Guinness Best of China Fund

Investment Commentary - January 2022

GUINNESS GLOBAL INVESTORS

ABOUT THE FUND

Launch date	15.12.2015
Team	**Edmund Harriss** (manager) **Sharukh Malik** (manager) **Mark Hammonds**

Aim

Guinness Best of 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.

This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions.

PERFORMANCE

Past performance does not predict future returns

Fund	Best of China Fund (Y Cls, 0.89% OCF)
Index	MSCI Golden Dragon
Sector	IA China/Greater China

	1 year	3 years	launch
Fund	1.0	44.6	98.3
Index	-8.6	35.1	111.4
Sector	-10.7	45.8	110.2

Annualised % total return from launch (GBP)

The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations. Fund returns are for share classes with a current Ongoing Charges Figure (OCF) stated above; returns for share classes with a different OCF will vary accordingly. For further details on fund performance, please refer to the penultimate page of this document.

Source: FE fundinfo, Y class 0.89% OCF, bid to bid, total return. Launch date 15.12.15

FUND PHILOSOPHY

In 2021, the Guinness Best of China Fund produced a total return of +1.0% (in GBP) compared to the MSCI Golden Dragon Net Total Return (NTR) Index which fell 8.6% and the MSCI China NTR Index which fell 21.1%.

The Fund invests in quality, profitable companies which give exposure to the structural growth themes in China. These seven themes are:

- Rise of the Middle Class
- Sustainability
- Manufacturing Upgrades
- Healthcare
- Cloud Computing & Artificial Intelligence
- Next Gen Consumer
- Financial Services

Once we have identified companies which give exposure to these themes, we also apply a set of quantitative filters to identify quality, profitable companies with strong balance sheets. Quality is defined as a return on capital above the cost of capital while a strong balance sheet is defined as debt/equity less than 150%. These filters reduce the universe from an initial ~1,600 companies to ~800 companies, of which we pick 30-40 to form an equally weighted portfolio.

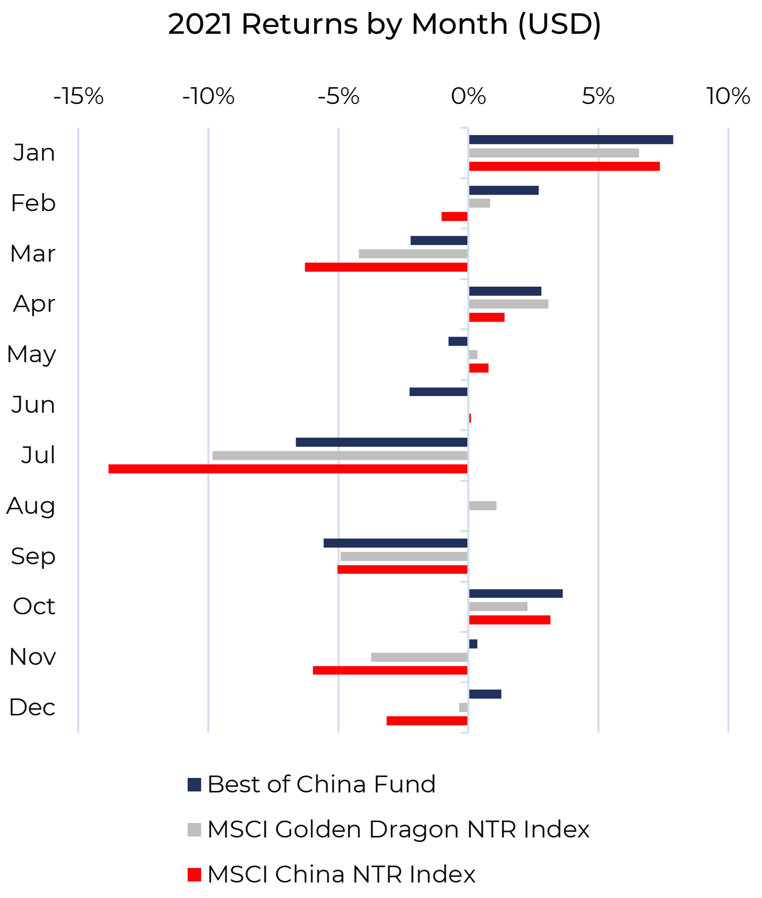
Overall, we are looking for companies with the following characteristics:

- High return on capital.
- Growing operating cashflow, which we expect to continue to grow.
- The ability to deploy this cash at a high rate of return.
- Sensibly structured balance sheets with no excessive debt.
- Management we trust to grow the business.
- Companies that are judged to not harm society's wider interests.

The Fund has a valuation discipline to ensure that we do not overpay for future growth. When assessing the valuation of companies on a discounted cash flow basis, we adjust the discount rate where necessary to reflect the potential for higher global interest rates.

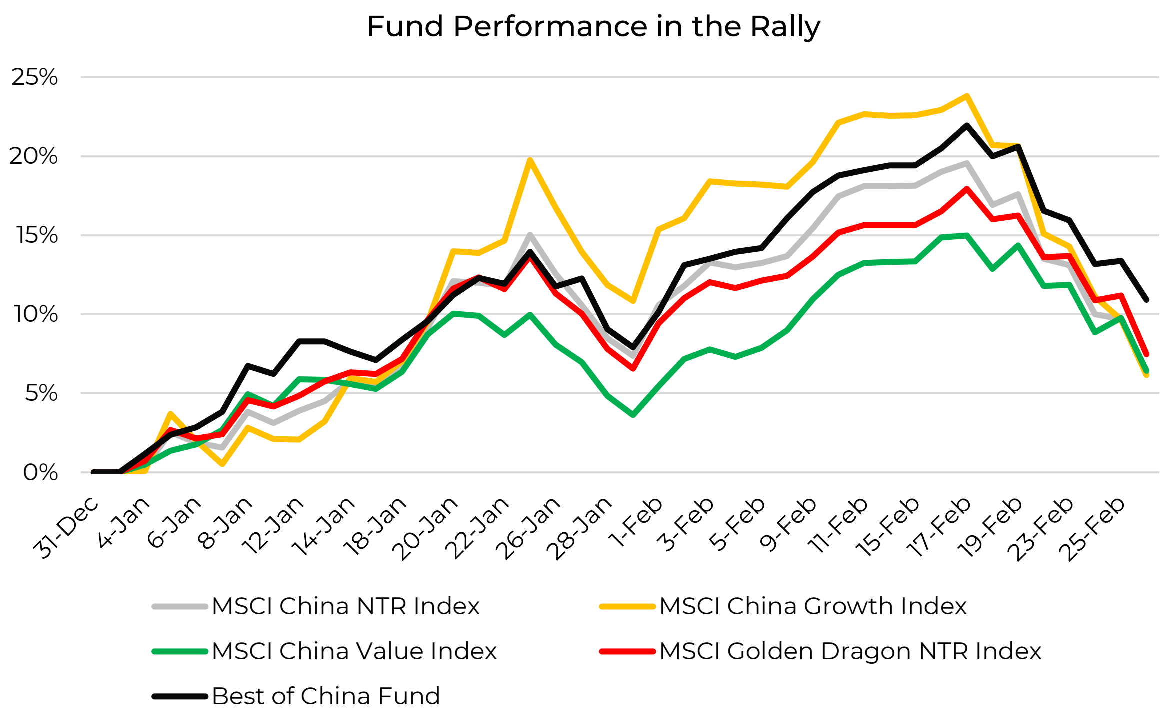
The Fund is run on an equally weighted basis, meaning it has high conviction in 30-40 stocks. This results in a high active share of 86% relative to the MSCI China Index.

