

## RISK

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

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

Past performance does not predict future returns.

## SUMMARY

In February, the Guinness China A Share Fund (Y class, GBP) rose by 2.9%, while the benchmark, the MSCI China A Onshore Net Return Index (MSCI China A Onshore Index) rose by 1.1%. Thus, the Fund outperformed by 1.9 percentage points.

In February, relative to the benchmark, contributors to the Fund's performance were stock selection in the Industrials, Materials and Health Care sectors. The detractor to Fund performance was stock selection in the Consumer Discretionary sector.

In February, Chinese markets rallied following the release of DeepSeek. Investors moved strongly into AI and humanoid robotics stocks, particularly large-cap companies in the offshore market. Xi Jinping met with several prominent tech leaders, including Jack Ma (the founder of Alibaba) which likely marked his political rehabilitation.

*Analysis continued overleaf*

## ABOUT THE STRATEGY

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

## OBJECTIVE

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

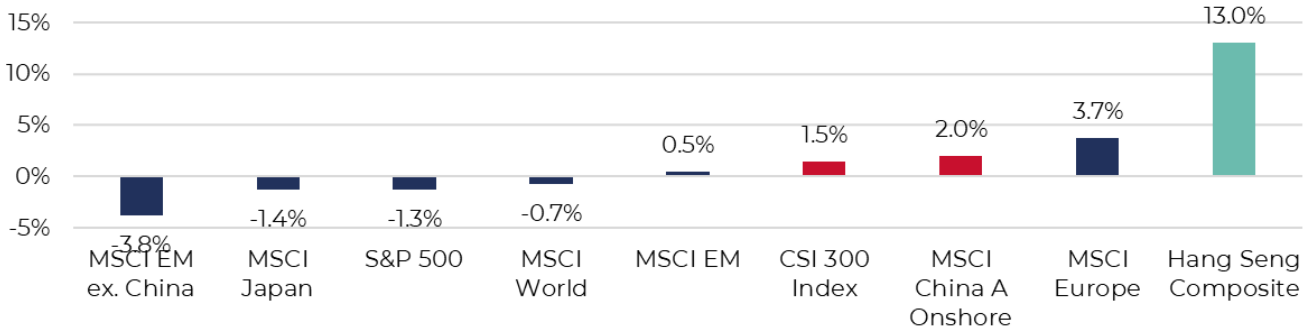
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**MARKET COMMENTARY**

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

Returns by Market in February (USD)

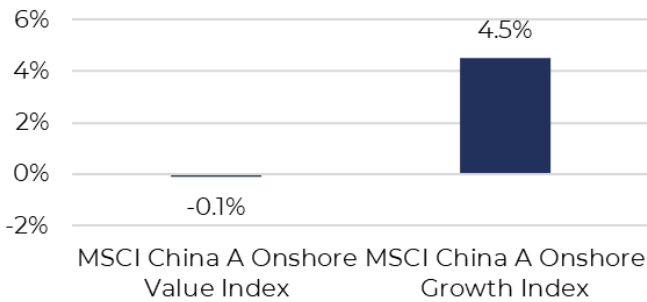


Data from 31/01/25 to 28/02/25, returns in USD, source: Bloomberg, Guinness Global Investors calculations

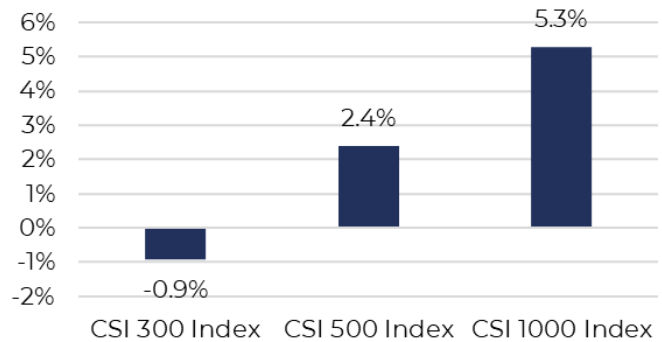
While onshore markets (as measured by the MSCI China A Onshore Index), rose by 2.0% in USD, they trailed behind offshore markets, as the Hang Seng Composite Index rallied by 13.0%. This is due to large Internet tech companies, such as Tencent and Alibaba, that are listed in the offshore market, capturing the majority of investor attention. The A share market does not contain these large Internet tech companies.

