Guinness China A Share

Investment Commentary – July 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 the first six months of this year, A shares have been weak, with the MSCI China A Onshore Index falling 9.1% in GBP. This compares to the MSCI World Index which grew 9.5%.

In May and June, we visited China and met representatives of six of the companies held in the Fund. In addition to receiving the latest business updates, we engaged with our holdings and suggested areas of improvement, especially with respect to ESG. For more details, please refer to our May commentary, published last month.

Over the past 10 years, the Fund's holdings have grown net income by a compound annual growth rate (CAGR) of 15% a year. This is higher than the 3% CAGR achieved by the MSCI China A Onshore Index.

Based on consensus analyst estimates, the Fund's holdings in aggregate are projected to grow net income by 27% a year over the next two years, higher than the 18% a year projected for the MSCI China A Onshore Index.

On 2023 earnings, the Fund is valued on 20.0x. This is one of the lowest valuations the current set of holdings has traded at over the past decade. Considering this alongside the compounding ability of the stocks we target, we believe now is an excellent time to be allocating to A shares.

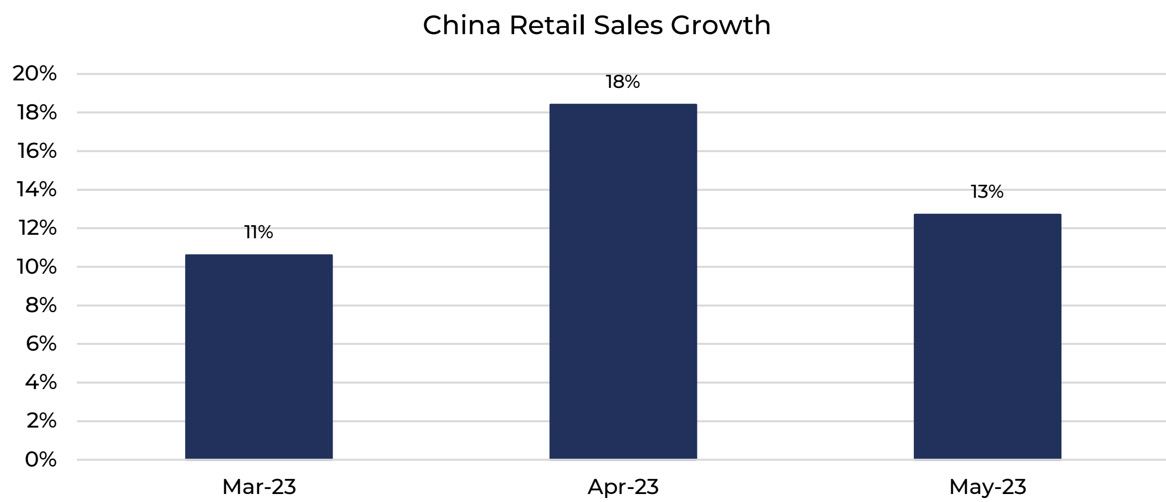
Commentary continues overleaf

MACRO REVIEW

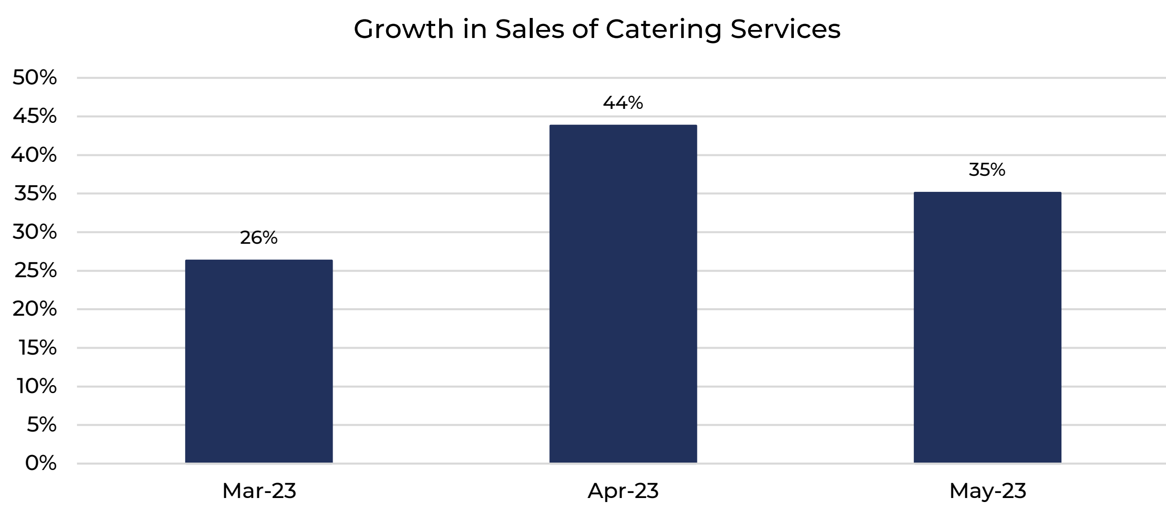
China's economic rebound since its zero-covid policy was dropped has been weaker than the market expected, leading to poor market performance after a rally lasting from November 2022 to January 2023. We think it is important to break down where the current strengths and weaknesses in China's economy lie, the constraints the government is facing, and what the government could do to stimulate the economy.

Strengths

The rebound in consumption has been encouraging, although smaller than expected. Retail sales growth has been robust, with 18% growth in April and 13% growth in May. Areas such as restaurants, shopping malls and travel are seeing the largest rebounds after suffering the most during last year's lockdowns. Catering sales rose by 44% in April and 35% in May. The number of domestic flights has exceeded 2019 levels, while the number of international flights is ramping up quickly to c.69% of 2019 levels. Flights to and from Korea, Vietnam, Singapore, Spain and the UK are recovering well, but we highlight that due to political tensions, flights from China to the US are only 7% of 2019 levels. Following US Secretary of State Blinken's visit to Beijing, both sides said they would increase the number of flights between the two countries.

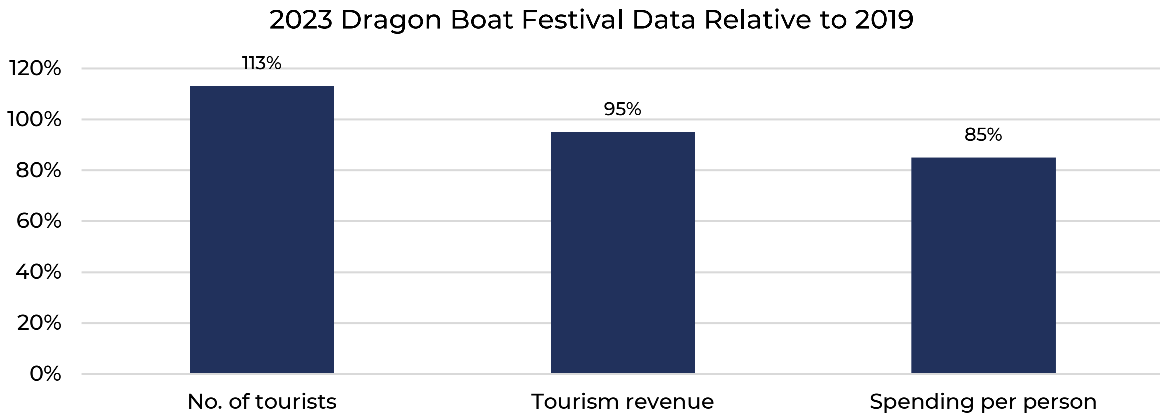


(Data from 31/12/22 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)



(Data from 31/12/22 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)

The recent Dragon Boat Festival gave us a chance to see how tourism is faring. The number of tourists reached 113% of the corresponding level in 2019. However, tourism revenue reached 95% of 2019 levels while spending per person was 85% of the 2019 level. Based on some of the commentary from China Tourism Group Duty Free (held in the Fund), flights and hotels have become more expensive since China reopened, partly explaining the lower spending figures.



