Guinness Greater China

Investment Commentary – October 2023

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 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 Edmund Harriss
EU 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.

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COMMENTARY

In the third quarter, the Guinness Greater China Fund (Y class, GBP) fell by 0.3%, while the benchmark, the MSCI Golden Dragon Net Total Return Index (MSCI Golden Dragon Index) fell by 0.5%, and the MSCI China Net Total Return Index (MSCI China Index) rose by 2.2%.

The best performing stocks in the Fund in the quarter were Elite Material, Suofeiya Home Collection and Netease.

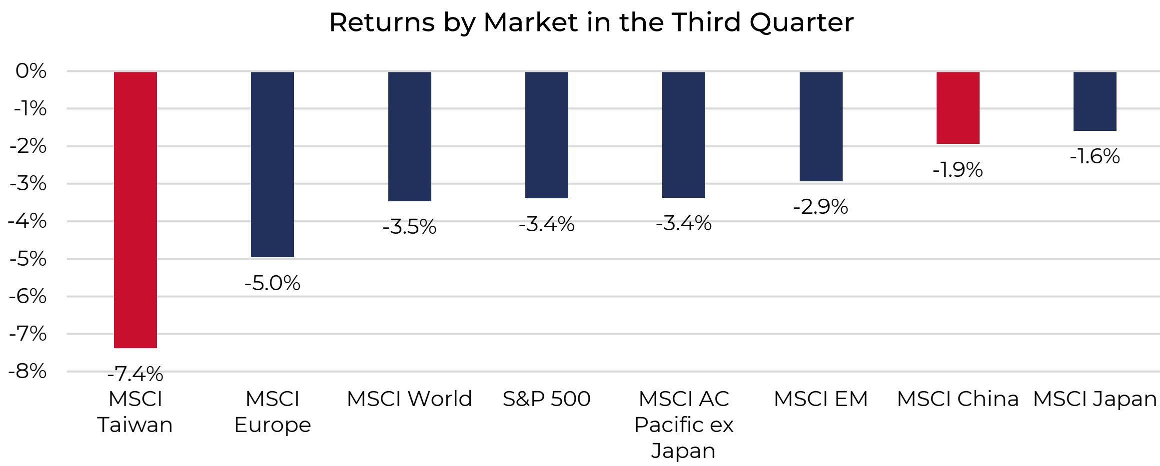
The weakest stocks in the Fund in the quarter were Xinyi Solar, Wuxi Lead Intelligent Equipment and Hangzhou First Applied Material.

The Fund is trading on a forward year price earnings ratio of 14.0x. The current set of holdings is trading at one of the lowest levels seen in the past decade.

Over the past 10 years, our holdings have in aggregate grown earnings by 9% a year. Based on consensus analyst estimates, the Fund is expected to grow earnings by 18% a year over the next two years.

MARKET REVIEW

(Performance data in USD terms unless otherwise stated)

