Guinness Greater China

Investment Commentary – August 2023

RISK

This is a marketing communication. Please refer to the prospectus, KIDs and KIIDs 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 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	15.12.2015
Index	MSCI Golden Dragon
Sector	IA China & Greater China
Managers	Sharukh Malik CFA Edmund Harriss
Irish 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.

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COMMENTARY

In July, the Guinness Greater China Fund (Y class, GBP) rose by 7.6%, while the benchmark, the MSCI Golden Dragon Net Total Return Index (MSCI Golden Dragon Index) rose by 5.5%, and the MSCI China Net Total Return Index (MSCI China Index) rose by 9.5%.

Following supportive statements by the Politburo, Chinese markets rallied sharply. While these statements are encouraging, we now await specific policies to improve confidence in the Chinese economy.

Within the Fund, the strongest stock was Elite Material, whose share price was driven by greater demand for AI-linked components. The e-commerce names in the Fund were also strong as the government becomes more accommodative towards the sector. On the other hand, weaker stocks were Wuxi Lead Intelligent Equipment (EV exposure) and Xinyi Solar, which reported weaker interim results. Most of our holdings report their latest results in August.

Foreign Minister Wang Yi and US Secretary of State Antony Blinken met in Jakarta. US Secretary of the Treasury, Janet Yellen, visited Beijing. John Kerry met with Chinese leaders to discuss climate change. It is clear the US administration is trying to engage more with the Chinese to put a floor under US-Chinese relations.

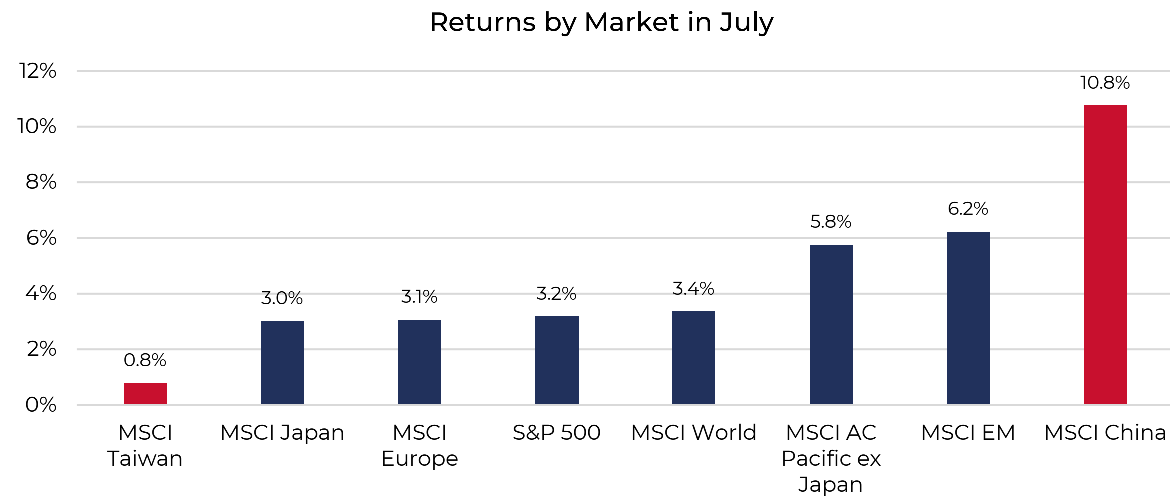
China imposed export restrictions on gallium and germanium, two key materials used for semiconductors. Gallium is used in many applications such as LEDs, power semiconductors, 5G and satellites. Most of the world's refinement of gallium takes place in China.

The Ministry of Commerce announced it will reduce the negative list for foreign investment, a set of industries that foreigners cannot invest in.

Both the NBS Manufacturing Purchasing Managers Index (PMI) and Caixin PMI came in below 50, indicating weakening activity. However, the trends are worth noting. The NBS PMI, which has more of a bias towards domestic facing firms, increased by 0.3 percentage points to 49.3 on a month-on-month basis. On the other hand, the Caixin PMI, which has more of a bias towards private, exporting firms, dropped by 1.3 percentage points to 49.2. This suggests export demand was weak in July. In addition, both PMIs saw a large increase in the price sub-component, which may indicate weakening deflationary pressure in China.

