

# Guinness Greater China Fund

Investment Commentary – February 2023



This is a marketing communication. Please refer to the prospectus and KID/KIID for the Fund before making any final investment decisions. Past performance does not predict future returns.

## ABOUT THE FUND

<b>Launch</b>	15.12.2015
<b>Benchmark</b>	MSCI Golden Dragon
<b>Sector</b>	IA China/Greater China
<b>Team</b>	Edmund Harriss (Manager) Sharukh Malik (Manager) Mark Hammonds

### Aim

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.

The Fund's name changed from Guinness Best of China in December 2022 in order to reflect its geographic focus.

## RISK

The value of an investment and the income from it can fall as well as rise as a result of market and currency movement; you may not get back the amount originally invested. The Greater China Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. The Fund invests only in stocks of companies that are traded on the China markets or in Taiwan, or that derive at least 50% of their revenues from China or Taiwan, but which may be listed and traded on other recognised exchanges; it is therefore susceptible to the performance of that region and can be volatile. Further details on the risk factors are included in the Fund's documentation, available on our website.

## PERFORMANCE

Past performance does not predict future returns

<b>31/01/2023</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>Launch*</b>
<b>Fund (%)</b>	-2.7	17.2	8.4	88.2
<b>Index (%)</b>	-3.9	12.4	10.9	100.5
<b>Sector (%)</b>	-4.8	12.7	8.7	91.1

Discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, bid to bid, total return in GBP. \*Launch: 15.12.2015. 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 fund performance shown has been reduced by the current OCF of 0.89% per annum. Returns for share classes with a different OCF will vary accordingly. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

## REVIEW

In January, the Guinness Greater China Fund (Y class, GBP) rose 9.4% while the benchmark, the MSCI Golden Dragon Net Total Return Index (MSCI Golden Dragon Index) rose 8.4%, and the MSCI China Net Total Return Index (MSCI China Index) rose 9.2%.

After nearly all Covid restrictions in China were dropped at the end of 2022, Chinese markets were strong compared to other major markets.

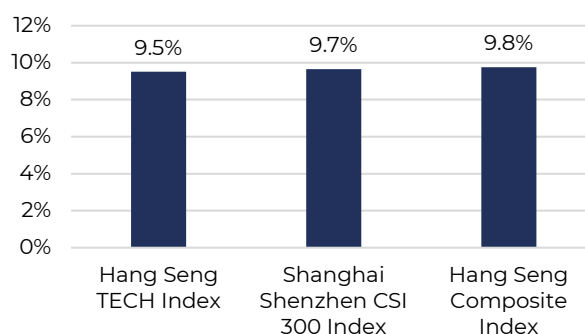
The data points from the Chinese New Year holidays were positive from an investment point of view. The number of visits to tourism sites rose to 89% of 2019 levels. The number of railway passenger trips rose to 83% of 2019 levels. Box office revenue for the holiday period was the second highest ever recorded in China.

Liu He (Vice Premier) attended Davos and made comments which are supportive of investing in China. He said the country's leaders are prioritising economic development, and markets have a fundamental role to play here. More stimulus is likely to be announced for the property sector.

He then met US Treasury Secretary Janet Yellen and both sides made broadly positive statements.

Given the unexpected easing in Covid policy, sentiment towards Chinese stocks rapidly became more positive in January. The MSCI China Index rose 11.8% (in USD) compared to the MSCI World Index which rose 7.1%. As shown below, performance was similar in the onshore and offshore markets, as measured by the CSI 300 Index and Hang Seng Composite Index respectively.

