Guinness China A Share

Investment Commentary – April 2025

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.

ABOUT THE STRATEGY

Launch	09.03.2023
Index	MSCI China A Onshore Index
Sector	IA China / Greater China
Managers	Sharukh Malik Edmund Harriss
EU Domiciled	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.

CONTENTS

SUMMARY

In the first quarter, the Guinness China A Share Fund (Y class, GBP) fell by 0.1%, while the benchmark, the MSCI China A Onshore Net Return Index (MSCI China A Onshore Index) fell by 2.9 percentage points. Therefore, the Fund outperformed by 2.9 percentage points.

In the quarter, the strongest stocks in the Fund were Hengli Hydraulic, Himile Mechanical Science and Technology and Shenzhen Inovance Technology. The weakest were Nari Technology, Foshan Haitian and Shenzhen Capchem Technology.

In the quarter, contributors to Fund performance were stock selection in the Industrials and Information Technology sector, as well as the underweight to the Energy and Utilities sectors where the Fund has no exposure. Detractors were stock selection in the Consumer Staples, Consumer Discretionary and Health Care sectors.

In March, contributors to Fund performance were stock selection in the Industrials sector and the overweight to the Consumer Discretionary sector. Detractors were stock selection in the Health Care, Materials and Consumer Staples sector.

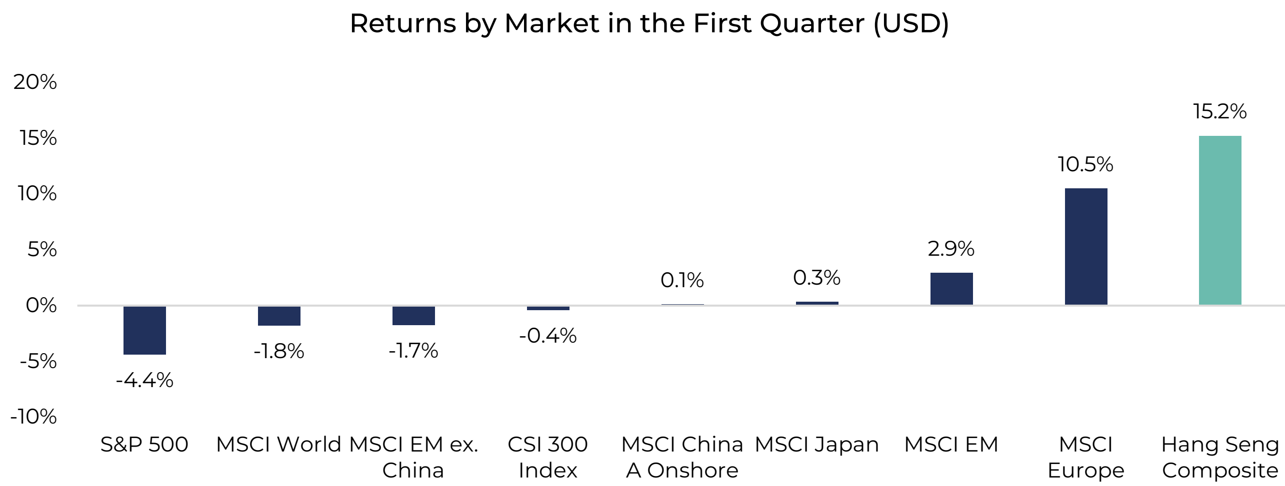
Of the Fund's holdings, the companies with the most direct revenue exposure to the US are Haier Smart Home (30% of revenue from the US), Shenzhen Mindray Bio-Medical (8%), Hongfa Technology (7%) and Midea (6%).

On a forward price/earnings basis, the Fund's holdings in aggregate are valued on 16.6x. With 79% of the Fund's revenue from China, the direct impact on the Fund's revenue and earnings is limited.

Analysis continued overleaf

MARKET COMMENTARY

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



Data from 31/12/24 to 31/03/25, returns in USD, source: Bloomberg, Guinness Global Investors calculations

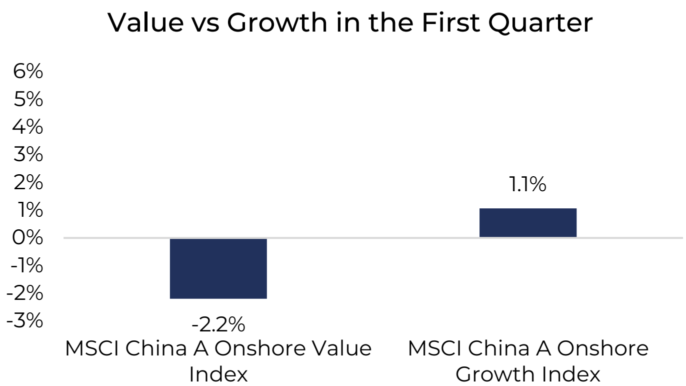
The unexpected release of DeepSeek reignited interest in Chinese markets. While it seems the technical advancements made by DeepSeek were anticipated by the industry, we argue hardly anyone expected it would be the Chinese to be the ones to make the advancements. Since DeepSeek's release, the major tech giants in China have come out with their own models which they claim to be as good as DeepSeek. AI related stocks therefore quickly surged. In China the listed companies with their own large language learning (LLM) models are found in Hong Kong, rather than in the onshore markets. These companies are namely Alibaba, Tencent and Baidu. Looking at market share for the cloud industry as measured by revenue, Alibaba is the largest with market share of 36%, followed by Huawei (not listed) at 19%, Tencent at 15% and Baidu at 6%.