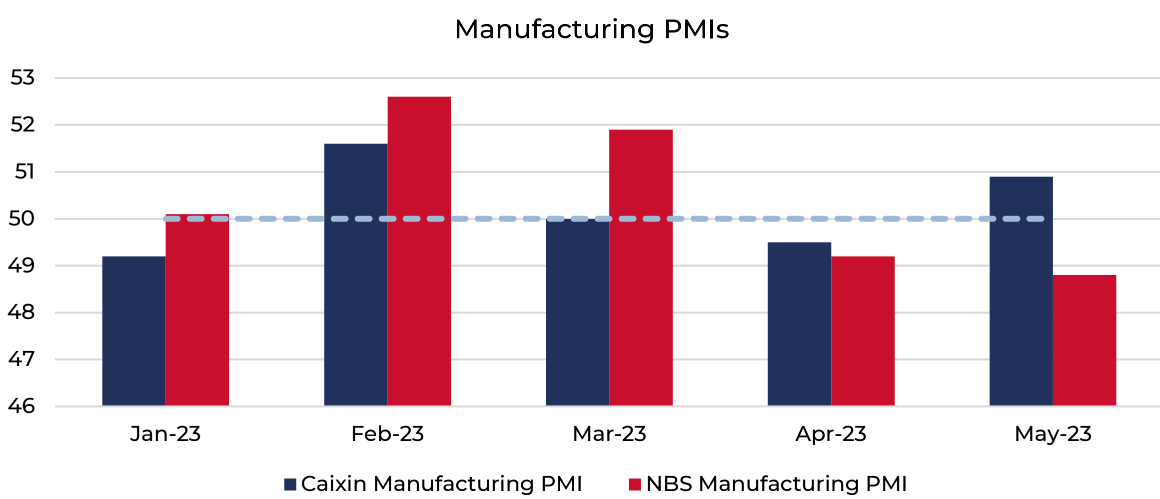
(Source: JP Morgan, Guinness Global Investors calculations)

The second wave of covid seems to have peaked at the end of May. A good proxy for cases numbers is the volume of covid-related searches on Baidu, China's most popular search engine. Here we can see searches peaked towards the end of May and have been falling since, with the search index falling by half (relative to the recent peak) by the end of June.

Weaknesses

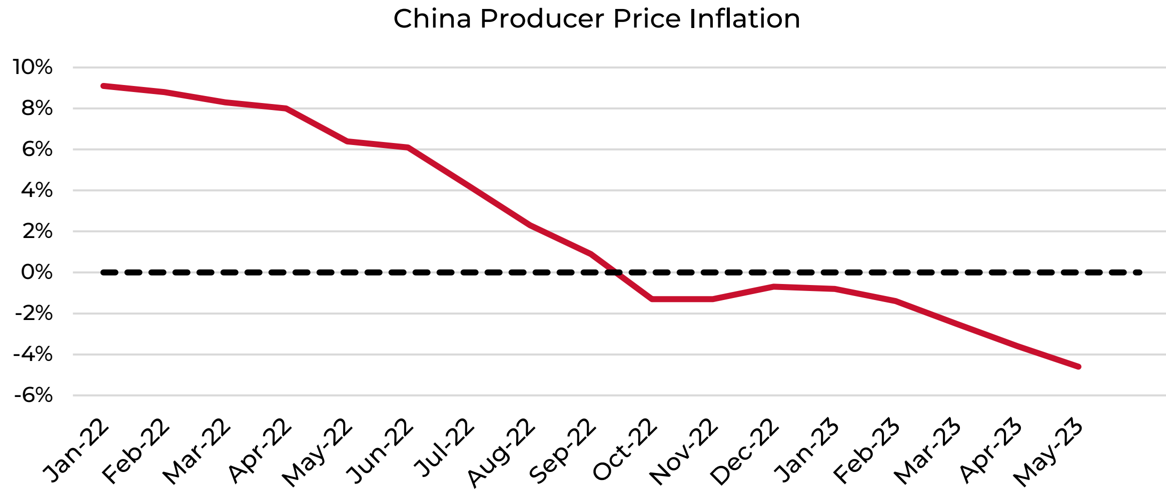
Moving onto the weaker areas in China, it is soft industrial demand and slowing exports which are notable.

Purchasing Managers' Indices (PMIs) give us a higher-frequency data set from which to judge the state of manufacturing. Both the Caixin and NBS PMIs rebounded in February after an early Chinese New Year, to 51.6 and 52.6 respectively. (Note a reading above 50 indicates expanding activity while a reading below 50 indicates weakening activity, and the readings should be interpreted on a month-on-month rather than year-on-year basis). In March and April both PMIs fell but it was surprising to see both below 50 in April, as this indicated declining activity. In May, the Caixin PMI rebounded to one of its highest levels in the past year while the NBS PMI fell further. The divergence may be due to the sample set in each survey; the Caixin PMI is more geared towards private, exporting firms while the NBS PMI is more geared towards domestic facing companies. Delving deeper into the sub-components of the PMI, both saw a fall in the employment measure.



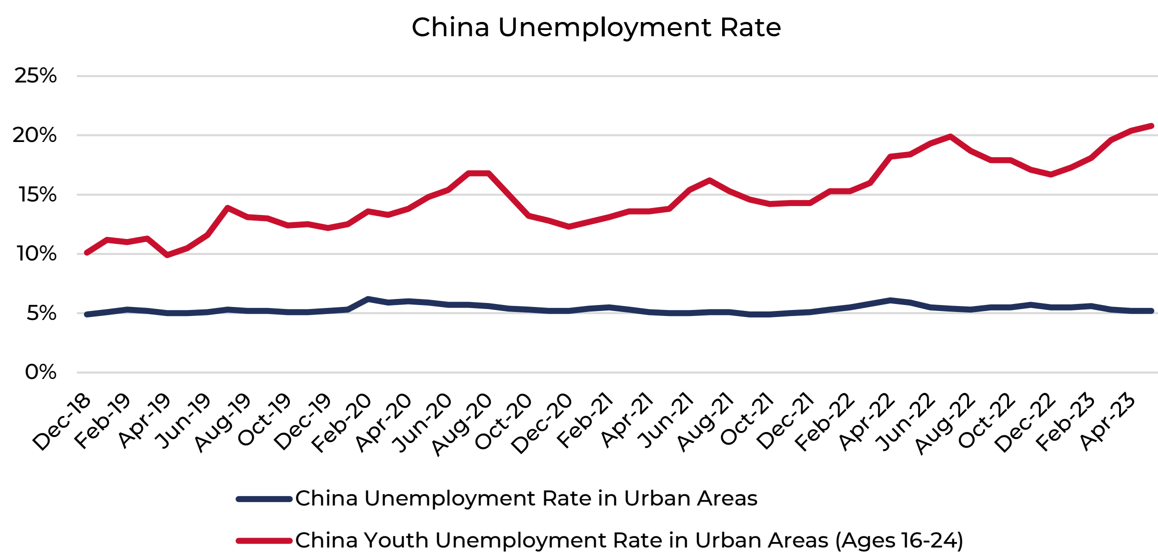
(Data from 31/12/22 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)

Falling producer price inflation (PPI) is a headwind for Chinese industrial companies. PPI has been negative since October 2022, leading to lower prices for many industrial companies. Year-to-date (not year-on-year) domestic hot rolled coil steel (finished steel) prices are down 17%, steel rebar prices are down 18%, while aluminium prices are down 20%.