MARKET REVIEW

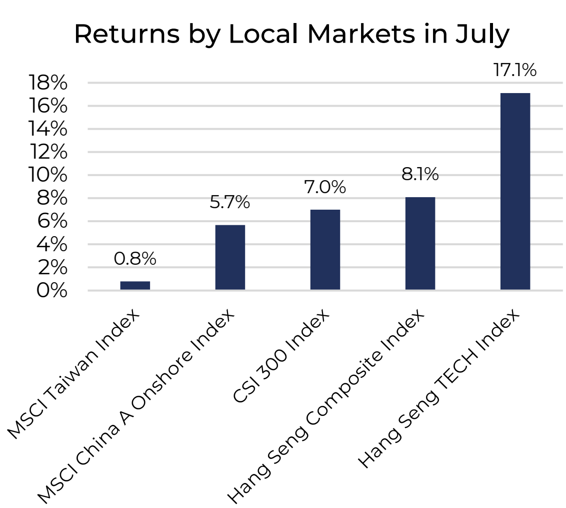
(Performance data in USD terms unless otherwise stated)

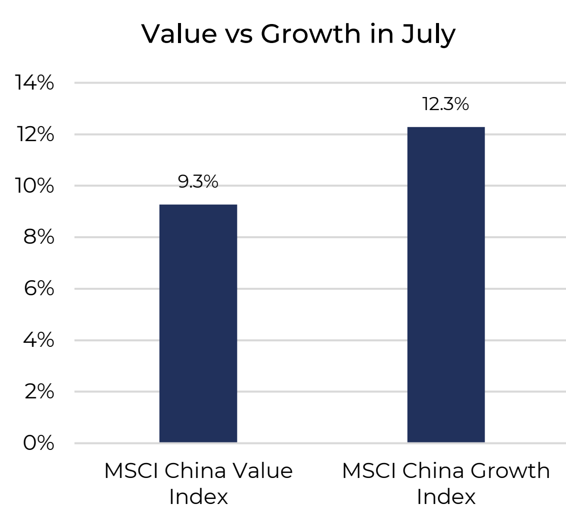


(Data from 30/06/23 to 31/07/23. Returns in USD, source: Bloomberg, Guinness Global Investors calculations)

In July, the MSCI China Index rose by 10.8% compared to the MSCI World Index which rose by 3.4%. Meanwhile the MSCI Taiwan Index rose by 0.8%. Chinese markets were strong on expectations of greater stimulus for the housing market and wider economy. The readout from the Politburo's meeting acknowledged "insufficient domestic demand" and mentioned the need for counter-cyclical economic policy. The need to support the private sector was mentioned, though actions rather than rhetoric are needed at this point. The phrase "housing is for living, not for speculation" was removed from the statement, which was interpreted by most as a sign that more easing measures for the property market are on the way. We saw relief measures for the property market extended for a year; for example, banks can extend the maturity of loans to developers and do not need to raise the risk classification of loans. While this is encouraging, we await more specific easing policies.

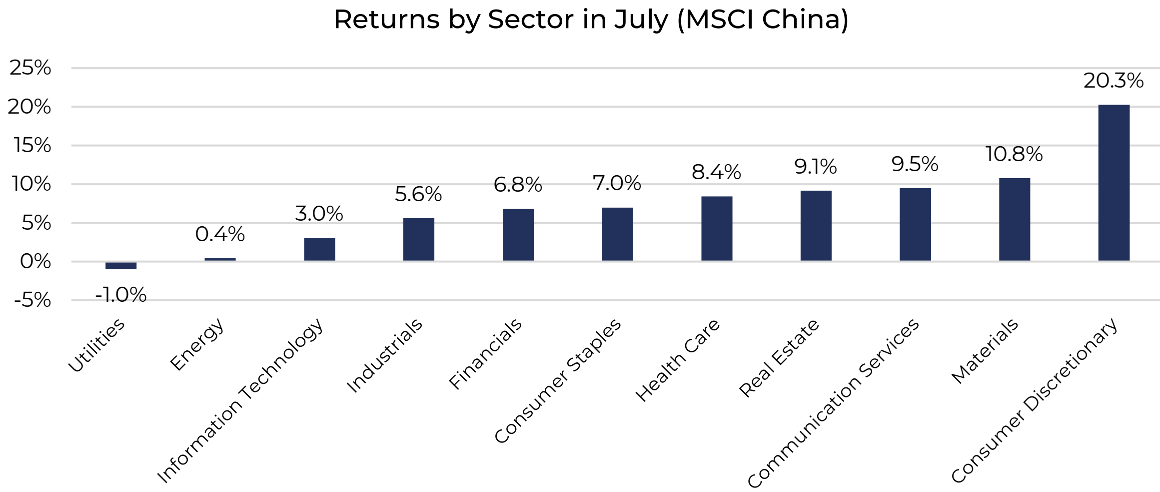
The National Development and Reform Commission (NDRC) put forward 20 broad measures to boost consumption. Some of the measures called for greater purchases of smart home appliances, the development of retail channels in rural areas and the continued buildout of charging infrastructure of EVs. Again, these are encouraging aims, but specific policies are required to build confidence.