FUND AND MARKET REVIEW



The Rally

The year started off strongly for China, with the large-cap tech stocks driving a rally which lasted until mid-February. A bullish mood partly explained this rally, with newly launched funds breaking fundraising records. At the time we did note that certain parts of the market were looking expensive and there was a risk of a derating if expectations were not met. In particular, discount rates in Hong Kong reached their lowest level in 10 years and so we made a point of using higher discount rates when valuing companies, to reflect the risk of rising global interest rates.

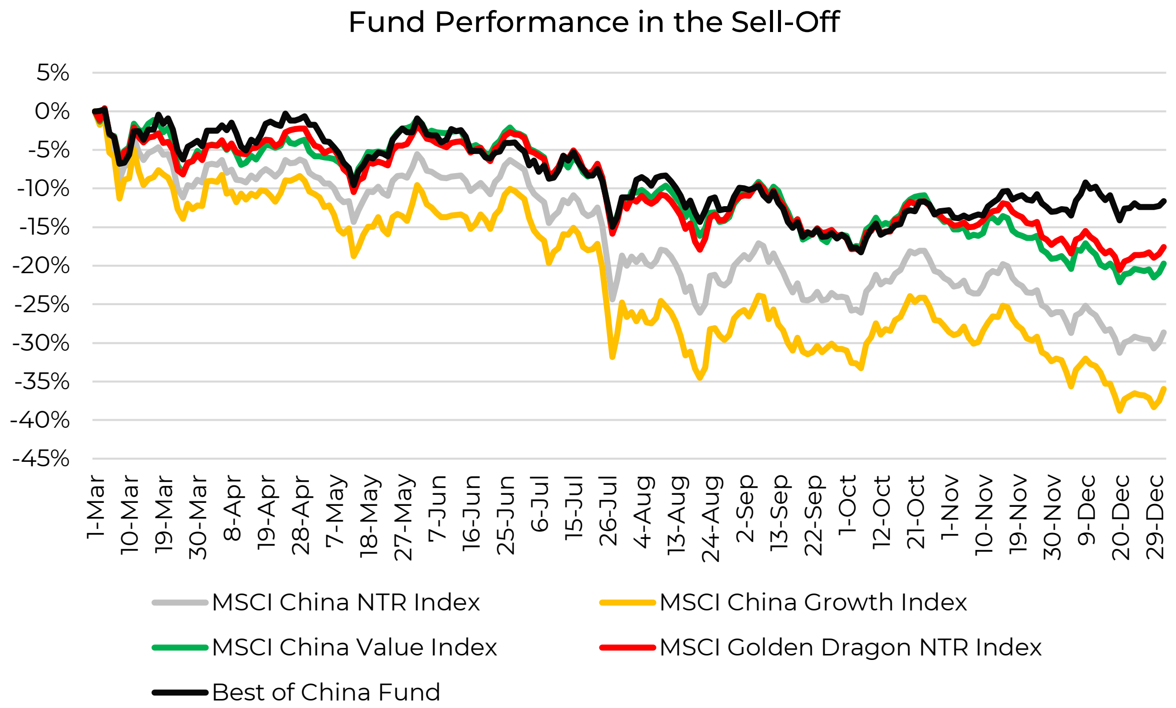


(Data from 31/12/20 to 28/02/21, returns in USD, Y class)

Chinese markets peaked in February and in this rally, the Fund rose 21.9% while the MSCI China NTR Index rose 19.6%. We think it is also meaningful to split China's performance into Growth and Value – the MSCI China Growth Index rose 23.8% while the MSCI China Value Index rose by 15.0%. Therefore the Fund broadly kept up with the Growth Index. Sources of the Fund's outperformance, relative to the MSCI China Index (unless otherwise stated), were:

- Information Technology – despite the drag from the overweight to the sector, positive stock selection led by Novatek, TSMC, Xinyi Solar and Lead Intelligent.
- Industrials – despite the drag from overweight to the sector, positive stock selection led by Sany Heavy, China Lesso and Nari Technology.
- Healthcare – stock selection led by China Medical System.
- Materials – stock selection led by Yuhong.

The Sell-Off



(Data from 28/02/21 to 31/12/21, returns in USD, Y class)

But following the peak, Chinese markets were weak for the rest of the year for multiple reasons. In February concerns over the potential for higher global interest rates, in response to higher inflation, led to a global sell-off. High growth stocks, whose valuations were boosted by 12 months of very low discount rates, were particularly weak. Additionally in China the central bank indicated monetary policy was unlikely to be loosened further, compounding the initial effect. In March, the Fund fell 2.5% and the MSCI China NTR Index fell 6.3%. Sources of outperformance were:

- Healthcare – stock selection led by China Medical System and CSPC Pharmaceutical.
- Underweight in the large-cap tech stocks – underweight in Meituan and Pinduoduo (both not held) and in Alibaba and Tencent (both held).
- Information Technology – stock selection led by Novatek and Catcher.

Over the spring and summer, we saw increased government regulation affecting various industries. We think the government introduced new rules for several reasons, with the aims of:

- Improving poor corporate behaviour in industries where there had previously been relatively less regulation.
- Reducing social inequality, which links in with the government's focus on common prosperity.
- Protecting data security, which is linked to the structure that Chinese companies use to list overseas.

Chinese markets were most affected by regulations in July, with the MSCI China NTR Index falling 13.8% and the Fund falling 6.7%. Sources of outperformance were:

- Underweight in the large tech stocks Tencent and Alibaba (both held) and Meituan, Pinduoduo and Nio (none were held).
- Information Technology – overweight to the sector along with strong performance from Lead Intelligent. Its share price was boosted by a rally in electric vehicle supply chain names, as well as on news that its major customer CATL extended its agreement to supply batteries to Tesla.
- Industrials – strong performance from Nari Technology. Its share price was boosted by news that the cap for electricity prices during peak hours was to be increased. This should theoretically boost revenues for the grid, which should lead to higher procurement budgets, increasing Nari's potential sales.

Towards the end of the summer, new headwinds appeared, including:

- Evergrande was unable to borrow more to pay off its liabilities, meaning it could not repay a bond due in September. This led to concerns over potential contagion in the property market, as well as in the wider economy.
- Unexpected power cuts led to weaker economic activity in September. We think these cuts were due to inefficiencies in Chinese power markets, meaning power plants were reluctant to produce in light of higher cost prices.
- Economic growth was slowing down, as the government wound down monetary stimulus.

