# Guinness Greater China

Investment Commentary – July 2023

GUINNESS GLOBAL INVESTORS

## RISK

This is a marketing communication. Please refer to the prospectus, KIDs and KIIDs 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. 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** | 15.12.2015 |
| **Index** | MSCI Golden Dragon |
| **Sector** | IA China & Greater China |
| **Managers** | Sharukh Malik CFA<br>Edmund Harriss |
| **Irish Domiciled** | Guinness Greater China Fund |

## OBJECTIVE

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.

## CONTENTS



## COMMENTARY

In the first half of the year, the Guinness Greater China Fund (Class Y, GBP) has fallen by 8.6% while the benchmark, the MSCI Golden Dragon Net Total Return Index (MSCI Golden Dragon Index) has fallen by 4.5%, and the MSCI China Net Total Return Index (MSCI China Index) has fallen by 10.1%.

In May and June, we visited China and met representatives of four 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 the May update for the Fund.

Over the past 10 years, the Fund's holdings have grown net income by a compound annual growth rate (CAGR) of 9% a year. This is higher than the -1% CAGR achieved by the MSCI China Index.

Based on consensus analyst estimates, the Fund's holdings in aggregate are projected to grow net income by 20% a year over the next two years, higher than the 13% a year growth rate projected for the MSCI China Index.

On 2023 earnings, the Fund is valued on 14.5x. 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 China.

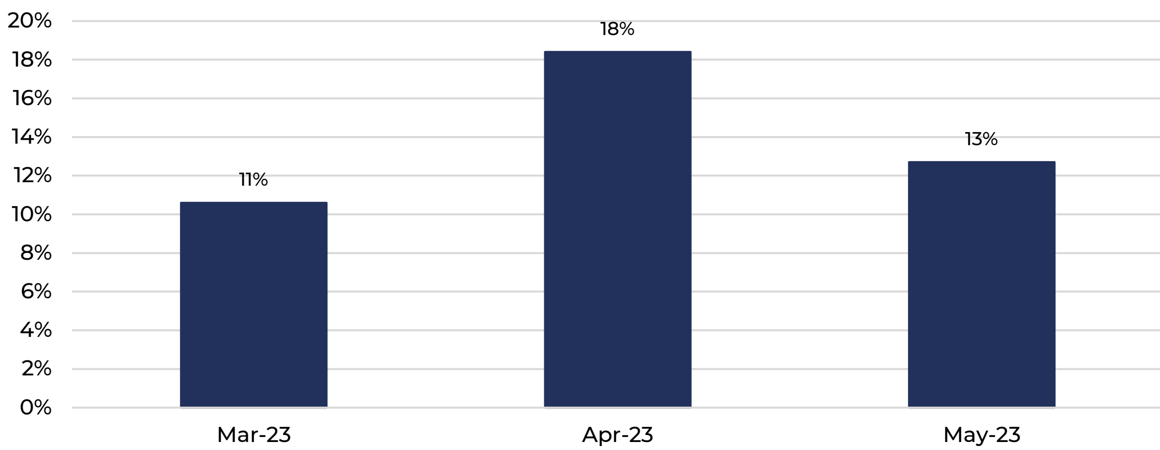
## MACRO REVIEW

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**

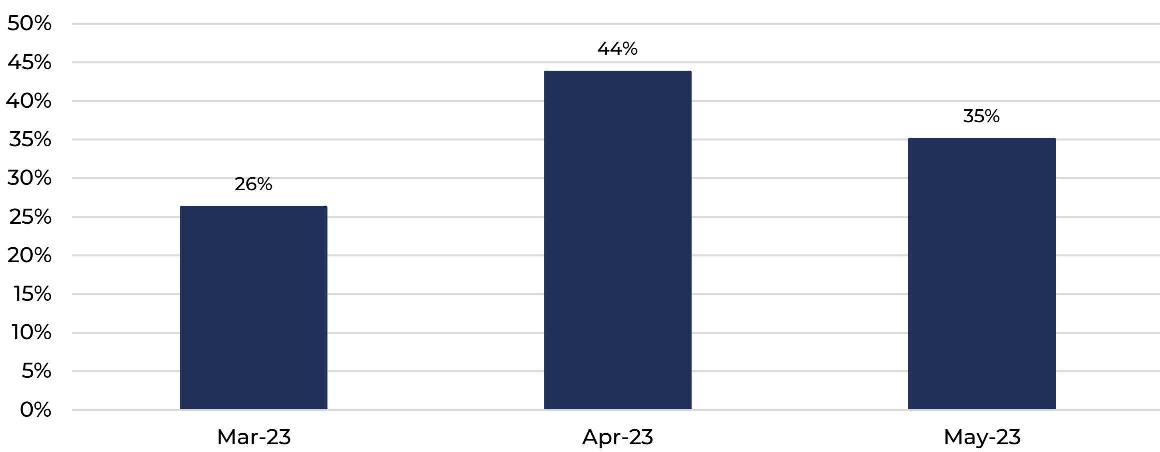
The rebound in consumption has been encouraging, although smaller than expected. Retail sales growth has been robust, with 18% growth in April and 13% growth in May. Areas such as restaurants, shopping malls and travel are seeing the largest rebounds after suffering the most during last year's lockdowns. 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.

China Retail Sales Growth



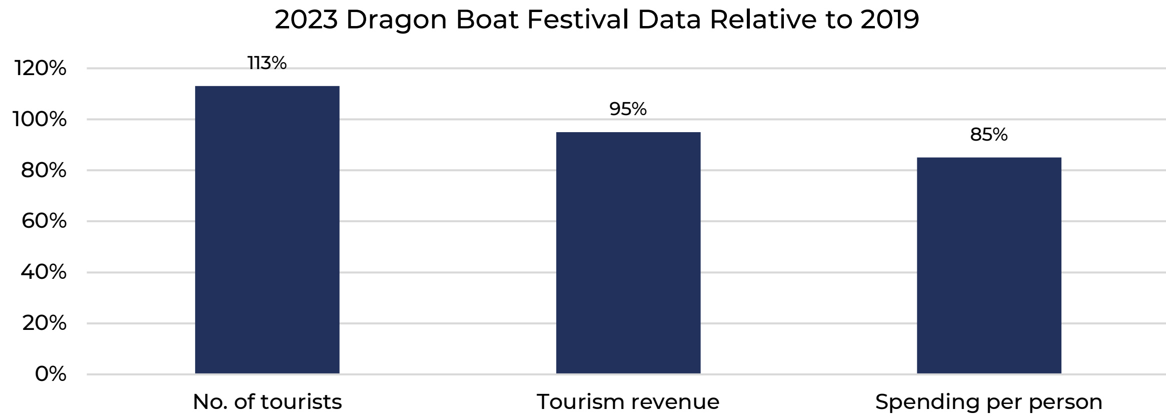

*(Data from 31/12/22 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)*

Growth in Sales of Catering Services




*(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.



