# Guinness Greater China

Investment Commentary – June 2025

## RISK

This is a marketing communication. Please refer to the prospectus, supplement, KIDs and KIIDs for the Funds (available on our website), which contain detailed information on their characteristics and objectives and full information on the risks, before making any final investment decisions.

The Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. The value of an investment can fall as well as rise as a result of market and currency movement, and you may not get back the amount originally invested.

Past performance does not predict future returns.

## ABOUT THE STRATEGY

| | |
|---|---|
| **Launch** | 15.12.2015 |
| **Index** | MSCI Golden Dragon |
| **Sector** | IA China & Greater China |
| **Managers** | Sharukh Malik CFA<br>Edmund Harriss |
| **EU Domiciled** | Guinness Greater China Fund |

## OBJECTIVE

The Guinness Greater China Fund is designed to provide investors with exposure to economic expansion and demographic trends in China and Taiwan. The Fund is managed for capital growth and invests in profitable companies generating persistently high return on capital over the business cycle. The Fund is actively managed with the MSCI Golden Dragon used as a comparator benchmark only.

## CONTENTS



## SUMMARY


In May, the Guinness Greater China Fund (Y class, GBP) rose by 2.9%, while the benchmark, the MSCI Golden Dragon Index Net Total Return Index ("MSCI Golden Dragon Index") rose by 5.6%, and the MSCI China Net Total Return Index ("MSCI China Index") rose by 1.8%. Therefore, in the month, the Fund underperformed the MSCI Golden Dragon Index by 2.7 percentage points and outperformed the MSCI China Index by 1.1 percentage points.

In the month, the strongest stocks in the Fund were CSPC Pharmaceutical, Elite Material, and Inner Mongolia Yili. The weakest were JD.com, Hangzhou First Applied Material, and Haitian International.

In May, contributors to Fund performance were stock selection in the Information Technology, Consumer Discretionary, and Financials sectors. The main detractor was the underweight to Tencent.


*Analysis continued overleaf*

## MACRO REVIEW

After talks in Geneva, the US lowered tariffs on China to 30% and China lowered its tariffs to 10%. Taking into account existing tariffs from Trump's first term, as well as sectoral tariffs applying to all countries, the US' effective tariff on China is now c.39% and China's effective tariff on the US is c.30%. However, tensions between the two countries have increased on other fronts. The US accused China of being slow to remove non-tariff countermeasures, such as the restriction of rare earth metal exports and blacklisting of US companies. In turn, China accused the US of going against the spirit of the Geneva deal, such as by pushing against other countries using Huawei chips, prohibiting American chip design software companies from selling to China and cancelling visas for Chinese students.

Macro data in April was mixed. Industrial production rose by 6.1% year-on-year (all growth figures in YoY unless otherwise stated). Retail sales growth decelerated from 5.9% in March to 5.1% in April. The bright spots were in goods eligible for government subsidies, such as household appliances and smartphones, while data was generally soft for non-eligible goods. Fixed asset investment grew by 3.6%, with an 8.2% growth in manufacturing investment and a 5.8% growth in infrastructure investment offset by an 11.3% contraction in real estate investment.

Consumer price inflation (CPI) was -0.1% in April. Core CPI, which excludes food and energy prices, was 0.5%. Producer prices continued to fall, at a rate of -2.7% in April. The real estate market remains weak. In May, the top 100 developers' contract sales fell 10% versus the 9% fall in April. State-owned developers outperformed with a 4% fall compared to a 15% fall for private developers.

The Caixin Manufacturing Purchasing Managers' Index (PMI) fell by 2.1 percentage points (pp) to 48.3 in May - a reading below 50 indicates weakening activity. Meanwhile, the official China's National Bureau of Statistics (NBS) PMI rose by 0.5pp to 49.5, which still indicates a contraction but an improvement from April. The Caixin PMI has more exposure to private, export-facing firms, while the NBS has more exposure to domestic state firms. Therefore, the different movements in each PMI may have been driven by these differences in exposure. The output and forward-looking components in the Caixin PMI fell notably while they rose slightly in the NBS PMI. More encouragingly, the future output reading increased in both PMIs, suggesting production may rise, potentially on the back of the deal reached in Geneva.