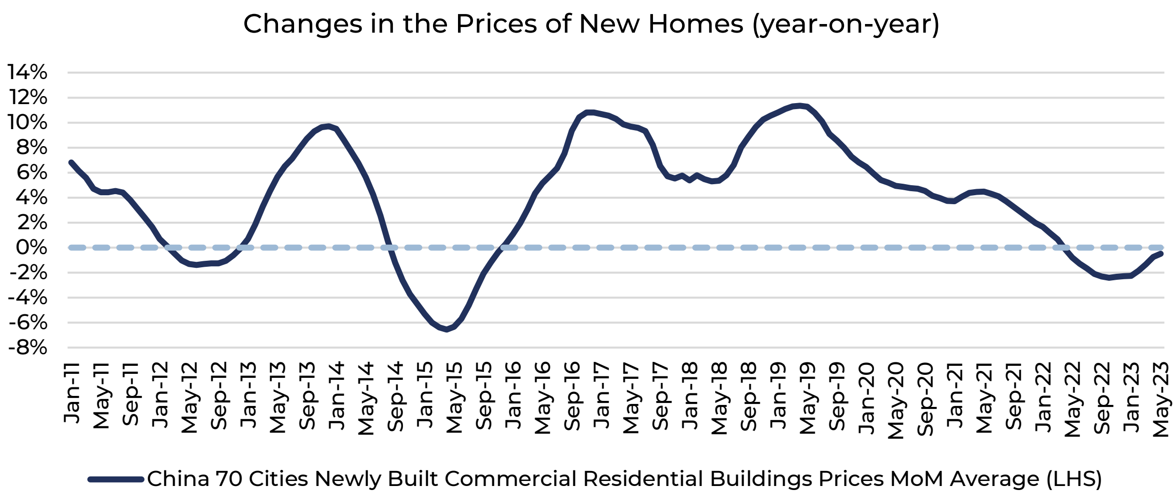
(Data from 31/12/21 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)

The overall unemployment rate in China has marginally improved since the country dropped its zero-covid policy. The rate fell from 5.7% in November 2022 to 5.2% in May 2023. However, the youth unemployment rate has actually increased, from 17.1% to 20.8% in the same period. Both the absolute level and trend in the youth rate are puzzling, although it is common for the youth unemployment rate to be far higher than the overall unemployment rate. For example, in the UK in April the overall unemployment rate was 3.8% while the youth unemployment rate was 2.9 times higher at 10.9%. However, China's youth unemployment rate is 4.0 times higher than the overall rate, which we argue has several underlying reasons. The supply of educated young workers has increased over the years, with the number of new university graduates rising from 2 million in 2003 to 12 million in 2023. However, the number of suitable jobs for these graduates has fallen, with the number of service jobs falling significantly in 2021 and 2022 due to lockdowns. It will take time for these jobs to reappear, though we are surprised the youth unemployment rate has still risen since China reopened, given the rising demand for restaurants, malls and internal travel within China. Greater regulation in the tech sector has meant firms in industries such as e-commerce and video gaming are not currently in a hiring mindset, leading to fewer job opportunities for graduates.

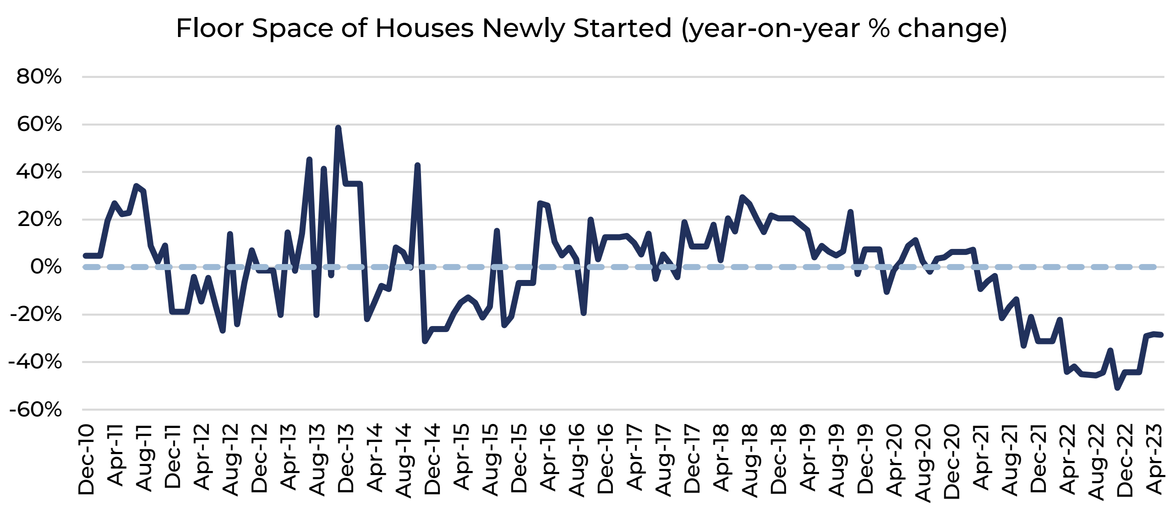


(Data from 31/12/18 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)

We argue that one of the main underlying reasons for the weakness in industrial data is the frail property market. On a year-on-year basis prices are still falling, but the pace of decline has slightly narrowed, from a 2.4% decline in October 2022 to a 0.5% decline in May. However, on a month-on-month basis, prices have been increasing since February. Below we show the year-on-year changes on a longer time horizon to give some context. In aggregate, property developers are not building enough new properties, due to tight funding conditions for the private developers. Since 2021 new home starts have been falling on a year-on-year basis. Again, the decline has narrowed this year but newly constructed floor space still fell 29% in May. So while prices are stable, volumes for new property are still falling substantially.



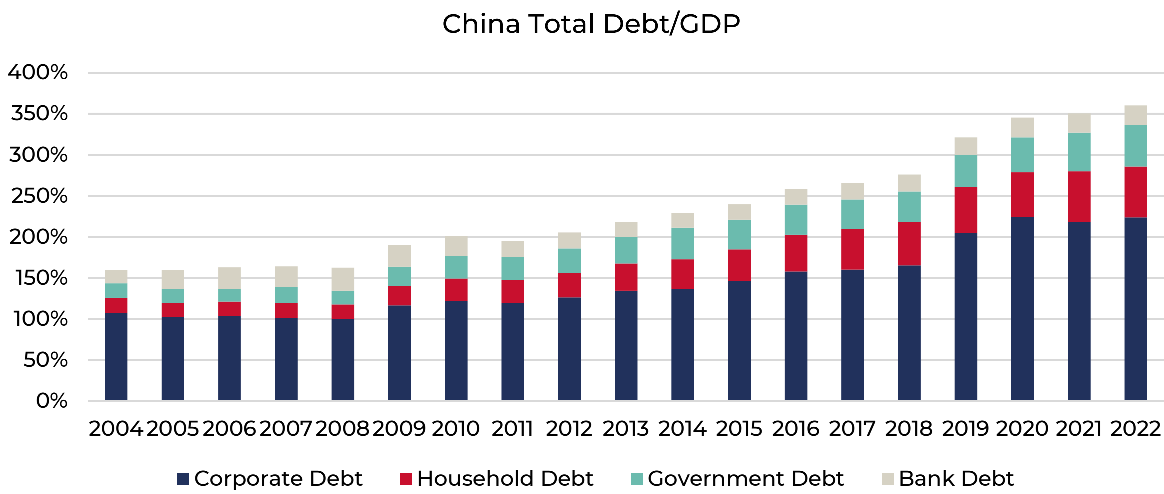
(Data from 31/01/11 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)



(Data from 31/12/12 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)