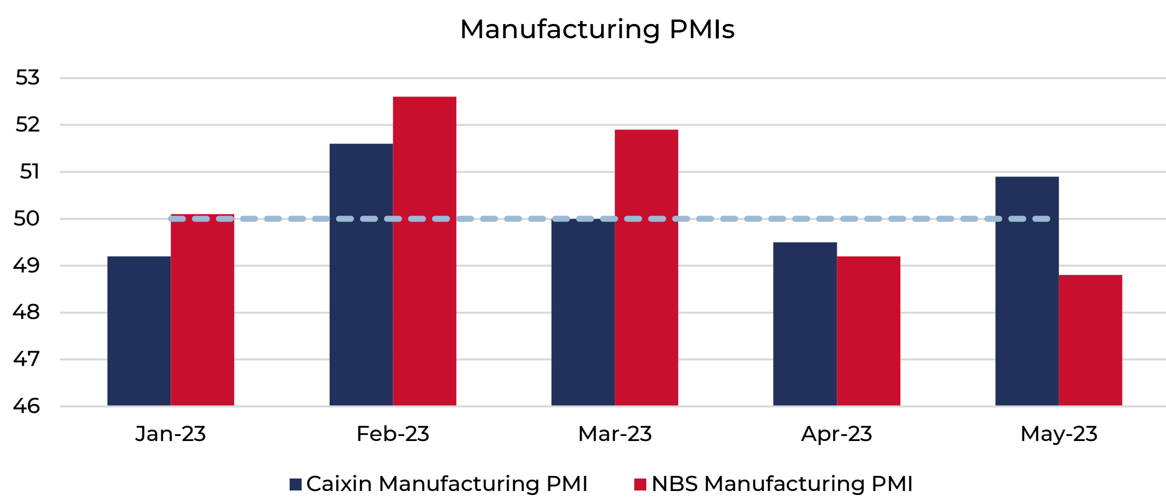

*(Source: JP Morgan, Guinness Global Investors calculations)*

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.

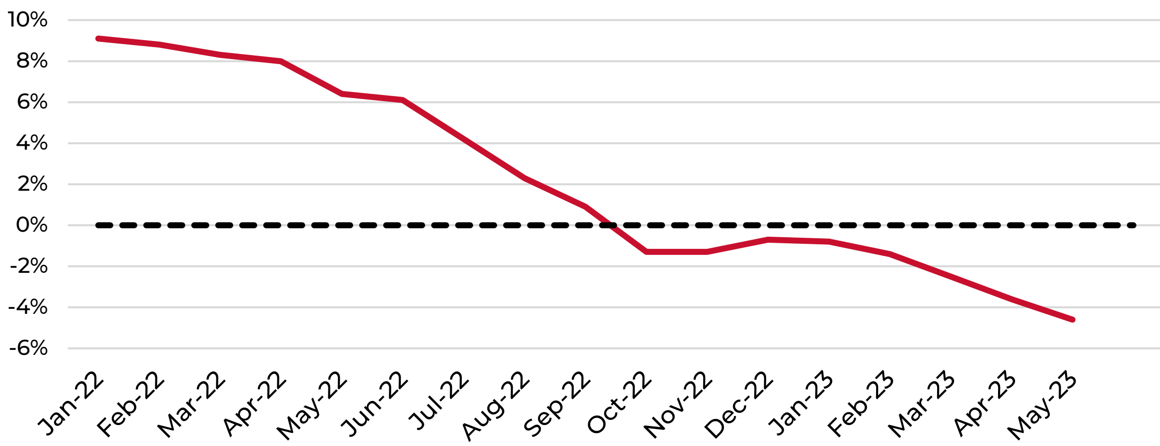
Purchasing Managers' Indices (PMIs) give us a higher-frequency data set from which to judge the state of manufacturing. Both the Caixin and NBS PMIs rebounded in February after an early Chinese New Year, to 51.6 and 52.6 respectively. (Note a reading above 50 indicates expanding activity while a reading 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%.

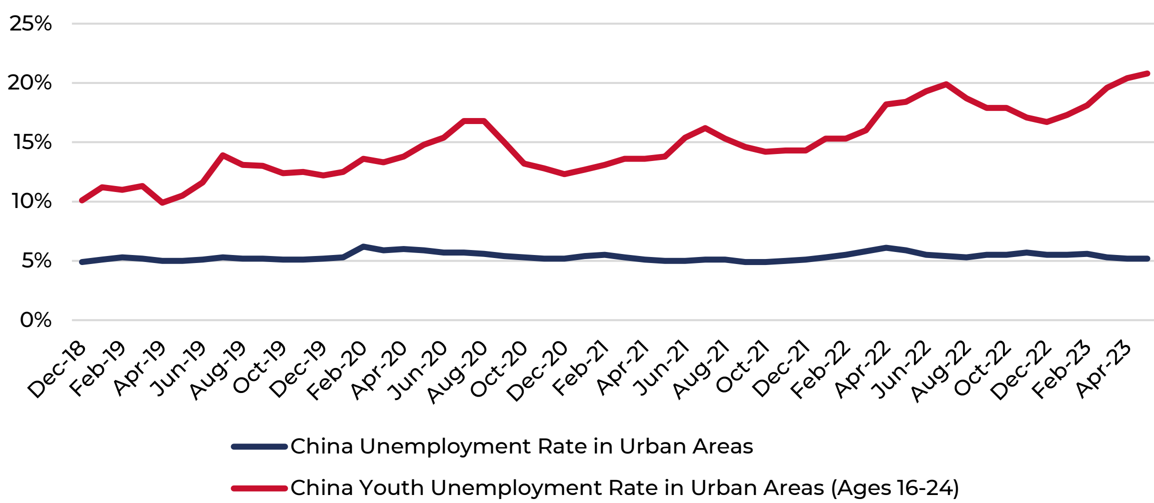
China Producer Price Inflation




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

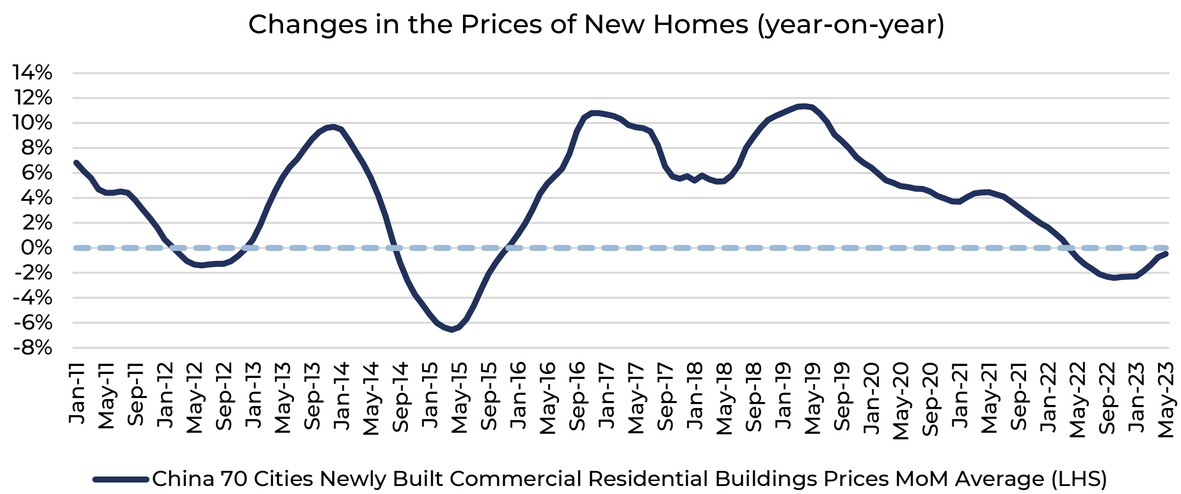
The overall unemployment rate in China has marginally improved since the country dropped its zero-covid policy. The rate fell from 5.7% in November 2022 to 5.2% in May 2023. However, the youth unemployment rate has actually increased, from 17.1% to 20.8% in the same period. Both the absolute level and 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.