(Data from 30/06/23 to 31/07/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

Offshore markets rose by more than onshore markets, as the Hang Seng Composite Index rose by 8.1% while the MSCI China A Onshore Index rose by 5.7%. Taiwan lagged, rising 0.8%. Growth stocks outperformed, with the MSCI China Growth Index rising 12.3% and the MSCI China Value Index rising 9.3%.



(Data from 30/06/23 to 31/07/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

The best performing sectors were Consumer Discretionary, Materials and Communication Services. Consumer Discretionary names were strong due to favourable tax policy for EVs. Until the end of 2025, consumers will receive a tax break of a maximum of CNY 30,000 per EV ($4,170). In 2026 and 2027, the maximum tax break will be halved to CNY 15,000 per vehicle and so therefore EV automobile manufacturers were strong. Also within the sector are the internet platform names which were boosted by positive statements made by Premier Li Qiang and expectations of consumption enhancing policies.

The weakest performing sectors were Utilities, Energy and Information Technology. Utilities underperformed in a strong risk-on environment. Within Information Technology, the solar names were weak across the board – Xinyi Solar (held in the Fund), GVL Technology, JA Solar and Flat Glass were the weakest stocks in the industry. While falling polysilicon prices encourage greater demand for solar panels, it tends to lead to lower prices for firms in the supply chain, impacting profitability.

FUND PERFORMANCE

In July, the Guinness Greater China Fund (Y class, USD) rose by 8.9% while the MSCI Golden Dragon Index rose by 6.8%, and the MSCI China Index rose by 10.8%. Relative to MSCI China Index, areas which helped the Fund's performance were:

- Stock selection in Information Technology. Elite Material benefited from greater demand for its AI-related products (further details below).

- Stock selection in Industrials. Shenzhen Inovance (industrial automation) and Sany Heavy Industry (construction equipment) outperformed the sector.

Areas which detracted from the Fund's relative performance were:

- Underweight in the large internet platform names (Tencent, Alibaba, Meituan, Pinduoduo). As the Fund is equally weighted, each position has a neutral weight of 3.2%. In the MSCI China Index, Tencent and Alibaba have weights of 12.2% and 9.4% respectively. The Fund also holds these two stocks but is structurally underweight, capturing less of their strength in July.

Elite Material was the strongest stock in the Fund in July. It is benefiting from greater demand for its copper clad laminates (CCLs) and switches used in AI-dedicated servers. Elite's second quarter results were much stronger than expected driven by this AI demand. Additionally, strong demand for normal severs was a boost for the company, as Intel rolls out its newest generation of products. As the Fund is equally weighted, when the value of our holding in Elite Material reached 6% of its total net asset value, we rebalanced part of the position to realise some of the gains in the stock.

The e-commerce companies Alibaba and JD.com were also strong. Premier Li Qiang made positive statements regarding the internet platform companies at a meeting with representatives from companies in the sector. Furthermore, fines were issued to the fintech companies Alipay and Tenpay, which are owned by Alibaba and Tencent respectively. This marks a conclusion of the probe by the government into their business models, signalling that from a regulatory perspective, the matter is closed.

Weaker stocks were Wuxi Lead Intelligent Equipment and Xinyi Solar. Wuxi Lead Intelligent Equipment makes battery production equipment, with sales coming from China and Europe. There was no stock-specific news driving the share price and instead, the share price may have simply lost momentum after a sharp rally in the second half of June. Based on consensus analyst estimates, the company is expected to grow earnings by 32% this year and 30% next year.