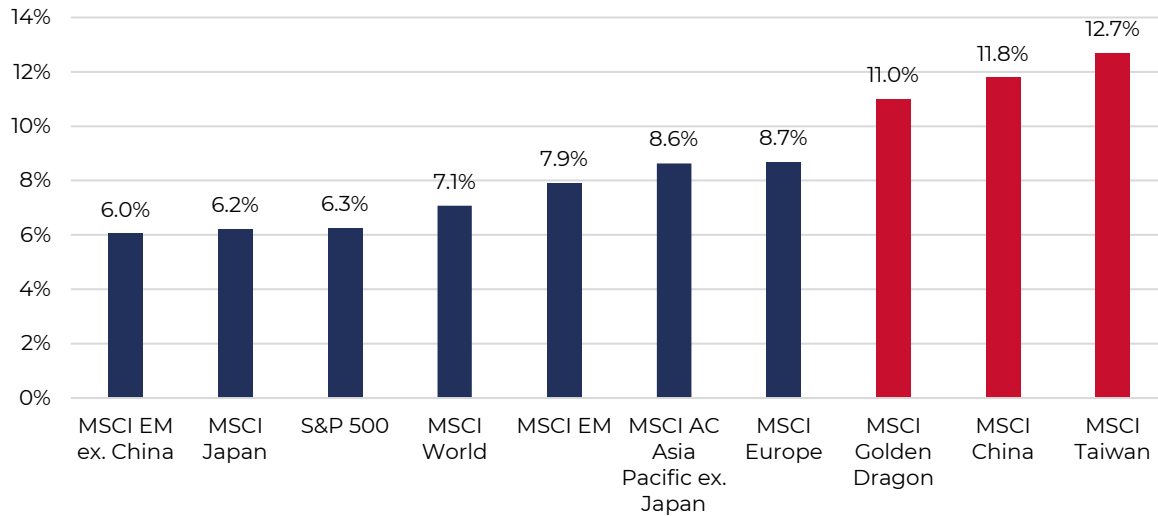
### Returns by Index in January



(Data from 31/12/22 to 31/01/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

# Guinness Greater China Fund

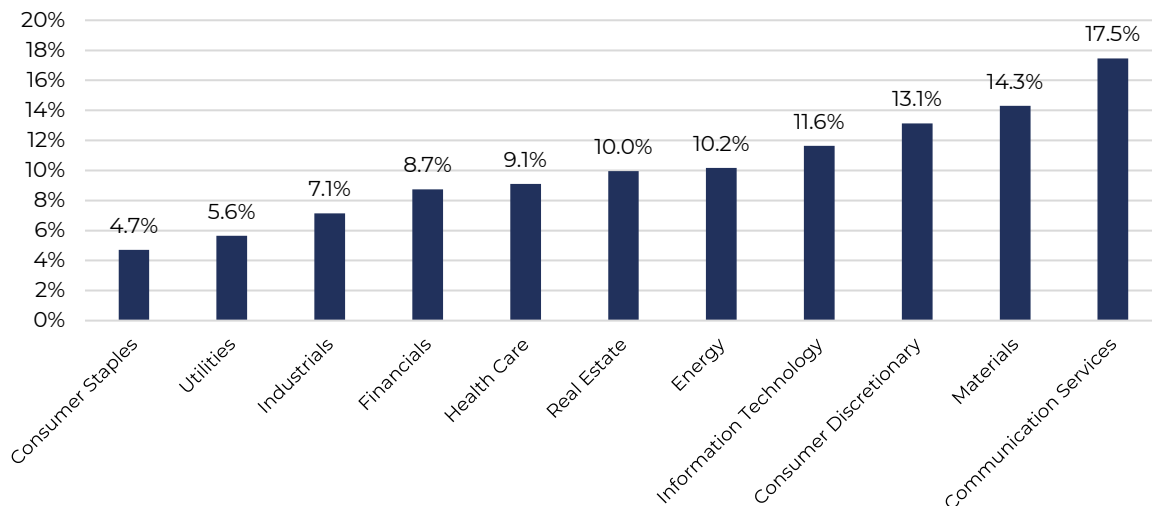
## Returns by Market in January



(Data from 31/12/22 to 31/01/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

In January, the strongest sectors were Communication Services, Materials and Consumer Discretionary. The online technology firms were boosted by comments made by the Chair of the China Banking and Insurance Regulatory Commission, who said the “capital rectification” regulation for the sector was complete. Approvals for video games also continued, improving the prospects for Tencent and Netease. Consequently, the internet platform names, which are in the Communication Services and Consumer Discretionary sectors, did well. China’s reopening, which is expected to lead to higher demand for commodities, led to good performance for the Materials sector. The weakest sectors were Consumer Staples and Utilities. As generally more defensive sectors, they lagged in rising Chinese markets.

## Returns by Sector in January



(Data from 31/12/22 to 31/01/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

## PORTFOLIO PERFORMANCE

The strongest stocks in the Fund in January were the Internet platform companies Alibaba, Netease, Tencent and Baidu. Drivers of interest included a likely end to tighter regulation for their businesses, approval for video games, and a valuation rerating following weak share price performance last year.