The People's Bank of China (PBOC) cut short-term interest rates (seven-day reverse repo) by 0.1 pp to 1.4%. This was followed by a similar cut in the one-year and five-year loan prime rates. The one-year loan prime rate is used to price household and corporate loans, while the five-year rate is used to price mortgages. Deposit rates were also cut by 0.1pp, preserving net interest margins for the banks. Rates for relending programs were cut by 0.25pp, providing cheaper funding to banks. The required reserve ratio was cut by 0.5pp, releasing a further CNY 1 trn of liquidity (assuming USDCNY 7.20, this is equivalent to c.$139bn).

The PBOC will launch a relending facility worth CNY 500bn ($69bn) to support elderly care and consumption of services such as catering, culture, sports, entertainment and education. This represents further support for the consumer. Earlier in the year, funds allocated to the household trade in program were doubled to CNY 300bn ($42bn). Along with increases to the basic pension and medicare worth CNY 384bn ($53bn), that now totals CNY 1.2 trn ($164bn) of support. Compared to last year's retail sales of CNY 49 trn ($6.8 trn), the government support is now worth 2.4% of retail sales which is meaningful.

Relending quotas are to be increased by CNY 300bn ($42bn) for technological innovation, the funds of which are used to support equipment and technical upgrades in key sectors. Funds are also used to support tech firms who are in an earlier stage of development. Relending quotas will also be increased by CNY 300bn ($42bn) for small and medium enterprises (SMEs) and the agricultural sector. Cheaper relending loans will be provided to technological companies intending to issue bonds.

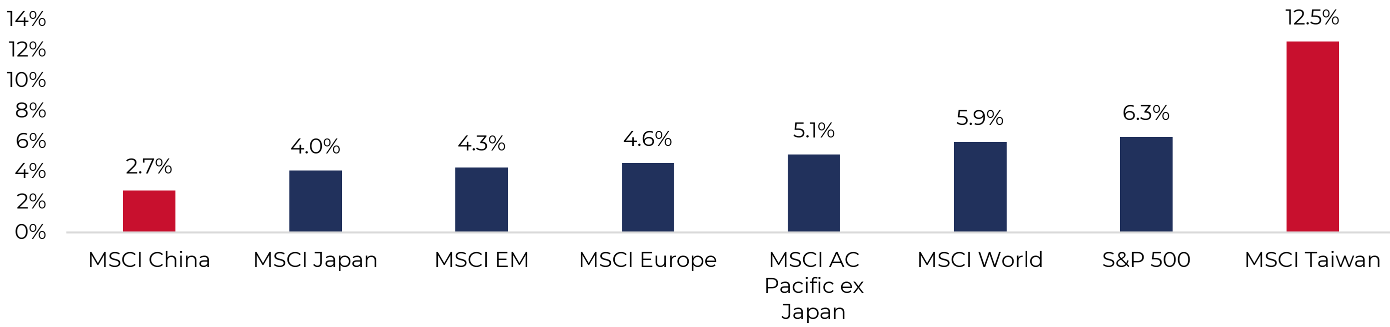
The first ever law promoting the private sector was passed. The law requires private companies and state-owned enterprises (SOEs) to be treated equally in areas such as market access, financing and procurement. The rights and interests of the private sector, including intellectual property, were formally outlined. Delayed payments from the government and its various branches to the private sector were also discouraged.

Against the dollar, the Renminbi appreciated by 1.0% in May, from 7.2713 at the end of April to 7.1990 at the end of May.