Chinese markets were broadly flat between August and October, but fell in November, driven by further weakness in the large-cap tech stocks. Tencent was asked by regulators to temporarily pause releasing new apps and to stop updating existing apps. This was because the company was found to violate data protection rules on four occasions in the past. Alibaba reported weaker results than expected, which reflected the headwinds the business was facing. Though revenues grew 29% year-on-year in the third quarter, the core business, the customer management segment, only grew sales by 3%. The company is investing to generate growth in other parts of the business, but margins are likely to suffer.

In November, the Fund fell 0.2% while the MSCI China NTR Index fell 6.0%. Sources of outperformance were:

- Underweight in the large tech stocks Alibaba (held), Meituan (not held) and Tencent (held).
- Information Technology – stock selection led by Elite Material, H&T Intelligent, Venustech and Novatek. Small contribution from the overweight to the sector.

In December, the Fund rose 1.6% while the MSCI China NTR Index fell 3.2%. Sources of outperformance were:

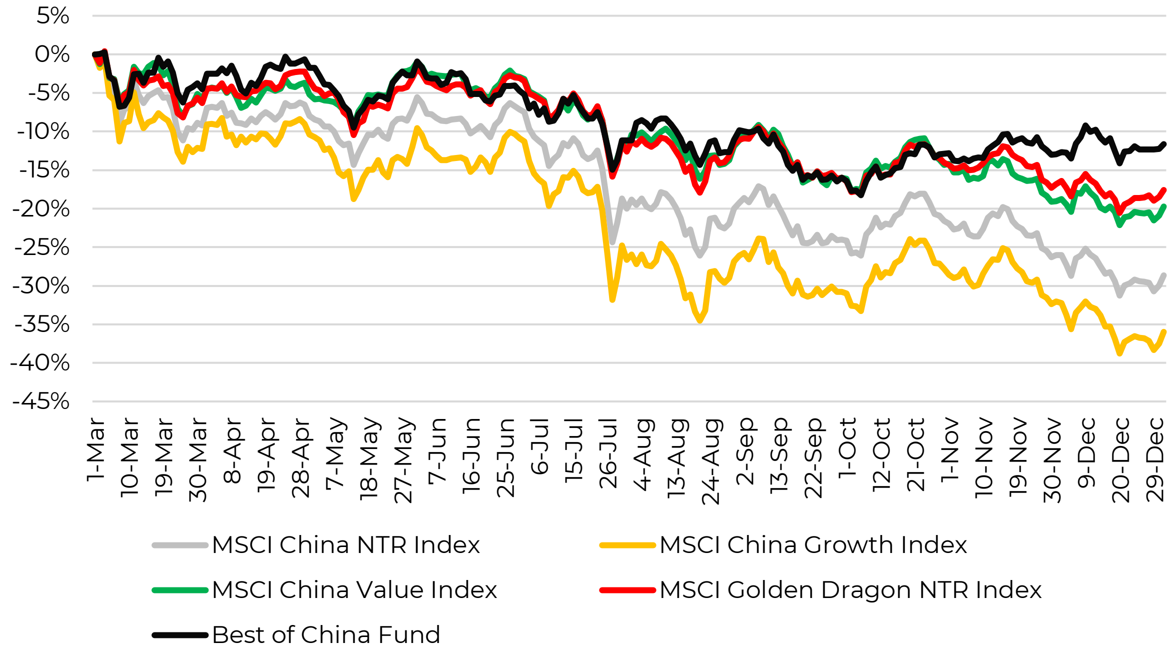
- Consumer Discretionary – stock selection led by Suofeiya, Haier Smart Home and underweight in Alibaba (held), Nio and Meituan (both not held). Small contribution from the underweight in the sector.
- Healthcare – stock selection led by underweight in Wuxi Biologics (not held) and CSPC Pharmaceutical.
- Consumer Staples – stock selection led by Fuling Zhacai and Yili. Small contribution from the overweight in sector.
- Information Technology – stock selection led by Novatek. Small contribution from the overweight in sector.

The Fund's Performance During the Whole Sell-off

Looking at the performance of Chinese markets more broadly in the sell-off from February onwards, the MSCI China NTR Index fell 34.5%. It is clear the faster growing and more expensive names were weakest, while value names did relatively better. From the peak of markets to the end of the year, the MSCI China Growth Index fell 42.8% while the MSCI China Value Index fell 24.2%. In comparison, the Fund fell 17.9%, outperforming each of these three indexes. Sources of outperformance relative to the MSCI China NTR Index were:

- The equally weighted nature of the portfolio meant the fund was underweight in the large-cap tech stocks which were weak in the sell-off. Therefore the Fund did capture as much of the weakness in these stocks as the index. We estimate that of the Fund's 16.6% in outperformance in the sell-off, 5.5% can be attributed to its underweight in Alibaba and 4.2% to its underweight in Tencent.
- The Fund's focus on quality meant it was not invested in popular but low-quality stocks. The Fund benefited from not holding lower quality names such as Meituan, Pinduoduo and Nio in the Consumer Discretionary sector; and Wuxi Biologics, Alibaba Health, Zai Lab and Innovent Biologics in the Health Care sector.
- Information Technology – positive stock selection from Elite Material, Lead Intelligent, H&T Intelligent and Novatek.
- Real Estate – positive stock selection from China Overseas Land, which had a positive return in the sell-off despite the fallout from Evergrande. Its strong balance sheet meant it was not restricted by the three red lines policy.

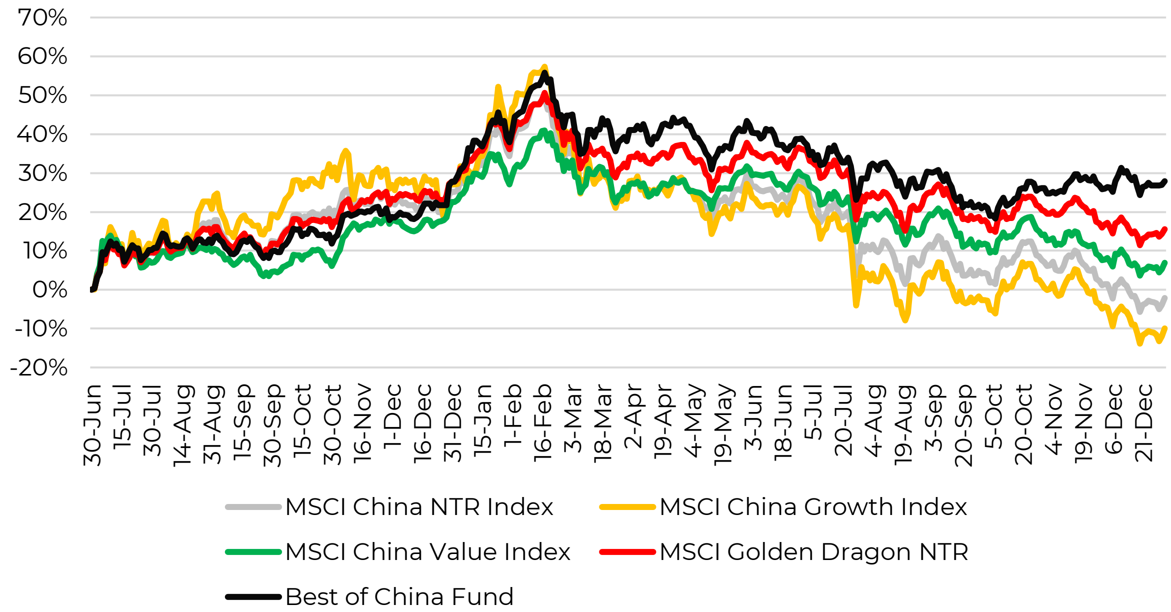
Fund Performance in the Sell-Off



(Data from 28/02/21 to 31/12/21, returns in USD, Y class)

We are pleased with the Fund's performance since its repositioning on 30/06/20, where we focused on giving quality exposure to the structural growth themes in China. In the 18 months since the repositioning, the Fund has risen 27.9% while the MSCI China Index has fallen 2.1%, the MSCI China Growth Index has fallen 10.0% and the MSCI China Value Index has risen 6.9%. The Fund has been able to offer exposure to the growth in China, but has not given back anywhere near as much as the broader market or the growth index during the sell-off.