Value stocks in the A share market fell by 0.1% (in CNY) compared to the growth index which rose by 4.5%. Large-caps continued to underperform, falling 0.9% in February compared to the 2.4% rise for mid-caps and 5.3% rise for small-caps.

Value vs Growth in February (CNY)



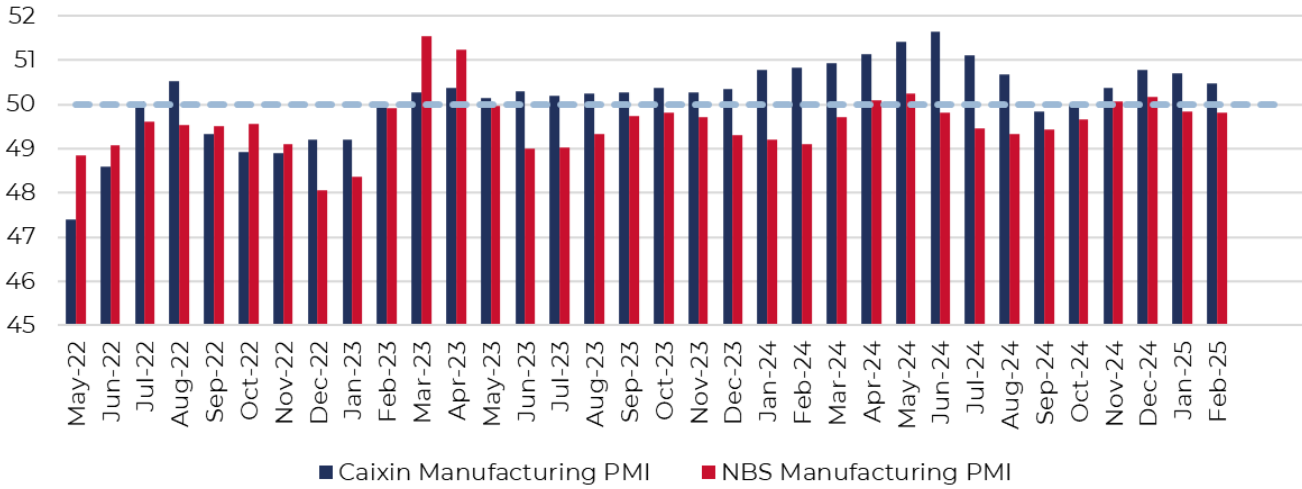
Returns by Size in February (CNY)



Data from 31/01/25 to 28/02/25, returns in CNY, source: Bloomberg, Guinness Global Investors calculations

MACRO OVERVIEW

Manufacturing PMIs (3 Month Average)