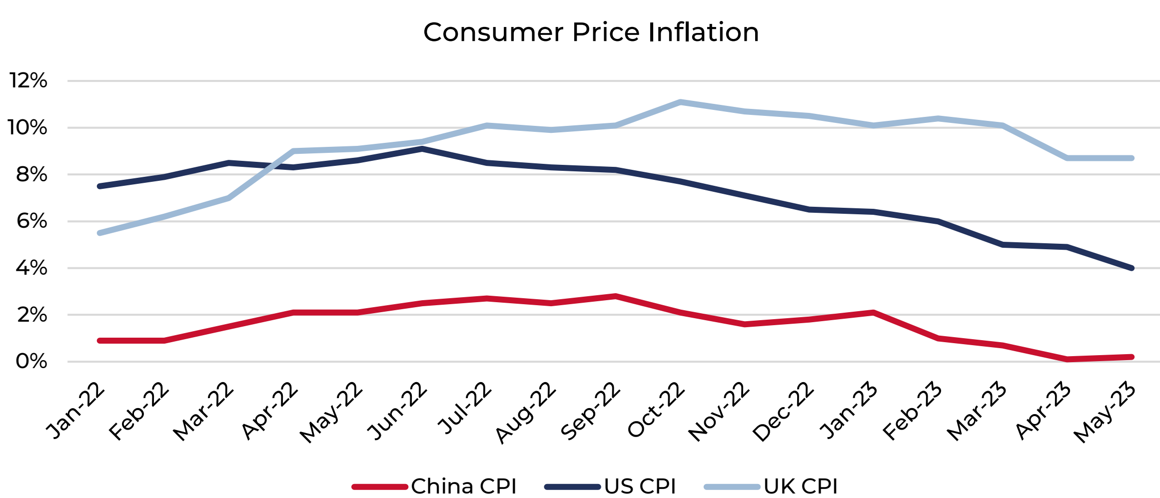
In our view, much of the weakness in the property market was government-induced. For more than a decade, property developers expanded using a debt-funded model, adding to China's overall debt burden. The government had at multiple points in the 2010s tried to reign in this model but eased policy each time when it became clear economic growth was too weak. In August 2020, the government introduced the three red lines policy, limiting the amount of debt developers could hold, which eventually led to Evergrande's business model failing. The government stuck to the policy for some time, but again, then relaxed some of the limits to boost the real estate sector. So far the relaxation in policy has not been enough to boost the market. Private property developers in particular are facing the most funding pressure, whereas the more conservatively financed state-owned enterprise (SOE) developers have been more active in acquiring land.

The government's issue is that if it eases policy by too much, China is likely to simply face the same boom-bust cycle it has seen over the past two decades. The problem is the risks of this cycle are greater today than they were in the past, given the higher level of debt within the Chinese economy. In 2010, China's total debt/GDP ratio was already high at 200%. In 2022, it had reached 360%. This was split into 224% corporate debt, 62% household, 50% government and 24% bank. China's corporate debt is too high and policymakers are reluctant to allow is to increase further because of the rising interest burden this would create.

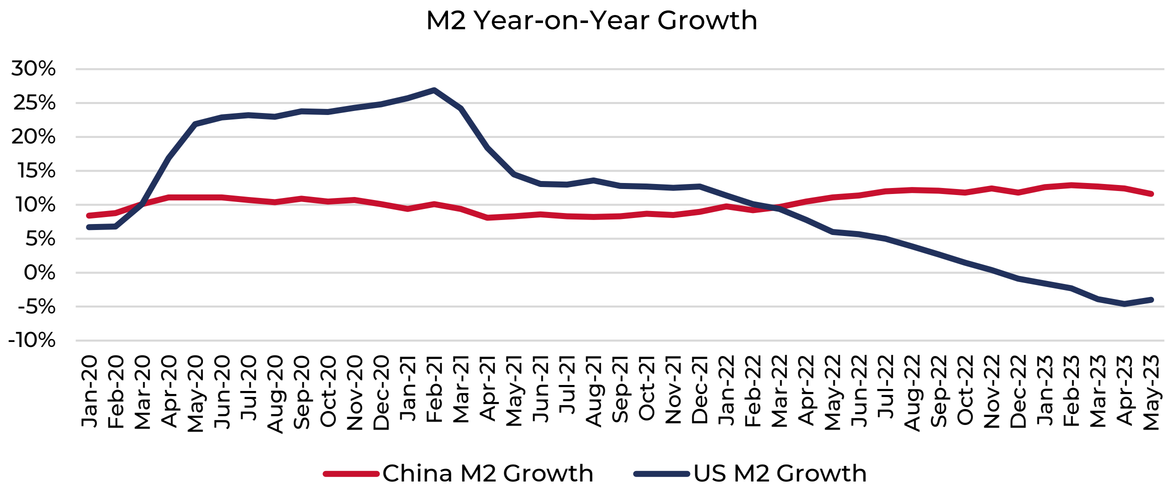


(Data from 31/12/04 to 31/12/22, source: Bloomberg, Guinness Global Investors calculations)

To stimulate growth in both the wider economy as well as the property market, the People's Bank of China recently cut short-term and medium-term interest rates by 0.1%. China has some room to cut rates given that high inflation is not a concern. Consumer price inflation was 0.2% in May compared to 4.0% in the US and 8.7% in the UK. Undoubtedly the lockdowns last year and China's muted rebound explain part of the low CPI in China, but we argue that because China stuck to conventional monetary policy during covid, China is not facing high inflation today. We show below the evolution of the M2 money supply in both China and the US from 2020 onwards. China's money supply remained broadly stable but on the other hand, the US significantly eased monetary policy leading to a surge in money supply. In our opinion, this surge is one of the main causes of high inflation in the western world today.

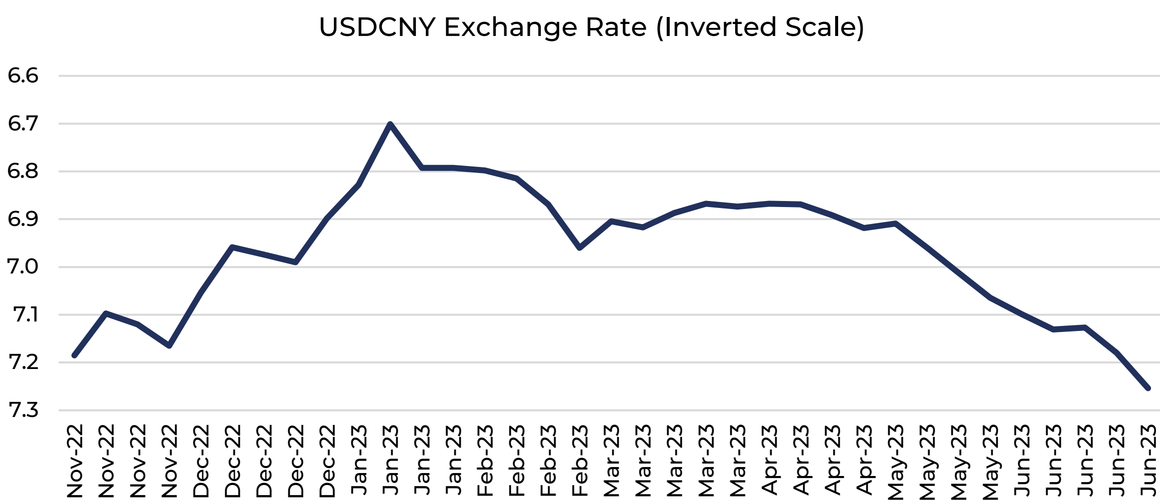


(Data from 31/12/21 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)



(Data from 31/12/19 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)

Another constraint China is facing is the effect of interest rate cuts on the renminbi. After the renminbi strengthened against the dollar post-reopening, it has since weakened by 7.6% from the peak in January. We expect interest rates to further fall in China and to further rise in the US, which would increase the interest rate differential between the two countries, likely leading to a weaker renminbi when measured against the dollar. As we have seen in the past, a weaker renminbi tends to lead to rising capital outflows in China.