## MARKET COMMENTARY

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

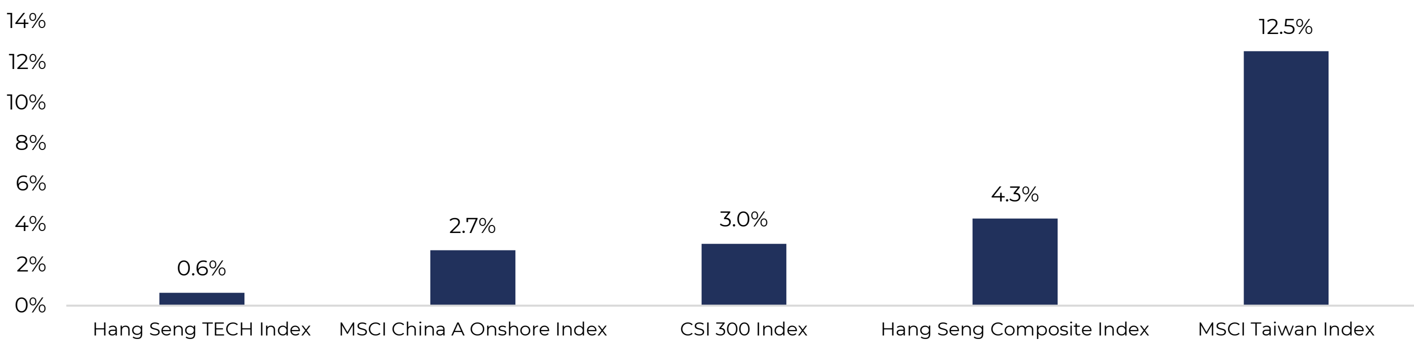
Returns by Market in May




*Data from 30/04/25 to 31/05/25, returns in USD, source: Bloomberg, Guinness Global Investors calculations*

The MSCI China Index rose by 2.7% in April versus the MSCI World Index, which rose by 5.9%. Taiwan was strong in May as the MSCI Taiwan Index rose by 12.5%, and all sectors within the index rose. A recovery in performance for AI-related stocks in the US led to good performance for TSMC, which rose by 15% and accounts for 52% of the Taiwan index. Additionally, a stronger Taiwanese dollar led to higher USD returns, as investors globally show signs of moving away from the dollar.

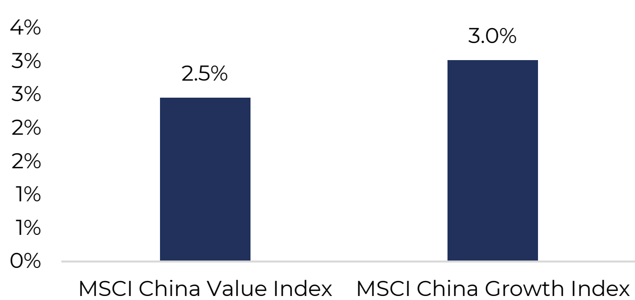
Returns by Local Market in May



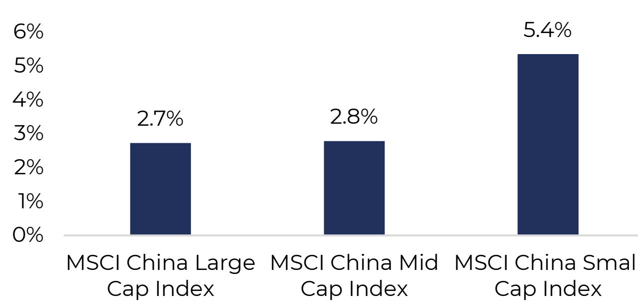

*Data from 30/04/25 to 31/05/25, returns in USD, source: Bloomberg, Guinness Global Investors calculations*

Offshore markets outperformed as the Hang Seng Composite Index rose by 4.3% while the MSCI China A Onshore Index rose by 2.7%.