China Unemployment Rate

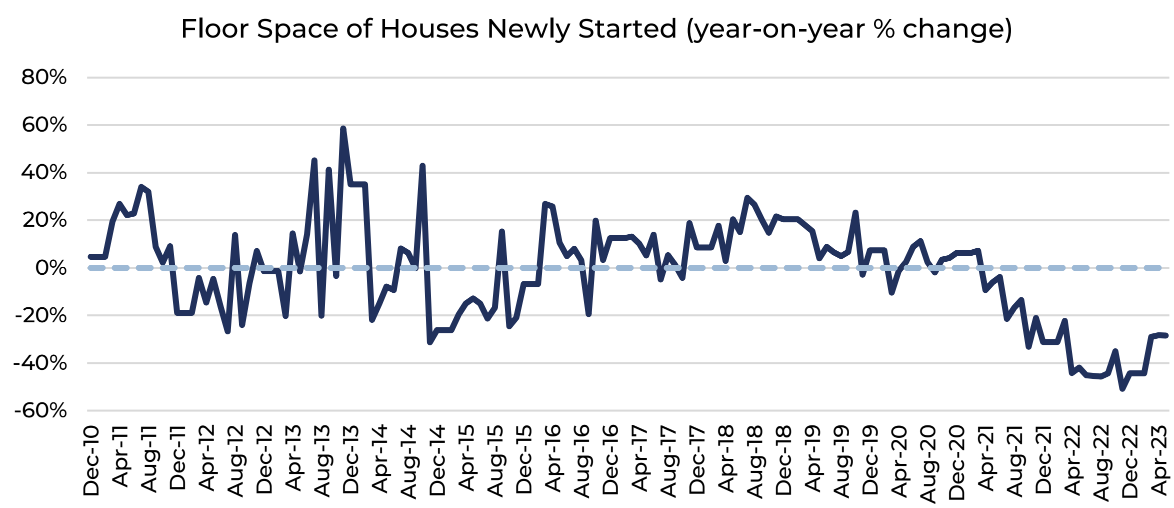



*(Data from 31/12/18 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)*

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.



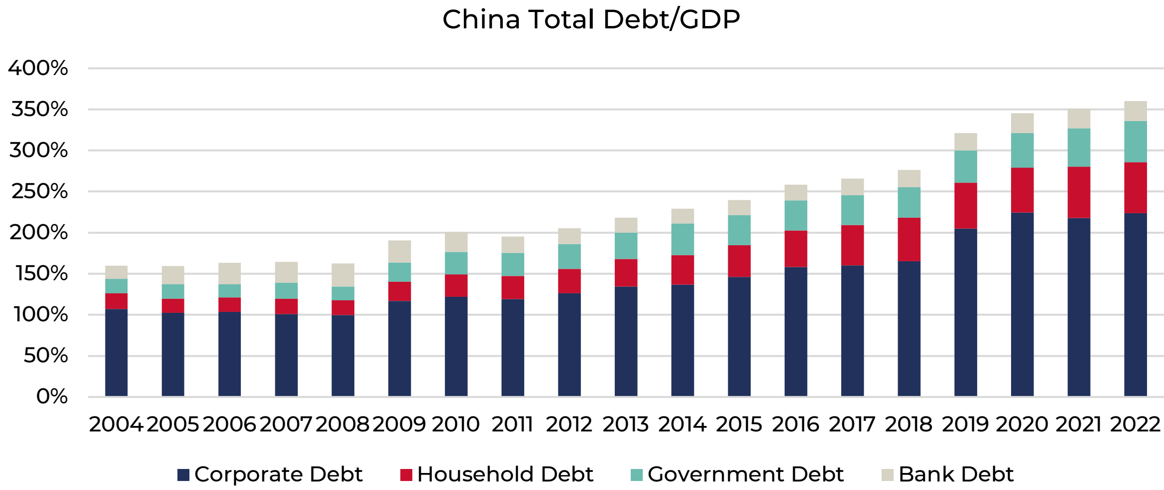

*(Data from 31/01/11 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)*




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

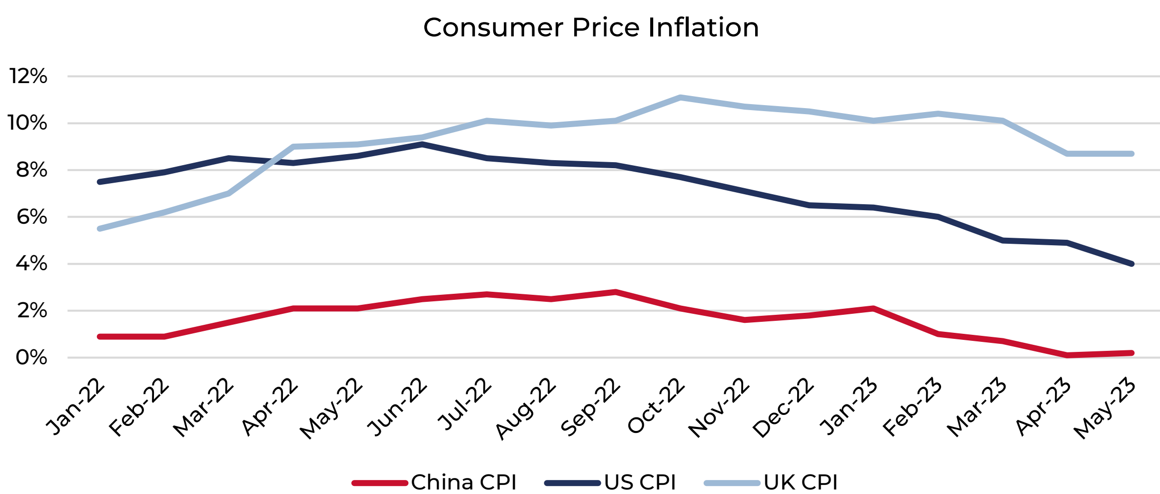
In our view, much of the weakness in the property market was government-induced. For more than a decade, property developers expanded using a debt-funded model, adding to China's overall debt burden. The government had at multiple points in the 2010s tried to reign in this model but eased policy each 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.

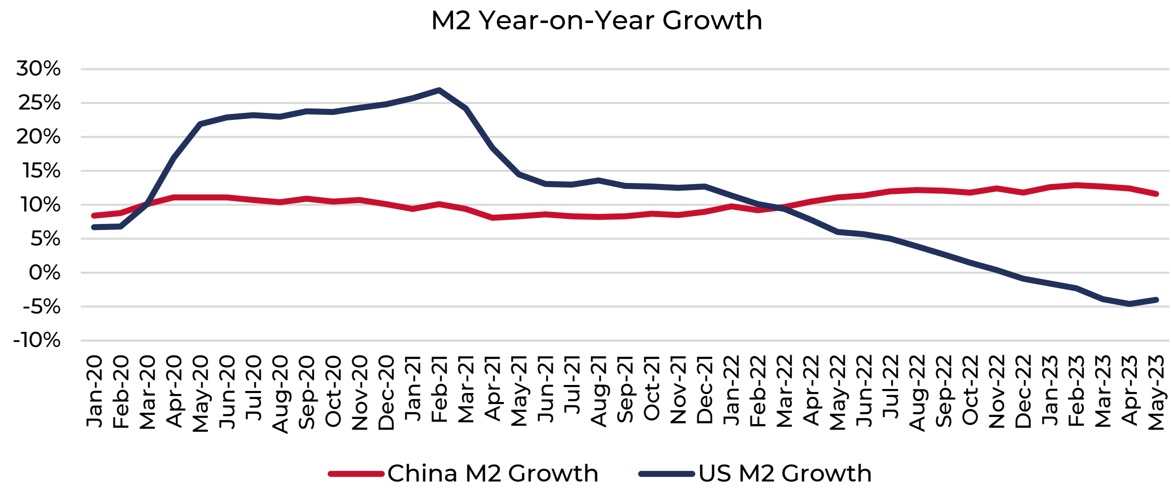



*(Data from 31/12/04 to 31/12/22, source: Bloomberg, Guinness Global Investors calculations)*

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.