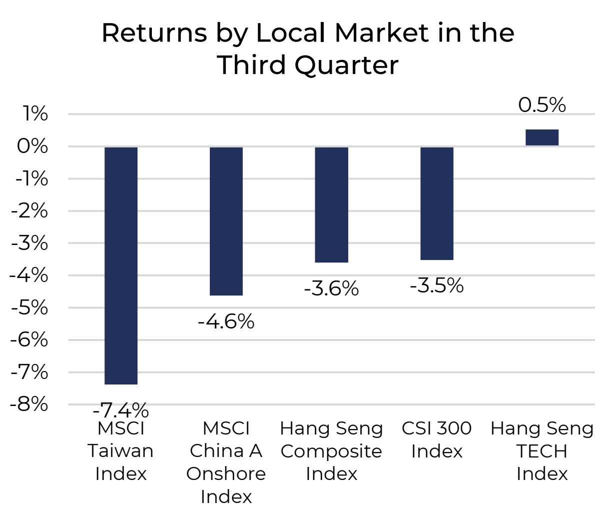


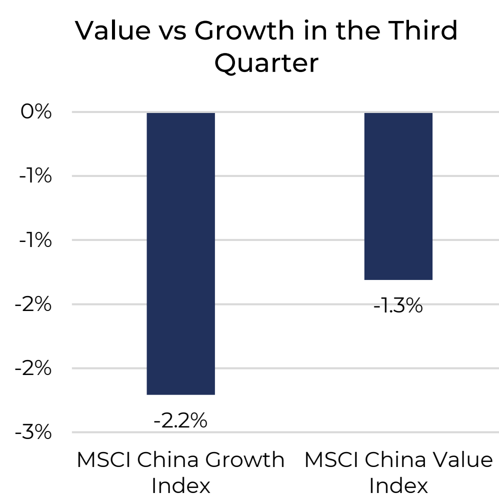
(Data from 30/06/23 to 30/09/23. Returns in USD, source: Bloomberg, Guinness Global Investors calculations)

In the third quarter, the MSCI China Index fell by 1.9% while the MSCI Taiwan Index fell by 7.4%. This compared to the 3.5% fall seen for the MSCI World Index.

In July, Chinese markets rallied with the MSCI China Index rising by 10.8%. 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. Supporting the private sector was mentioned, though at the time we argued actions rather than rhetoric was needed. 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 were on the way. However, we note that the phrase later reappeared in other government documents, indicating the government is unlikely to unleash another property bubble.

The gains were erased over the next two months as the MSCI China Index fell by 9.0% in August and a further 2.8% in September. Wealth management products run by Zhongrong Trust failed to repay lenders, leading to fears over the strength of China's broader financial system. Country Garden, a large private property developer, failed to repay its maturing bonds on time. We also saw the ramp-up in the anti-corruption campaign in the healthcare sector.

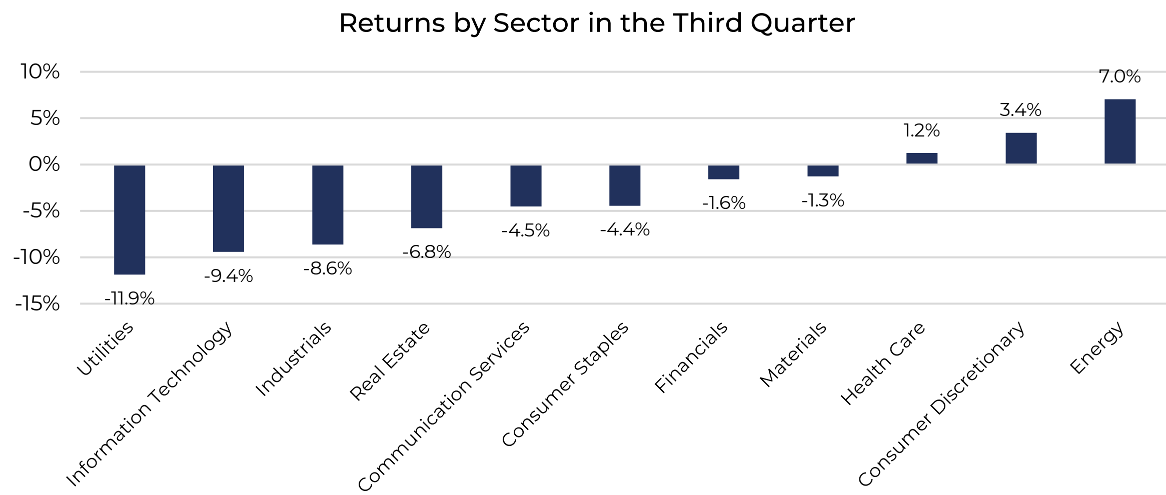




(Data from 30/06/23 to 30/09/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

Onshore and offshore China equity markets behaved similarly in the third quarter. Offshore markets, as measured by the Hang Seng Composite Index, fell by 3.6%. Onshore markets, as measured by the MSCI China A Onshore Index, fell by 4.6%. Meanwhile the MSCI Taiwan Index was a noticeable laggard, falling by 7.4%. The weakness was seen predominantly in August and July as the market gave back some of the gains made in the first half of the year. Specifically, we saw profit taking in some of the AI-related component manufacturers. Foundries were also under pressure due to weak consumer electronic demand and the ongoing inventory correction for downstream customers.