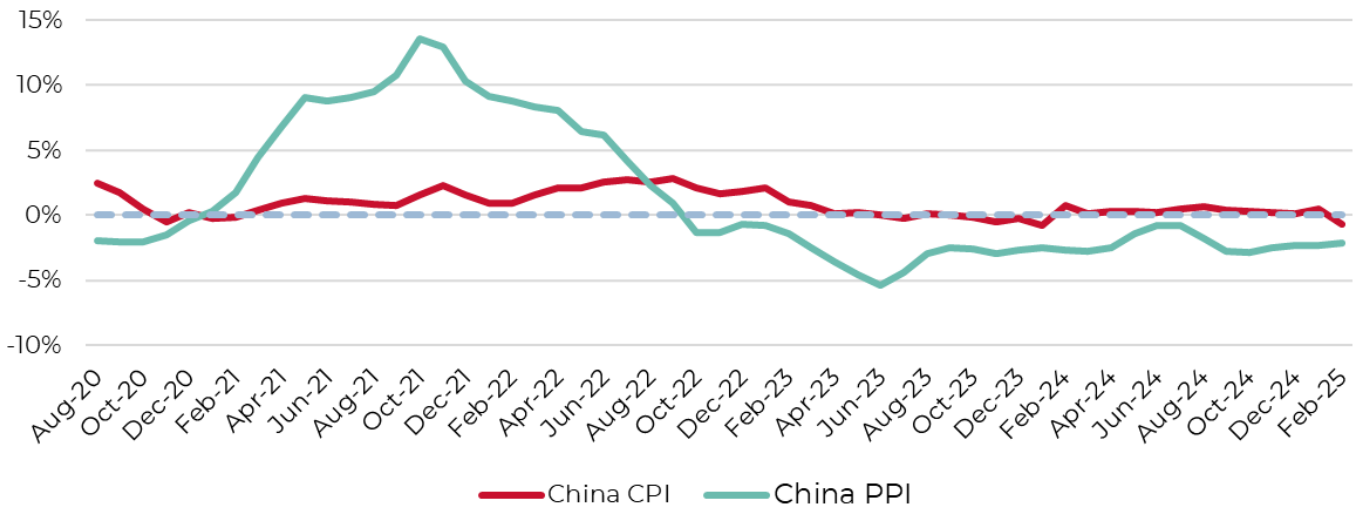


Data as of 28/02/25, source: Bloomberg, Guinness Global Investors calculations

The chart above shows two sets of manufacturing Purchasing Managers Index (PMI). The Caixin PMI is more reflective of private, exporting companies while the NBS manufacturing PMI is more reflective of large, state-owned firms. A number above 50 indicates expanding activity whereas a number below 50 indicates weakening activity. We take a three-month average to smooth the data.

The chart shows that both PMIs fell over the summer last year, on the back of no major policy stimulus. The government stepped in with stimulus in September and it is clear there has been a bounce in momentum. The Caixin PMI has remained positive (above 50) since the implementation of stimulus whereas the NBS manufacturing PMI has fluctuated around the neutral (50) mark.

Consumer Price Inflation vs Producer Price Inflation



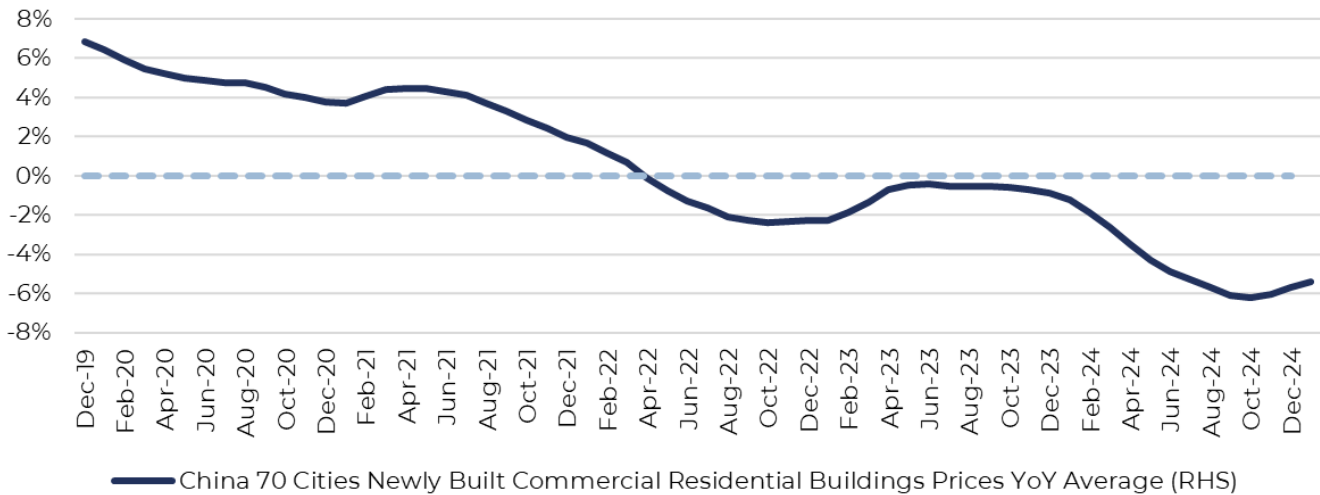
Data from 31/08/20 to 28/02/25, source: Bloomberg, Guinness Global Investors calculations

Depending on the measure used, inflation in China has been at, or close to, deflationary levels since the end of 2022. Consumer price inflation (CPI) has been hovering around 0% since mid-2023 while producer price inflation (PPI) has been

## Guinness China A Share

negative since Nov-22. In our view, producer price deflation reflects the intentional deleveraging of the real estate sector, which has meant a significant drop in demand for heavy industries. This has fed through into the wider economy, as the growth in demand driven by the new pillar industries is not yet large enough to offset the weakness driven by the decline in demand from a contracting real estate market.

