Guinness China A Share

Investment Commentary – June 2023

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 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. The Fund invests only in stocks of companies that are based in, or with significant business activities in China; it is therefore susceptible to the performance of that region. In addition, at least 80% of the assets will be in China A shares, which have a greater participation by retail investors than other markets, so its performance may be more volatile. 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
Index	MSCI China A Onshore Index
Sector	IA China / Greater China
Managers	Sharukh Malik Edmund Harriss
Irish Domiciled	Guinness China A Share Fund

OBJECTIVE

The Fund invests in quality, profitable companies exposed to the structural growth themes we have identified in the China A share market. These themes are built upon changes we have seen in incomes, demographics, production advances and the application of technology in consumer, industrial and infrastructure settings. The Fund is actively managed and uses the MSCI China A Onshore Index as a comparator benchmark only.

CONTENTS

COMMENTARY

In May, the MSCI China A Onshore Net Return Index (MSCI China A Onshore Index), fell 5.9% in GBP.

We visited China to meet companies held in the Fund. We received updates on the latest developments for each company and spent time engaging with companies on areas of improvement, particularly with respect to ESG. In summary, it was very encouraging to see that our companies were receptive to our ideas and were very keen to understand the perspectives of foreign shareholders.

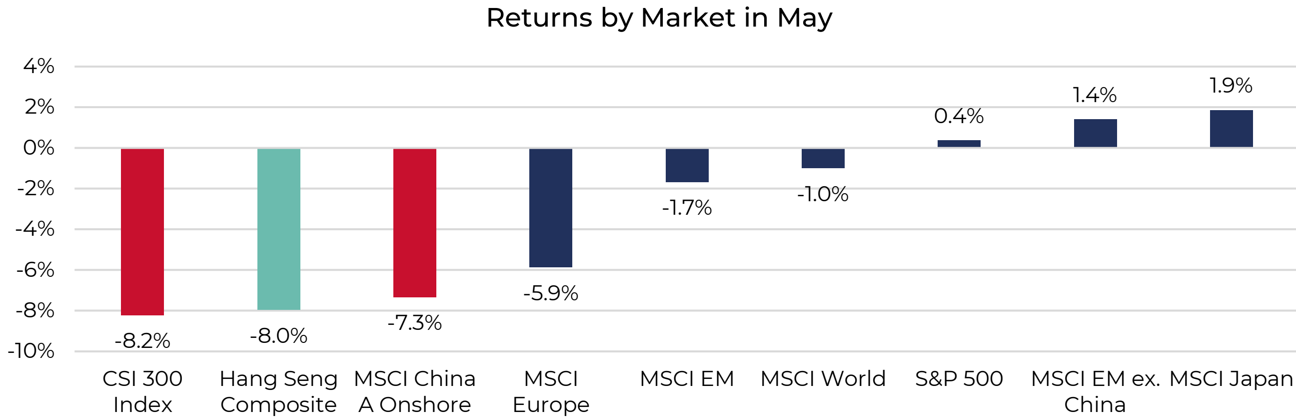
As a result of our trip, we noted the ongoing second wave of covid which is likely to have a short-term impact on the economy. Like we have seen in all other countries, each new wave of covid places a lower strain on the healthcare system and the economy.

China has just lowered the reverse repo rate, the main short-term policy interest rate, by 0.1%. This marked the first cut in 10 months and is likely to lead to cuts in longer-term policy rates. This stimulus is, in our view, a sign that policymakers acknowledge the macro data has been weaker than expected. Weak manufacturing demand as well the slow property sector are the areas that should receive greater policy support.