Growth stocks underperformed slightly as the MSCI China Growth Index fell by 2.2%, compared to the MSCI China Value Index which fell by 1.3%.

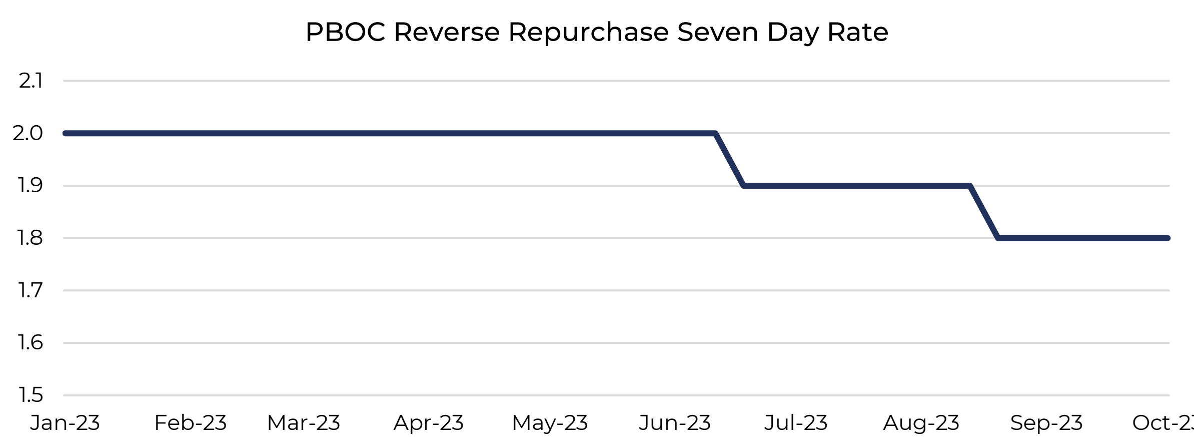


(Data from 30/06/23 to 30/09/23, returns in USD, source: Bloomberg, Guinness Global Investors calculations)

In the third quarter, the best performing sectors were Energy (total return +7.0%), Consumer Discretionary (+3.4%) and Health Care (+1.2%). Rising oil prices and good results led to strength for the Energy sector. In the Consumer Discretionary Sector, companies such as Pinduoduo and Xpeng were outperformers. Though affected by the ongoing anti-corruption campaign, the biotech names within Health Care outperformed.

The weakest sectors were Utilities (total return -11.9%), Information Technology (-9.4%) and Industrials (-8.6%). Within Utilities, the gas distributors were weakest. Within Information Technology, the weakest names were related companies in the solar supply chain: Xinyi Solar, GCL Technology, Daqo New Energy and Flat Glass. Falling module prices and possible overcapacity led to weakness across various companies in the supply chain.