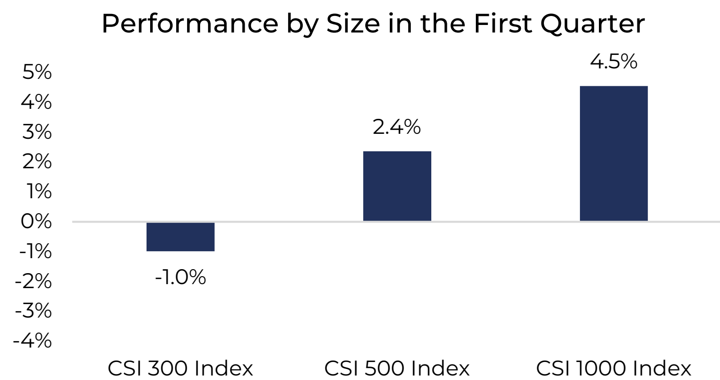
As the listed tech companies with their own LLM models are found in Hong Kong, the Hang Seng Composite was far stronger than the A share market. In the first quarter, the Hang Seng Composite Index rallied by 15.2 which was led by the likes of Alibaba, Tencent, BYD and Xiaomi. Onshore markets, as measured by the MSCI China A Onshore Index, lack the presence of Internet tech companies with their own proprietary LLMs and so only rose by 0.1%. However, there were pockets of the A share market that did well such as humanoid robotics stocks and semiconductor stocks.

Additionally, stabilising macro data was another factor driving Chinese markets. We regard September as the moment when government policy became more supportive for the economy, through a combination of cuts in interest rates, the introduction of a household trade in program and corporate upgrade program, and more support for the real estate market.

We are now looking for the government to expand the size of its support for the economy. This year, funds allocated to the household trade in program have been doubled to CNY 300bn (assuming USDCNY 7.25, this is equivalent to $41bn). But to put this into context, last year retail sales were worth CNY 49 trn ($6.8 trn). So the expanded support this year is still worth only 0.6% of retail sales, and therefore we expect is likely to have a limited impact on boosting consumption. Increases have also been made to the basic pension and medicare, totalling CNY 384bn ($53bn). Of course not all of this increase is to be spent on consumption but it is a step in the right direction. If the funds allocated to the trade in program were expanded to say, CNY 1 trn ($248bn), this would be worth 2.0% of retail sales (so 1.4% higher than the existing value), and would be more likely to boost consumption. The government has made boosting consumption a greater priority this year, but so far no major credible policies have backed their rhetoric. With the US increasing tariffs on China, we think the probability of major stimulus targeting consumption has increased.

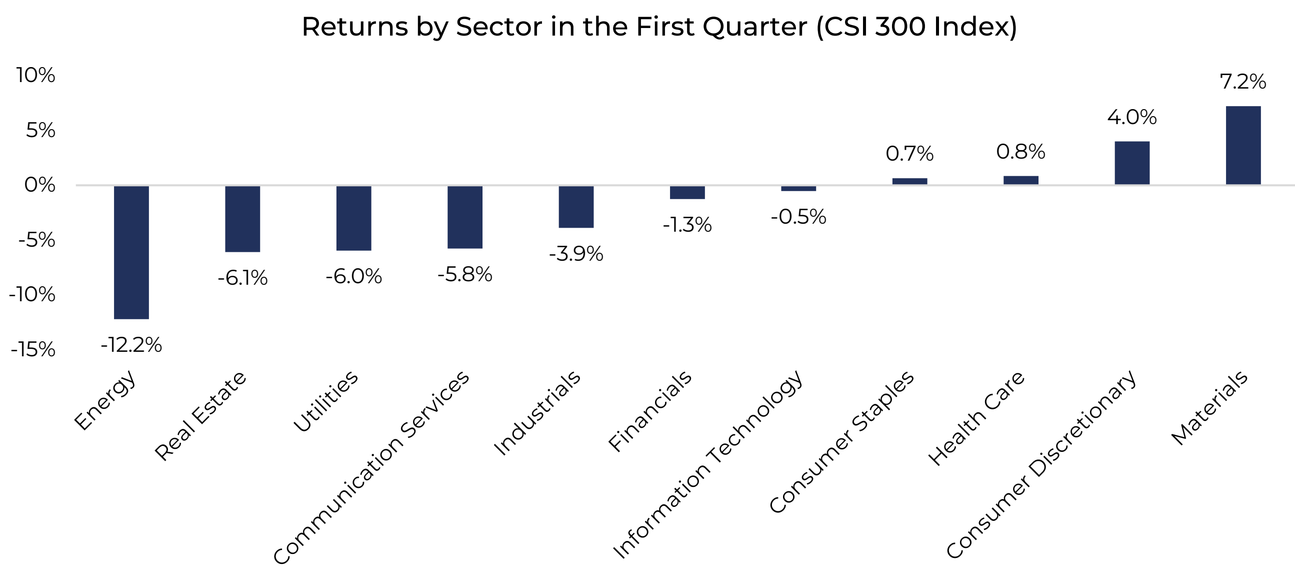
The household trade in program is to be funded by CNY 1.8 trn ($248bn) issuance of special government bonds, which is CNY 0.8 trn ($110bn) higher than last year's amount. Of the remaining funds, CNY 500bn ($69bn) is to be spent on bank recapitalisation and CNY 1 trn ($138bn) is to be spent on funding corporate equipment upgrades and investments in areas of strategic importance.





