Guinness China RMB Income

Investment Commentary – November 2026

RISK

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

The Guinness China RMB Income Fund is a bond fund. Investors should be willing and able to assume the risks of bond and fixed income 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 may invest more than 35% of its assets in transferable securities and money market instruments issued or guaranteed by certain government or public issuers. The Investment Manager currently expects that any such exposure above 35% would only be considered in respect of securities issued or guaranteed by the Government of the People's Republic of China.

Past performance does not predict future returns.

The Guinness China RMB Income Fund aims to provide investors with a combination of capital appreciation and income. The Fund invests in a range of bonds and fixed income investments, which will be denominated or hedged back to Renminbi (Renminbi or RMB being the official currency of China). The Fund buys government and quasi-sovereign bonds in the onshore China bond market and supranational and high-grade corporate credit in the offshore bond market. The Fund is actively managed without reference to a benchmark.

ABOUT THE STRATEGY

Launch	09.03.2023
Sector	IA Specialist Bond

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COMMENTARY

China's economy grew 4.5% year-on-year in the third quarter, ahead of expectations and up from 4.3% in the second quarter, taking growth for the first nine months to 4.6%. September showed the same split as the rest of the year. Industrial output rose 5.5% and retail sales 1.1%, the fastest pace since March. Fixed-asset investment fell 7.2% in the first nine months and property investment 20.6%.

Exports carried the third quarter again. They rose 36.3% from a year earlier in September, and the trade surplus reached USD 133.5bn, the largest since January 2025, taking the total for the first nine months to USD 938bn.

Producer prices rose 5.0% on the year in September, the fastest increase since June 2022, driven by fuel: gasoline prices were 16.6% higher than a year earlier. Consumer prices rose 0.9%. As in August, the rise in factory-gate prices reflects imported energy costs, not stronger domestic demand.

The People's Bank of China (PBoC) left the loan prime rates unchanged for a seventeenth month on 20 October, after the targeted measures announced at the end of September. On 30 October it announced a change to its main policy rate: from 2 November the overnight reverse repo rate, set at 1.25%, replaces the seven-day rate at 1.40%. In the US the Federal Reserve held its target range at 3.75–4.00% on 28 October, by ten votes to two. Both dissenters wanted a further increase, and the statement described growth as strong.

Chinese government bond yields edged lower. The one-year yield fell 5bp to 1.17%, the two-year 1bp to 1.25% and the ten-year 3bp to 1.66%. The US ten-year yield fell more sharply, by 35bp to 4.94%, so the gap between the US and Chinese ten-year yields narrowed from 360bp to 328bp.

The renminbi firmed against the dollar while the dollar rose against the euro. Between the Fund's September and October valuations the offshore renminbi rose 0.82% against the dollar and 2.59% against the euro and was little changed against sterling. Against its trading partners, measured by the China Foreign Exchange Trade System (CFETS) index, it ended October at 103.77, its strongest month-end level since March 2022.

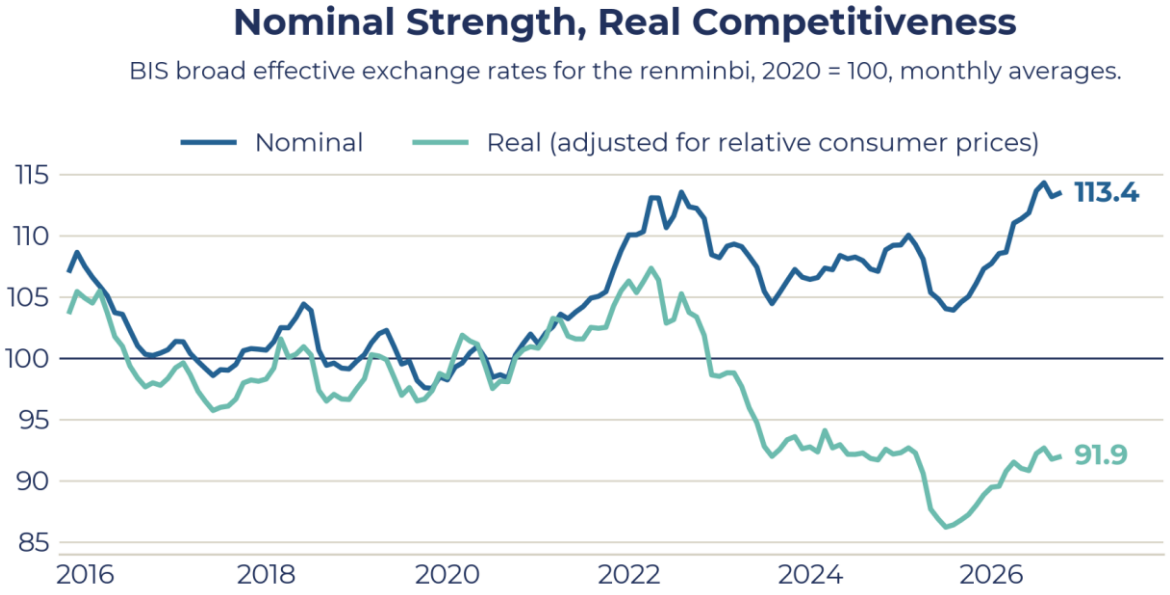
IN FOCUS – BUILDING THE SAFETY NET

We have previously argued that a currency used to settle trade is useful, but that a reserve currency must also give investors somewhere to store value. We also listed what the offshore renminbi market still lacked. October was the first month in which the authorities addressed that list directly.

