Guinness China A Share

Investment Commentary – August 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.

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COMMENTARY

In July the benchmark, the MSCI China A Onshore Net Return Index ("MSCI China A Onshore Index"), rose by 4.5% in GBP.

Following supportive statements by the Politburo, Chinese markets rallied sharply. While these statements are encouraging, we now await specific policies to improve confidence in the Chinese economy.

Within the Fund, stronger stocks were China Tourism Group Duty Free, Ping An Insurance Group and Shengyi Technology. Weaker stocks were Zhejiang Jingsheng Mechanical, G-Bits Network Technology and Wuxi Lead Intelligent Equipment.

Foreign Minister Wang Yi and US Secretary of State Antony Blinken met in Jakarta. US Secretary of the Treasury, Janet Yellen, visited Beijing. John Kerry met with Chinese leaders to discuss climate change. It is clear the US administration is trying to engage more with the Chinese to put a floor under US-Chinese relations.

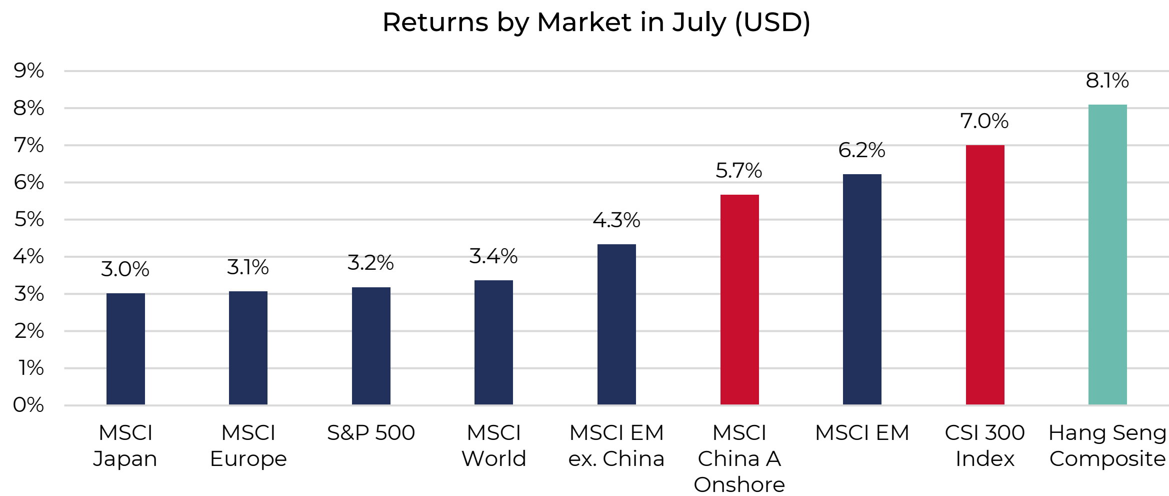
China imposed export restrictions on gallium and germanium, two key materials used for semiconductors. Gallium is used in many applications such as LEDs, power semiconductors, 5G and satellites. Most of the world's refinement of gallium takes place in China.

The Ministry of Commerce announced it will reduce the negative list for foreign investment, a set of industries that foreigners cannot invest in.

Both the NBS Manufacturing Purchasing Managers Index (PMI) and Caixin PMI came in below 50, indicating weakening activity. However, the trends are worth noting. The NBS PMI, which has more of a bias towards domestic facing firms, increased by 0.3 percentage points to 49.3 on a month-on-month basis. On the other hand, the Caixin PMI, which has more of a bias towards private, exporting firms, dropped by 1.3 percentage points to 49.2. This suggests export demand was weak in July. In addition, both PMIs saw a large increase in the price sub-component, which may indicate weakening deflationary pressure in China.

MARKET COMMENTARY

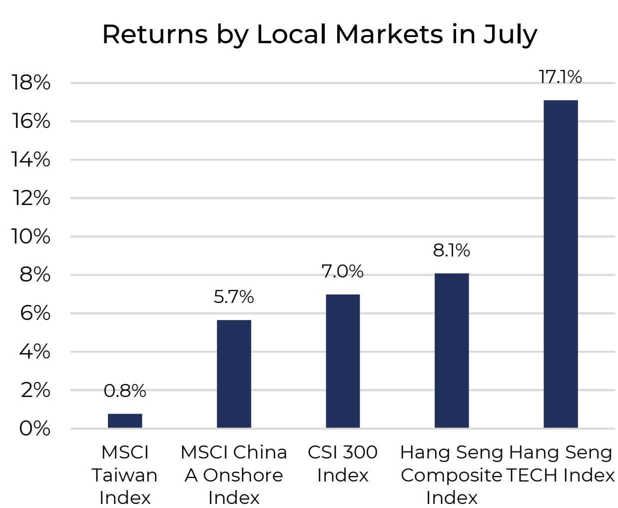
(Performance data in the section in USD terms unless otherwise stated)