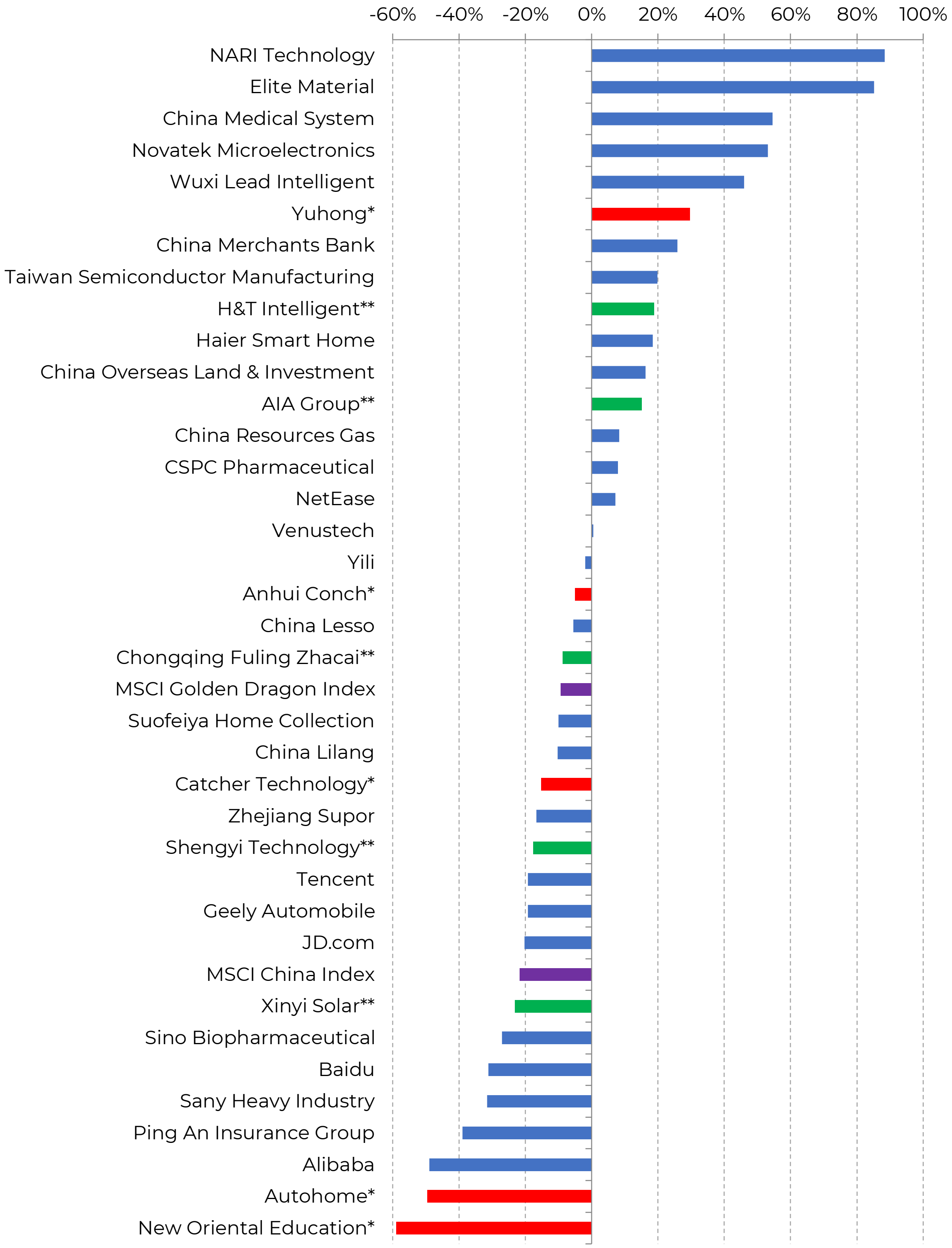
Fund Performance Since the Repositioning



(Data from 30/06/20 to 31/12/20, returns in USD)

STOCK PERFORMANCE

Individual stock performance in 2021 (total return USD)



* sold, ** buy

Leaders

Nari Technology benefited from a rerating during the year. The company makes software and hardware for the electricity grid, focusing on dispatching and distribution solutions. Nari is an indirect beneficiary of China's buildout of renewable energy, which requires investment in the state grid network to link the sources of renewable energy to where electricity is demanded. Part of this effort also involves the construction of Ultra High Voltage (UHV) lines to transport electricity at long distances with minimal energy loss, where Nari also has exposure to.

Elite Material makes copper clad laminates (CLLs) which are the base material for printed circuit boards (PCBs). The company specialises in higher-end environmentally friendly halogen free laminates. Elite offers exposure to rising demand for its CCLs from 5G smartphones and cloud services. Especially in 5G smartphones, the density of the PCBs is greater, leading to higher demand for Elite's CCLs. In addition to these structural growth drivers, the company is gaining market share in the server market. Despite rising input prices, the company has managed to increase its margins, signifying its pricing power.

China Medical System was by far the strongest stock in the portfolio in the first half of the year, rising 139% in USD. The stock then gave back much of its gains, but still ended the year as one of the strongest performing stocks in the portfolio. The company was historically a contract sales organisation that sold drugs on behalf of foreign companies in China. Its focus was on generics, an area in which the government has initiated significant price cuts to lower overall healthcare costs. As a business dealing exclusively in generics, CMS's share price sold off sharply in 2019 and was weak in 2020. We felt the share price during this period was implying the worst-case scenario so continued to add to the position as part of the Fund's rebalancing process. Over time, CMS has delivered. Price cuts for its generic products have been well below average due to the relatively lower level of competition. The business has signed deals to build its innovative pipeline, where pricing power is much higher compared to generics. In the first half of 2021, revenue grew 24% and net income grew 27%.

Novatek makes display drivers used in TVs and smartphones. Given the ongoing chip shortage, Novatek's margins have increased significantly and the company has been able to pass on rising costs. The company's System on Chip (SoC) product, which combines multiple functions onto one chip, also continues to grow well.