Commentary continues overleaf

MARKET COMMENTARY

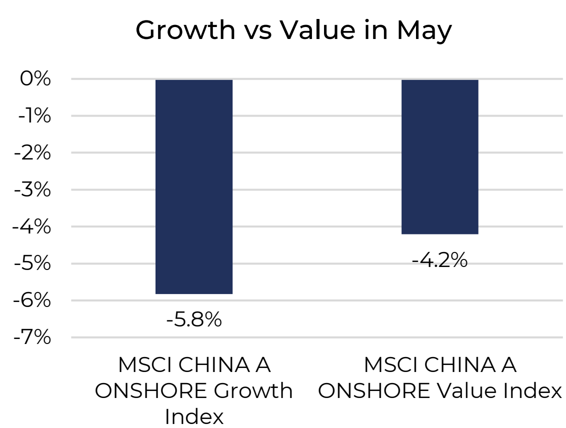
(Performance data in the section in USD terms unless otherwise stated)

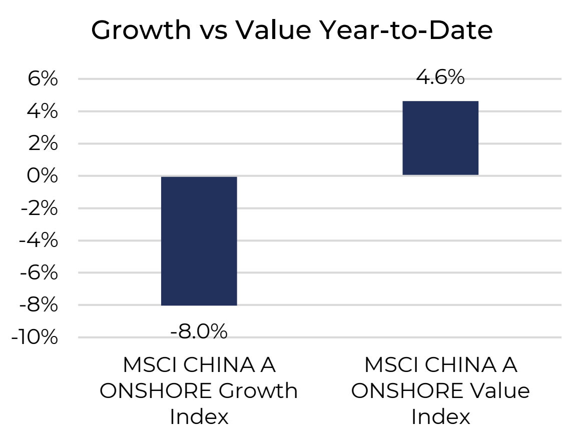


(Data from 30/04/23 to 31/05/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

In May, the MSCI China A Onshore Index fell by 7.3% compared to the MSCI World Index which fell 1.0%. The best performing sectors in China were Utilities (total return +0.4%), Information Technology (-4.9%) and Financials (-6.8%). In a weak environment, Utilities outperformed as a defensive sector. Financials did well as deposit rates were cut, which are margin accretive for the banks. The weakest sectors were Consumer Staples (-11.4%), Energy (-10.6%) and Materials (-10.6%). The baijiu (alcohol) names within Consumer Staples reported weaker than expected first quarter results. Energy companies were weak due to the lower oil price and a weakness in state-owned enterprises.

As we show below, value stocks outperformed in May, falling 4.2% compared to the growth index which fell 5.8%. This mirrors the trend we have seen year-to-date, where value stocks have risen by 4.6% while growth stocks have fallen by 8.0%.





(Left chart: data from 30/04/23 to 31/05/23. Right chart: data from 31/12/22 to 31/05/23. Returns in USD, source: Bloomberg, Guinness Global Investors calculations)

CHINA VISIT

In May, we travelled to China to visit some of the holdings in the both the Greater China Fund and the China A Share Fund. The purpose of the trip was to hear about the latest business developments, but more importantly, to engage with our holdings. Particularly with respect to ESG, Chinese companies have more room to improve when compared to developed market companies. We took the opportunity to suggest areas of improvement across environmental, social and governance factors. In summary, it was very encouraging to see that our companies were receptive to our ideas and were very keen to understand the perspectives of foreign shareholders. We summarise below the meetings we had for the companies held in the China A Share Fund.

Venustech is a large cybersecurity company. China Mobile, which is due to become its largest shareholder, recently received approval from the relevant authority to complete the deal. Venustech is now in the process of receiving approval from the Shenzhen Stock Exchange to complete the private placement, aiming to complete the deal later this year. We spent most of our meeting suggesting improvements Venustech could make in its disclosures. Labour is the main cost for Venustech, since it is a cybersecurity company, and we felt the company could disclose much more on how it trains its staff and keeps them content. We also suggested improvements to governance, including greater independence on the audit committee and supervisory board.

Shenzhen Inovance Technology is a manufacturer of industrial equipment with a speciality in inverters, servos and robotic equipment. We had the opportunity to visit the company's impressive showroom, where we saw the range of products sold by Inovance. The most impressive products were their six-axis industrial robots, with which the company aims to replicate its success in SCARA (Selective Compliance Assembly Robot Arm). Inovance is one of the better A share companies from an ESG perspective, with good disclosure which notably improved in the set of reports covering 2022. We suggested that Inovance make the audit committee fully independent and that it should sign up to the UN Global Compact.