Xinyi Solar is the world's largest manufacturer of solar glass. In its interim results the company reported year-on-year volume growth of 50%, revenue growth of 25% but a net income contraction of 27%. Volume growth was strong as demand for solar energy continues to grow both domestically and abroad. Revenue growth of 25% is attractive in the current macro environment but lagged volume growth as greater solar glass capacity within the industry led to lower selling prices. The company's gross margin fell by 8.7% percentage points. Natural gas and soda ash prices remained elevated in the first quarter, but the company did not benefit from falling raw material prices in the second quarter. This is because it signed natural gas contracts at the end of last year at fixed prices, when concerns over gas shortages were at their highest. In the second half of the year, management expect to benefit from cheaper gas prices as the contracts roll over. Despite the results, Xinyi Solar is continuing to add capacity in order to gain market share. As the lowest-cost producer in the space with a strong balance sheet, the company is in a good position to take advantage where its smaller competitors are struggling. We expect the supply-demand imbalance to gradually adjust, as smaller peers are unlikely to be able to afford expansion, putting Xinyi Solar in a favourable position.

OUTLOOK

While the Politburo has signalled that stimulus is needed for the economy, we wait for specific details. We believe it is the property market which needs targeted support in the short term, but we also acknowledge that is not in China's long-term interest to repeat the same boom-bust cycle we have seen repeatedly over the past decade. In our view, tax cuts should be extended for consumption, given China's consumption share of GDP lags other major markets. Extending tax cuts for the manufacturing sector may work in the short term, but makes the long-term rebalancing project more difficult.

Portfolio Managers

Sharukh Malik
Edmund Harriss

GUINNESS GREATER CHINA FUND - FUND FACTS

Fund size	$10.3m
Fund launch	15.12.2015
Benchmark	MSCI Golden Dragon TR

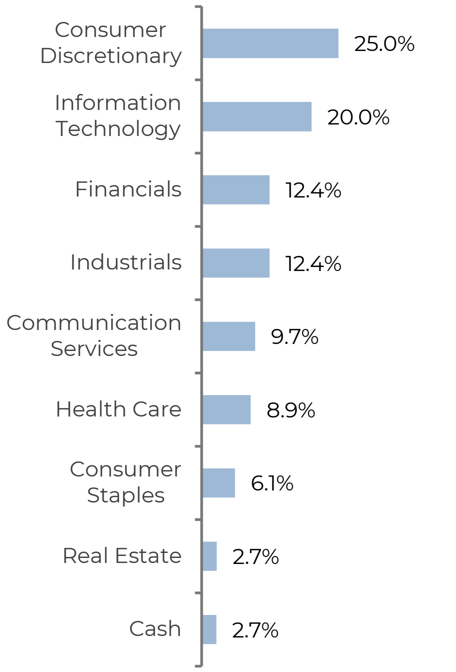
GUINNESS GREATER CHINA FUND - PORTFOLIO

Top 10 holdings

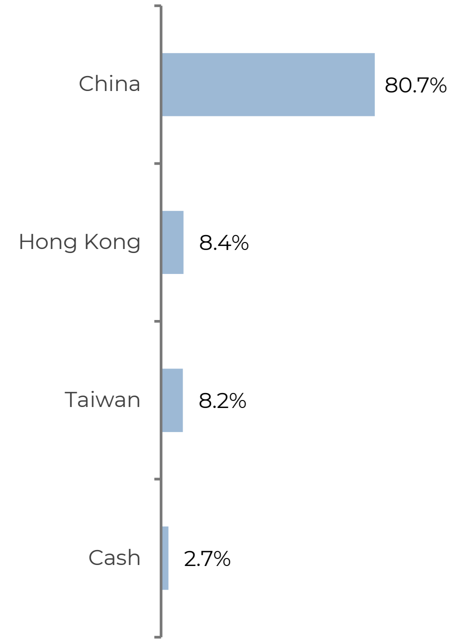
Elite Material	5.2%
Baidu	3.6%
Geely Automobile Holdings	3.5%
JD.com	3.5%
China Merchants Bank	3.4%
Shenzhen Inovance Technology C	3.4%
TravelSky Technology	3.3%
China Medical System	3.2%
Ping An Insurance	3.2%
Inner Mongolia Yili Industrial	3.1%

Top 10 holdings	35.6%
Number of holdings	32

Sector



Country



Past performance does not predict future returns.