Lead Intelligent makes equipment used to manufacture batteries for electric vehicles. It is well known for its winding equipment, which packs cells together, but also has a good offering in the early stage of the battery manufacturing process where electrodes are made. CATL, one of the largest battery manufacturers in the world, is now Lead's second largest shareholder. CATL has guaranteed the company at least 50% share in its main battery cell equipment orders between 2021 and 2023, so Lead Intelligent should derive good earnings growth from this deal. The business also has exposure to other customers, such as Northvolt in Europe. We think the demand for electric vehicles is very likely to continue to grow, which requires battery plants to be built, leading to rapid growth in Lead Intelligent's business.

Laggards

New Oriental Education was sold in June after it became much likelier that the government would ban weekend and holiday tuition. This fear became a reality as after we sold the stock, the government banned for-profit firms from operating in the after-school tuition industry. Though we did sell well below the stock's peak, we still made a ~50% return on the stock over the total holding period. Furthermore, we avoided making a loss on the investment, as after the government announced its restrictions in the month after we sold the stock, New Oriental's share price fell a further 70% in two days.

We sold Autohome due to its lack of earnings growth. The company operates China's largest online platform for buying and selling cars. However, the ongoing chip shortage has affected car sales which is out of the company's control. Increasing competition from well-funded businesses is another headwind that Autohome is facing. The market is not expecting earnings to reach 2020's level until 2024 and we do not have a strong view as to why the market is wrong.

Alibaba had a tough year, with increased government restrictions and a slowing core business. In November 2020, Alibaba's founder, Jack Ma, gave a speech criticising various aspects of China's financial system. While criticism is allowed in China, one has to be very careful about the way in which it is done. Jack Ma's method was public and direct, which was not well received by the government. Soon after, Ant Group, which is owned by Alibaba, saw its public listing suspended. This marked the beginning of the government's antitrust efforts targeting the tech sector. Additionally, the core e-commerce business is slowing down and Alibaba is investing to try to generate new growth drivers, which will depress margins in the short-term. The business was trading at high valuations at the beginning of the year, implying growth rates which the business has not been able to achieve, explaining the sharp derating in 2021. As previously discussed, the Fund's equally weighted nature means Alibaba has a neutral weight of ~3.3% in the Fund. In Feb-21, Alibaba was the second largest stock in the MSCI China Index with a 14.1% weight. Therefore given the sell-off in the stock, the Fund has benefited significantly from its underweight in the stock. We continue to hold the stock because Alibaba gives good, high return on capital exposure to e-commerce which we expect to continue to grow over time. We limit the stock specific risk to the company through the equally weighted nature of the portfolio, which helped in 2021.

Chinese insurers have had a tough year, and Ping An is no exception. Consumer demand has been sluggish in a weaker macro environment and so demand for more expensive insurance protection products has been weak. Customers have instead shifted towards savings products but these are lower margin for Ping An. In response to the weak market, insurers have been letting go of part-time agents and are replacing them with fewer, but more qualified and productive full-time agents. Additionally, the market has been worried about Ping An's exposure to property. Ping An invested in the property developer China Fortune Land Development, which defaulted on its debt in March, and so Ping An took an impairment of RMB 36bn. We think the share price probably reflects the issues we have outlined and that the business is trying to increase productivity in the current environment.

We think Sany Heavy Industry is one of the best construction equipment manufacturers in China. It has more than 50% market share of the domestic concrete machinery market and is the largest domestic manufacturer of excavators. Clearly with the fallout from Evergrande and the resulting weak property market, Sany's domestic prospects have shrunk. However, Sany is doing well in the export market and is now the leading excavator firm in 15 countries, with especially good performance in Asia. We think this export business can help dampen the impact from the weak domestic market. We also like the company's efforts in the Industrial Internet of Things (IoT), which are driving meaningful and measurable improvements in efficiency and cost savings. We expect some support from the government towards the property sector, which should help the broader construction industry.

PORTFOLIO CHANGES

We show the changes we have made over the past two years. In Jun-20, the Fund was repositioned to invest in quality, profitable companies giving exposure to the structural growth themes in China. Therefore 2020 was a busy year with high turnover. 2021 saw five switches which we discuss below.

Sells

Conch Cement was sold as it was difficult to argue, with confidence, that earnings will meaningfully increase in the medium term. The long-term growth driver for the cement industry is ultimately driven by real estate and infrastructure and at least in the case of infrastructure, there are better names available. Conch Cement is a consolidator but is ultimately a price taker in the cement industry, and so has limited pricing power.

We sold Yuhong, a manufacturer of waterproofing materials used in the construction industry. We believe the share price did not fully reflect the company's exposure to Evergrande, and therefore took profit on the stock. We still like the company and it remains on our watchlist as Yuhong's balance sheet is strong enough to weather a weaker year. At the time of the sale, there were more attractive ideas on the watchlist.

Catcher Technology makes metal casings which is a competitive industry. Catcher sold its iPhone casings business last year and now is mostly exposed to computers and set-top boxes. The business's return on capital has dipped significantly and it will take years to find the required growth drivers to move it forward. We reinvested the proceeds of Catcher into the existing ideas in the Fund.

New Oriental Education and Autohome were also sold – please see the Laggards section above for details.

Buys

We bought Xinyi Solar, which is the world's largest manufacturer of solar glass and so through its economies of scale, benefits as the low-cost producer in the industry. However its competitive advantage is not solely a function of its scale. The quality of Xinyi's glass is high relative to its peers so the company is well trusted by its clients. This is very important given the rising popularity of bifacial panels which need thinner and so more durable glass. Tighter emissions standards also raise the cost of production, as well as the barriers to entry, protecting incumbents such as Xinyi. Policymakers in all major regions around the world are aiming to significantly increase investment into renewable energy sources which should bode well for Xinyi.

Fuling Zhacai is a condiment company focused on the production of zhacai and paocai. Zhacai is made using mustard roots and is commonly eaten with rice and buns. Fuling Zhacai has a long history of manufacturing zhacai and has a market share of 36%. 28% of sales are from the South where the company is based but there is a fairly even split between the other major regions of China. Fuling Zhacai has been able to pass on cost increases to its customers which is a strong indicator of its pricing power, allowing the company to earn a high return on capital over time.