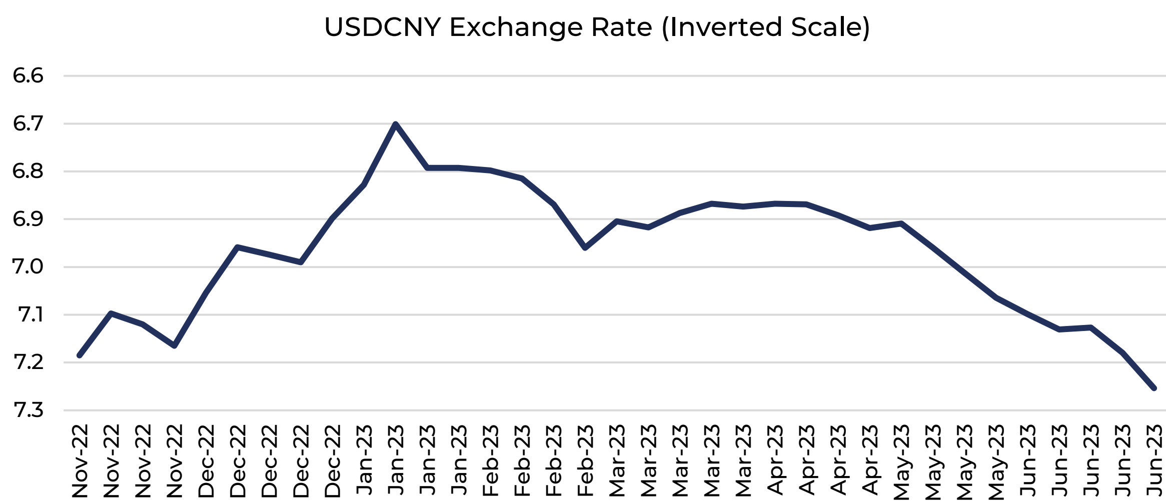



*(Data from 31/12/21 to 31/05/23, source: Bloomberg, Guinness Global Investors calculations)*




*(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.



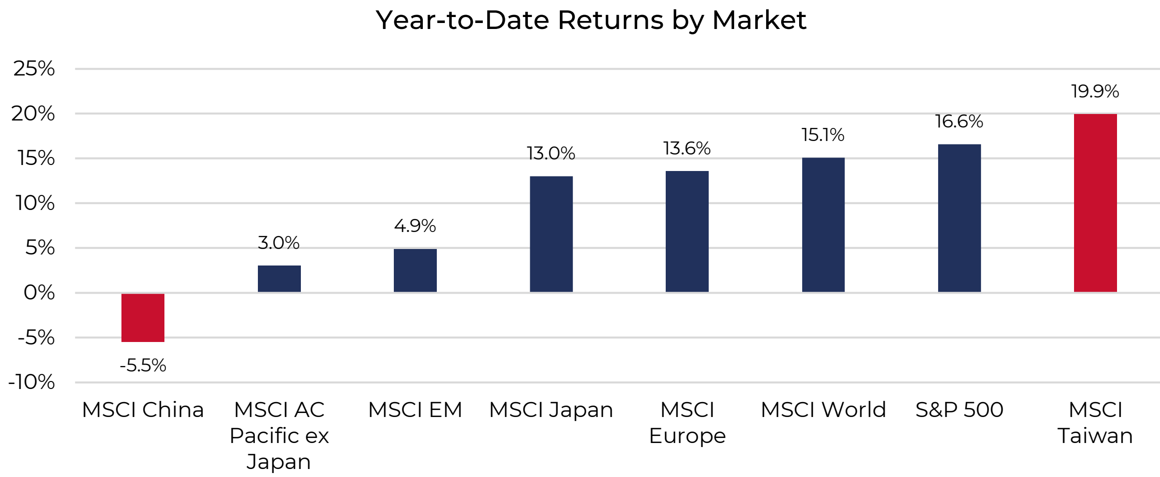

*(Data from 04/11/22 to 30/06/23, source: Bloomberg, Guinness Global Investors calculations)*

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 REVIEW

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

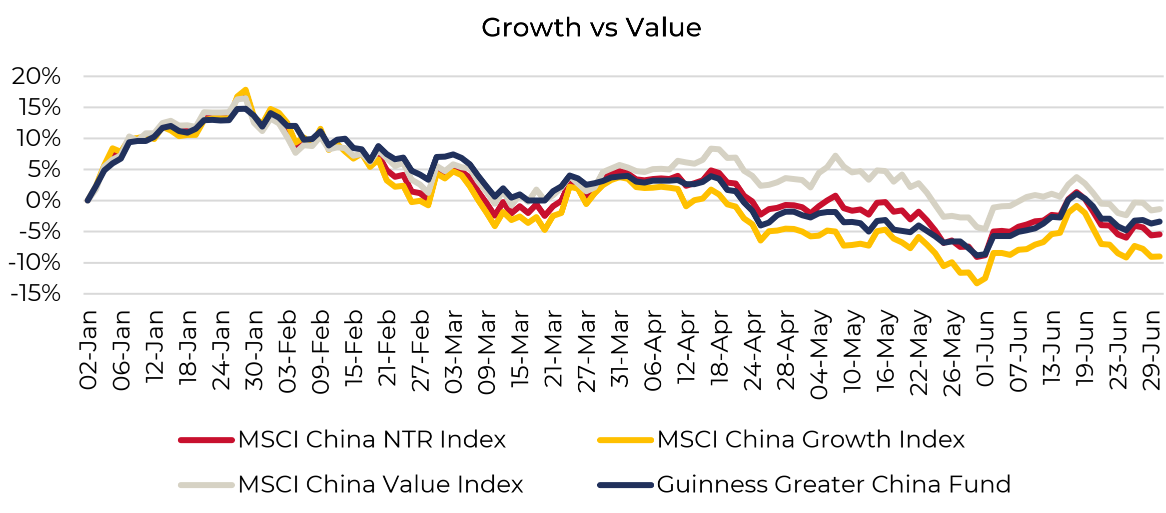
Year-to-date, the MSCI China Index has fallen by 5.5% in USD, which compares to the MSCI World Index which has risen by 15.1%. On the other hand, the MSCI Taiwan Index has risen by 19.9%. Rising demand for stocks with exposure to generative artificial intelligence has led to gains for companies across the Taiwanese market, including foundries and specialised component manufacturers.




*(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, Chinese markets 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, Chinese markets fell as the macro data generally came in weaker than expected. Year-to-date, value stocks have outperformed, with the MSCI China Value index falling by 1.4% in USD. Meanwhile, the corresponding growth index has fallen by 9.0%. As a reminder, the Fund targets quality, profitable companies which give exposure to the structural growth themes in China.

