. The scale involved (12% of the budget to bring it back into balance) means there will be a domestic impact, and to sell it in political terms, requires an aggressive stance toward foreigners. Tariffs are a tool not only for revenue raising, about which there are doubts, but also as means to bring trading partners into line. The repeated delays to implementation arise from US industry integration with overseas supply chains. For example, Mexico exports around $600 billion a year, of which $181 billion is autos and auto parts going to the US. The US automakers are the most integrated, and it is their lobbying behind this delay.

A further policy development that is attracting more serious discussion, previously treated as fanciful, concerns the dollar. Prior to Trump’s election some economists posited the notion of a “Mar-a-Lago Accord”, similar in intent to the Plaza Accord of 1985, to lower the value of the dollar through co-ordinated action by the world’s central banks. The situation today is very different, not least the US gross debt position of 120% of GDP compared to 40% in 1985. Organised selling of US debt to achieve a lower dollar value is, therefore, a riskier proposition. A willingness by China and Europe to cooperate also seems unlikely. Solutions to these have been offered but these too mostly involve strong-arming partners. None of this has been formalised, but it is worth being aware that a weak dollar policy is under discussion.

FUND PERFORMANCE

Outperformers

Fund performance relative to the benchmark in February was driven primarily by allocation to the Consumer Discretionary sector, with positions in **Alibaba, Geely Auto** and **Meituan** (food delivery) having the highest impact. Allocation to Communication Services stocks was also a positive but an underweight position versus the benchmark (inevitable given our equal-weight approach) to **Tencent**, which performed strongly, cost the Fund in relative terms.

Stock selection also contributed positively in Financials, Healthcare and Industrials. In Financials, the sector was down during the month, but portfolio positions in **China Merchants Bank**, **DBS** and **Ping An Insurance** all rose. In Healthcare, **China Medical System** had a very strong month, quite likely because investors are increasingly focusing on domestic drug manufacturers. Amongst Industrials, performance was led by Chinese equipment maker **Sany Heavy Industry**, which benefiting from the gradual upswing in China’s domestic economy.

On a country basis, the Fund’s overweight position to China contributed positively, as did underweights to Australia, India and Taiwan.

Underperformers

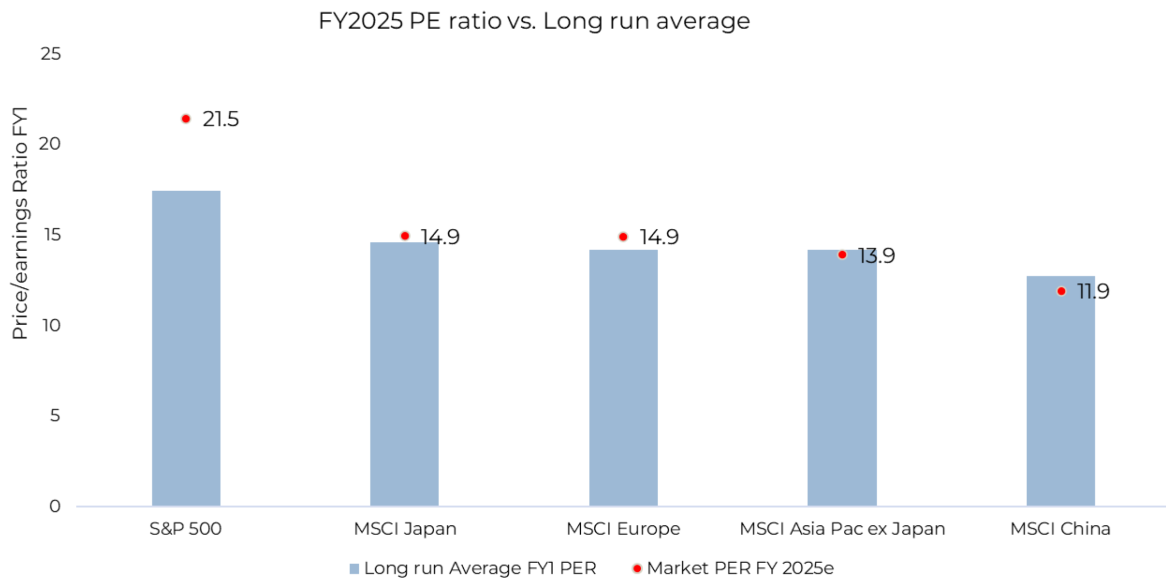
Technology exposure was the weakest area in the portfolio. **Tech Mahindra, Tata Consultancy, Broadcom** and **Applied Materials** saw double-digit declines. **Elite Material** was the only one of the portfolio’s technology stocks to rise in February. Elsewhere, despite the positive allocation effect of our exposure to Communication Services, we saw weaker stock performance from **Baidu** and **NetEase**. Among the portfolio’s Consumer Discretionary holdings, **Bajaj Auto** fell as the market’s growth expectations appear to have been too optimistic.