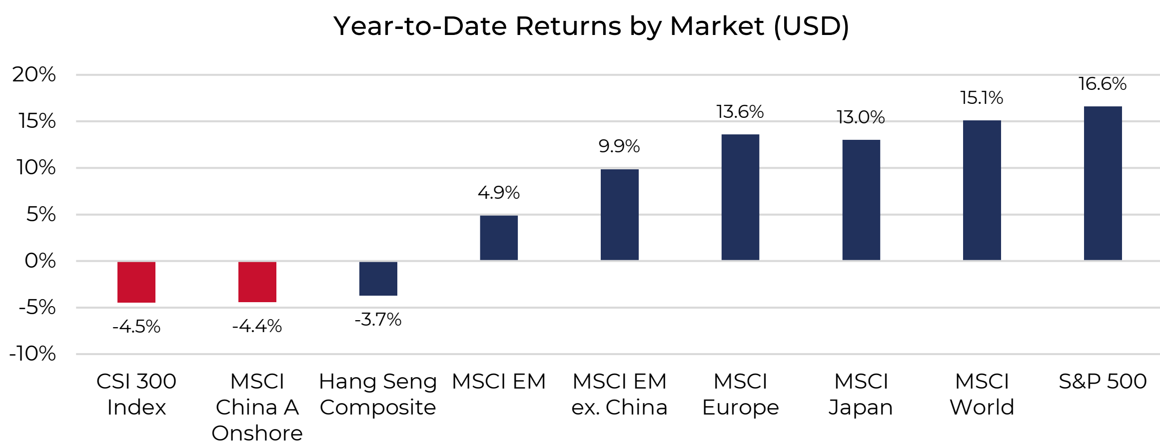
(Data from 04/11/22 to 30/06/23, source: Bloomberg, Guinness Global Investors calculations)

While the People's Bank of China's recent interest rate cuts were small, as the first set of cuts in nearly a year they sent an important policy signal. A report from Bloomberg suggests that officials have been meeting economists and business leaders to debate the optimum stimulus measures. We do not think broad-based interest rate cuts are likely to solve the problem. 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 think targeted support is required where funding conditions are eased for high-quality private property developers. Lower-quality developers should be split into good and bad assets, with the good assets acquired by state-owned developers and the bad assets acquired by specialist asset management companies.

MARKET COMMENTARY

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

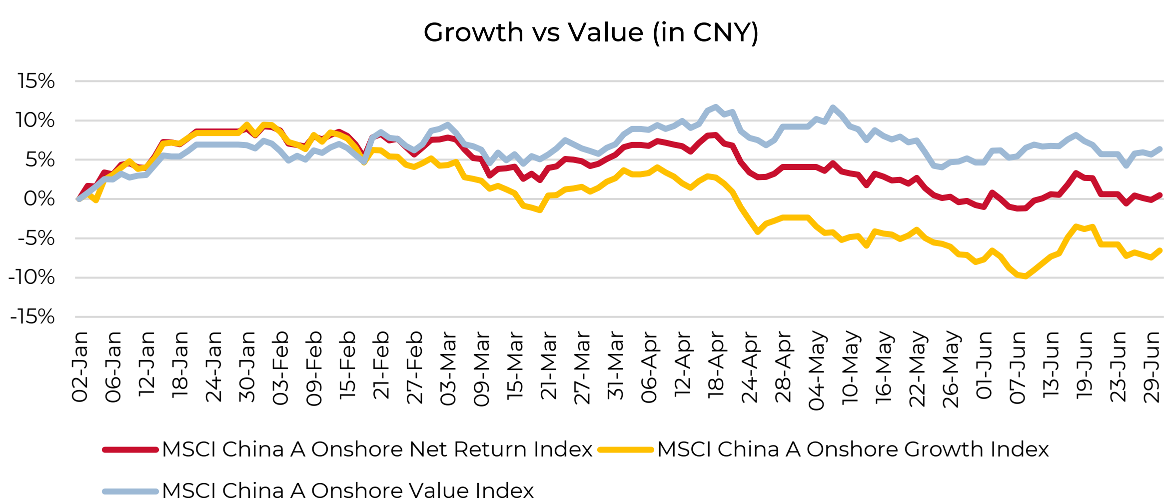
China A shares were underperformers in the first half of the year relative to other major markets. The MSCI China A Onshore Index fell by 4.4% in USD, slightly underperforming the offshore market as measured by the Hang Seng Composite Index which fell by 3.7%. This compares to the MSCI World Index which rose by 15.1%.



(Data from 31/12/22 to 30/06/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

Following strong performance at the end of last year, when China started dropping its zero covid policy, A shares continued to rally in January. The rally, which was led by growth stocks, peaked at the end of the month. However from this point on growth stocks gradually fell over the next five months as the macro data generally came in weaker than expected, while value stocks remained broadly flat. Year-to-date, value stocks have outperformed, with the MSCI China A Onshore Value index rising by 6.3% in CNY. Meanwhile the corresponding growth index has fallen by 6.6%. As a reminder, the Fund targets quality, profitable companies which give exposure to the structural growth themes in the China A share market.

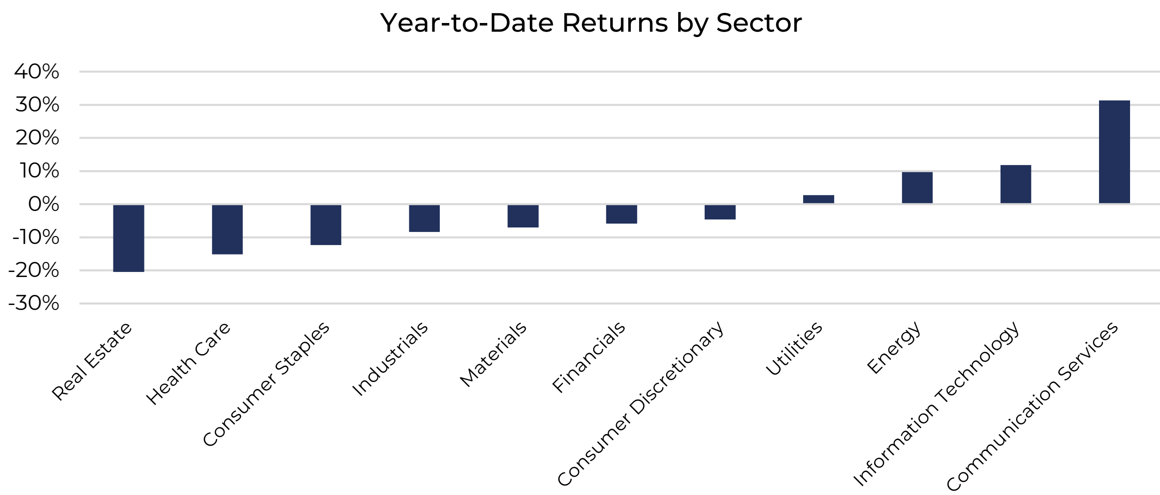
One of the main reasons behind the outperformance of value is the enthusiasm for reforms to state-owned enterprises (SOEs). The latest reform aims to improve the SOEs' operating efficiency and corporate governance in order to improve their valuations. The reforms also aim to task the SOEs with helping China's broader development goals, such as adopting newer technologies to increase China's self-sufficiency in technology.