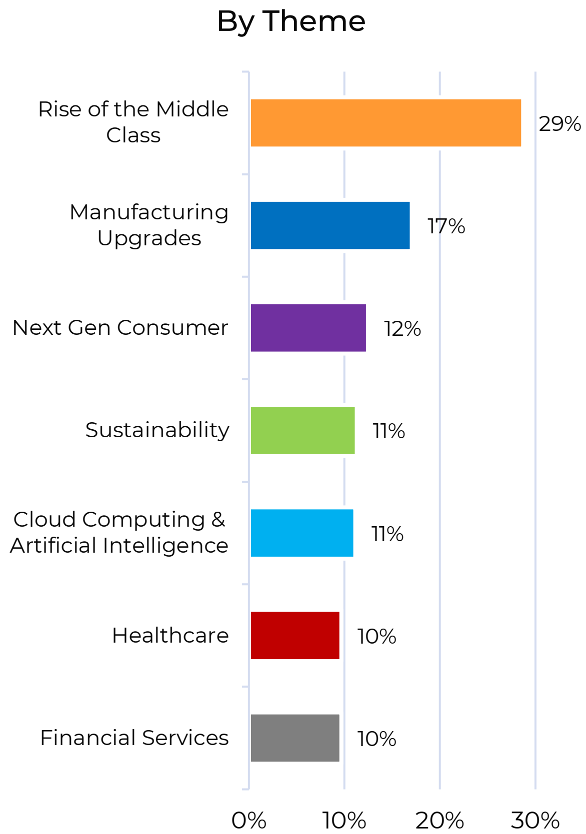
AIA gives the Fund exposure to the rising demand for premium life and health insurance. It is headquartered in Hong Kong and derives more than 50% of its revenue from the China region. AIA also has exposure to Southeast Asia, namely Thailand, Malaysia and Singapore. However, much of the future earnings growth is likely to come from mainland China. AIA is targeting the rising middle class in the country and we believe there is a lot of room for the company to grow from a relatively low base. AIA targets the premium end of the market, using its highly trained workforce which is viewed as giving some of the best service in the industry. This is backed up by AIA's very low turnover rate amongst its staff, relative to its competitors.

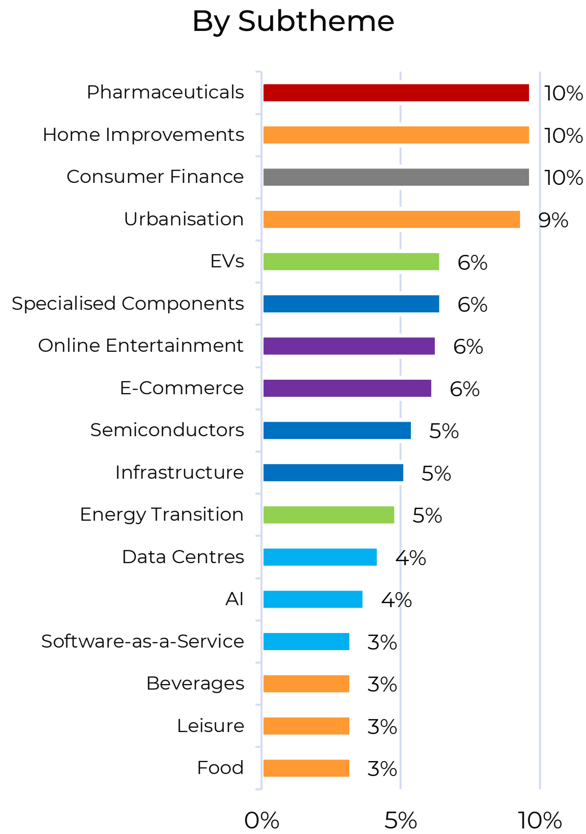
Shengyi Technology makes copper clad laminates (CCLs), which are the main base material for printed circuit boards (PCBs). It benefits from multiple trends which point to greater demand for CCLs and PCBs: growing popularity of 5G compatible devices, growing demand for servers and cloud services as well as localisation towards Chinese suppliers in the Chinese market. Shengyi is quickly moving up the value chain, supporting a gradual rise in margins over time.

We bought H&T Intelligent which makes controllers used in applications such as household appliances and power tools. H&T's controllers are used in well-known brands such as Whirlpool, Siemens and Bosch. The company is well placed to take advantage of growing demand for the Internet of Things (IoT), which naturally complements the existing business. H&T is also aiming to expand into the automobile market where electronic control units, which are not too dissimilar from controllers, are becoming increasingly used.

PORTFOLIO POSITIONING

By theme, the Fund's largest exposures are to the Rise of the Middle Class, followed by Manufacturing Upgrades and the Next Gen Consumer. Important subthemes include Pharmaceuticals, Home Improvements, Consumer Finance and Urbanisation.

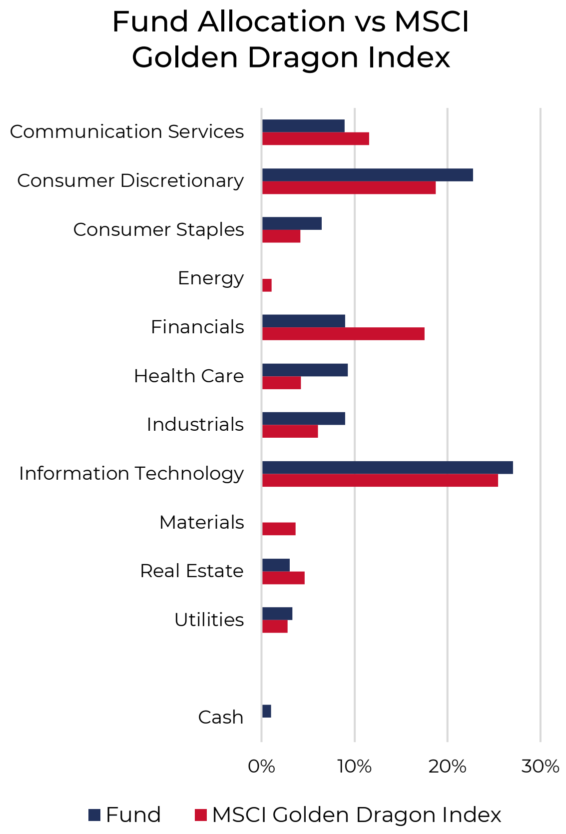


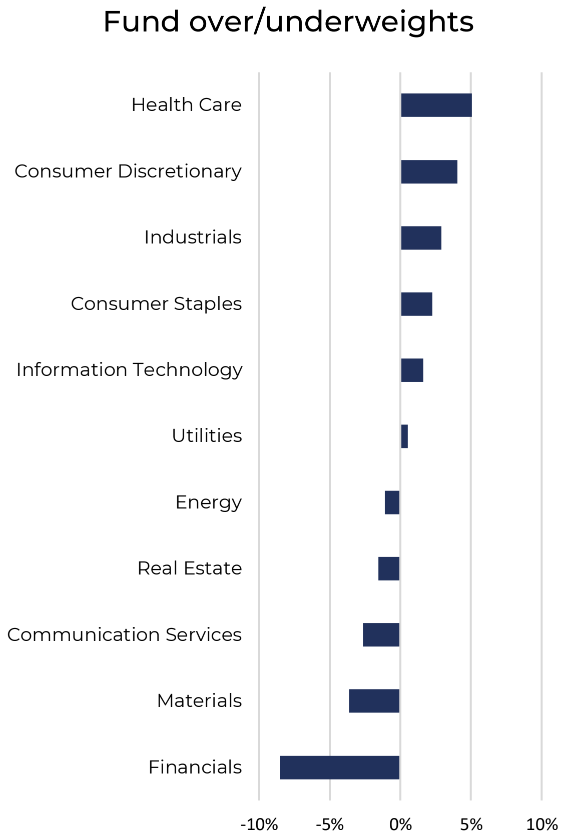


(As of 31/12/21)

On a sector basis, the Fund's largest exposures are to Information Technology (IT), Consumer Discretionary and Communication Services. Relative to the MSCI Golden Dragon Index, the Fund is overweight in Health Care and Consumer Discretionary and underweight in Financials. On the surface, the Fund's IT weight is high but within this group of companies there are completely different businesses whose operations are unrelated. Based on the classifications below, we believe our IT holdings are well diversified.