At the Financial Street Forum on 19 October Pan Gongsheng, Governor of the PBoC, set out a standing system for supplying renminbi liquidity offshore, access to the onshore currency market for eight offshore clearing banks, and a liquidity backstop for the bond market in a forced-selling episode. On 30 October the PBoC also moved its main policy rate to the overnight reverse repo rate, effective 2 November. Of the five gaps we identified previously, three have now moved materially and a fourth, the market's behaviour under stress, has gone from assumed to stated policy.

Additionally, what has remained unchanged equally matters. Capital controls remain, secondary turnover in offshore bonds is still thin, and reserve managers have yet to respond at scale: the renminbi's share of allocated reserves rose to 2.11% in the second quarter, still below its 2021 peak of 2.85%.

The currency's behaviour itself is consistent with a central bank that wants the renminbi held, not managed as an export tool. Against its trading partners it ended October at its strongest level since March 2022, yet in real terms it remains 5.6% below its average since October 2015, so it does not look stretched.



Source: Bank for International Settlements, broad nominal and real effective exchange rates for China (64 economies), BIS data portal. Monthly averages, October 2015 to September 2026, 2020 = 100. The real index adjusts for relative consumer prices.

We set out the argument, and what would show it to be wrong, in '*Building the Safety Net*', available on request.

PORTFOLIO REVIEW

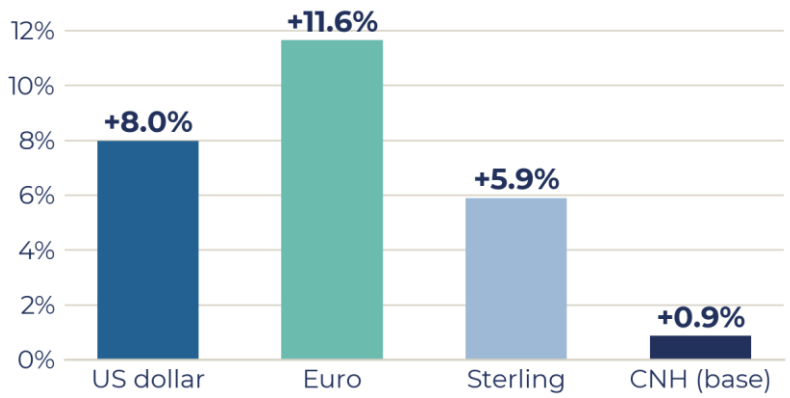
Past performance does not predict future returns.

In October the Fund's US dollar class returned 0.9% and the euro class 2.7%. The CNH base class returned 0.1% and the sterling class 0.1%.

Over the twelve months to 31 October the US dollar class returned 8.0%, the euro class 11.6% and the sterling class 5.9%, against 0.9% for the CNH class. The difference between each class and the CNH class reflects the renminbi's rise against that currency.

Fund Returns Over Twelve Months

Y share classes, total return net of fees, 12 months to 31 October 2026.



Source: Guinness Global Investors, net of fees. Total return in each share class's currency, Y share classes, 12 months to 31.10.26. Past performance does not predict future returns.

In the base currency the holdings contributed 0.13% before fees, almost all of it accrued income, as small gains from lower short-dated yields offset the steady pull of bond prices towards par.

On a weighted average rating factor basis, the portfolio is rated A1, using the best available agency rating for each holding. It yields 1.64% to worst and has a modified duration to worst of 1.22 years, both weighted over net assets.

The Fund made no changes to its holdings in October. The forward contract that hedges the dollar holdings into renminbi was rolled during the month.

OUTLOOK

Like in September, October saw the dollar rise against the euro and the renminbi firmed against both. Last month we said we would revise our view if the PBoC's fixing again leaned against strength or the trade surplus began to narrow. Since month-end, the first condition has been partly met. Through October the PBoC set the daily fixing well below market estimates. On 3 November it raised the foreign exchange reserve requirement ratio from 4% to 6% and set its weakest fixing since late October. Even so, the fixing ended October 0.3% firmer than at the end of September.

We read this as the PBoC slowing the pace of appreciation rather than reversing it. The other condition has not been met: the trade surplus widened to USD 133.5bn in September, its largest since January 2025. Our view on the currency holds, though we would expect a slower pace while the authorities lean against the rally.

Stronger third-quarter growth reduces the case for a broad cut in Chinese rates, and with producer prices rising at their fastest pace in four years the PBoC has little reason to ease beyond the targeted support it announced in September. With benchmark rates on hold and the new overnight policy rate anchoring money-market rates, we do not expect short-dated yields, where the Fund invests, to move far from current levels.

Our positioning is unchanged. The portfolio remains short in duration, high in credit quality and invested entirely offshore, with the dollar holdings hedged into renminbi.

PORTFOLIO HOLDINGS

Holdings (as of 31/10/26)	% of NAV
China Government Bond 3.60% 2028/06	8.2%
Hong Kong Government International Bond 3.30% 2028/01	8.1%
China Government Bond 2.39% 2029/03	8.1%
China Government Bond 2.52% 2028/08	8.1%
China Government Bond 1.80% 2028/02	7.9%
China Government Bond 1.88% 2028/04	7.9%
China Government Bond 1.42% 2029/06	7.9%
China Government Bond 2.28% 2027/03	7.9%
China Government Bond 1.75% 2027/02	7.9%
Export-Import Bank of China 4.15% 2027/06	6.5%
Kreditanstalt fuer Wiederaufbau 2.75% 2027/04	6.4%
Agricultural Bank of China 2.80% 2027/07	4.8%
GACI First Investment 5.00% 2027/10	4.2%
Abu Dhabi Government 1.62% 2028/06	4.0%
Cash	2.1%

All holdings are offshore renminbi bonds, settled in Hong Kong or through Euroclear. Weights include accrued interest. Weights may not sum to 100% because of rounding.