Guinness China RMB Income Fund

Investment Commentary – January 2024

RISK

This is a marketing communication. Please refer to the prospectus, KIDs and KIID for the Fund, which contain detailed information on its characteristics and objectives, 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. 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
Sector	IA Specialist Bond
Manager	EPIC Investment Partners

OBJECTIVE

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.

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COMMENTARY

The fourth quarter of 2023 kicked-off on a positive as growth estimates surprised to the upside. However, sentiment turned more mixed as key data was broadly subdued, and deflationary pressures began to mount. China's National Bureau noted that the nation needs to achieve 4.4% GDP growth for Q4'23 growth in order to hit its target, but noted "that the external environment is becoming more complex and severe, domestic demand is still insufficient, and the foundation for economic recovery still needs to be consolidated".

China exhibited a more active and strategic approach to managing its key risks, both domestically and internationally last month. Positive progress was being made in international relations. In a marked shift in rhetoric, US President Biden and Chinese President Xi met at APEC, committing to restabilise their relationship. They agreed to reopen military communication channels, co-operate to address the US fentanyl crisis, and establish a framework for discussing AI. At a later summit, which marked the first in-person meeting between China and EU officials in four years, Xi emphasised China's commitment to high-quality development and high-level openness, and its willingness to regard the EU as a strategic partner in economic and trade cooperation. He further stated that China seeks to forge a trusted partnership with the EU in industrial and supply chain cooperation, aiming to achieve mutual benefit and win-win outcomes.

Domestically, Beijing unleashed fresh fiscal stimulus to boost economic recovery. Reuters reported that some government advisers are recommending China lifts its 2024 budget deficit target beyond 3% of GDP. With the private sector soft and consumer-led demand not as strong as hoped, longer-term reforms are required to ensure sustainable expansion. Around CNY1tn (just under $140bn) of sovereign bonds are to be issued and used to fund water conservancy and flood prevention projects.

China also adopted a more assertive stance in tackling the risks associated with its real estate market. The implementation of the 'three not less than' policy regarding real estate loans is a crucial step. Furthermore, the discussion to 'whitelist' 50 state-owned and private real estate companies, along with the consideration of allowing banks to extend unsecured short-term working capital loans to real estate companies, represents a significant policy shift. These initiatives should play a critical role in mitigating systemic risks in the real estate sector in 2024.

PORTFOLIO REVIEW

Holdings across the portfolio performed well over the review period. State-owned China Cinda's bonds maturing in 2025 and the green bond holding, Qatar's state-owned QNB 2025s, were the largest contributors to positive performance.

The yield on the 2-year benchmark China Government closed 4bps lower, at 2.18%.

Against the euro the onshore and offshore renminbi currencies returned -1.27% and -1.15%, respectively. Against the strong dollar the currencies returned +3.21% and +3.09%, respectively.

The A1 weighted average rated portfolio closed the quarter with a yield to maturity of 2.94%.

OUTLOOK

The renminbi should benefit from tightening interest rate differentials as the Federal Reserve, European Central Bank and other central banks ease domestic interest rates this year. Furthermore, the de-dollarisation process could witness further internationalisation of the renminbi. This year alone, Argentina, Brazil, and Bolivia embraced the renminbi for some Chinese imports, and Southeast Asian countries are actively pursuing regional payment networks and local currency transactions, all aiming to reduce reliance on established trade currencies.

Meanwhile, the World Bank's China Economic Update released in December 2023 predicts that China's growth is projected at 5.2% in 2023 before slowing to 4.5% in 2024. The outlook is clouded by continued weakness in the real estate sector and persistently tepid global demand in the short term, as well as structural constraints to growth, including high debt levels, population ageing, and slower productivity growth than in the past.

We believe China's economic outlook could be supported by a mix of factors. Pent-up consumer demand and targeted government support could fuel key sectors such as tech and green energy. Moreover, China's tech prowess is attracting global attention, and smart diversification of trade partners is creating new growth avenues.

Of course, we acknowledge the debt, property market and deflation headwinds, but China's proactive approach to managing risks and fostering stability inspires confidence. This adaptability, coupled with its sheer size and commitment to reform, makes China's economic outlook for 2024 cautiously optimistic. With its strong fundamentals and a focus on the future, China's economy is one to watch in 2024.

Amidst this, the RMB Income Fund, focusing on short-term Chinese bonds, offers attractive risk-adjusted returns. This fund capitalises on potential modest renminbi gains and the stability of short-duration bonds, offering strong diversification benefits in the fluctuating global financial environment.

GUINNESS CHINA RMB INCOME FUND - FUND FACTS

Fund size	$4.3m
Fund launch	09.03.2023
OCF	0.60%
Benchmark	N/A
Historic yield	0.6% (Y GBP Dist)

Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the latest month end. It does not include any preliminary charges. Investors may be subject to tax on the distribution.

GUINNESS CHINA RMB INCOME FUND - PORTFOLIO

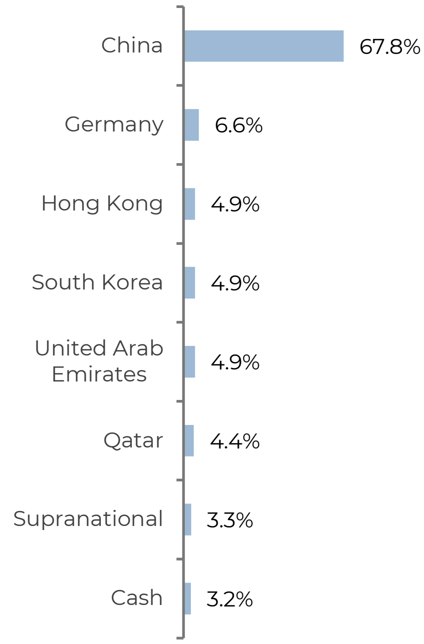
Top 10 holdings

China Govt Bond 3.6% 27/06/2028	8.6%
China Govt Bond 3.31% 30/11/2025	8.3%
China Govt Bond 3.39% 21/05/2025	8.3%
China Govt Bond 4.0% 22/05/2024	8.3%
China Govt Bond 3.4% 21/11/2024	8.3%
China Govt Bond 3.03% 24/06/2024	8.3%
KFW 6.7% 25/03/2024	6.6%
Agri Dev Bank China 3.4% 06/11/2024	5.0%
HK Mortgage Corp 2.7% 09/02/2024	4.9%
KEXIM 2.8% 03/03/2024	4.9%
Top 10 holdings	71.4%
Number of holdings	16

Credit Rating

AAA	9.9%
AA	19.2%
A	67.8%

Country



Past performance does not predict future returns.

GUINNESS CHINA RMB INCOME FUND - CUMULATIVE PERFORMANCE						
(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
(USD)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
(EUR)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr

GUINNESS CHINA RMB INCOME FUND - ANNUAL PERFORMANCE										
(GBP)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(USD)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(EUR)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013

GUINNESS CHINA RMB INCOME FUND - PERFORMANCE SINCE LAUNCH (USD)

For regulatory reasons, we are unable to provide performance information where the track record is less than 12 months.

Source: FE fundinfo to 31.12.23. 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 0.60%. 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 primarily designed to inform you about fixed interest securities and equity and fixed interest markets invested in by the Guinness China RMB Income 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 Information 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 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, 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