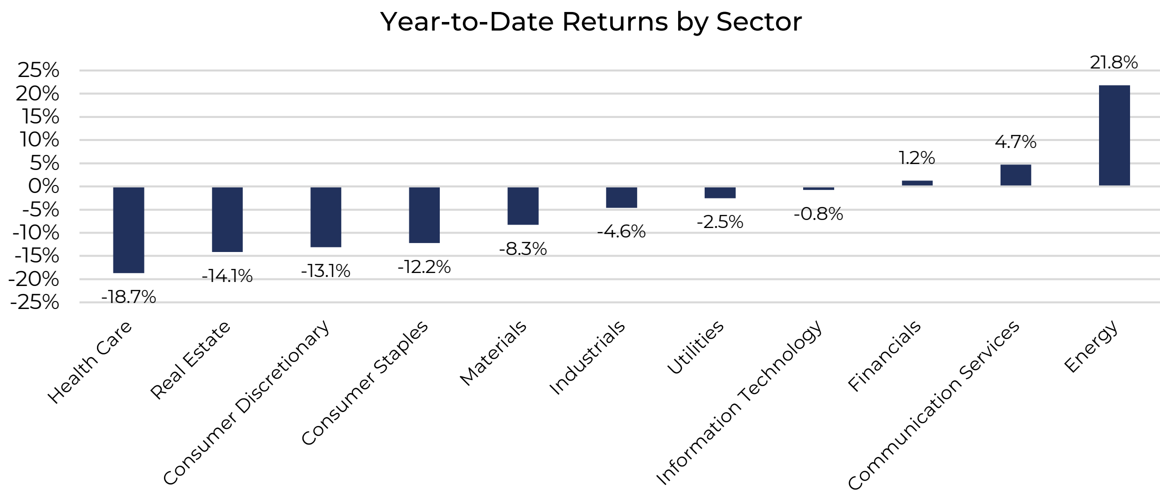
One of the main reasons behind the outperformance of value is the enthusiasm over reforms to state-owned enterprises (SOEs). The latest set of reforms aim to improve the SOEs' operating efficiency and corporate governance, in order to improve their valuations. The reforms also aim to task the SOEs with 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 USD, source: Bloomberg, Guinness Global Investors calculations)*

The best performing sectors were Energy, Communication Services and Financials. Energy, telecom and bank 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 Health Care, Real Estate and Consumer Discretionary. Health Care was driven by biotech names, with a common theme being tighter funding costs restraining growth. Real Estate performance was driven by the sluggish property market and the lack of stimulus. Consumer Discretionary performance was driven by expectations of lower margins for the e-commerce companies who have been subsidising consumer's purchases.




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

## PORTFOLIO PERFORMANCE

Year-to-date, the Guinness Greater China Fund (Y class, USD) has fallen by 3.4% while the benchmark, the MSCI Golden Dragon Index, has risen by 0.9% and the MSCI China Index has fallen by 5.5%. The MSCI Golden Dragon Index is a weighted average of the MSCI China, Taiwan and Hong Kong indexes. As highlighted earlier, Taiwan has been a very strong market in 2023, with the MSCI Taiwan Index rising 19.9% year-to-date compared to the MSCI China Index which has fallen by 5.5%. The Golden Dragon Index has a 30.6% allocation to Taiwan whereas the Fund has an 8.6% allocation to Taiwan. Therefore the Golden Dragon Index has captured 3.6x more of the rally than the Fund. This explains much of the performance gap of the Fund against the benchmark. We argue that if Chinese markets were to rally, the Fund's 91.4% allocation to China compared to the Golden Dragon's allocation of 69.4%, is likely to serve the Fund well.

Compared to the MSCI China Index, areas which aided the Fund's performance year-to-date were:

- Overweight in Information Technology (IT) as well as good stock selection. As of 30/06/23, the Fund had a 21% allocation to IT compared to a 6% allocation for the MSCI China Index, and therefore the Fund benefited more from the sector's outperformance. Elite Material (total return of +41%), Taiwan Semiconductor Manufacturing Company (+28%), Shenzhen H&T Intelligent (+11%) and Venustech (+9%) were all strong.
- Underweight in Consumer Discretionary as well as good stock selection. The Fund's underweight in Meituan, Li Ning, Pinduoduo and Anta Sports contributed to good performance.
- Good stock selection within Communication Services, driven by Netease (total return +34%).

Areas which detracted from the Fund's performance year-to-date were:

- Stock selection within Financials. We do not hold the large SOE banks which have rallied as value plays giving exposure to SOE reforms. We do not hold these banks because they do not give exposure to the structural growth themes we target in China. Additionally, Fund holdings China Merchants Bank (total return -19%), Hong Kong Exchanges & Clearing (-12%) and AIA Group (-8%) were underperformers.

- Underweight in Energy. We have no exposure to Energy as companies here do not give exposure to the structural growth themes we target in China. SOE companies did well as they gave exposure to SOE reforms.

The strongest stocks in the portfolio were generally driven by interest in generative artificial intelligence (AI), which is the technology underpinning ChatGPT. Hardware and component manufacturers Elite Material and TSMC were strong, as well as Baidu which is one of China's most advanced AI companies.

**Leaders**

Elite Material is a manufacturer of copper clad laminates (CCLs) which are the base material for printed circuit boards (PCBs). Given the increased demand for generative artificial intelligence (AI), demand for Elite's CCLs switches is likely to increase. Servers dedicated for AI have potentially four times as much CCL than conventional servers, so this is likely to be a growth area for Elite.

TSMC is also a beneficiary of the interest in generative AI, as it is one of the few foundries that can produce the required cutting-edge chips. However, the revenue contribution currently from this area is minimal. Given weaker consumer demand, especially in smartphones, management expect revenue to fall 4-6% in 2023. The share price is being driven by expectations of a general rebound next year, and greater medium-term demand from AI related applications.

We think Baidu is one of China's most advanced AI companies, thanks to more than 10 years of investment into the area. The company operates China's largest search engine by far, so has a large data set with which to train its models. It also has the necessary scale required to buy the more expensive chips required as well as the know-how to navigate China's regulatory landscape. Baidu runs China's (and one of the world's) largest autonomous vehicle companies, called *Apollo*.

Netease is one of China's largest video game developers. Companies in the industry have been receiving approvals for new games, which should drive additional earnings growth henceforth. Recent launches of titles *Justice Mobile* and *Race Master* have been a success. Netease has also set up overseas studios which should drive earnings growth in the medium term.

Shenzhen H&T Intelligent makes controllers for household appliances and power tools, which are chips that process the input from the user into an output of the product. Customers include well known foreign brands such as Electrolux, Whirlpool and Siemens as well as domestic brands such as Hisense, Haier and Supor.

**Laggards**

JD.com is one of China's largest e-commerce companies. The market has been concerned over the impact of subsidies on margins of e-commerce companies. JD.com is spending at least CNY 10 billion (around USD 1.5 billion) on subsidies to fund price cuts, to allow JD to better compete with competitors such as Pinduoduo. In the recent 618 shopping festival, JD.com's Gross Merchandise Value (GMV) reached a record high. The company is now targeting untapped users in smaller towns and rural areas, selling more high-margin self-developed products, and growing the international business. We continue to hold JD.com as it is one of the few well-run businesses which give exposure to ecommerce.

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. Last year earnings per share (EPS) fell by 29%. Based on consensus analyst estimates, EPS is still expected to increase by 91% in 2023 and 25% in 2024.

China Merchants Bank's (CMB) first-quarter results were slightly weaker than expected, as fees from the wealth management segment were soft from lower trading volumes. The non-performing loan (NPL) ratio for property rose from 3.99% last year to 4.55%, but the business has reduced its developer loan book by CNY 27 billion to CNY 737 billion. Overall we had no major issues with the set of results and we note CMB's attractive valuation, with a trailing price/book ratio of 0.89x which is one of the lower levels seen in the past decade. On a trailing basis, the stock is offering a dividend yield of 5.7%.