Value vs Growth in May

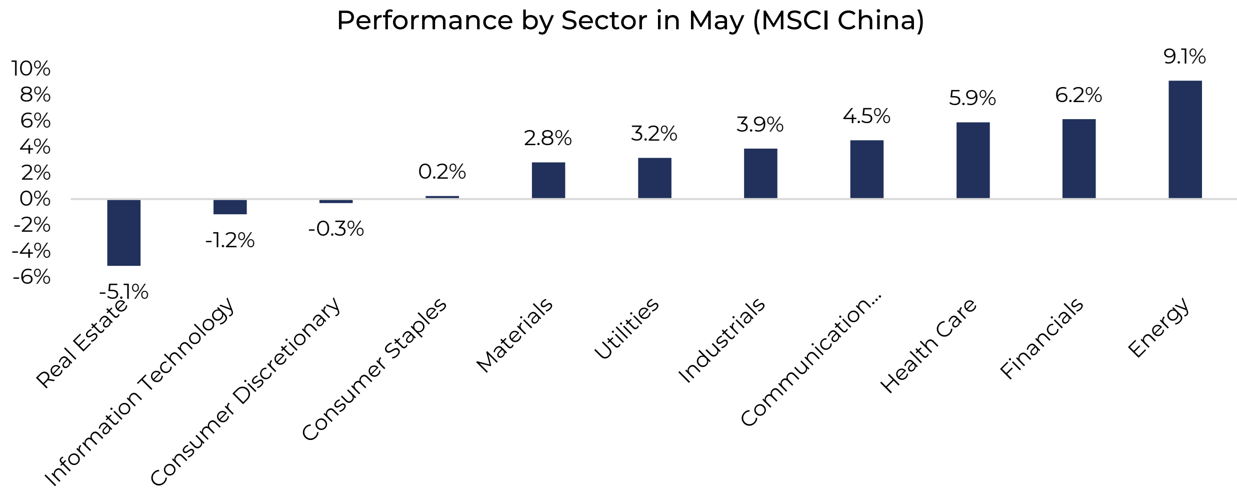



Performance by Size Factor in May




*Data from 30/04/25 to 31/05/25, returns in USD, source: Bloomberg, Guinness Global Investors calculations*

Value and growth stocks performed similarly, rising 2.5-3.0%. Small caps outperformed, rising 5.4%.




*Data from 30/04/25 to 31/05/25, returns in USD, source: Bloomberg, Guinness Global Investors calculations*

The best performing sectors were Energy (total return +9.1%), Financials (+6.2%), and Health Care (+5.9%). The strength in Financials was led by the large state-owned banks as well as insurance companies. In Healthcare, certain companies reported good progress on pipeline drugs and/or licensed out early-stage drugs.

The weakest sectors were Real Estate (-5.1%), Information Technology (-1.2%), and Consumer Discretionary (-0.3%). In the Real Estate sector, the absence of further stimulus was likely the reason for subdued performance. In the Information Technology sector, Sunny Optical, Kingdee International Software, and Hua Hong were the main laggards. In the Consumer Discretionary sector, Alibaba, Pinduoduo, and Nio were weak.

## ATTRIBUTION

In May, the Guinness Greater China Fund (Y class, USD) rose by 3.9%, while the benchmark, the MSCI Golden Dragon Index, rose by 6.6%, and the MSCI China Index rose by 2.7%. Therefore, in the month, the Fund underperformed the MSCI Golden Dragon Index by 2.7percentage points and outperformed the MSCI China Index by 1.2 percentage points.

The MSCI Golden Dragon Index is a weighted average of the MSCI China, Taiwan, and Hong Kong indexes. As of the end of May, Taiwan's weight in the Golden Dragon Index was c.36%. In the Fund, we hold two positions in Taiwan, which collectively have a neutral weight of c.6.6%. As Taiwan outperformed China, the Fund's underweight to Taiwan was a drag on performance.

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

- Stock selection in the Information Technology sector, driven by Elite Material and TSMC.
- Stock selection in the Consumer Discretionary sector, driven by Alibaba, Midea, and Pinduoduo (not held).
- Stock selection in the Financials sector, driven by Hong Kong Exchanges & Clearing, AIA Group, and China Merchants Bank.

In April, areas that detracted from the Fund's relative performance were:

- Underweight to Tencent. The Fund is run on an equally weighted basis, and so each position has a neutral weight of 3.3%. As of the end of May, Tencent's weight in the MSCI China Index was 17%, making it the largest stock by far in that index. It outperformed, and so the Fund benefited from less of its outperformance than the index.

## PORTFOLIO CHANGES

### Sells

**CSPC Pharmaceutical** has, for some years, been transitioning away from its generics portfolio towards a new innovative set of products. Due to government policy, CSPC's generics drugs have faced significant pricing pressure. We expected that the company's new innovative drugs, which face much lower pricing pressure, would offset the weakness from the generics segment. But this has not been the case, and management admitted it would take another year or two for the new drugs to come through. We have given the business some time to show it could deliver, but after the fourth quarter results, we came to the conclusion that the business is likely to face a constant drag from the generics business.