On a country basis, our off-benchmark exposure to US-listed names (Applied Materials and Broadcom) detracted from relative performance.

OUTLOOK

There is a growing appreciation among investors that China, and by extension Asia, is about to enter an upturn. Chinese assets are now starting to be seen as desirable, especially against a more challenging outlook for the US. In the ongoing assessments of likely tariff impacts, China's lower dependence on trade with the US (and on trade overall) is also being noted. The Asian story is moving toward one of intra-regional growth. It may still be too early to call it a decoupling, but the region is now developing its own drivers of growth and opportunities are opening.

Meanwhile, the region still trades more cheaply versus other regions, and it appears economic momentum could be picking up.



Source: Bloomberg. Data as of 7 March. 2025

Portfolio Managers
Edmund Harriss
Mark Hammonds

GUINNESS BEST OF ASIA FUND - FUND FACTS

Fund size	$1.6m
Fund launch	28.12.2017
OCF	0.89%
Benchmark	MSCI AC Asia Pacific ex Japan TR

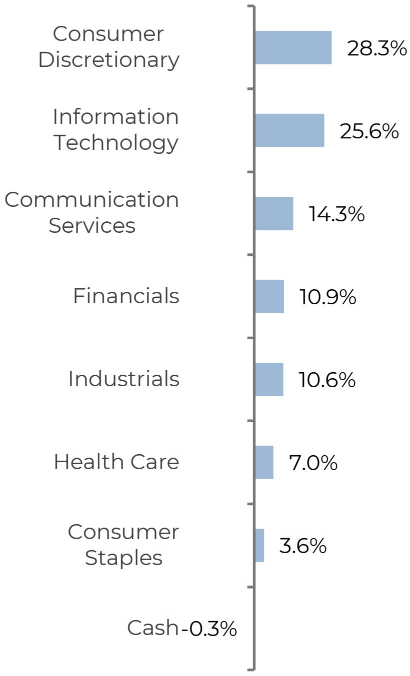
GUINNESS BEST OF ASIA FUND - PORTFOLIO

Top 10 holdings

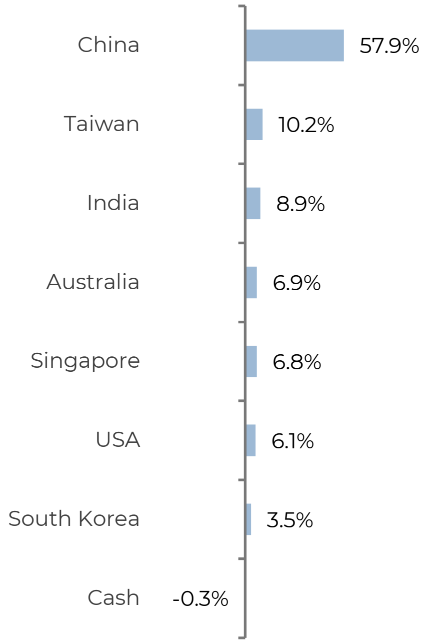
Tencent Holdings	4.2%
Alibaba Group	4.1%
Elite Material	3.9%
Sany Heavy Industry	3.9%
China Merchants Bank	3.8%
China Medical System	3.8%
Ping An Insurance	3.7%
Geely Automobile Holdings	3.6%
Meituan	3.6%
Corporate Travel Management	3.6%