Sino Biopharmaceutical (SBP) and China Medical System (CMS) are two pharmaceutical companies in the process of shifting away from generic drugs to self-developed innovative drugs. Price cuts for existing generic products are likely to put downward pressure on sales in this segment, while pricing remains attractive for innovative or self-developed drugs. SBP is expecting high-single-digit revenue growth in 2023 given a slow first quarter, where the covid surge meant fewer patients in hospitals for regular treatments. The company is expecting greater contribution from new products and highlighted its work in targeting NASH (nonalcoholic steatohepatitis) and obesity. Unlike SBP, which is focusing more on developing drugs itself, CMS is acquiring products after proof of concept. It is looking for drugs with differentiation, a large addressable market and most importantly, a high expected return on investment. Year-to-date, CMS has received approval for three innovative drugs which are expected to start contributing to revenue in 2024. On our recent trip to China, we met representatives on the company to discuss ESG. CMS's disclosure is relatively good and so the main suggestion was to do with capital management. Like many companies listed in Hong Kong, CMS asks shareholders for the right to issue shares without pre-emptive rights up to a limit of 20% of the issued share capital. We feel 20% is excessive and can encourage undisciplined capital raising. CMS was open to lowering the limit, which we said would more reasonably be 10%.

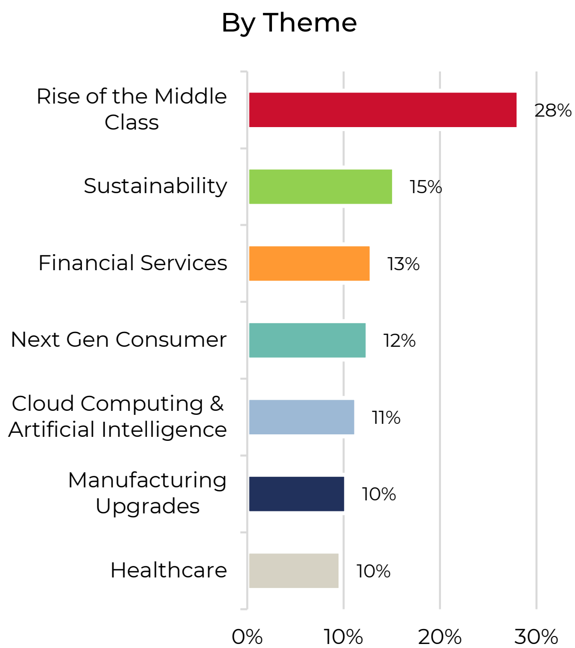
## CHANGES TO THE PORTFOLIO

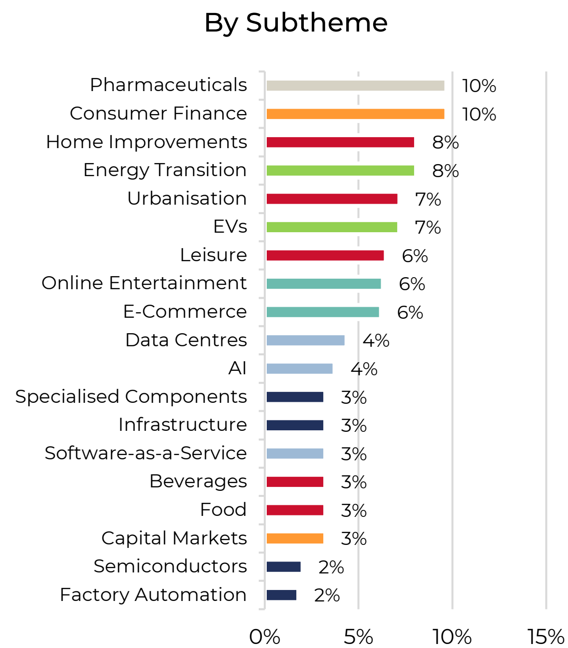
In the first quarter we bought TravelSky, which provides services used for flight bookings such as ticket pricing, reservation and inventory systems and airport passenger processing. It also operates a centralised settlement service between airlines and travel agents. Now that China has moved on from its zero-covid policy, we are expecting a large rebound in both outbound and inbound tourism, which is likely to bode well for TravelSky.

We sold Shengyi Technology, which makes copper clad laminates (CCLs) for printed circuit boards (PCBs). Given weaker global demand for consumer technology, the earnings outlook for the business had deteriorated. On a total return basis, the prospects for TravelSky were more attractive.

## PORTFOLIO POSITIONING

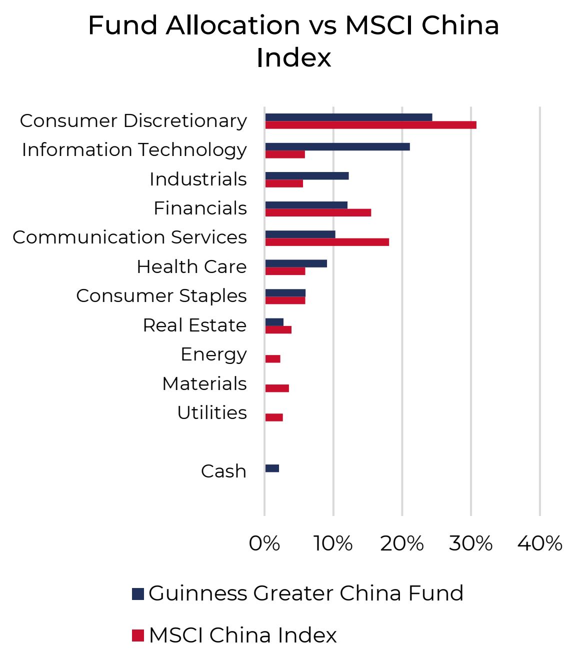
By theme, the Fund's largest exposures are to the Rise of the Middle Class, followed by Sustainability and Financial Services. Important subthemes include Pharmaceuticals, Consumer Finance and Home Improvements.

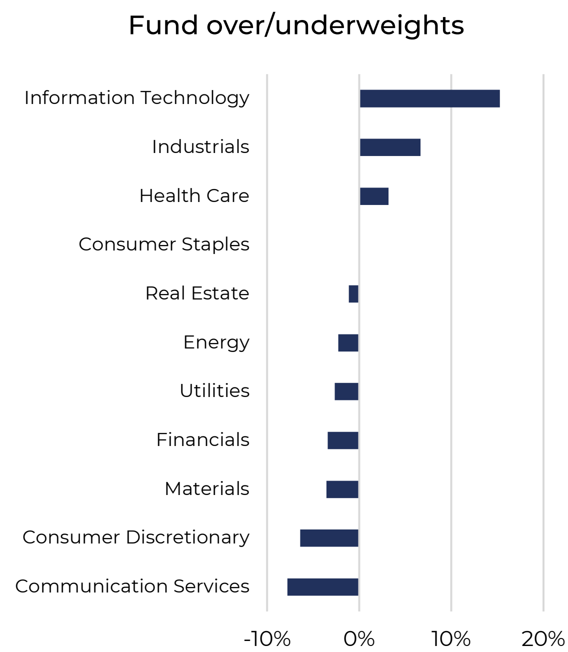



*(Weighted exposure of portfolio holdings to themes and sub-themes, assuming each position is equally weighted. Data as of 30/06/23, source: Guinness Global Investors calculations)*