Shenzhen H&T Intelligent Control is a manufacturer of controllers for household appliances and power tools. (A controller is the chip that processes an input into the output of the device). H&T's customers include well-known brands such as Electrolux, Whirlpool, Siemens, TTI (Techtronic), Hisense, Haier and Supor. As H&T's customers are diversifying their suppliers from a geographic perspective, it has set up production bases in Vietnam and Romania. This is an important point – while foreign companies are diversifying from China, Chinese companies are also willing to diversify with them. On ESG, we made a range of suggestions to the company. For example, we suggested H&T disclose the opportunities available in electric vehicles and energy storage solutions. We also suggested that they disclose more policies related to labour, namely how labour relations are managed and the training and development opportunities available to staff. While H&T has an anti-corruption policy internally, we suggested that it disclose it to shareholders. We were given a tour of some of the production facilities, which were highly automated. Of note, the company uses robots to move chips in certain parts of the facilities.

Weixing New Building Material is a pipe manufacturer focusing on polypropylene (PPR) pipes. Most sales come from the retail channel and the company is well known for its high-quality products and services. Weixing offers installation of pipes to its customers, offering its own staff rather than relying on third parties. This, in the company's view, is its competitive advantage as many of its competitors use third-party staff where there is less control of the quality of service. On engagement, we suggested that the company improve disclosure of health and safety policies and carbon emissions.

Shengyi Technology is one of the world's largest manufacturers of copper clad laminates (CCLs) which are the base material for printed circuit boards (PCBs). The company now aims to increase its share in the higher end of the market. We spent the rest of the meeting suggesting improvements to governance structures, namely the composition of the various committees. We also recommended that the company more clearly disclose any opportunities arising from the transition towards green energy, such as electric vehicles and energy storage solutions.

Hengli Hydraulic makes cylinders used in construction equipment, tunnel boring machines and aerial work platforms. Its customers include well known Chinese and foreign companies such as Sany, XCMG and Caterpillar. For construction equipment, Hengli specialises for larger excavators which are not economical for the underlying customers to make themselves. In terms of future growth, Hengli believes agricultural machinery is the next growth driver, which is encouraging because the government is also keen to grow the domestic industry. We suggested to the company that in the next set of reports, it disclose waste reduction targets and the opportunities available as electric excavators become more popular.