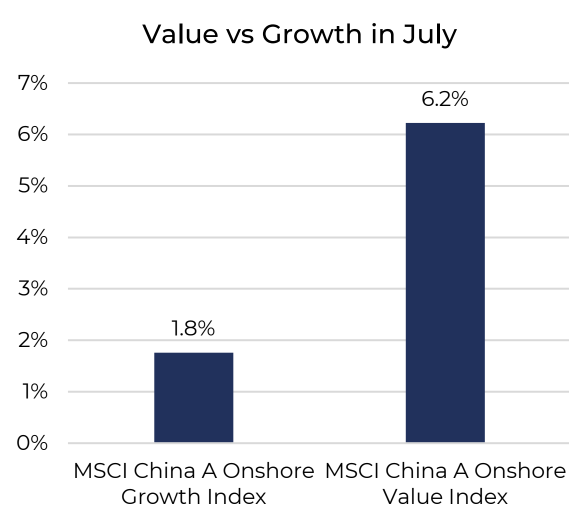


(Data from 30/06/23 to 31/07/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

In July, the MSCI China A Onshore Index rose by 5.7% compared to the MSCI World Index which rose by 3.4%. Chinese markets were strong on expectations of greater stimulus for the housing market and wider economy. The readout from the Politburo's meeting acknowledged "insufficient domestic demand" and mentioned the need for counter-cyclical economic policy. The need to support the private sector was mentioned, though actions rather than rhetoric are needed at this point. The phrase "housing is for living, not for speculation" was removed from the statement, which was interpreted by most as a sign that more easing measures for the property market are on the way. We saw relief measures for the property market extended for a year; for example, banks can extend the maturity of loans to developers and do not need to raise the risk classification of loans. While this is encouraging, we await more specific easing policies.

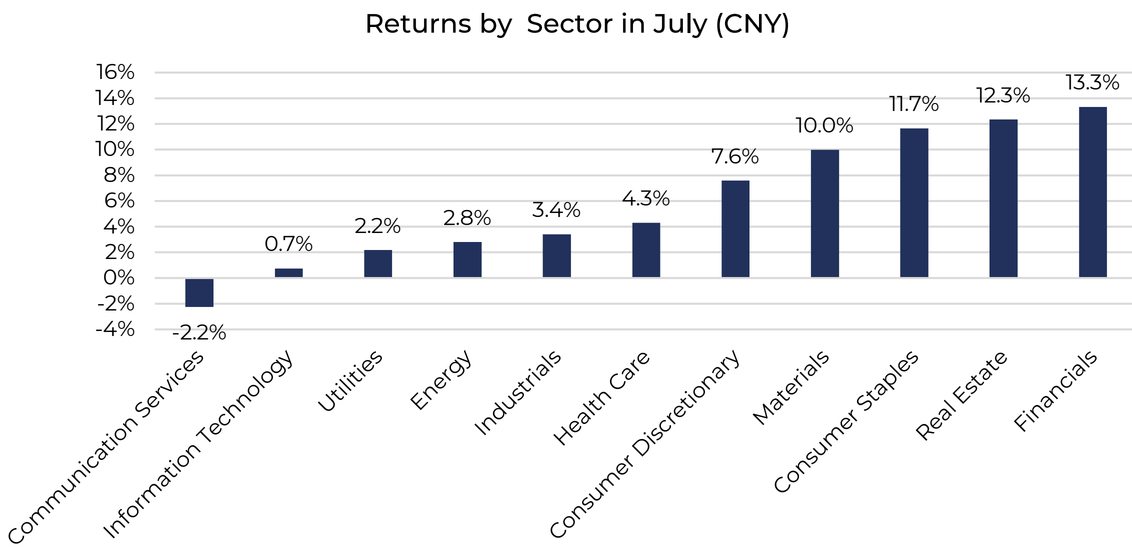
The National Development and Reform Commission (NDRC) put forward 20 broad measures to boost consumption. Some of the measures called for greater purchases of smart home appliances, the development of retail channels in rural areas and the continued buildout of charging infrastructure of EVs. Again, these are encouraging aims, but specific policies are required to build confidence.





(Data from 30/06/23 to 31/07/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

Onshore markets lagged offshore markets, as the MSCI China A Onshore Index rose by 5.7% while the Hang Seng Composite Index rose by 8.1%. Value stocks in the onshore market outperformed, with the MSCI China A Onshore Value Index rising 6.2% and the corresponding growth index rising 1.8%.



(Data from 30/06/23 to 31/07/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

The best performing sectors were Financials, Real Estate and Consumer Staples. Financials and Real Estate companies tend to come in the 'value' category, explaining the outperformance of value over growth names, as cyclical names rallied. Real Estate names were strong on the hope of more stimulus. The Politburo mentioned the phrase "activating the capital market" which was followed by a set of market-friendly statements published by the China Securities Regulatory Commission. Brokers rallied as a result on the hope of greater trading volumes leading to higher commissions.

The weakest performing sectors were Communication Services, Information Technology and Utilities. Stocks associated with artificial intelligence (AI) gave back some of their strength after a very strong rally over the past few months. Utilities lagged, being the defensive sector in a risk-on environment.