**Chongqing Fuling Zhacai** is a condiment manufacturer that is well known for its zhacai pickled condiments. The business certainly has pricing power but has found it difficult to grow volume outside of its core regions. Fuling Zhacai has tried to find new growth drivers through other condiments such as paocai, but this has not delivered, so now the company is turning to acquisitions to drive growth. Overall, the business has failed to deliver the structural growth we aim for in a subdued macro environment.

### Buys

**Meituan** operates China's largest food delivery platform and also has other services, including:

1. Bookings for in-store dining, hotel, and travel.
2. Intercropping, which is on-demand delivery in tier-one cities, covering both food and non-food items.
3. Meituan Select, which is a community group buying business focused on supermarket goods in lower-tier cities.

In response to Meituan's progress in on-demand delivery, JD.com (held in the Fund) has entered the food delivery industry. JD has provided significant subsidies to both customers and drivers, allowing it to rapidly gain market share. This has forced Meituan to respond by also subsidising prices, leading to likely lower margins in the coming quarters and a reduction in its valuation multiple.

We think Meituan has strong competitive advantages, which should allow it to handle JD's entry into the market. One of Meituan's strongest advantages is the network it has built up; it has the most merchants, customers, and drivers in China. For many customers, Meituan is the app they naturally think of when it comes to food delivery. The more merchants Meituan signs up to its app, the more entrenched its position becomes. As a result of having the most drivers, it also has lower wait times, which further increases its attraction to both customers and merchants. Another competitive advantage of Meituan is its technological infrastructure – this allows it to deliver orders quicker than its competitors. There is also likely a limit to how much JD may spend on subsidies.

Though there are new competitive threats to Meituan, for the lower valuation now on offer, we believe the risk-reward ratio is more favourable than existing holdings in the Fund.

**BYD** is the world's largest electric vehicle (EV) company by sales volume. In China, so far this year, it has a 27% market share (measured by volume) in the EV market. For context, the next largest company is Tesla with 5% market share. Though China's EV market is the world's largest, competition remains intense, and so the export market is a key source of future growth. Here, BYD is doing well; in the first four months of this year, exports accounted for more than 20% of BYD's total sales volume, versus 12% last year. The largest EV markets in the world outside of China are the US, Germany, the UK, and France. BYD does not sell its cars in the US, so it is not directly exposed to US tariffs – an attractive trait from our perspective. In the first four months of this year, BYD's sales volume in Germany and the UK was:

- Germany: 2,800 cars sold (vs 576 cars in the first four months of 2024). Current market share is 0.3%, vs Chinese brands' total market share of 0.6%.

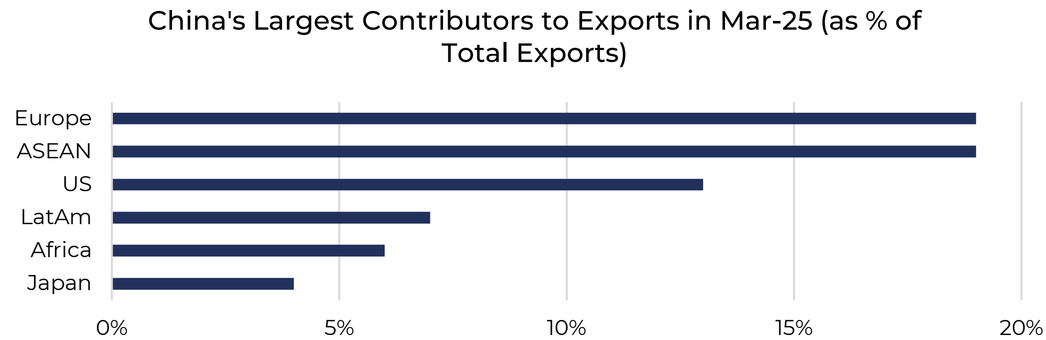
- UK: 12,000 cars sold (vs 1,600 cars in the first four months of 2024). Current market share is 1.7%, vs Chinese brands' total market share of 3.9%.

BYD's management says their competitive advantages include technological leadership, cost advantages, and efficient decision making. On technology, at the same price point, BYD cars generally have a longer range than most of their competition. BYD has cost advantages due to its lower battery costs, which are made in-house, a more advanced EV platform and architecture, a far more competitive local supply chain, and economies of scale. This means BYD's margins are higher than their competitors, allowing them to cut prices and maintain profitability.