### Changes in the Prices of New Homes (year-on-year)



(Data from 31/12/19 to 28/02/25, source: Bloomberg, Guinness Global Investors calculations)

Due to the deleveraging push from the government, the prices of new homes have been falling since 2022. Given government stimulus last year, lowering mortgage rates and deposit ratios, there are nascent signs that possibly the decline in home prices has been halted. However, time will tell if this trend continues.

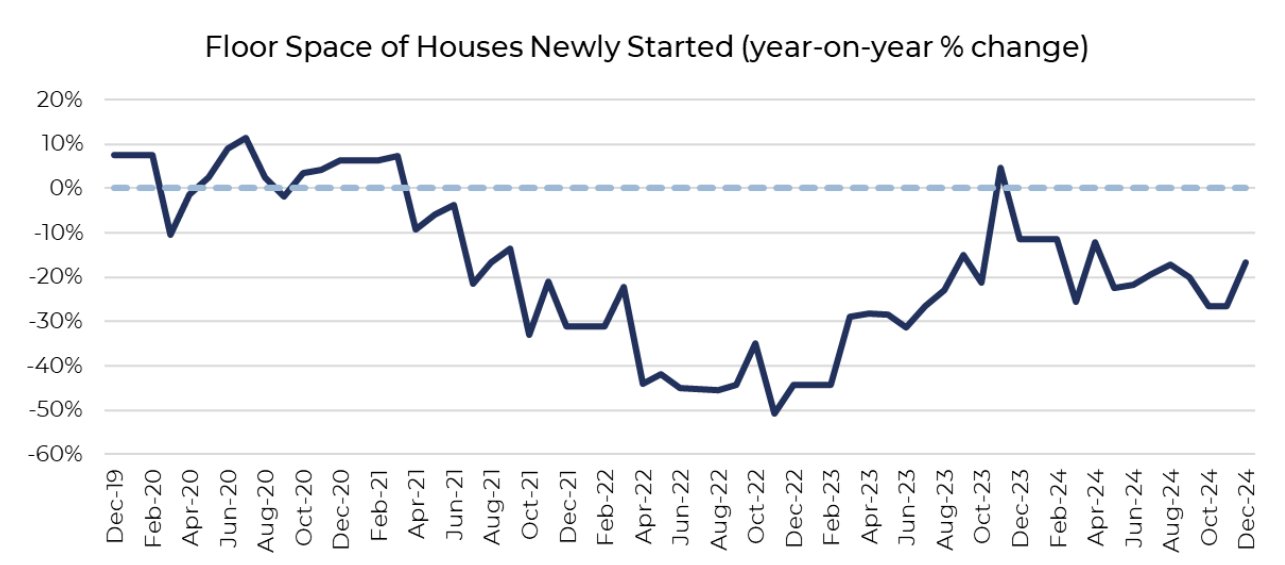
### Year-on-Year Change in Floor Space of Residential Buildings Sold



Data from 31/12/19 to 31/12/24, source: Bloomberg, Guinness Global Investors calculations

There has been a clear positive improvement in the volumes of residential buildings sold. The chart shows the year-on-year percentage change in floor space sold. While floor space sold has been declining since 2021, the decline has clearly narrowed since March 2024, and for the first time since 2021 floor space sold actually increased in December 2024.

## Guinness China A Share



*Data from 31/12/19 to 31/12/24, source: Bloomberg, Guinness Global Investors calculations*

Floor space of houses newly started has been mostly falling since 2021 and while the decline now is not as high as in 2022, it is still down c.20% year over year. It is likely new home starts remain weak as housing inventory in tier 1 and 2 cities remains elevated relative to history.