PORTFOLIO HOLDINGS

Nearly all of the Fund's holdings report their second quarter results in August. However, we summarise the results of the two companies that have reported so far.

Hongfa is a manufacturer of electric relays which open and close circuits. We own the company for its growing high-power relay business. High-voltage relays are used in EVs to control important functions such as battery charging and powering the car. We also like Hongfa's business in general auto relays, which are used in functions such as anti-theft system and suspension systems. As cars become smarter and more functions are added, we expect the demand for auto relays to increase. In the second quarter, Hongfa grew its revenue by 13% and earnings per share (EPS) by 12%. The high-power relay business saw new orders from Volvo, BMW, SAIC and BYD. A new factory in Indonesia is to start delivering to foreign clients later this year. Hongfa is aiming to increase its share at Tesla's American factory to at least 60% in the coming months. Within the auto relay business, management expect demand to pick up as customer inventories are low.

Sinocera is a manufacturer of advanced ceramic materials used in electronic products, catalytics, dental prosthetics and construction. It is the first Chinese company in the industry which can compete with the world leaders, nearly all of which are Japanese, Taiwanese and Korean. We expect Sinocera to benefit from the import substitution trend. In the second quarter, Sinocera's revenue grew by 19% and EPS grew by 1%. This marked a solid rebound from the first quarter, when revenue fell by 6% and EPS fell by 43%. In the second quarter, volumes of electronic powder rebounded and so utilisation improved, improving margins. Sinocera is in the process of signing Japanese customers up, which would mark a significant milestone for the business. Meanwhile, revenue in the catalytic materials segment likely more than doubled. Sinocera is close to becoming a supplier of Cummins, an American manufacturer of engines. Given that Cummins' procurement budget for honeycomb ceramics is 14x greater than Sinocera's total sales from this product, there is strong potential for growth in this segment.

OUTLOOK

While the Politburo has signalled that stimulus is needed for the economy, we wait for specific details. We believe it is the property market which needs targeted support in the short term, but we also acknowledge that is not in China's long-term interest to repeat the same boom-bust cycle we have seen repeatedly over the past decade. In our view, tax cuts should be extended for consumption, given China's consumption share of GDP lags other major markets. Extending tax cuts for the manufacturing sector may work in the short term, but makes the long-term rebalancing project more difficult.

Portfolio Managers

Sharukh Malik
Edmund Harriss

GUINNESS CHINA A SHARE FUND - FUND FACTS

Fund size	$0.6m
Fund launch	09.03.2023
Benchmark	MSCI China A Onshore TR

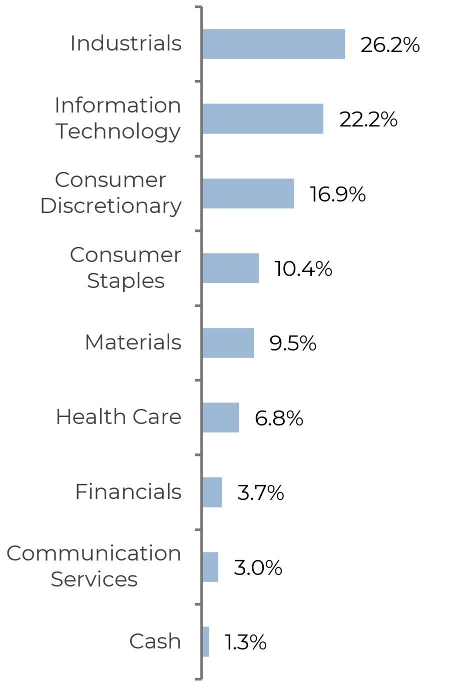
GUINNESS CHINA A SHARE FUND - PORTFOLIO

Top 10 holdings

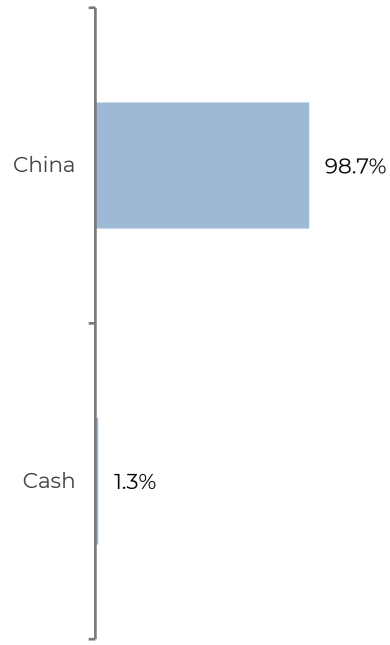
Ping An Insurance Group Co	3.7%
Jiangsu Hengli Hydraulic	3.7%
Suofeiya Home Collection	3.7%
Juewei Food Co Ltd	3.7%
Shandong Sinocera Functional	3.6%
Zhejiang Weixing New Building	3.5%
China Tourism Group Duty Free	3.5%
Haier Smart Home Co	3.5%
Hongfa Technology	3.5%
Sany Heavy Industry	3.5%

Top 10 holdings	35.8%
Number of holdings	30

Sector



Country



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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.