While we do think the competition is likely to gradually catch up, we think it may take several years for Western and Asian competitors to do so. Despite its strong share price performance, BYD's earnings estimates have also increased, and so for the growth on offer, valuations are compelling from a risk-reward perspective.

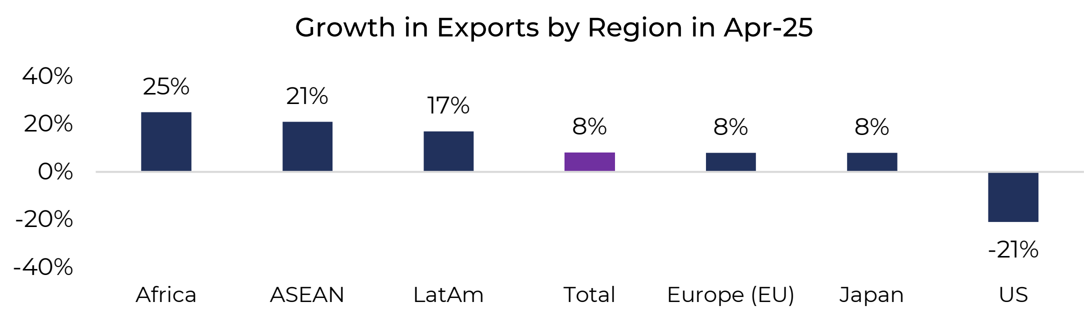
## OUTLOOK

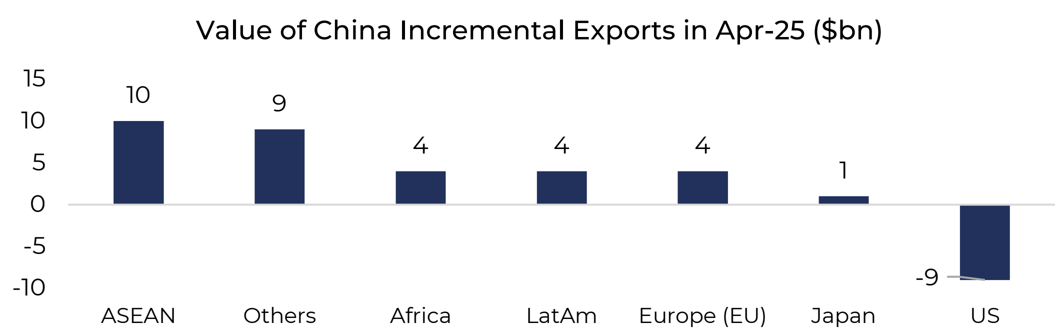
In March (before US tariffs on China rapidly increased), exports to the US accounted for only 13% of China's total exports. Or in other words, 87% of China's exports were to the rest of the world. Despite the higher tariffs Chinese exports currently face, and even assuming that they rise from the current 30% level to say 80% as suggested by Trump, we argue China's exports are now diversified enough to weather the storm.




*Source: China Customs, UBS, Guinness calculations, April 2025*

Regardless of the high tariffs on Chinese exports to the US, Chinese exports in total still rose by 8.1% in April. Exports to the US fell by 21%, which in absolute terms represented a drop of $9bn. But exports to ASEAN grew by 21% which in absolute terms was an increase of $10bn; to Latin America exports rose by 17% ($4bn); to Africa exports rose by 25% ($4bn) and to Europe exports rose by 8% ($4bn).




*Source: China Customs, UBS, Guinness calculations, April 2025*

**Portfolio Managers**
Sharukh Malik
Edmund Harriss

## GUINNESS GREATER CHINA FUND - FUND FACTS

| | |
|---|---|
| Fund size | $9.2m |
| Fund launch | 15.12.2015 |
| OCF | 0.89% |
| Benchmark | MSCI Golden Dragon TR |