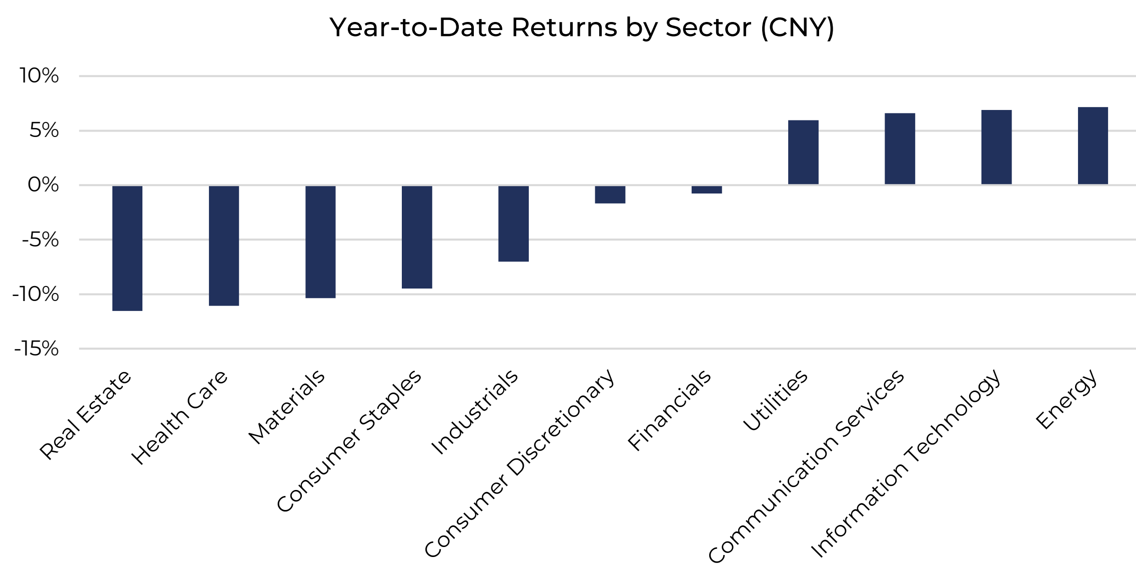


(Data from 31/12/22 to 30/06/23, returns in CNY, source: Bloomberg, Guinness Global Investors calculations)

The best performing sectors were Communication Services, Information Technology and Energy. Telecoms and Energy SOEs were boosted by enthusiasm over SOE reforms. Information Technology performance was driven by companies with exposure to generative artificial intelligence and greater localisation of digital infrastructure.

The weakest performing sectors were Real Estate, Health Care and Consumer Staples. Real Estate performance was driven by the sluggish property market and the lack of stimulus. Healthcare was driven by biotech names, with a common theme being tighter funding costs restraining growth. Consumer Staples were driven by the larger baijiu companies which had had weaker than expected results for the first quarter.





(Data from 31/12/22 to 30/06/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

PORTFOLIO HOLDINGS

Leaders

G-bits Network Technology Xiamen is a video game developer that has been receiving approvals from the regulator to release new games. The company now has a pipeline of new games which it will start launching in the second half of the year, which should be future drivers of earnings growth. The new games are spread across a variety of genres, which should help diversify revenue sources. The company's existing games are currently doing well; for example, *Wen Dao* currently generates approximately RMB 200 million ($28m) a month while *Yinian Xiaoyao* generates more than RMB 100 million a month ($14m).

Shenzhen Capchem Technology is a manufacturer of battery electrolytes, which allow lithium ions to flow when a battery is charging and discharging. It is the second-largest electrolyte producer in China, having specialised in the field since 2003. Thanks to the rising demand for EVs, its operating performance is strong. Capchem also specialises in capacitor chemicals, with a high market share both domestically and abroad. The company is also a major supplier of organic fluorine chemicals for the anaesthesia market, thereby also providing exposure to rising demand for healthcare services.

Shanghai Putailai New Energy Technology is one of the world's largest manufacturers of graphite anode material, which are sheets of graphite between which lithium ions are stored when a battery is being charged. Putailai is also China's largest manufacturer of coated separators, which keep the anode and cathode apart, allowing lithium ions to pass through. The company's products are demanded by both domestic customers such as CATL and BYD, as well as foreign customers such as Samsung SDI and LG Energy Solutions. In May, Putailai also announced it would invest up to $1.5bn into a new anode plant in Sweden. The first customer of the new plant will be Northvolt, Europe's largest battery manufacturer.

Sinoseal is China's largest manufacturer of mechanical seals, which are mostly used in the petrochemical industry. The seals prevent leaks when equipment is used under conditions of high temperature, pressure and speed. The company is seeing more orders coming from chemical projects rather than refining projects, serving well known Chinese companies. Sinoseal also has exposure to carbon capture, utilisation and storage (CCUS) projects, providing seals for the National Energy Group Taizhou Power project, which has capacity for 500,000 tons of carbon a year.

Nari Technology is a manufacturer of dispatching hardware and software for China's electricity grid. Its equipment allows the grid to monitor real-time information. As China continues to invest in renewable energy, the extra capacity installed needs to be connected to the grid, which bodes well for Nari. The company also manufactures ultra-high volage lines which are able to transport electricity over long distances with less energy loss than conventional lines.

Laggards

China Tourism Group Duty Free (CTG) is China's largest duty-free operator. Most of its sales come from Hainan island in the south of the country, which boomed during the lockdown years as a popular domestic tourist destination. CTG's share price has been weak this year for multiple reasons. Duty-free sales in Hainan have been relatively weak, possibly because more Chinese tourists are flying abroad rather than domestically. For those travelling to Hainan, more expensive flights and hotels have reduced the money available for shopping. There are also concerns over the longer-term picture as Hainan as a whole, rather than selected malls, will become duty-free in 2025, significantly increasing competition. We think that as an operator of high-end malls, CTG can still do well in Hainan. Its large scale is likely to reduce its per-unit costs, allowing it to compete against the upcoming competition.

Sino Wealth is a chip designer focusing on microcontrollers, battery management chips and display drivers. Microcontrollers consolidate various functions on a chip and are used to control home appliances. Sino Wealth is now moving up the value chain and expanding into automotive microcontrollers. Battery management chips are used in anything powered by lithium batteries. Currently, Sino Wealth's chips are used predominantly in consumer applications such as smartphones and computers. We expect in the long term it will try to move into battery management for electric vehicles. In the first quarter, Sino Wealth saw revenue and earnings fall in the due to weaker consumer demand. Higher than expected inventories were a surprise, suggesting that even though end demand is gradually improving, customers are working through their own inventories. Management aim to bring down inventory to normal levels in the second half of the year.

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. Demand for consumer electronics has been weak year-to-date, leading to lower utilisation for the company. On our recent trip to China, we met with the company and suggested improvements to governance structures, namely the composition of the various committees. We also recommended that the company more clearly discloses any opportunities arising from the transition towards green energy, such as electric vehicles and energy storage solutions.

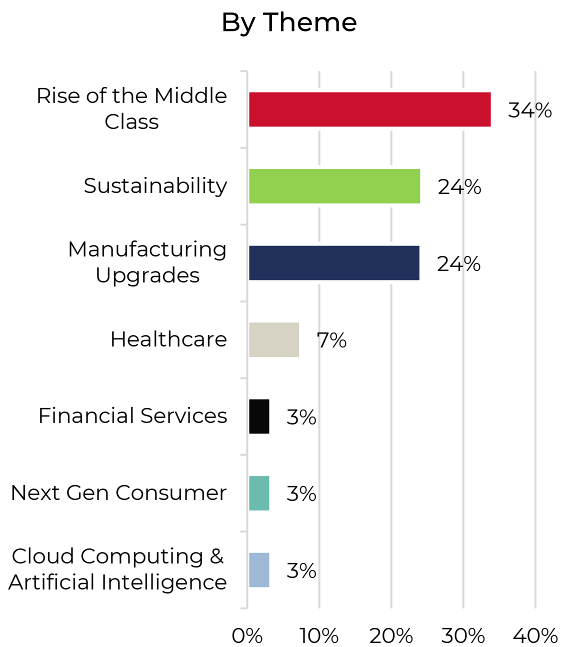
Hangzhou First Applied Material is the world's largest manufacturer of solar film, which is used to protect solar modules. Due to rising demand for solar energy, volume growth is strong, with the company aiming to increase its shipments by 50% in 2023. However, input costs are rising, which has led to earnings downgrades this year. Based on consensus analyst estimates, earnings per share are still expected to increase by 91% in 2023 and 25% in 2024.