Other names in the portfolio also performed well. Xinyi Solar (solar glass) and Hangzhou First Applied Material (solar film) did well as demand for solar energy is likely to rise worldwide, given lower polysilicon prices. Other holdings such as Ping An Insurance, Venustech, China Merchants Bank and Shenzhen H&T Intelligent were also outperformers.

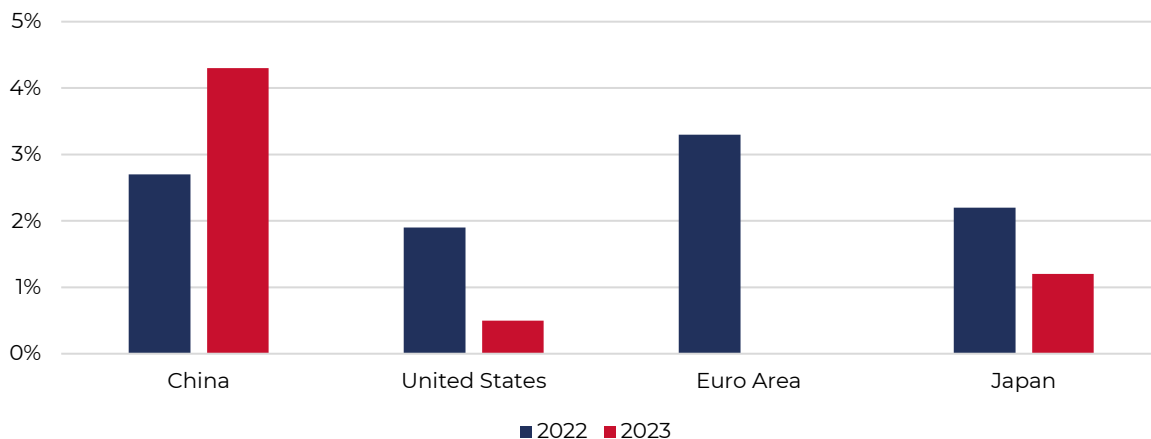
Weaker names had no stock-specific drivers but included Sino Biopharmaceutical, AIA Group, China Overseas Land & Investment and Hong Kong Exchanges & Clearing.

## OUTLOOK

Many of the previous barriers to investing in China no longer exist; the most obvious, China's zero-Covid policy, has recently been removed. But more broadly, investors should note the benefits of China returning to a growth mindset. In government news articles and press releases since October, the number of mentions of ideology has fallen, while the number of mentions of the economy has significantly increased. The real estate industry is getting support and is a top priority for policymakers. The risk of China ADRs delisting in the US is much lower as the US Public Company Accounting Oversight Board (PCAOB) said it was able to review audit documents for the eight Hong Kong and Chinese companies it looked at last year.

Furthermore, economic forecasts are for growth to accelerate in China, in contrast to much of the rest of the world.

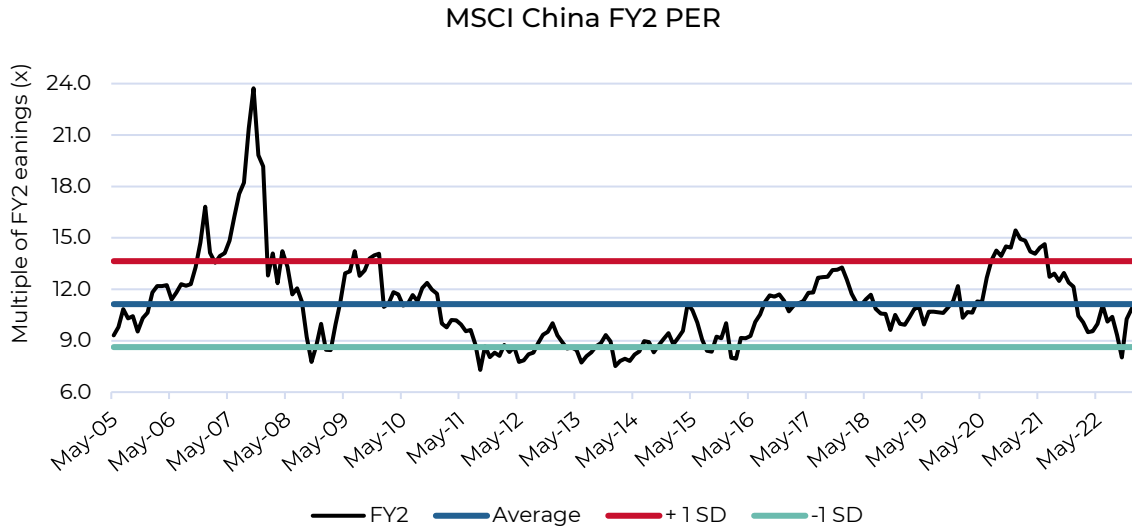
### World Bank Economic Growth Projections