Data from 31/12/24 to 31/03/25, returns in CNY, source: Bloomberg, Guinness Global Investors calculations

Growth stocks outperformed, as the MSCI China A Onshore Growth Index rose by 1.1% whereas the value index fell by 2.2%. Small caps rose by 4.5% and mid caps rose by 2.4%, outperforming the large caps which fell by 1.0%.



Data from 31/12/24 to 31/03/25, returns in CNY, source: Bloomberg, Guinness Global Investors calculations

The best performing sectors were Materials (total return +7.2%), Consumer Discretionary (+4.0%) and Health Care (+0.8%). In the Materials sector, stronger names were Zijin Mining, and gold names Chifeng Jilong Gold Mining and Shandong Gold Mining. In the Consumer Discretionary sector, BYD and Midea contributed to the bulk of returns. In the Health Care sector, Wuxi Apptech, Jiangsu Hengrui and Beigene were strong on potential reforms to biologics pricing.

The weakest sectors were Energy (-12.2%), Real Estate (-6.1%) and Utilities (-6.0%). In the Energy sector, China Shenhua, Shaanxi Coal and China Petroleum were weak. A stagnant property market explained the Real Estate sector's performance, while Utilities lagged in a broadly risk on environment.

ATTRIBUTION

In the first quarter, the Guinness China A Share Fund (Y class, USD) rose by 3.0%, while the benchmark, the MSCI China A Onshore Index rose by 0.1%. Therefore, in the quarter the Fund outperformed the benchmark by 2.6 percentage points.

In the first quarter, relative to the MSCI China A Onshore Index, areas which helped the Fund's performance were:

- Stock selection in the Industrials sector, driven by Jiangsu Hengli Hydraulic, Shandong Himile Mechanical Science & Technology, Hongfa Technology, Shenzhen Inovance, Shenzhen Inovance Technology and Sany Heavy Industry. These names all rose despite the sector falling.
- Stock selection in the Information Technology sector, driven by Shengyi Technology and Shenzhen H&T Technology.
- The underweight to the Energy and Utilities sectors, which both fell and to where the Fund has no exposure.

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

- Stock selection in the Consumer Staples sector, driven by Foshan Haitian and Inner Mongolia Yili.
- Stock selection in the Consumer Discretionary Sector, driven by BYD (not held), China Tourism Group Duty Free and Guangzhou Restaurant Group.
- Stock selection in the Health Care sector, driven by Shenzhen Mindray and Wuxi Apptech (not held).

In March, the Guinness China A Share Fund (Y class, USD) fell by 0.3%, while the benchmark, the MSCI China A Onshore Index rose by 0.3%. Therefore in the month the Fund underperformed the benchmark by 0.6%.

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

- Stock selection in the Industrials sector, driven by Shandong Himile Mechanical Science & Technology, Hongfa Technology, Sany Heavy Industry, Sinoseal and CATL (not held).
- The overweight position to the Consumer Discretionary sector along with good performance from Zhejiang Supor and Midea Group.

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

- Stock selection in the Health Care sector, driven by Shenzhen Mindray and Amoy Diagnostics.
- Stock selection in the Materials sector, driven by Shenzhen Capchem Technology.
- Stock selection in the Consumer Staples sector, driven by Kweichow Moutai (not held).

STOCK PERFORMANCE

Leaders in the First Quarter

Hengli

Jiangsu Hengli Hydraulic (total return +50.7% in CNY) is a manufacturer of hydraulic systems and parts. Its share price surged following reports it is to supply actuators for a major humanoid robotics manufacturer in the US (an actuator converts a hydraulic input into physical motion). The company's core cylinder business is also improving following signs of an inflection point in the domestic excavator cycle. The outperformance of the stock was driven predominantly by a valuation re-rating, leading to a forward price/earnings ratio which was high relative to historical levels. We decided to lock in the outperformance and rebalance the stock back to neutral.