Top 10 holdings	38.2%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

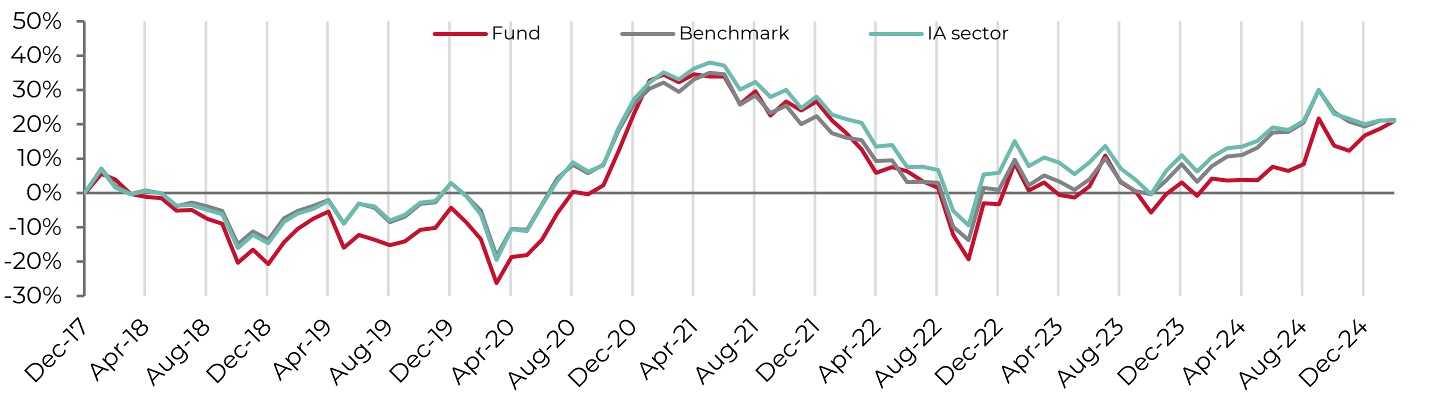
GUINNESS BEST OF ASIA FUND – PAST PERFORMANCE TO MONTH END

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+0.5%	+3.0%	+16.7%	+9.7%	+41.8%	-
MSCI AC Asia Pacific ex Japan TR	-1.1%	+1.0%	+13.0%	+11.3%	+29.6%	-
IA Asia Pacific Excluding Japan TR	-1.4%	+0.2%	+10.1%	+6.1%	+30.9%	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+1.9%	+3.6%	+16.1%	+3.0%	+39.8%	-
MSCI AC Asia Pacific ex Japan TR	+0.2%	+1.6%	+12.5%	+4.4%	+27.8%	-
IA Asia Pacific Excluding Japan TR	-0.1%	+0.8%	+9.6%	-0.4%	+29.0%	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+1.8%	+3.2%	+20.9%	+11.2%	+47.6%	-
MSCI AC Asia Pacific ex Japan TR	+0.2%	+1.1%	+17.0%	+12.8%	+35.0%	-
IA Asia Pacific Excluding Japan TR	-0.2%	+0.3%	+14.0%	+7.5%	+36.3%	-

GUINNESS BEST OF ASIA FUND - ANNUAL PERFORMANCE

(GBP)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund	+15.3%	+0.6%	-14.0%	+3.7%	+24.8%	+16.0%	-15.9%	-	-	-
MSCI AC Asia Pacific ex Japan TR	+12.1%	+1.3%	-7.1%	-2.0%	+18.7%	+14.6%	-8.6%	-	-	-
IA Asia Pacific Excluding Japan TR	+10.0%	-1.0%	-6.9%	+1.5%	+20.0%	+15.8%	-9.8%	-	-	-
(USD)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Fund	+13.3%	+6.6%	-23.7%	+2.8%	+28.8%	+20.6%	-20.8%	-	-	-
MSCI AC Asia Pacific ex Japan TR	+10.2%	+7.4%	-17.5%	-2.9%	+22.4%	+19.2%	-13.9%	-	-	-
IA Asia Pacific Excluding Japan TR	+8.1%	+4.9%	-17.3%	+0.5%	+23.8%	+20.4%	-15.1%	-	-	-
(EUR)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Fund	+20.9%	+3.0%	-18.7%	+10.6%	+18.1%	+22.8%	-16.8%	-	-	-
MSCI AC Asia Pacific ex Japan TR	+17.5%	+3.7%	-12.1%	+4.5%	+12.3%	+21.4%	-9.6%	-	-	-
IA Asia Pacific Excluding Japan TR	+15.3%	+1.4%	-11.9%	+8.2%	+13.6%	+22.7%	-10.8%	-	-	-

GUINNESS BEST OF ASIA FUND - PERFORMANCE SINCE LAUNCH (USD)



Source: FE fundinfo net of fees to 28.02.25. 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 OCF used for the Fund performance returns is 0.89%. which was the OCF over the calendar year 2024. 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 primarily designed to inform you about equities and equity markets invested in by the Guinness Best of Asia 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, Supplement, Key Information 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, including collective redress mechanisms, 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