## ATTRIBUTION

In February, the Guinness China A Share Fund (Y class, USD) rose by 3.9%, while the benchmark, the MSCI China A Onshore Index rose by 2.0%. Therefore, in the month the Fund outperformed by 1.9 percentage points.

In February, relative to the benchmark, areas which helped the Fund's performance were:

- Stock selection in the Industrials sector, driven by Jiangsu Hengli Hydraulic, Shenzhen Inovance Technology and Sany Heavy Industry.
- Stock selection in the Materials sector, driven by driven by battery material names Shenzhen Capchem and Shanghai Putailai, as well as Shandong Sinocera Functional Material.
- Stock selection in the Health Care sector, driven by Amoy Diagnostics.

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

- Stock selection in the Consumer Discretionary sector, driven by BYD (not held) and Haier Smart Home.

### OUTLOOK

China's market recovery, the stirring of 'animal spirits', began with the policy pivot back in September last year when the significant impact on consumers by the property slow down 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 because past efforts have seen both the hoarding and substantial wastage of handouts. The government is certainly taking a more measured and cautious 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:

"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," - Meta CEO Mark Zuckerberg

In addition, 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 with a plan to take these 'advances' and 'innovations' and imitate them. This is a reversal of the narrative that the Chinese mimic innovations made in the West. This has therefore refocused attention on what China is doing in central industries which they have been focused on for the past twenty years. A cool appraisal shows that steadily, they have achieved technical and market dominance (or are well on the way to doing so) in all of them – 5G, new energy equipment, batteries, electric vehicles, advanced materials, industrial automation, semiconductors and now AI.

This now raises several other questions because for the last few years as China has embarked on regulatory and property market crackdowns, Chinese assets have been treated as 'un-investable' and thus are not to be considered. However, not only has China emerged from the property market collapse recession-free but it appears to be much further along in a transition into higher value-added industries. These new industries are ones in which China 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 the ambition, knowledge and capital available, the still cheap valuations are things that should pique investor interest.

#### **Portfolio Managers**

Sharukh Malik  
Edmund Harriss

**GUINNESS CHINA A SHARE FUND - FUND FACTS**

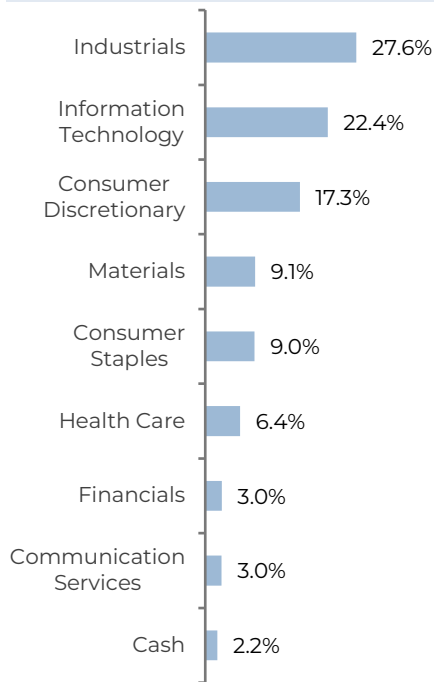
Fund size	\$0.7m
Fund launch	09.03.2023
OCF	0.89%
Benchmark	MSCI China A Onshore TR