Himile Mechanical Science and Technology (+17.9%) is an industrial company that has three segments: 1) tire molds, 2) large mechanical components (for gas turbines and wind turbine components) and 3) computer numerical control (CNC) machines. It reported better than expected fourth quarter results, with revenue and net profit growth of 31% and 34% respectively. Within the tire mold segment (53% of revenue in 2024), Himile has more than 30% global market share. As EVs become more popular, tires are becoming more complex and heavier which requires more advanced and expensive molds. As ~80% of tire demand is replacement demand, this segment provides a steady source of earnings and cashflow for the business. After developing its own precision casting technology for the tire mold segment, Himile used this knowhow to grow its large mechanical components segment (38% of revenue). This segment mostly consists of components for gas turbine manufacturers (such as General Electric, Siemens and Mitsubishi) and for wind turbines (hubs, bases, and gearbox parts). China is continuing to invest heavily in natural gas capacity and so we expect order growth in this segment to continue. The CNC machine segment is currently small (5% of revenue) but we expect it to become a larger part of the business. Himile has spent 30 years developing its own CNC machines for its tire mold and mechanical components business, and the company now believes they are good enough to compete in the higher end of the market where China is still reliant on imports.

Shenzhen Inovance Technology (+16.4%) also benefited from rising interest in humanoid robotics stocks and possible inflection point in the domestic factory automation industry. The company is one of the country's larger manufacturers of robotics and is moving up the value chain to compete with higher end foreign competitors. Year-to-date, Inovance's Industrial Automation segment recorded order growth of 10-20% in Jan-Feb and 30% in March. Inovance is aiming to grow its Industrial Automation sales by 15-20% in 2025, which may get boosted by the government's corporate upgrade equipment program.

Laggards in the First Quarter

Nari Technology (-12.7%) makes equipment and software for the electricity grid and its majority shareholder is China's State Grid. Its share price has been defensive over the past few years and so in a risk on environment, the market looked past the stock. Approval for Nari's Ultra High Voltage (UHV) power lines have been slower than expected and there may be some pricing pressure on a few products sold to the grid. We expect approvals to pick up later in the year and on pricing, we do not see signs of broad-based price cuts for Nari's goods.

Foshan Haitian (-11.6%) is China's largest soy sauce company. The catering industry's recovery has been weaker than expected and therefore condiment manufacturers' share prices have struggled. In the fourth quarter of 2024, Foshan Haitian's revenue and recurring net profit grew 10% and 17% respectively; for the full year, they grew 10% and 13% respectively. Management expects chain restaurants to continue to increase market share in China, and since they have higher quality requirements, should be beneficial for the company.

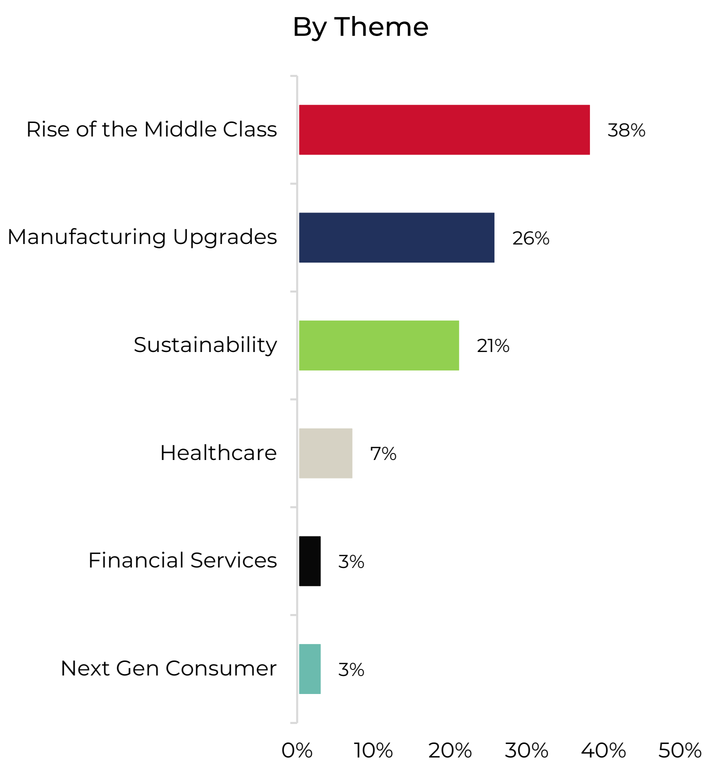
Shenzhen Capchem Technology (-11.3%) is one of China's largest manufacturer of battery electrolytes, with additional exposure to organic fluorine chemicals and capacitor chemicals. In 2024, revenue grew by 5% and net profit fell by 7%. In 2024, volumes for the battery electrolyte segment increased but due to the oversupply of the market, prices fell and earnings fell. We expect the electrolyte industry to not add capacity this year so the oversupply situation should improve. Meanwhile, revenue in the fluorine chemicals segment grew by 7%, providing some diversification to the group.