- Cybersecurity – Venustech, one of China's largest providers of cybersecurity services.
- Electric vehicle (EV) equipment – Lead Intelligent, supplier of equipment used to build out EV plants.
- Solar power – Xinyi Solar, world's largest supplier of glass used in solar panels.
- Semiconductors – TSMC (foundry) and Novatek (display and touch drivers).
- Copper clad laminates (CCLs) – Elite Material and Shengyi Technology, exposure to smartphones and servers.
- Controllers and IoT – H&T Intelligent, exposure to household appliances and power tools.



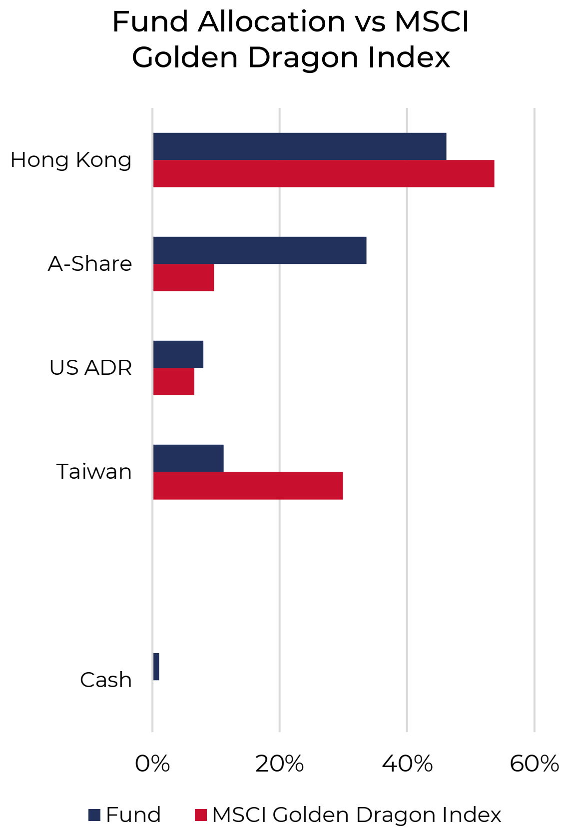


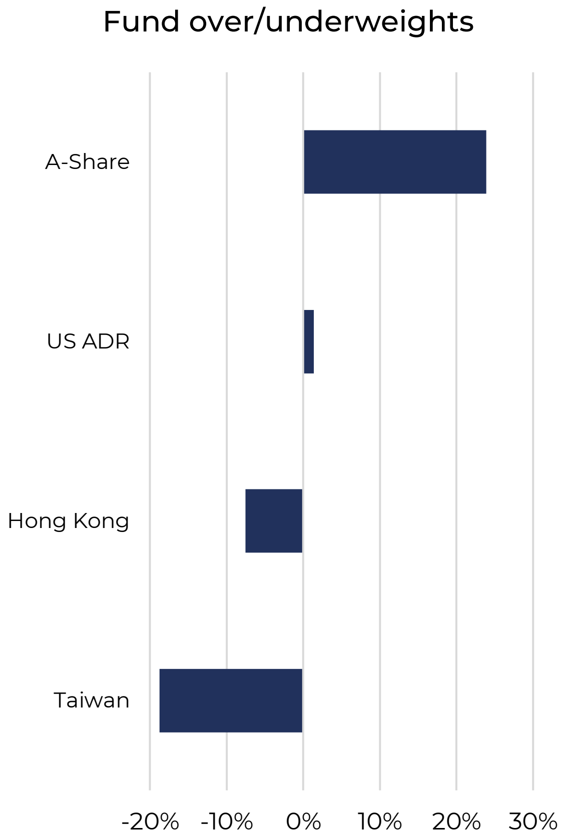
(As of 31/12/21)

On a listing basis, the Fund has 46% exposure to stocks listed in Hong Kong, 34% exposure to the A-share market and a small 10% allocation to Taiwan. We ultimately care about total shareholder return and so are giving ourselves the option of allocating to Taiwan. Occasionally, valuations in China can become very stretched and so for the companies which meet either of the next two criteria, having the option to invest at better valuations is attractive:

(1) Taiwanese companies with significant exposure to China. We define this as more than 50% of sales from China or more than 50% of assets in China.

(2) Taiwanese companies in the semiconductor chain. While there are semiconductor companies in China, often the quality or the price of the companies can be unattractive. Meanwhile in Taiwan there are many good quality growing businesses trading at more reasonable prices.



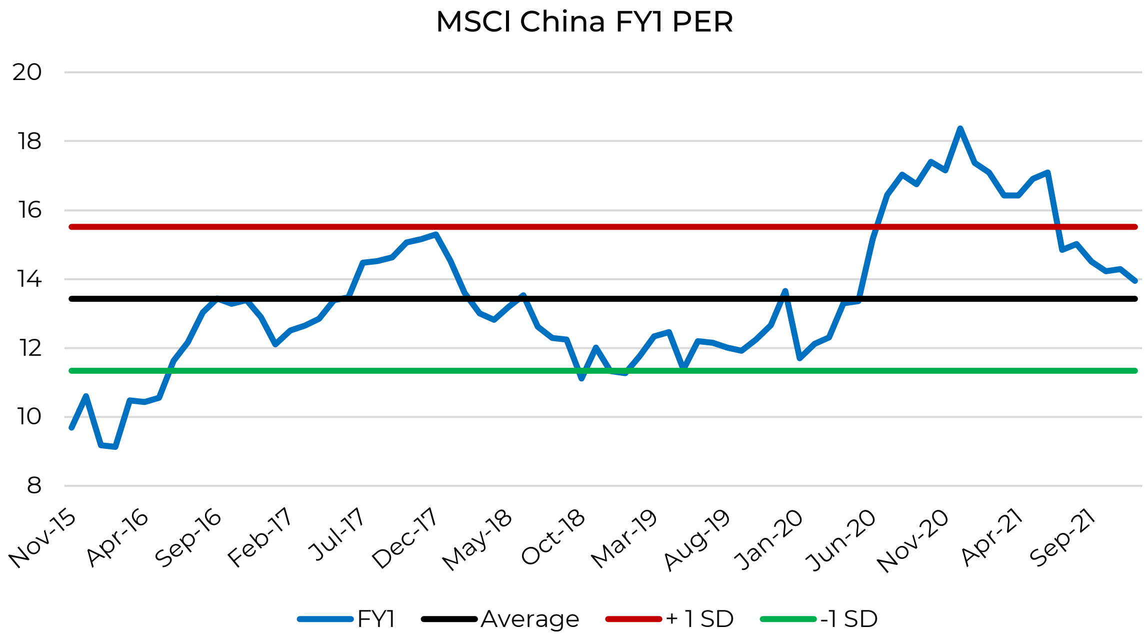


(As of 31/12/21)

OUTLOOK

Valuations for China have fallen significantly from their peak and are now at more reasonable levels. But to justify an investment in China, we argue lower valuations are not enough. Earnings growth is required to justify long-term returns and this is the component of shareholder return that we can attempt to control in the Fund.