(Source: World Bank Global Economic Prospects, January 2023)

Despite the bounce in Chinese markets, valuations are not expensive. The two-year forward price/earnings ratio is in line with its long-term average. We think that there is still an opportunity beyond this initial recovery, supported by earnings growth. The Fund's earnings estimates for 2023 and 2024 have risen by 3.5% and 3.4% respectively, since the end of October, which is when China started to move away from its zero-Covid policy. Based on consensus analyst estimates, the Fund is expected to grow earnings by 19% in 2023 and 16% in 2024.

# Guinness Greater China Fund



(Source: Bloomberg; Guinness Global Investors. Data as of 31/01/23. 1 SD = One Standard deviation above (red line) or below (green line) the average FY2 PER multiple over the period)

## Portfolio Managers

Edmund Harriss

Sharukh Malik

# Guinness Greater China Fund

## PORTFOLIO

Fund top 10 holdings		Sector analysis		Geographic allocation	
China Merchants Bank	3.6%	Information Technology	24.1%	China	79.7%
Shenzhou International	3.5%	Consumer Discretionary	21.9%	Hong Kong	9.1%
Geely Automobile Holdings	3.4%	Financials	12.8%	Taiwan	5.9%
AIA Group Ltd	3.2%	Communication Services	9.1%	Cash	5.3%
Venustech Group	3.2%	Industrials	9.0%		
Shenzhen Inovance Technology	3.2%	Health Care	8.9%		
Xinyi Solar	3.1%	Consumer Staples	5.9%		
China Overseas Land	3.1%	Real Estate	3.1%		
Alibaba Group	3.1%	Cash	5.3%		
Baidu	3.1%				
% of Fund in top 10	32.5%				
Total number of stocks	32				

## PERFORMANCE

Past performance does not predict future returns.

### Annualised % total return from launch (GBP)

Fund (Y class)	9.3%
MSCI Golden Dragon Index	10.2%
IA China/Greater China sector average	9.5%

Discrete 12m % total return (GBP)	Jan '23	Jan '22	Jan '21	Jan '20	Jan '19	Jan '18	Jan'17
Fund (Y class)	-2.7	-8.3	31.4	9.9	-15.8	31.9	39.2
MSCI Golden Dragon Index	-3.9	-15.0	37.6	8.6	-9.2	35.5	37.8
IA China/Greater China sector average	-4.8	-19.7	47.3	11.2	-13.2	31.2	40.6

Cumulative % total return (GBP)	YTD	1 Yr	3 Yrs	5 Yrs	Launch
Fund (Y class)	9.4	-2.7	17.2	8.4	88.2
MSCI Golden Dragon Index	8.4	-3.9	12.4	10.9	100.5
IA China/Greater China sector average	8.2	-4.8	12.7	8.7	91.1

### RISK ANALYSIS

Annualised, weekly, from launch on 15.12.15, in GBP	Index	Sector	Fund
Alpha	0.00	-0.40	-0.22
Beta	1.00	0.99	0.97
Information ratio	0.00	-0.11	-0.10
Maximum drawdown	-43.83	-46.93	-39.02
R squared	1.00	0.92	0.86
Sharpe ratio	0.36	0.30	0.29
Tracking error	0.00	5.63	7.43
Volatility	18.97	19.60	19.88

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. Please find a glossary of financial terms [here](#).

## 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 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.

### Risk

The Guinness Greater 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 Document (KID) / Key Investor Information Document (KIID) and the Application Form, is available in English from [www.guinnessgi.com](http://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](http://www.carnegie-fund-services.ch). The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 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.