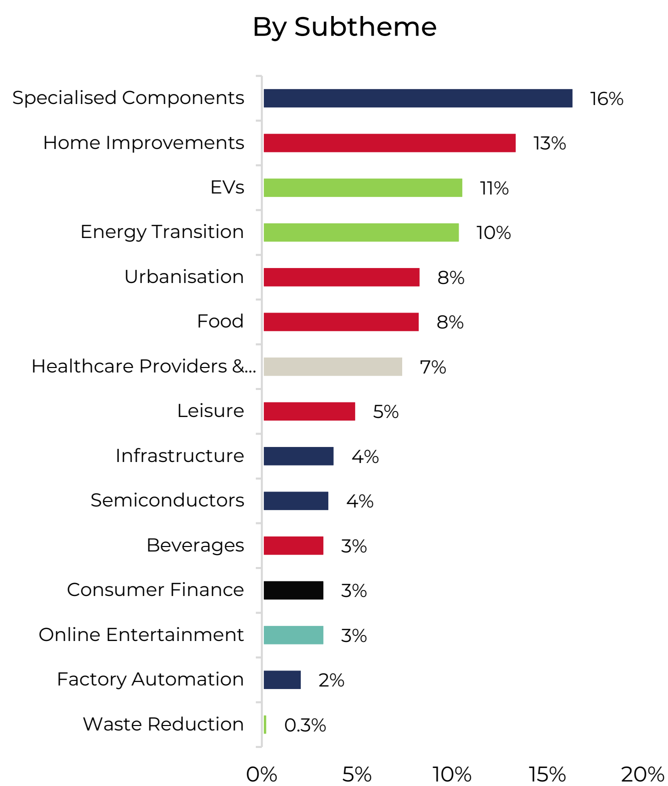
Portfolio Changes

No portfolio changes were made.

PORTFOLIO POSITIONING

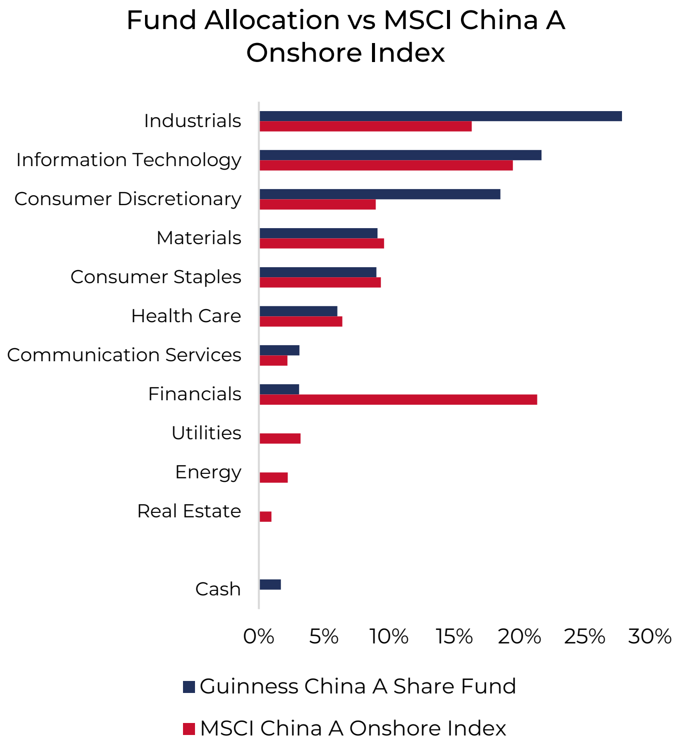
By theme, the Fund's largest exposures are to the Rise of the Middle Class, followed by Manufacturing Upgrades and Sustainability. Important subthemes include Specialised Components, Home Improvements, EVs and Energy Transition.

