

Press Release

9 March 2023

### **Guinness Global Investors launches China A Share Fund**

Guinness Global Investors today announces the launch of the Guinness China A Share Fund (“the Fund”), managed by Sharukh Malik and Edmund Harriss.

It is designed to provide investors with long-term capital appreciation by investing in quality, profitable companies exposed to the structural growth themes Guinness has identified in the China A share market. These themes are built upon changes seen in incomes, demographics, production advances and the application of technology in consumer, industrial and infrastructure settings.

The fund managers argue that A shares are underrepresented in global equity and expect this gap to close over time, driven by their rising inclusion in benchmarks. They believe the A share market offers wider choices with more focused and liquid exposure to China’s structural growth themes, than can be found through stocks listed in Hong Kong and overseas. China A shares additionally offer investors the benefits of diversification given their low correlation to developed markets. The fund managers also believe an active approach, incorporating systematic analysis of risk and relevant ESG roles as well as return, is more likely to lead to better investment outcomes than the adoption of a passive strategy.

The Guinness China A Share Fund will consist of a concentrated portfolio of 30 companies that are well governed, financially sound and operationally efficient to enable them to translate a leading market position into profits and crucially, cash. Companies must fit into the Guinness structural thematic framework to enter the investable universe. They must also generate a return on capital above the cost of capital, have debt of no more than 150% of the value of their equity, and be of a minimum \$500m market capitalisation.

Guinness Global Investors will now be running two quality growth China-focused funds: the Guinness Greater China Fund and the new Guinness China A Share Fund.

In January, the Guinness Best of China Fund was renamed the Guinness Greater China Fund to better reflect its focus on stocks across China, Hong Kong and Taiwan.

**Sharukh Malik, portfolio manager of the Guinness China A Share Fund, said:**

"As China has moved on from Covid, now is an excellent time to be launching a dedicated China A share strategy. We aim to take advantage of China's plan to become a higher income country, giving the Fund exposure to themes such as the Rise of the Middle Class, Manufacturing Upgrades and the shift towards cleaner energy. The model fund's holdings have historically grown earnings at a premium to the broader market, and we expect this to continue given our disciplined approach to investing in China.

"Our management team's active approach and structural framework with its appreciation of both the risks and the rewards on offer, based on the three decades of experience of investing in China, should deliver capital appreciation to investors over time."

**ENDS**

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**Notes to editors:**

Past performance does not predict future returns.

**About the fund**

As the Guinness China A Share Fund is 100% invested in China A shares, it offers dedicated exposure to the trends below.

- Our expectation that China A shares will take up a rising weight in global benchmarks over the long-term. This implies greater demand for China A shares over time.
- Low correlation to developed markets, which is attractive given rising interest rates in developed markets. The A Share Fund is expected to have lower correlation to the MSCI World Index than the Greater China Fund.
- Inefficiencies in the China A share market, which is still driven by retail investors. Currently, we believe retail investors are too pessimistic, which is a good time to enter the market.
- Low foreign participation in the China A share market, allowing investors to take exposure now before foreign investors significantly increase their allocation to the market.

<b>Benchmark:</b>	MSCI China A Onshore Net Return Index
<b>Base currency:</b>	Renminbi (Offshore, CNH)
<b>IA Sector:</b>	China/Greater China
<b>OCF:</b>	Founder Z class 0.35%

## **About Guinness Global Investors:**

<https://www.guinnessgi.com>

Guinness Global Investors is an independently owned investment management business providing actively managed portfolios across a selection of asset classes, including equity income, growth and specialist thematic equity funds and venture investments.

Guinness' in-house economic, industry and company research allows the fund managers to take an objective view and not be led by the market, combining strategic sector-selection with a fundamental screening process to identify stock opportunities. Guinness integrates analysis of ESG factors into the investment process.

Guinness' equally-weighted funds are not benchmark-constrained, which means fund managers can select stocks without the influence of index weightings and have a high conviction about the stocks in their portfolio.

Guinness Asset Management is 100% owned by its directors and employees.

Guinness Global Investors is a trading name of Guinness Asset Management Ltd. (Company registration 4647882) which is authorised and regulated by the Financial Conduct Authority.