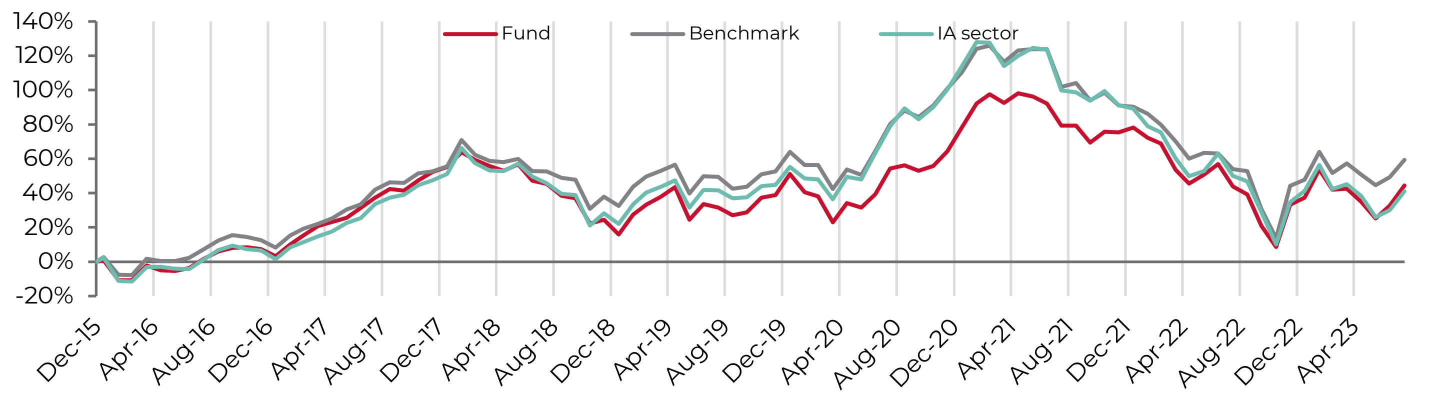
GUINNESS GREATER CHINA FUND - CUMULATIVE PERFORMANCE

Total Return (GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+7.6%	-1.7%	-5.0%	-4.5%	+1.3%	-
MSCI Golden Dragon TR	+5.5%	+0.8%	-2.1%	-9.9%	+6.4%	-
IA China/Greater China TR	+7.3%	-6.5%	-11.1%	-19.6%	-1.3%	-
Total Return (USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+8.9%	+5.2%	+0.4%	-6.4%	-0.7%	-
MSCI Golden Dragon TR	+6.8%	+7.8%	+3.6%	-11.6%	+4.4%	-
IA China/Greater China TR	+8.6%	+0.0%	-6.0%	-21.2%	-3.2%	-
Total Return (EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+7.7%	+1.8%	-7.2%	+0.4%	+5.5%	-
MSCI Golden Dragon TR	+5.7%	+4.3%	-4.2%	-5.2%	+10.8%	-
IA China/Greater China TR	+7.4%	-3.2%	-13.1%	-15.4%	+2.8%	-

GUINNESS GREATER CHINA FUND - ANNUAL PERFORMANCE

Total Return (GBP)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund	-13.3%	+1.0%	+14.2%	+25.3%	-20.7%	+37.6%	+22.1%	-	-	-
MSCI Golden Dragon TR	-12.6%	-8.6%	+24.2%	+19.0%	-9.5%	+31.3%	+25.7%	-	-	-
IA China/Greater China TR	-16.0%	-10.7%	+33.6%	+22.2%	-14.2%	+35.9%	+18.5%	-	-	-
Total Return (USD)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Fund	-23.0%	+0.1%	+17.9%	+30.4%	-25.3%	+50.4%	+2.3%	-	-	-
MSCI Golden Dragon TR	-22.3%	-9.5%	+28.2%	+23.8%	-14.8%	+43.8%	+5.4%	-	-	-
IA China/Greater China TR	-25.4%	-11.5%	+37.8%	+27.1%	-19.2%	+48.7%	-0.7%	-	-	-
Total Return (EUR)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Fund	-17.9%	+7.7%	+8.1%	+32.8%	-21.5%	+32.3%	+5.5%	-	-	-
MSCI Golden Dragon TR	-17.3%	-2.6%	+17.6%	+26.1%	-10.5%	+26.3%	+8.6%	-	-	-
IA China/Greater China TR	-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 to 31.07.23. 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 current OCF for the share class used for the fund performance returns is 0.89%. 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.

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: Link Fund Manager Solutions (Ireland) Ltd (LFMSI), 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland; or,
• the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

LFMSI, as UCITS Man Co, 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.linkgroup.eu/policy-statements/irish-management-company/

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, Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva, Switzerland, Tel. +41 22 705 11 77, www.carnegie-fund-services.ch. 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.