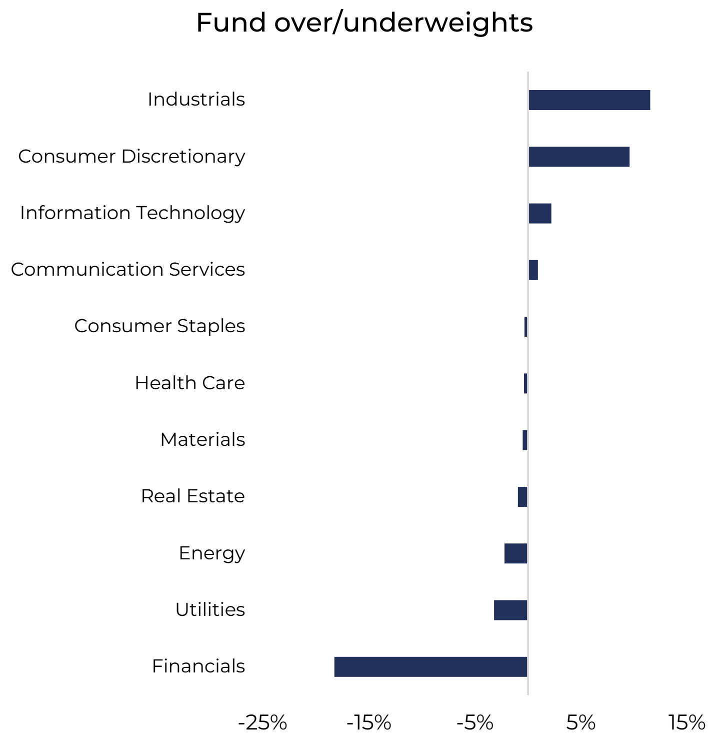




Data as of 31/03/25, source: Guinness Global Investors calculations. Data assumes portfolio is equally weighted

On a sector basis, the Fund's largest exposures are to the Industrials, Information Technology and Consumer Discretionary sectors. Relative to the MSCI China A Onshore Index, the Fund is overweight in the Industrials and Consumer Discretionary sectors. The Fund is underweight in the Financials sector.





Data as of 31/03/25, source: Guinness Global Investors calculations, Bloomberg

Exposure to the US

For the Fund, 79% of revenue is derived from China and 21% from abroad. Stocks with greater US exposure are Haier Smart Home, Shenzhen Mindray Biomedical, Hongfa Technology and Midea.

- Haier Smart Home (30% of revenue from US) – Haier is one of the world's largest home appliances companies, selling goods such as air conditioners, fridges and washing machines. Of sales to the US, 50% of production is in the US, 30% is in Mexico and 15% is in China. The company is now considering relocating some offshore production into the US, and to set up new factories in countries with low tariffs with the US. The associated increase in costs may be partly shared with suppliers and consumers through price hikes in the US.

- Shenzhen Mindray Biomedical (8% of revenue from US) – for some years, the company has already been subject to a 25% tariff. Mindray has 13 overseas production sites, some of which have been approved by the US FDA.

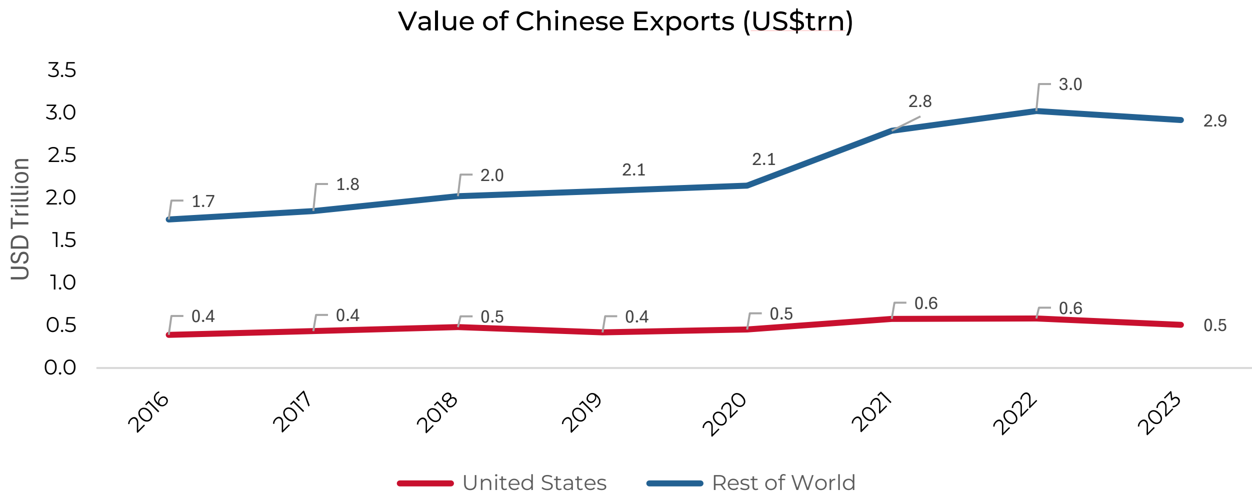
- Hongfa Technology (c.7% of revenue directly from the US) – Hongfa has already been subject to 25% tariffs in the US since 2019 but its sales to the US have nevertheless done well. Hongfa has built additional factories in Germany and Indonesia and though these countries are now subject to tariffs, their tariff rates are lower than the China rates, so the company can move production around. For higher end relays, there are few alternative providers for Hongfa's customers to pick from so we expect the tariff burden to be shared.

- Midea (6% of revenue from the US) – Midea is one of the world's largest household appliances firms, well known for its air conditioning business. Though not disclosed in its annual report, separately Midea has indicated sales to the US are worth only 6% of revenue. This is mostly via the home appliances segment rather than the air conditioning business. Over the past few years, Midea has been expanding its footprint worldwide and now has production plants in Brazil, Indonesia, Italy, Thailand, India, Mexico and Egypt. The company can use these various sites, which have lower tariffs than China, to sell into the US. That said, with higher tariffs it is likely margins on US sales are to fall.