Macro Stimulus

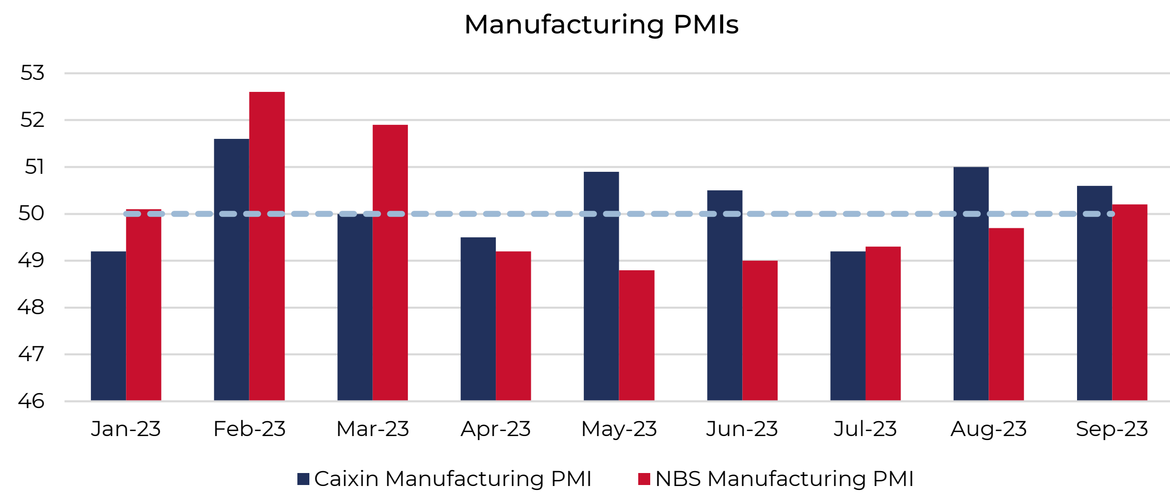


(Data from 31/12/22 to 30/09/23, source: Bloomberg, Guinness Global Investors calculations)

Since June, the government has twice cut short-term interest rates, by which in China we mean the seven-day reverse repurchase (repo) rate. In June the seven-day repo rate was cut from 2.0% to 1.9%; in August rates were cut further to 1.8%.

Over the summer, we have seen clear signs of stimulus to boost both the housing market and the overall economy.

- The definition of a first home has been relaxed, so more households are eligible for cheaper mortgages, which should practically benefit the tier one cities.
- Minimum mortgage rates for second homes have been cut from 0.6% above the five-year loan prime rate (LPR) to 0.2% above the five-year LPR. In essence, this is a further cut to mortgage rates on top of the 0.2% reduction in the five-year LPR year-to-date.
- Importantly, banks are being told to apply these new lower bounds to existing mortgage holders who are refinancing.
- Required reserve ratios have been cut, from 7.8% in Dec-22 to 7.6% in June and now 7.4% in September.
- Tax deductions have been increased for childcare and elderly care, which should lead to higher disposable incomes.



(Data from 31/01/23 to 30/09/23, source: Bloomberg, Guinness Global Investors calculations)

China's macroeconomic data points were weak over the spring and much of summer, but we are seeing incrementally better data. High-frequency data points such as the manufacturing Purchasing Managers' Index (PMI) illustrate the point, where a number above 50 indicates expanding activity and a number below 50 indicates weakening activity. The Caixin Manufacturing PMI, which is more geared towards private enterprises, recovered from 49.2 in July to 51.0 in August, before moderating to 50.6 in September which still indicates healthy activity. The NBS PMI, which is more geared towards state-owned enterprises (SOEs), recovered from 49.3 in July to 49.7 in August and 50.2 in September.

FUND PERFORMANCE

In the third quarter, the Guinness Greater China Fund (Y class, USD) fell by 4.3%, while the benchmark, the MSCI Golden Dragon Index, fell by 4.5%, and the MSCI China Index fell by 1.9%. Relative to the MSCI China Index, areas which helped the Fund's performance in the quarter were:

- Stock selection, driven by Elite Material, Suofeiya Home Collection and Netease (see next section for more details).
- Stock selection in Real Estate. The only property developer we hold is China Overseas Land & Investment, which is a conservatively financed developer that has been active in acquiring projects while private developers have pulled back. Its share price has outperformed the sector.
- Underweight to Tencent. The Fund is run on an equally weighted basis and so each stock has a neutral weight of c..2%. As of Aug-23, Tencent had a weight of 13.1% in the MSCI China Index. Therefore when Tencent underperforms, the Fund captures less of the downside than the broader market.
- Underweight to Utilities, where the Fund has no exposure.