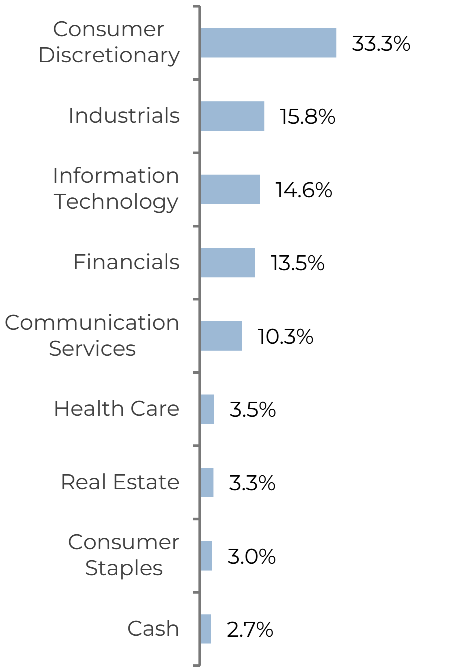
## GUINNESS GREATER CHINA FUND - PORTFOLIO

### Top 10 holdings

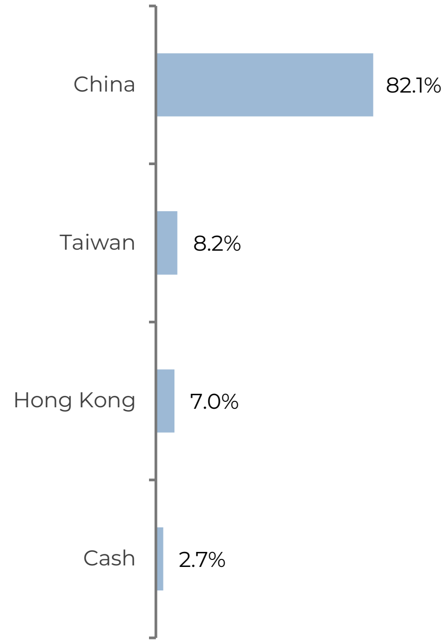
| | |
|---|---|
| Elite Material | 4.6% |
| Tencent Holdings | 4.2% |
| NetEase | 3.8% |
| HKEX | 3.7% |
| Geely Automobile Holdings | 3.6% |
| Taiwan Semiconductor | 3.5% |
| Sino Biopharmaceutical | 3.5% |
| Midea Group | 3.5% |
| Shenzhen H&T Intelligent | 3.4% |
| Shenzhen Inovance Technology | 3.4% |

| | |
|---|---|
| Top 10 holdings | 37.2% |
| Number of holdings | 30 |

### Sector




### Country



Past performance does not predict future returns.

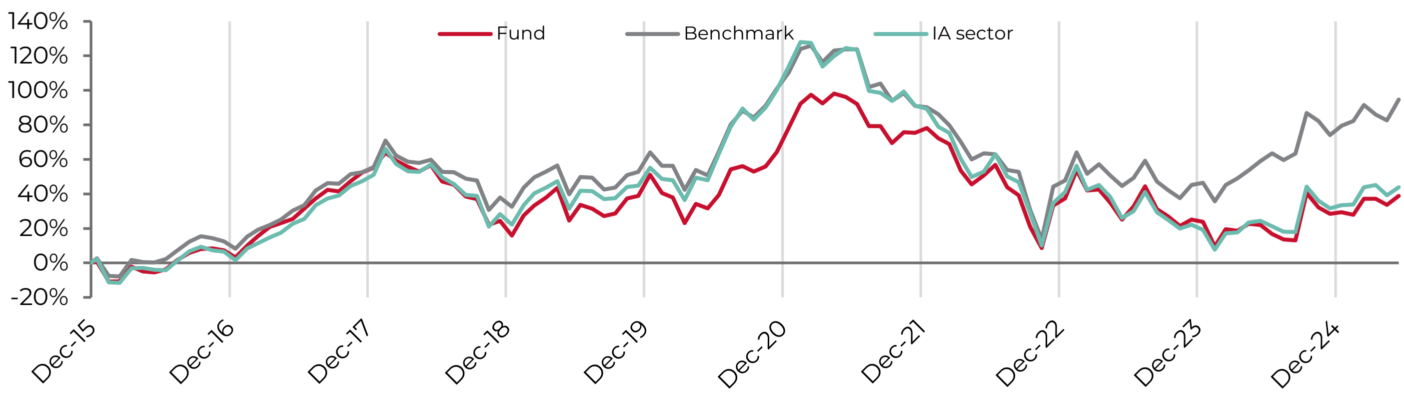
## GUINNESS GREATER CHINA FUND - CUMULATIVE PERFORMANCE