OUTLOOK

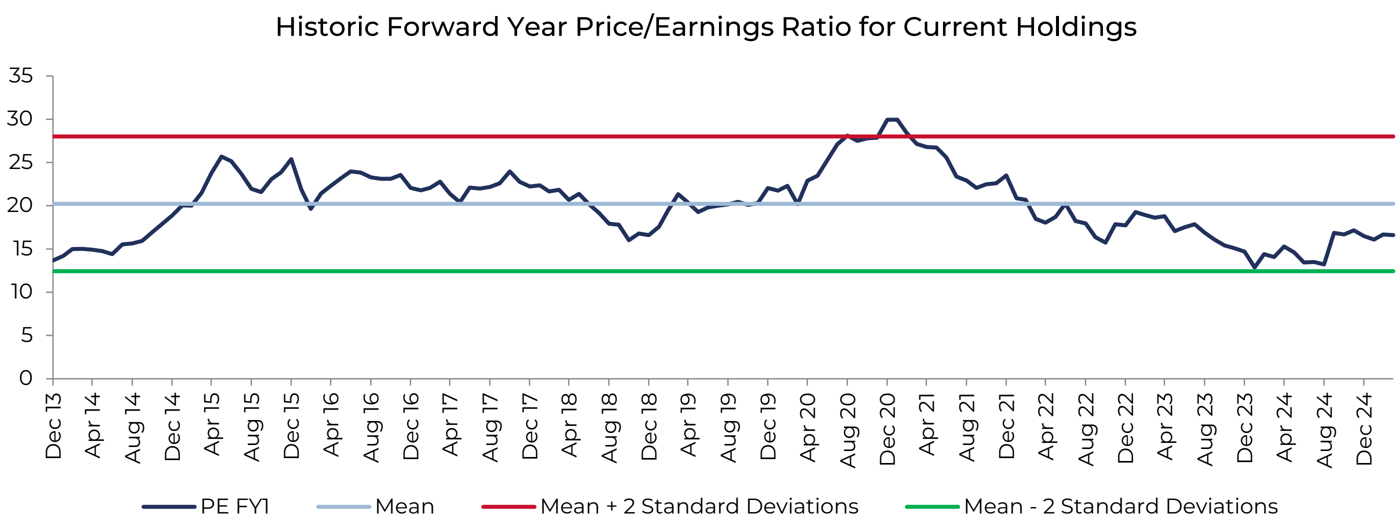
On the 3rd April, Trump imposed a 34% reciprocal tariff on imports from China, which is on top of the existing 20% tariffs introduced this year. This means the tariffs on China are now ~60-65%. In response, China imposed a 34% tariff on all imports from the US, as well as introducing further restrictions on rare earth exports to the US and an anti-trust probe into the local subsidiary of DuPont. Some American companies were added to the Unreliable Entity List and Export Control List.

It is likely the new tariffs on China are to drag China's GDP growth rate lower by up to two percentage points, but this assumes no policy reaction by the Chinese. Based on the commentary from the People's Daily (the Party Central Committee's official newspaper), to mitigate the impact of tariffs we may see further cuts to interest rates and the required reserve ratio. It is implied there is room for a further increase in fiscal deficits and issuance of special government bonds. This is likely to be used to fund increases in the household trade in program and corporate equipment upgrade programs.



Data as of 31/12/23, source: Guinness Global Investors calculations, IMF Direction of Trade Statistics

The People's Daily also points out that the economy is less reliant on exports to the US than in Trump's first term. In 2016, China's exports to the US accounted for 19% of its total exports. By 2024, this share had fallen to ~15%. Europe and emerging markets have been increasingly the focus of China's exports and this trend is likely to accelerate as a result of the US's actions.



Data from 31/12/13 to 31/03/25, source: Guinness Global Investors calculations, Bloomberg

For the Fund's holdings, the chart above shows the historic forward year price/earnings (P/E) ratio. From a valuation perspective, we are at very different levels to Trump's first term. In Feb-18, the month before Trump first initiated tariffs, our holdings were valued at 21.7x on a forward P/E basis and they de-rated to a low of 16.0x. Today, the economy is mid-way through an economic transition away from property towards the new pillar industries, and tariffs have been expected, though the pace of implementation was likely not. As of Mar-25, our holdings were valued on a forward P/E of 16.6x i.e. in line with the low of Trump's first term. But with 79% of the Fund's revenue from China, the direct impact on the Fund's revenue and earnings is limited. The sell-off in the first few days of April does seem to be overdone for our quality set of companies, as even companies with zero exposure to the US have seen their share prices fall significantly.