Areas which detracted from the Fund's relative performance were:

- Healthcare sector exposure: Sino Biopharmaceutical, China Medical System and CSPC Pharmaceutical. The three are pharmaceutical companies making the transition away from generic drugs towards innovative drugs. The sector is being affected by the anti-corruption push, which is leading to a slowdown in sales that is expected to last for another quarter or two. We estimate at current valuations, the market is assigning zero value to the cashflows generated from future capital expenditures and R&D. We believe there is a strong chance these companies will eventually make their own innovative drugs, and so at current prices these companies are a bargain.
- Underweight to Pinduoduo. We do not own the stock because of its poor track record of converting revenue growth into cashflow growth. We also think management is not transparent with shareholders in its disclosures.
- Weakness in the solar-related companies: Xinyi Solar and Hangzhou First Applied Material. Additionally we saw weakness in some of our electric vehicle exposure through Wuxi Lead Intelligent (see next section for more details).

The strongest stocks in the portfolio were:

- Elite Material (total return +73% in the third quarter) – Elite Material supplies copper clad laminates (CCLs) which are used as the base material for printed circuit boards (PCBs). In the first half of 2023, Elite's revenue fell 17% and EPS fell 38%. Given falling consumer electronics demand and high inventory in the industry, selling prices of CCLs are falling. Some of their weaker competitors have seen prices fall below variable costs, indicating the intense competition prevalent in the industry. Elite, however, is benefiting from the surge in interest in generative artificial intelligence. The servers which underpin this demand require more advanced CCLs, which Elite has a very strong presence in. According to JP Morgan, Elite potentially has at least 85% market share of the most complex materials in AI servers, explaining its share appreciation this year.
- Suofeiya Home Collection (total return +8%) – in the first half of 2023, revenue fell 1% and EPS rose 21%. Suofeiya is a manufacturer of wardrobes and kitchen cabinets. The company has reduced its direct exposure to property developers, with their sales contribution falling from a peak of 18% a few years ago to 12% in the second quarter of this year.
- Netease (total return +4%) – the business' Eggy Party game is performing very well, reaching 100 million monthly active users in August. For context, China has 660 million gamers so the game is a huge success. While Netease is mostly known for its games targeting hardcore gamers, Eggy Party targets the casual gamer and is the most downloaded game in China this year. The company's other recent release, *Justice Mobile*, Is also targeting new users and earned RMB 5 bn in its first two months of release.

The weakest stocks in the portfolio were:

- Xinyi Solar (total return -35% in the third quarter) – in the first half of 2023, revenue rose 25% and EPS fell 27%. Xinyi Solar is the world's largest manufacturer of solar glass. In its interim results the company reported year-on-year volume growth of 50%, revenue growth of 25% but a net income contraction of 27%. Volume growth was strong as demand for solar energy continues to grow both domestically and abroad. Revenue growth of 25% is attractive in the current macro environment but lagged volume growth as greater solar glass capacity within the industry led to lower selling prices. The company's gross margin fell by 8.7% percentage points. Natural gas and soda ash prices remained elevated in the first quarter, but the company did not benefit from falling raw material prices in the second quarter. This is because it signed natural gas contracts at the end of last year at fixed prices, when concerns over gas shortages were at their highest. In the second half of the year, management expect to benefit from cheaper gas prices as the contracts roll over. Despite the results, Xinyi Solar is continuing to add capacity in order to gain market share. As the lowest-cost producer in the space with a strong balance sheet, the company is in a good position to take advantage where its smaller competitors are struggling. We expect the supply-demand imbalance to gradually adjust, as smaller peers are unlikely to be able to afford expansion, putting Xinyi Solar in a favourable position.