| (GBP) | 1 Month | YTD | 1 yr | 3 yr | 5 yr | 10 yr |
|---|---|---|---|---|---|---|
| Fund | +2.9% | -0.4% | +7.5% | -13.9% | -3.3% | - |
| MSCI Golden Dragon TR | +5.6% | +0.7% | +15.5% | +11.3% | +18.4% | - |
| IA China/Greater China TR | +2.4% | +0.2% | +9.3% | -12.0% | -10.8% | - |
| **(USD)** | **1 Month** | **YTD** | **1 yr** | **3 yr** | **5 yr** | **10 yr** |
| Fund | +3.9% | +7.3% | +13.8% | -7.9% | +5.5% | - |
| MSCI Golden Dragon TR | +6.6% | +8.5% | +22.4% | +19.1% | +29.2% | - |
| IA China/Greater China TR | +3.3% | +7.9% | +15.8% | -5.9% | -2.7% | - |
| **(EUR)** | **1 Month** | **YTD** | **1 yr** | **3 yr** | **5 yr** | **10 yr** |
| Fund | +4.0% | -2.1% | +8.8% | -13.1% | +3.4% | - |
| MSCI Golden Dragon TR | +6.7% | -1.1% | +17.0% | +12.4% | +26.6% | - |
| IA China/Greater China TR | +3.5% | -1.6% | +10.7% | -11.2% | -4.6% | - |

## GUINNESS GREATER CHINA FUND - ANNUAL PERFORMANCE

| (GBP) | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fund | +6.4% | -15.0% | -13.3% | +1.0% | +14.2% | +25.3% | -20.7% | +37.6% | +22.1% | - |
| MSCI Golden Dragon TR | +24.7% | -6.5% | -12.6% | -8.6% | +24.2% | +19.0% | -9.5% | +31.3% | +25.7% | - |
| IA China/Greater China TR | +13.8% | -20.2% | -16.0% | -10.7% | +33.6% | +22.2% | -14.2% | +35.9% | +18.5% | - |
| **(USD)** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
| Fund | +4.5% | -9.9% | -23.0% | +0.1% | +17.9% | +30.4% | -25.3% | +50.4% | +2.3% | - |
| MSCI Golden Dragon TR | +22.5% | -0.9% | -22.3% | -9.5% | +28.2% | +23.8% | -14.8% | +43.8% | +5.4% | - |
| IA China/Greater China TR | +11.8% | -15.4% | -25.4% | -11.5% | +37.8% | +27.1% | -19.2% | +48.7% | -0.7% | - |
| **(EUR)** | **2024** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
| Fund | +11.5% | -12.9% | -17.9% | +7.7% | +8.1% | +32.8% | -21.5% | +32.3% | +5.5% | - |
| MSCI Golden Dragon TR | +30.7% | -4.3% | -17.3% | -2.6% | +17.6% | +26.1% | -10.5% | +26.3% | +8.6% | - |
| IA China/Greater China TR | +19.2% | -18.3% | -20.5% | -4.8% | +26.4% | +29.4% | -15.1% | +30.6% | +2.3% | - |

## GUINNESS GREATER CHINA FUND - PERFORMANCE SINCE LAUNCH (USD)




Source: FE fundinfo net of fees to 31.05.25. 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 Greater China Fund. It may provide information about the Fund's portfolio, including recent activity and performance. It contains facts relating to the equity markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report. OCFs for all share classes are available on www.guinnessgi.com.

This document is provided for information only and all the information contained in it is believed to be reliable but may be inaccurate or incomplete; any opinions stated are honestly held at the time of writing, but are not guaranteed. The contents of the document should not therefore be relied upon. It should not be taken as a recommendation to make an investment in the Fund or to buy or sell individual securities, nor does it constitute an offer for sale. If you decide to invest, you will be buying shares in the Fund and will not be investing directly in the underlying assets of the Fund.

**Documentation**

The documentation needed to make an investment, including the Prospectus, Supplement, 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 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.