**GUINNESS CHINA A SHARE FUND - PORTFOLIO**

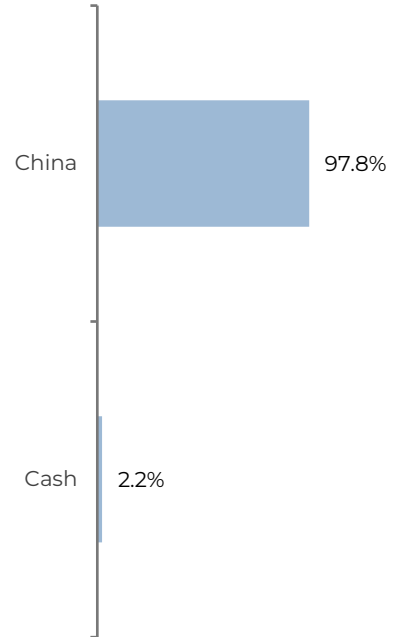
**Top 10 holdings**

Shengyi Technology	4.6%
Jiangsu Hengli Hydraulic	4.6%
Shenzhen Inovance Technology	4.4%
Xiamen Faratronic Co Ltd	4.1%
Sino Wealth Electronic Ltd	3.8%
Zhejiang Jingsheng Mechanical	3.5%
Shandong Himile MS&T	3.5%
Shenzhen H&T Intelligent	3.5%
Amoy Diagnostics	3.3%
Hongfa Technology	3.3%
<b>Top 10 holdings</b>	<b>38.9%</b>
<b>Number of holdings</b>	<b>30</b>

**Sector**



**Country**



## Guinness China A Share Fund

Past performance does not predict future returns.

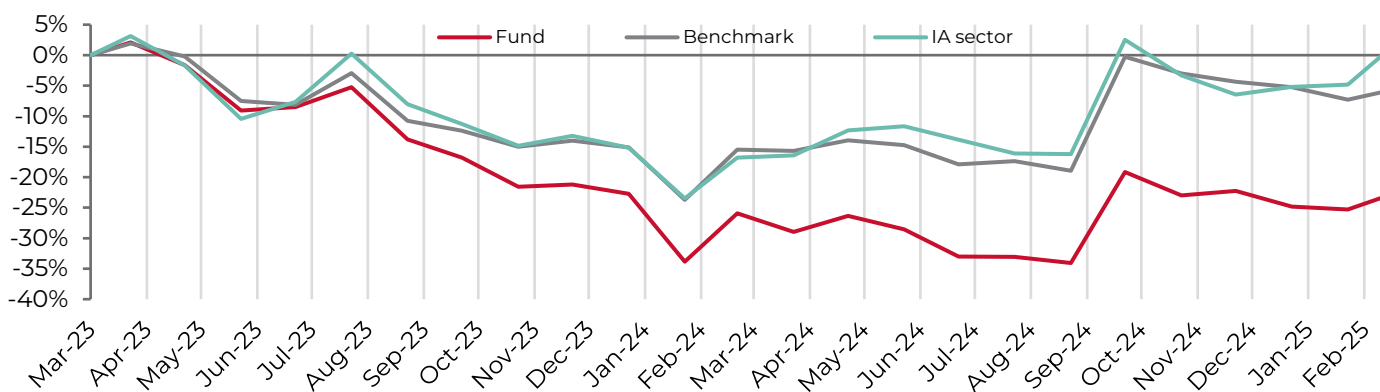
### GUINNESS CHINA A SHARE FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+2.9%	+2.7%	+5.3%	-	-	-
MSCI China A Onshore TR	+0.7%	-0.7%	+12.4%	-	-	-
IA China/Greater China TR	+6.3%	+7.3%	+23.5%	-	-	-
(USD)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+3.9%	+3.2%	+4.8%	-	-	-
MSCI China A Onshore TR	+2.0%	-0.2%	+11.9%	-	-	-
IA China/Greater China TR	+7.8%	+7.9%	+22.9%	-	-	-
(EUR)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+4.9%	+2.8%	+9.0%	-	-	-
MSCI China A Onshore TR	+2.0%	-0.6%	+16.4%	-	-	-
IA China/Greater China TR	+7.7%	+7.4%	+27.9%	-	-	-

### GUINNESS CHINA A SHARE FUND - ANNUAL PERFORMANCE

(GBP)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund	-1.0%	-	-	-	-	-	-	-	-	-
MSCI China A Onshore TR	+13.6%	-	-	-	-	-	-	-	-	-
IA China/Greater China TR	+13.8%	-	-	-	-	-	-	-	-	-
(USD)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund	-2.7%	-	-	-	-	-	-	-	-	-
MSCI China A Onshore TR	+11.6%	-	-	-	-	-	-	-	-	-
IA China/Greater China TR	+11.8%	-	-	-	-	-	-	-	-	-
(EUR)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund	+3.8%	-	-	-	-	-	-	-	-	-
MSCI China A Onshore TR	+19.0%	-	-	-	-	-	-	-	-	-
IA China/Greater China TR	+19.2%	-	-	-	-	-	-	-	-	-

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