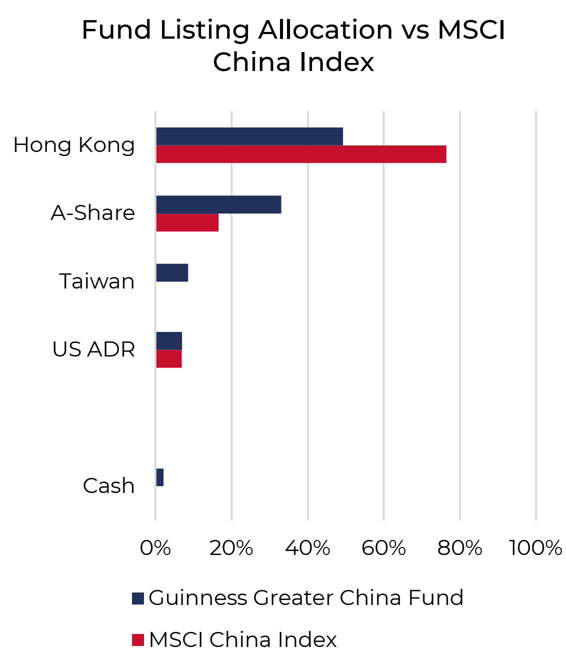
On a sector basis, the Fund's largest exposures are to Consumer Discretionary and Information Technology (IT). The Fund has no exposure to Utilities, Energy or Materials. Relative to the MSCI China Index, the Fund is overweight in Information Technology and Industrials. The Fund is underweight in Communication Services and Consumer Discretionary. As the Fund is equally weighted, each position has a neutral weight of c.3.2%. In the MSCI China Index, Tencent (Communication Services) and Alibaba (Consumer Discretionary) have weights of 12.2% and 9.4% respectively. Therefore the Fund is structurally underweight in these two stocks, partly explaining the underweight to the Communication Services and Consumer Discretionary sectors.

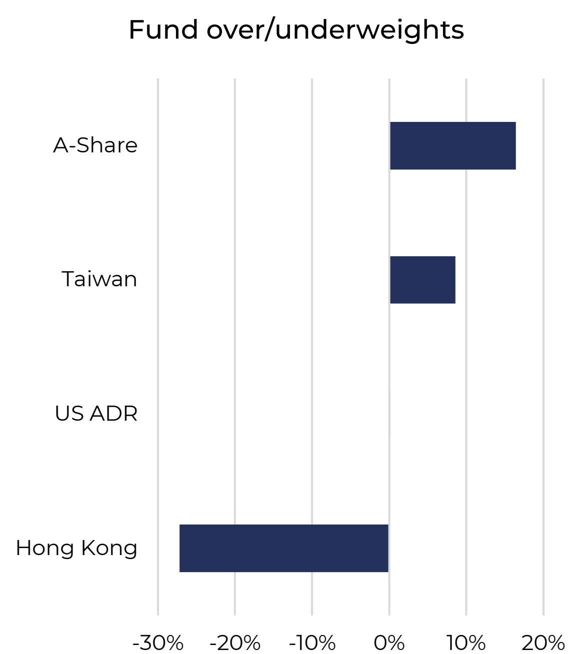



*(Data as of 30/06/23. Source: Bloomberg, MSCI, Guinness Global Investors calculations)*

On a listing basis, the Fund has 49% exposure to stocks listed in Hong Kong, 33% exposure to the A share market and a 9% allocation to Taiwan. 7% of the Fund is also held in Chinese companies trading on US exchanges (Alibaba, JD.com, Netease and Baidu).

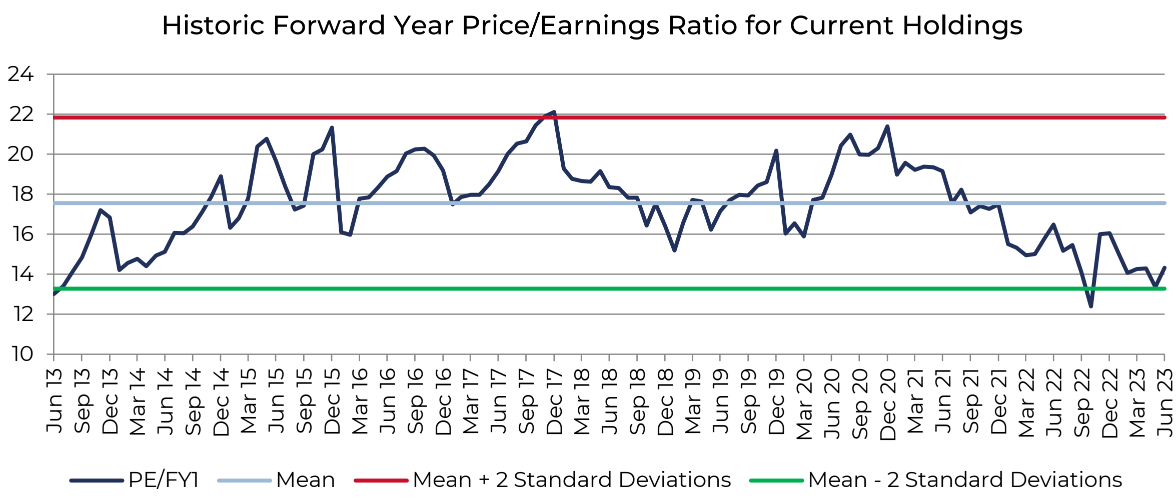



*(Data as of 30/06/23. Source: Bloomberg, MSCI, Guinness Global Investors calculations)*

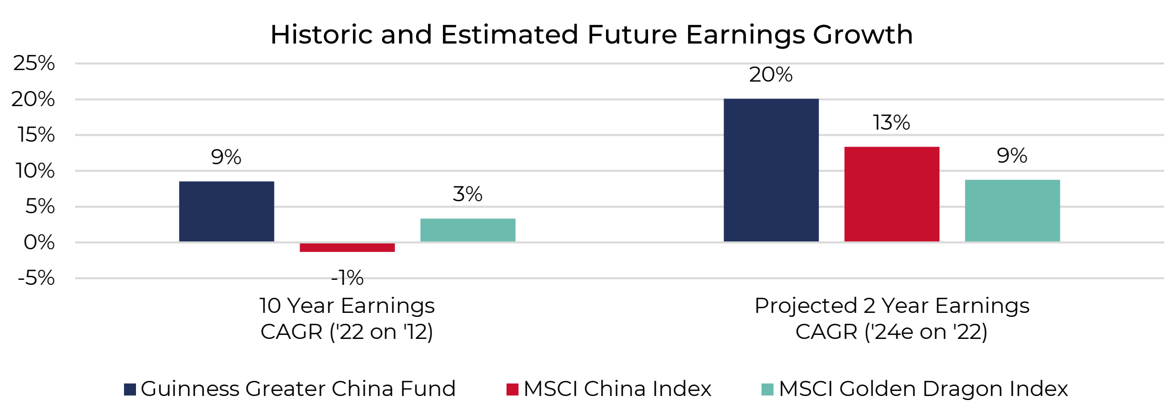
## OUTLOOK

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 14.5x, 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 9% a year (in USD). This is higher than the -1% a year growth offered by the MSCI China Index. Based on consensus analyst estimates, the Fund's holdings are in aggregate expected to grow earnings by 20% a year over the next two years, again higher than the MSCI China Index which is expected to grow by 13% 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 Chinese 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 USD. 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 GREATER CHINA FUND - FUND FACTS

| | |
|---|---|
| Fund size | $9.4m |
| Fund launch | 15.12.2015 |
| Benchmark | MSCI Golden Dragon TR |