The Fund is invested in quality, profitable companies which give exposure to the structural growth opportunities present in China. Our companies have in aggregate grown net income by 13% a year over the past 10 years i.e. they have shown they can translate the structural growth opportunities into consistent earnings growth. Our companies have done this while maintaining a high return on equity of 22%. To be clear, we are not interested in loss making, low return businesses which happen to be in boom areas.



(Data from 30/11/15 to 31/12/21)

As a base case, if our companies can continue to grow earnings by at least 13% a year, which is the rate they have done so over the past 10 years, we expect attractive upside, even if we are conservative and assume no valuation rerating. Even if forward looking price earnings valuations in China fall and bottom at 10x, we still see small upside for the Fund if earnings can grow at the long-term rate, which is not an aggressive assumption considering that the market is expecting an acceleration in earnings growth. Based on consensus earnings estimates, the market is expecting earnings for the Fund to grow by 17% a year between 2020 and 2022, which is higher than the long-term rate, as China and the global economy recover from COVID. So far we have assumed no valuation rerating - if investors eventually become more interested in China, which is not an unreasonable assumption, a valuation rerating is likely to add to the expected return.

What could lead to a rerating? In response to what is, by China's standards, a weak macroenvironment, we think the government is likely to loosen fiscal and monetary policy in 2022. We expect this to lead to an improvement in growth and sentiment towards China, potentially leading to a rerating. Stability was the core theme at the Central Economic Work Conference (CEWC), a key event which sets the economic agenda for 2022. For the first time, the CEWC mentioned weaker expectations as a challenge facing the economy, and also mentioned a fall in demand for the first time since 2015. The CEWC called for government bodies to introduce pro-growth fiscal and monetary support. We expect this support to include front-loaded infrastructure investments, green energy investments, tax cuts and targeted monetary loosening. We expect some support for the property market which remains weak, but at the same time we do not see broad based easing. The CEWC maintained the line that housing is for living, not for speculation, so we do not see the government aggressively easing monetary policy either.

For this reason, if we are right in assuming that more supportive government policies could improve the Chinese economy, we can see investors paying more attention to China at some point in 2022. The Fund is invested in good quality businesses which give exposure to the growth opportunities in China. Currently these companies are out of favour but this could change for the aforementioned reasons. We believe that at today's prices, it is a good entry point to invest in the Fund. The Fund is supported by strong historic earnings growth which we expect to continue, potentially boosted by a valuation rerating if China becomes a more popular investment destination.

Portfolio Managers

Edmund Harriss

Sharukh Malik

Guinness Best of China

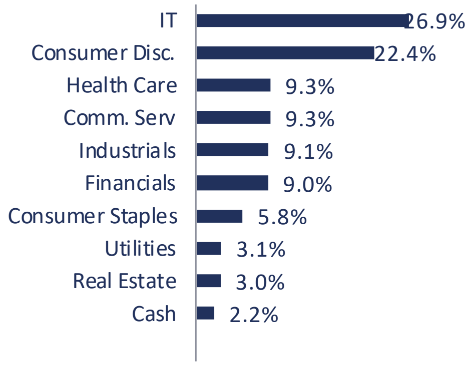
PORTFOLIO

Fund top 10 holdings

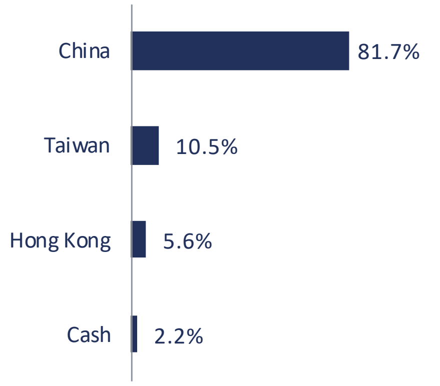
Inner Mongolia Yili Indust	4.1%
Zhejiang Supor	4.0%
China Merchants Bank	3.7%
Elite Material	3.7%
Wuxi Lead Intelligent Equ	3.6%
JD.com	3.6%
NetEase	3.5%
Chongqing Fuling Zhacai	3.4%
Novatek Microelectronics	3.3%
Geely Automobile Holdin	3.3%

% of Fund in top 10	36.3%
Total number of stocks	31

Sector analysis

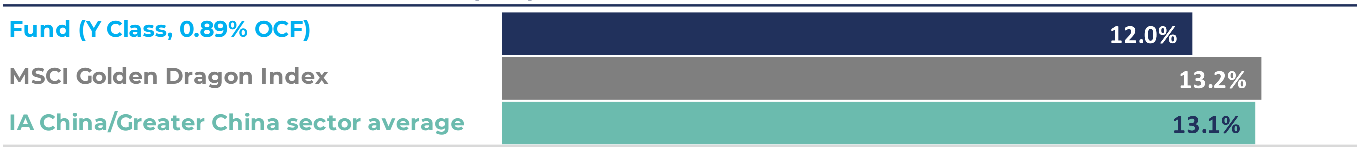


Geographic allocation



Performance

Annualised % total return from launch (GBP)



Discrete years % total return (GBP)	Dec '21	Dec '20	Dec '19	Dec '18	Dec '17
Fund (Y Class, 0.89% OCF)	1.0	14.2	25.3	-20.7	37.6
MSCI Golden Dragon Index	-8.6	24.2	19.0	-9.5	31.3
IA China/Greater China sector average	-10.7	33.6	22.2	-14.2	35.9

Cumulative % total return (GBP)	1 M	YTD	1 Yr	3 Yrs	5 Yrs	Launch
Fund (Y Class, 0.89% OCF)	-0.8	1.0	1.0	44.6	57.8	98.3
MSCI Golden Dragon Index	-2.7	-8.6	-8.6	35.1	60.5	111.4
IA China/Greater China sector average	-3.3	-10.7	-10.7	45.8	70.0	110.2

RISK ANALYSIS **31/12/2021**

Annualised, weekly, from launch on 15.12.15, in GBP	Index	Sector	Fund
Alpha	0.00	-0.09	-0.35
Beta	1.00	0.98	0.99
Information ratio	0.00	-0.09	-0.11
Maximum drawdown	-20.57	-23.77	-25.74
R squared	1.00	0.93	0.87
Sharpe ratio	0.53	0.49	0.46
Tracking error	0.00	4.88	6.72
Volatility	17.79	18.12	18.79

Fund returns are for share classes with a current Ongoing Charges Figure (OCF) stated above; returns for share classes with a different OCF will vary accordingly. Source: FE fundinfo bid to bid, total return (0.89% OCF). Fund launch date: 15.12.2015.

IMPORTANT INFORMATION & RISK FACTORS

Issued by Guinness Global investors which is 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 Guinness Best of 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.

Risk

The Guinness Best of China Fund is an equity fund. Investors should be willing and able to assume the risks of equity 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. Details on the risk factors are included in the Fund's documentation, available on our website. Shareholders should note that all or part of the fees and expenses will be charged to the capital of the Fund. This will have the effect of lowering the capital value of your investment.

Documentation

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