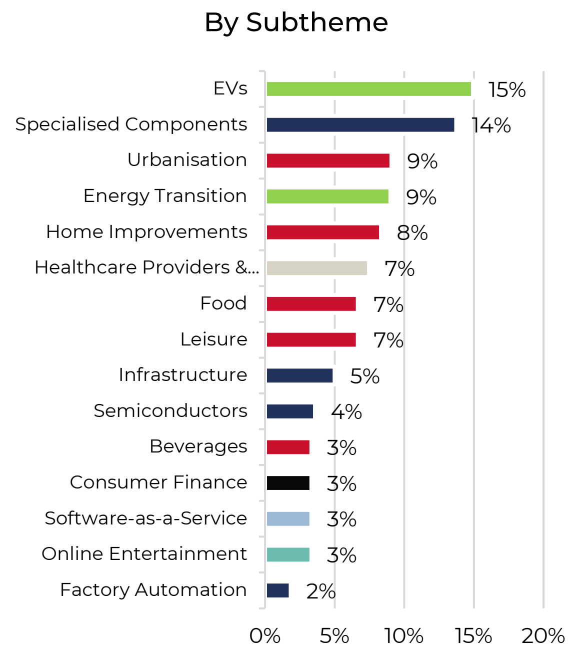
Weixing New Building Material is a pipe manufacturer focusing on polypropylene (PPR) pipes. Most sales come from the retail channel and the company is well known for its high-quality products and services. Weixing offers installation of pipes to its customers, offering its own staff rather than relying 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. Amid weakness in the property sector, revenue fell by 11% in the first quarter and on a normalised basis, earnings also fell by 11%. Weakness was seen in both the retail and municipal channels, partly offset by rising waterproof sales. On our recent trip to China, we met with the company and suggested it improves disclosure of health and safety policies and carbon emissions.

PORTFOLIO POSITIONING

Since the Fund was launched in March, there have been no changes to the holdings.

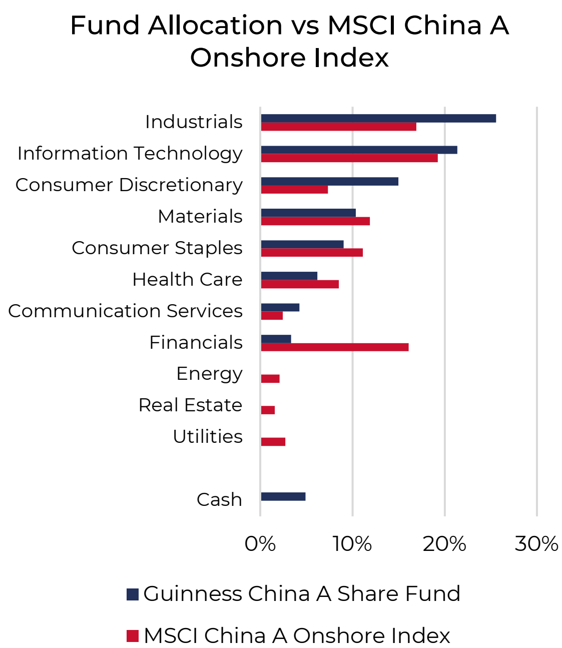
By theme, the Fund's largest exposures are to the Rise of the Middle Class, followed by Manufacturing Upgrades and Sustainability. Important subthemes include EVs, Specialised Components, EVs and Urbanisation.

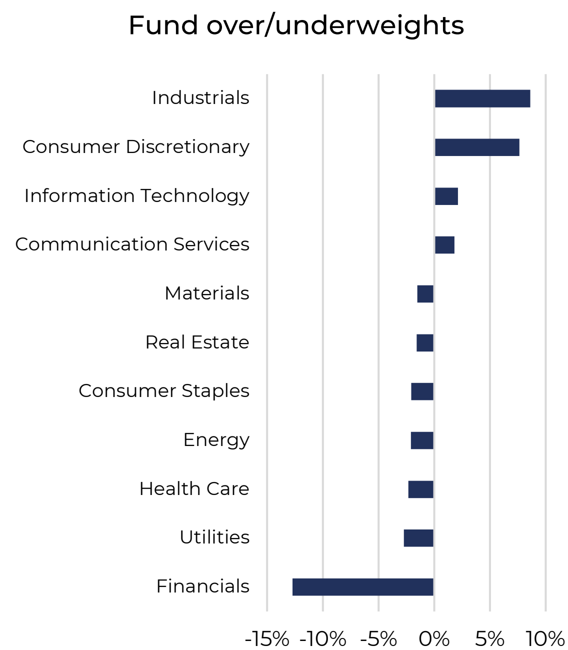




(Data as of 30/06/23, source: Guinness Global Investors calculations)

On a sector basis, the Fund's largest exposures are to Industrials, Information Technology and Consumer Discretionary. Relative to the MSCI China A Onshore Index, the Fund is overweight in Industrials and Consumer Discretionary, and underweight in Financials. The Fund has no allocation to the SOE banks as they do not give exposure to the structural growth themes we target.

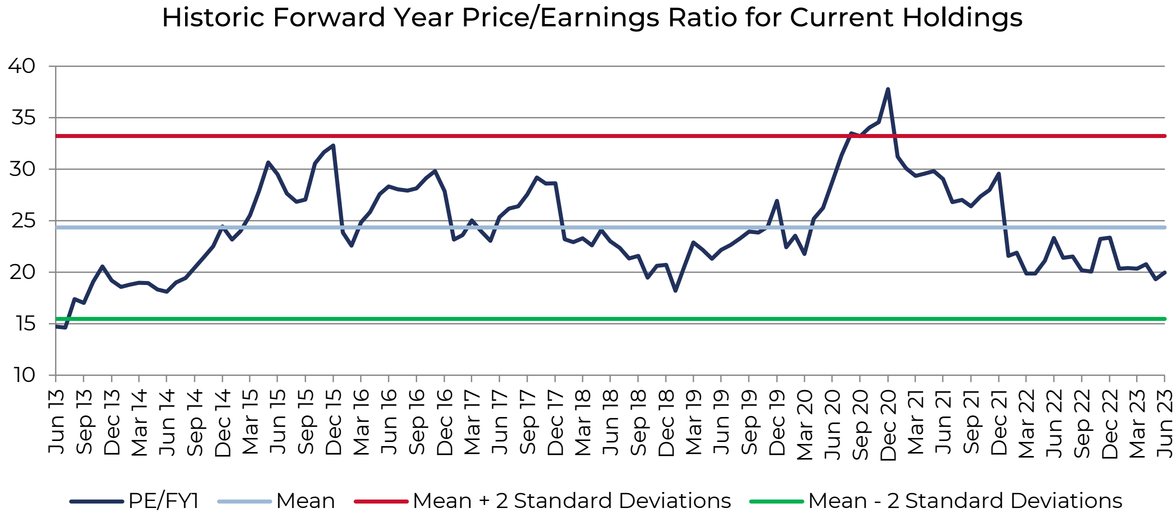




(Data as of 30/06/23, using the L&G E MSCI China UCITS ETF (CASH LN Equity) as a proxy for the MSCI China A Onshore Index. The ETF aims to track performance of the MSCI China A Onshore index and is used for comparative purposes. Source: Bloomberg, Guinness Global Investors calculations)