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

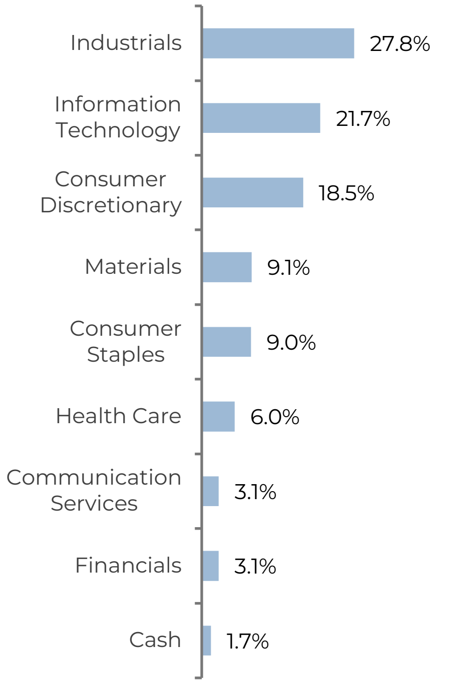
GUINNESS CHINA A SHARE FUND - PORTFOLIO

Top 10 holdings

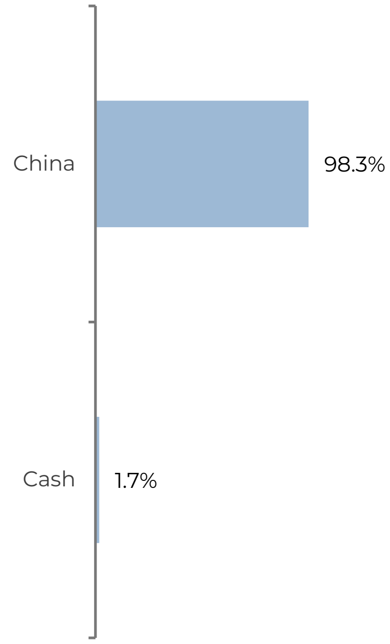
Shengyi Technology	4.4%
Shenzhen Inovance Technology	4.2%
Shandong Himile MS&T	4.1%
Xiamen Faratronic Co Ltd	3.7%
Hongfa Technology	3.7%
Sino Wealth Electronic Ltd	3.6%
Zhejiang Jingsheng Mechanical	3.4%
Jiangsu Hengli Hydraulic	3.3%
Hangzhou First Applied Materials	3.3%
NARI Technology	3.3%

Top 10 holdings	37.1%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

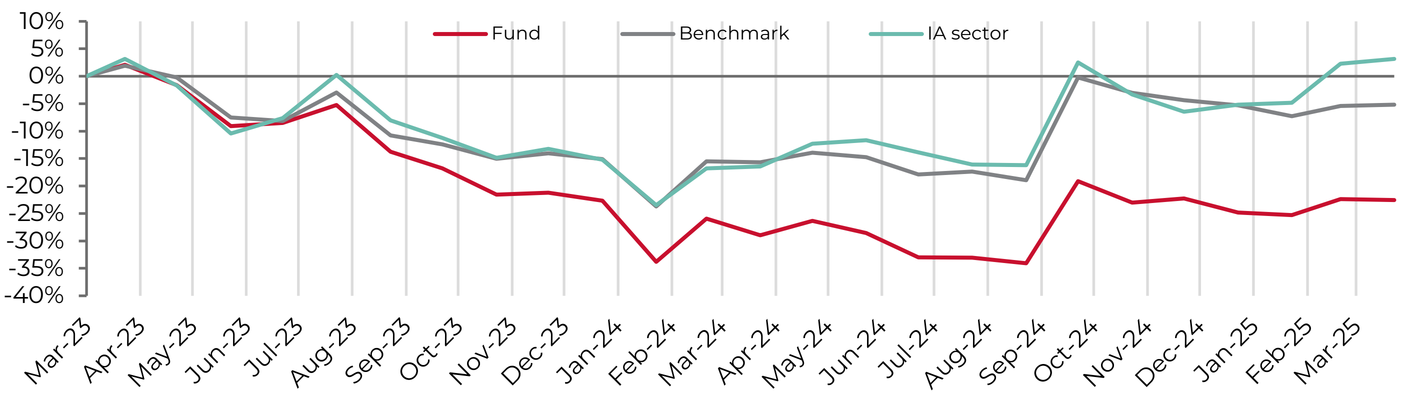
GUINNESS CHINA A SHARE FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-2.7%	-0.1%	+6.7%	-	-	-
MSCI China A Onshore TR	-2.2%	-2.9%	+10.1%	-	-	-
IA China/Greater China TR	-1.6%	+5.6%	+20.8%	-	-	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-0.2%	+3.0%	+9.0%	-	-	-
MSCI China A Onshore TR	+0.3%	+0.1%	+12.5%	-	-	-
IA China/Greater China TR	+0.9%	+8.8%	+23.4%	-	-	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-3.9%	-1.3%	+9.0%	-	-	-
MSCI China A Onshore TR	-3.5%	-4.0%	+12.5%	-	-	-
IA China/Greater China TR	-2.9%	+4.3%	+23.4%	-	-	-

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 31.03.25. 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 .

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, 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 SwitzerlandReyl & 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.