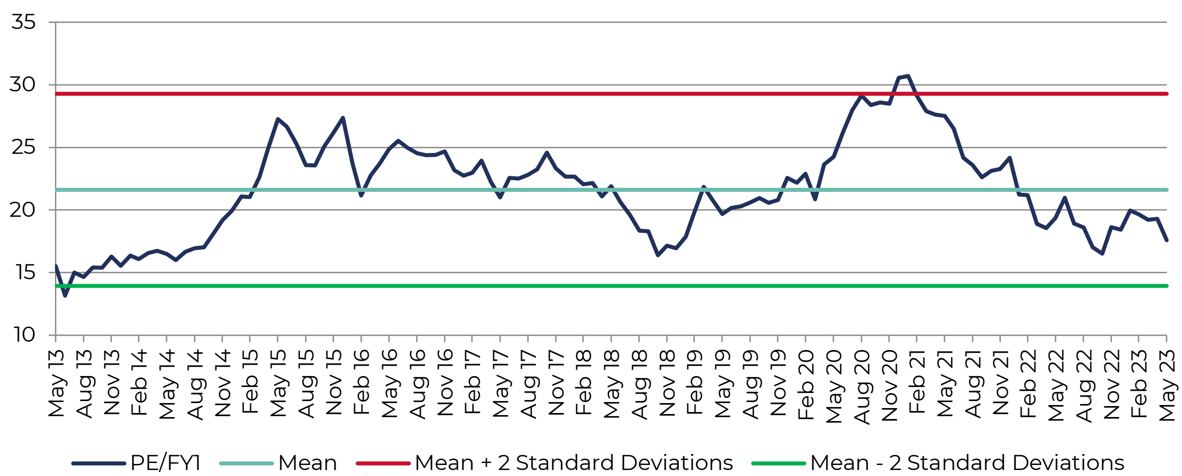
OUTLOOK

China's rebound post reopening has been weaker than the market was expecting, but it is important to note where the weakness is coming from. It is predominantly weakness from the industrial sector, the property market and exports. Industrial production grew 5.6% year-on-year in April, benefiting from a low base. On a month-on-month basis, industrial production fell 5.7%. But producer prices fell by 3.6%, leading to lower industrial profits. In the property market, we have now seen three consecutive months of small price increases, with a 0.3% month-on-month rise in April. New home sales and completion data improved, but new home starts fell 24% in April, on a 3-month rolling basis. On the other hand, the consumption data is positive, though not as strong as initially expected. Retail sales grew by 18.4% in April.

The People's Bank of China recently cut the seven-day repo rate, the main short-term policy rate, by 0.1%. It is expected that the medium-term lending facility rate and loan prime rate will follow. Though a 0.1% cut is small, we argue it is an important signal, showing that policymakers understand the rebound has been weaker than expected. A report from Bloomberg suggests that officials have been meeting economists and business leaders to debate the optimum stimulus measures. We believe further support for the property market is needed to boost overall economic growth as property and its related sectors likely account for 20% of GDP. We also acknowledge that policymakers have a tricky balancing act, as if they loosen policy by too much, China is at risk of another boom-bust cycle in the property market, which would further increase its debt profile. Targeted support for high-quality property developers, rather than broad-based support for all, is an essential part of the solution.

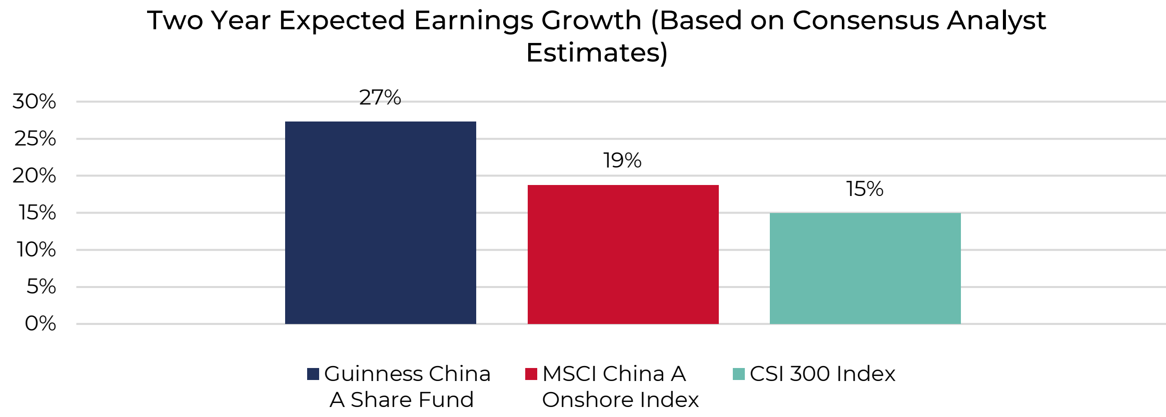
We repeat our view that the Fund is trading at a very attractive valuation for the growth that is on offer. The Fund is trading on a forward year price/earnings ratio of 17.6x. For our current holdings, this valuation is below its 10-year average. The Fund is trading at a cheaper price than it was during the initial covid outbreak and is now close to the lows seen during the US-China trade war.

Historic Forward Year Price/Earnings Ratio for Current Holdings



(Source: MSCI, Bloomberg, Guinness calculations. Data as of 31/05/2023. Data for the Fund assumes an equally weighted portfolio of the current holdings. Data for the Fund is a simulation based on actual historic data for the Fund's current holdings)

We argue that over the medium to long term, the driver of returns in China is likely to be earnings growth. Based on consensus analyst estimates, the Fund is expected to grow earnings by 27% a year over the next two years, compared to 19% growth a year for the MSCI China A Onshore Index and 15% growth a year for the CSI 300 Index. The Fund's growth also compares favourably to the MSCI World Index and S&P 500 Index, where consensus two-year growth rates in earnings per share are 5% and 4% respectively.