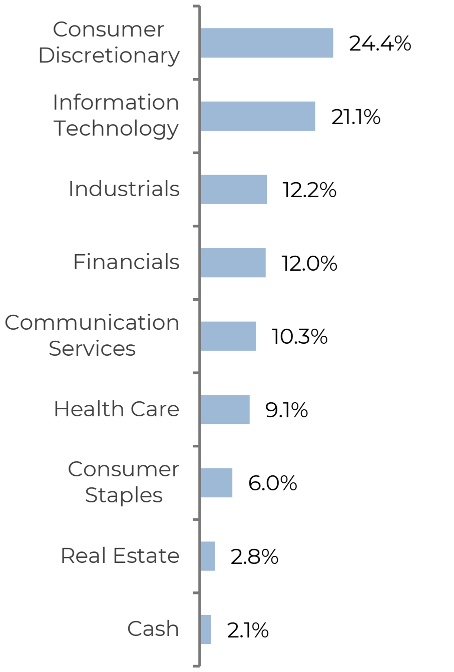
## GUINNESS GREATER CHINA FUND - PORTFOLIO

### Top 10 holdings

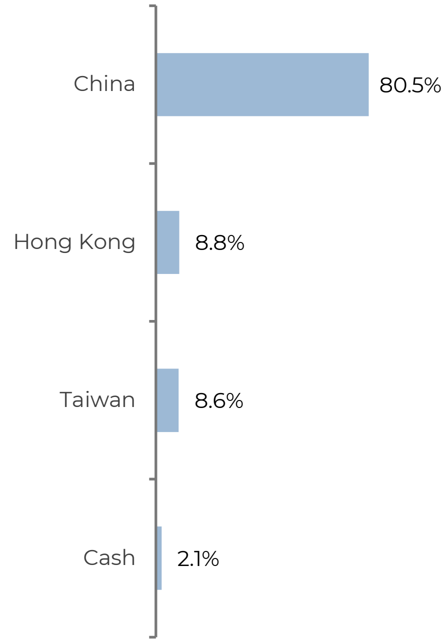
| | |
|---|---|
| Elite Material | 4.7% |
| Taiwan Semiconductor | 3.9% |
| NetEase | 3.6% |
| Baidu | 3.5% |
| China Medical System | 3.4% |
| Xinyi Solar | 3.4% |
| Shenzhen Inovance Technology C | 3.3% |
| Geely Automobile Holdings | 3.3% |
| Alibaba Group | 3.3% |
| Shenzhen H&T Intelligent | 3.2% |

| | |
|---|---|
| Top 10 holdings | 35.6% |
| Number of holdings | 32 |

### Sector




### Country



Past performance does not predict future returns.

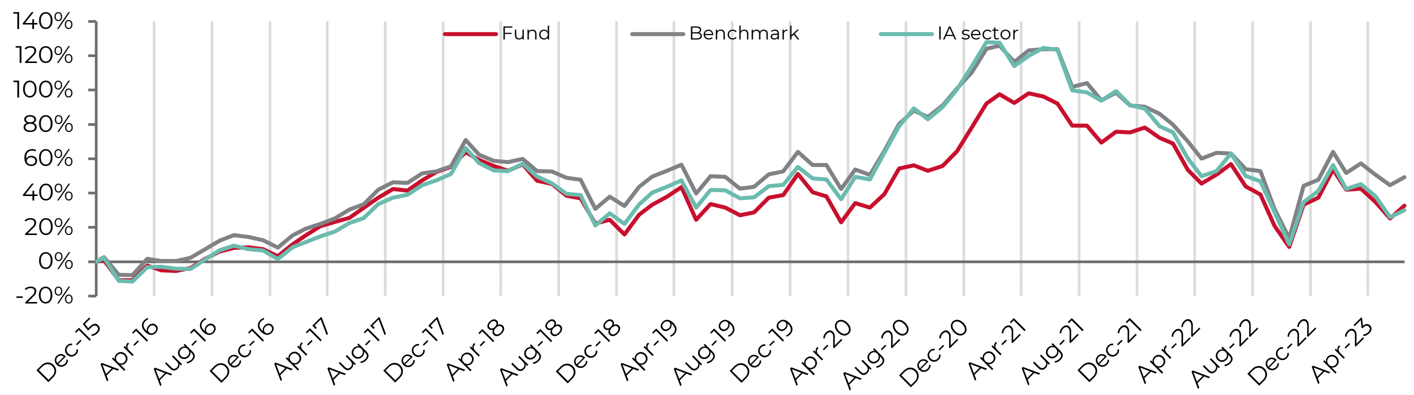
## GUINNESS GREATER CHINA FUND - CUMULATIVE PERFORMANCE

| Total Return (GBP) | 1 Month | YTD | 1 yr | 3 yr | 5 yr | 10 yr |
|---|---|---|---|---|---|---|
| Fund | +3.3% | -8.6% | -19.2% | -7.5% | -6.3% | - |
| MSCI Golden Dragon TR | +0.6% | -4.5% | -12.6% | -11.9% | +1.4% | - |
| IA China/Greater China TR | +0.5% | -12.9% | -23.9% | -22.7% | -9.8% | - |
| **Total Return (USD)** | **1 Month** | **YTD** | **1 yr** | **3 yr** | **5 yr** | **10 yr** |
| Fund | +6.0% | -3.4% | -15.4% | -4.8% | -9.8% | - |
| MSCI Golden Dragon TR | +3.2% | +0.9% | -8.5% | -9.4% | -2.4% | - |
| IA China/Greater China TR | +3.1% | -7.9% | -20.3% | -20.5% | -13.1% | - |
| **Total Return (EUR)** | **1 Month** | **YTD** | **1 yr** | **3 yr** | **5 yr** | **10 yr** |
| Fund | +3.6% | -5.5% | -19.0% | -2.0% | -3.4% | - |
| MSCI Golden Dragon TR | +0.8% | -1.3% | -12.3% | -6.7% | +4.5% | - |
| IA China/Greater China TR | +0.8% | -9.9% | -23.6% | -18.1% | -7.0% | - |

## GUINNESS GREATER CHINA FUND - ANNUAL PERFORMANCE

| Total Return (GBP) | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fund | -13.3% | +1.0% | +14.2% | +25.3% | -20.7% | +37.6% | +22.1% | - | - | - |
| MSCI Golden Dragon TR | -12.6% | -8.6% | +24.2% | +19.0% | -9.5% | +31.3% | +25.7% | - | - | - |
| IA China/Greater China TR | -16.0% | -10.7% | +33.6% | +22.2% | -14.2% | +35.9% | +18.5% | - | - | - |
| **Total Return (USD)** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
| Fund | -23.0% | +0.1% | +17.9% | +30.4% | -25.3% | +50.4% | +2.3% | - | - | - |
| MSCI Golden Dragon TR | -22.3% | -9.5% | +28.2% | +23.8% | -14.8% | +43.8% | +5.4% | - | - | - |
| IA China/Greater China TR | -25.4% | -11.5% | +37.8% | +27.1% | -19.2% | +48.7% | -0.7% | - | - | - |
| **Total Return (EUR)** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
| Fund | -17.9% | +7.7% | +8.1% | +32.8% | -21.5% | +32.3% | +5.5% | - | - | - |
| MSCI Golden Dragon TR | -17.3% | -2.6% | +17.6% | +26.1% | -10.5% | +26.3% | +8.6% | - | - | - |
| IA China/Greater China TR | -20.5% | -4.8% | +26.4% | +29.4% | -15.1% | +30.6% | +2.3% | - | - | - |

## GUINNESS GREATER CHINA FUND - PERFORMANCE SINCE LAUNCH (USD)




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 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.

**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.