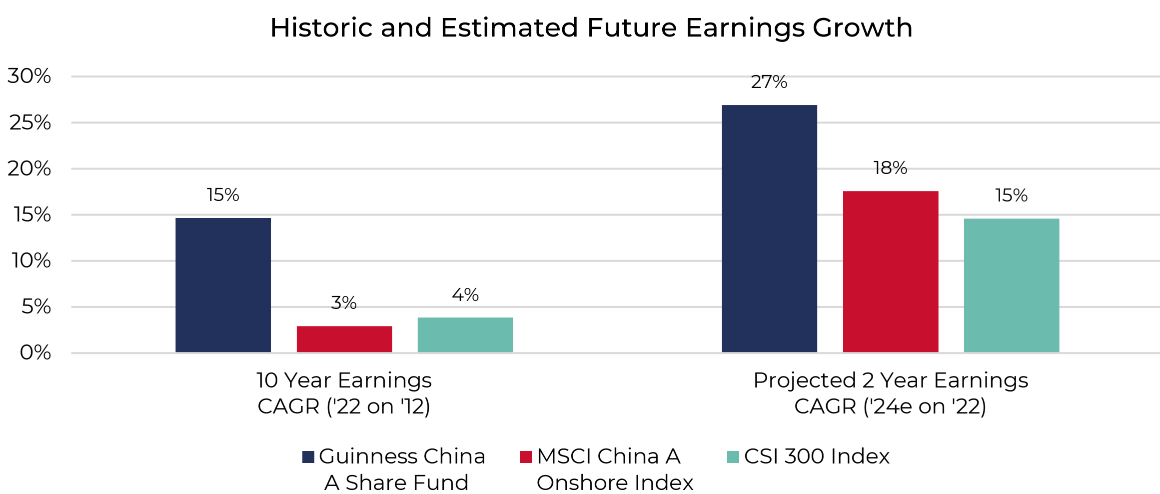
OUTLOOK

We argue now is an excellent time to be allocating to the high-quality, compounder stocks we offer in the Fund. Investors both Chinese and foreign are bearish over the prospects over the Chinese economy, and this is reflected in very attractive valuations. The portfolio is trading on a forward year price/earnings ratio of 20.0x, which is one of the lowest valuations the current set of holdings has traded at over the past decade.



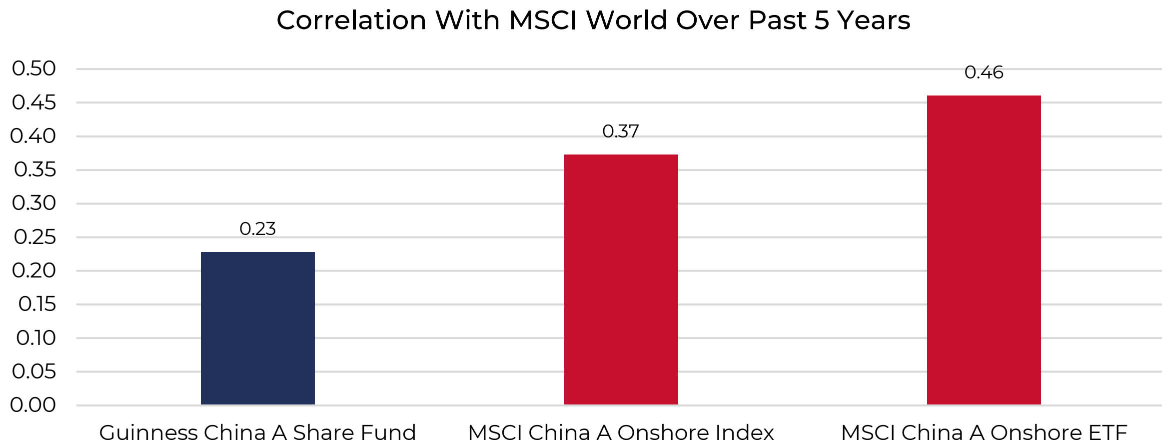
(Data as of 30/06/23, source: Bloomberg, Guinness Global Investors calculations)

But valuations are only one component of shareholder returns. In the long term, it is earnings growth which drives the bulk of returns. Here, we think our focus on high-quality, profitable stocks which give exposure to China's structural growth themes serves us well in finding earnings compounders. Over the past decade, the Fund's holdings have in aggregate grown earnings per share by 15% a year (in CNY). This is higher than the 3% a year growth offered by the MSCI China A Onshore Index. Based on consensus analyst estimates, the Fund's holdings are in aggregate expected to grow earnings by 27% a year over the next two years, again higher than the MSCI China A Onshore Index, which is expected to grow earnings by 18% a year. To put these figures into context, the S&P 500 Index is expected to see earnings growth of only 4% a year over the same period. The current weakness in the economy has not, in our view, changed the competitive advantages our holdings have held over the past decade.



(Data as of 30/06/2023. Source: Bloomberg, Guinness calculations. Data in CNY. 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)

In summary, we think the fundamental characteristics of the Fund are attractive. In addition, A shares offer investors the benefit of diversification given their low correlation to developed markets. Over the past five years, the Fund's holdings have had a correlation of 0.23 against the MSCI World Index, lower than the MSCI China A Onshore Index with a correlation of 0.37.



(Data calculated between 30/06/18 and 30/06/23. Source: Bloomberg, Guinness calculations. Fund correlation calculated against the iShares Core MSCI World UCITS ETF (IWDA LN), while the MSCI China Onshore Index and MSCI China A Onshore ETF correlations are calculated against the MSCI World Index. Fund correlation measures the historic correlation of the existing holdings against the ETF. The MSCI China A Onshore ETF is the L&G E Fund MSCI China A UCITS ETF (CASH LN Equity). The ETF aims to track performance of the MSCI China A Onshore index and is used for comparative purposes.

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

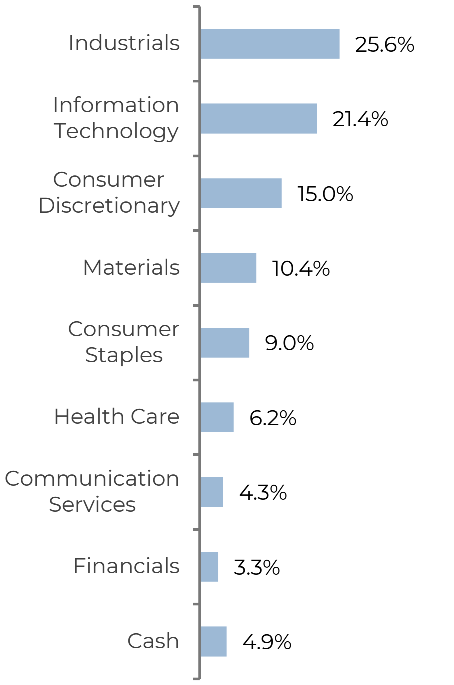
GUINNESS CHINA A SHARE FUND - PORTFOLIO

Top 10 holdings

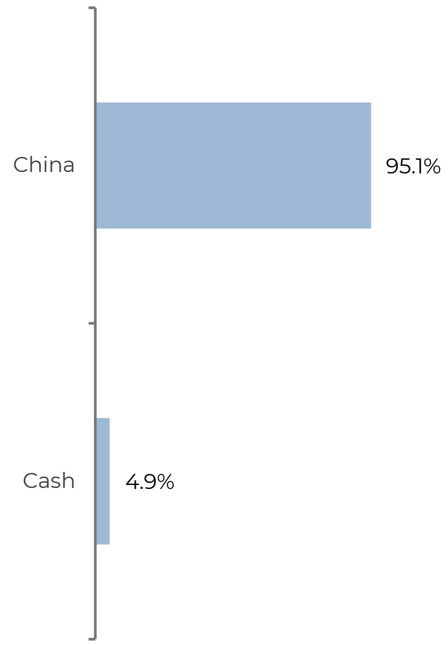
G-bits Network Technology Xiam	4.3%
Shenzhen Capchem Technology Co	3.7%
Shanghai Putailai New Energy	3.7%
Sinoseal Holding	3.6%
NARI Technology	3.5%
Zhejiang Jingsheng Mechanical	3.5%
Shenzhen Mindray Bio-Medical E	3.5%
Shenzhen H&T Intelligent	3.4%
Zhejiang Weixing New Building	3.4%
Ping An Insurance	3.3%

Top 10 holdings	35.9%
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 30.06.23. 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.