(Source: MSCI, Bloomberg, Guinness calculations. Data in USD. Data as of 31/05/2023. Data for the Fund assumes an equally weighted portfolio of the current holdings. Data for the Fund is a simulation based on actual historic data for the Fund's current holdings)

Portfolio Managers

Sharukh Malik
Edmund Harriss

GUINNESS CHINA A SHARE FUND - FUND FACTS

Fund size	$0.5m
Fund launch	09.03.2023
Benchmark	MSCI China A Onshore TR

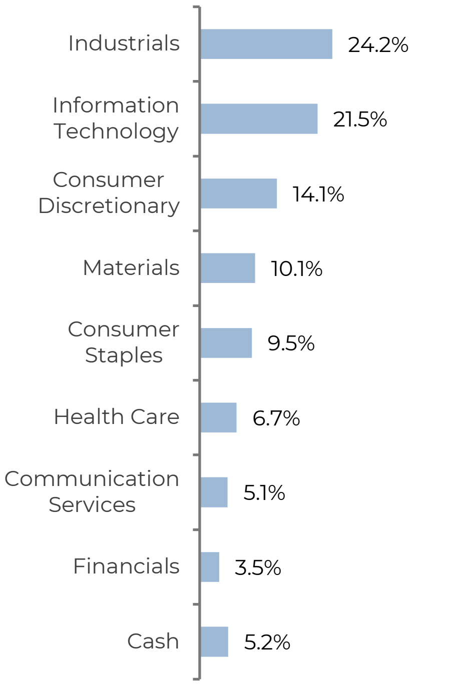
GUINNESS CHINA A SHARE FUND - PORTFOLIO

Top 10 holdings

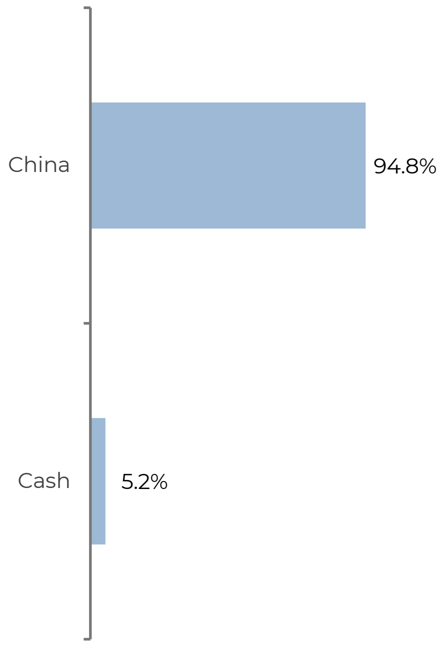
G-bits Network Technology	5.1%
Sinoseal Holding	3.8%
NARI Technology Co Ltd	3.6%
Shenzhen Mindray Bio-Medical	3.6%
Shanghai Putailai New Energy	3.6%
CAPCHEM	3.5%
PING AN	3.5%
Guangzhou Restaurant Group	3.5%
JINGSHENG	3.5%
Venustech Group	3.4%

Top 10 holdings	37.3%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

GUINNESS CHINA A SHARE FUND - CUMULATIVE PERFORMANCE

Total Return (GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
IA China/Greater China TR	-	-	-	-	-	-
Total Return (USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
IA China/Greater China TR	-	-	-	-	-	-
Total Return (EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
IA China/Greater China TR	-	-	-	-	-	-

GUINNESS CHINA A SHARE FUND - ANNUAL PERFORMANCE

Total Return (GBP)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
IA China/Greater China TR	-	-	-	-	-	-	-	-	-	-
Total Return (USD)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
IA China/Greater China TR	-	-	-	-	-	-	-	-	-	-
Total Return (EUR)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
IA China/Greater China TR	-	-	-	-	-	-	-	-	-	-

GUINNESS CHINA A SHARE 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 31.05.23. 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 China A Share 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.