- Wuxi Lead Intelligent Equipment (total return -25%) – in the first half of 2023, revenue grew 30% and EPS grew 48%. Lead Intelligent is a manufacturer of battery production equipment, whose second largest shareholder is CATL, one of the world's largest battery manufacturers. Given potential overcapacity in China, export growth is likely to be important for Lead Intelligent. Therefore it was good to see the business sign up LG Energy Solutions, the first major Korean customer that Lead Intelligent has worked with. Automotive Cells Company (a joint venture operated between Mercedez-Benz Group, Stellantis and Total Energies) is Lead Intelligent's second largest foreign customer. Volkswagen and Northvolt are other major clients that Lead Intelligent supplies.

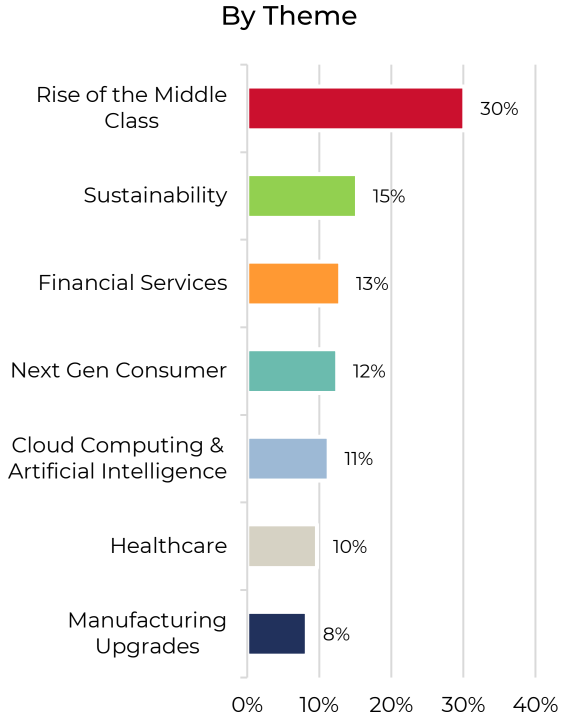
- Hangzhou First Applied Material (total return -24%) – in the first half of 2023, revenue grew 18% but EPS fell 26%. First Applied Material is the world's largest manufacturer of solar film which is used to protect solar modules. The company's volume of solar film shipped increased by 57% in the interim period but average selling prices fell 25%, reflecting lower prices across the industry. First Applied Material used up most of its higher cost inventory in the first quarter and is now expecting higher prices going forward. The business increased prices in August and to secure lower input costs, has made prepayments to its suppliers. This is expected to lead to higher margins.

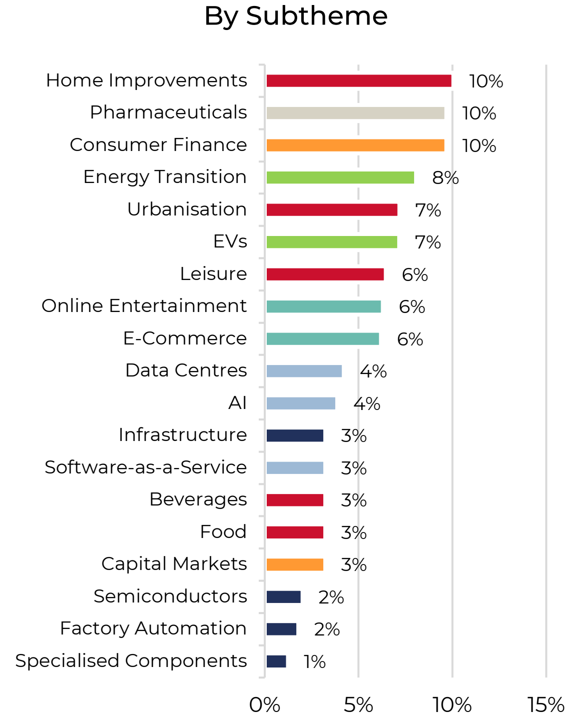
PORTFOLIO CHANGES

There were no changes to the portfolio made in the quarter.

PORTFOLIO POSITIONING

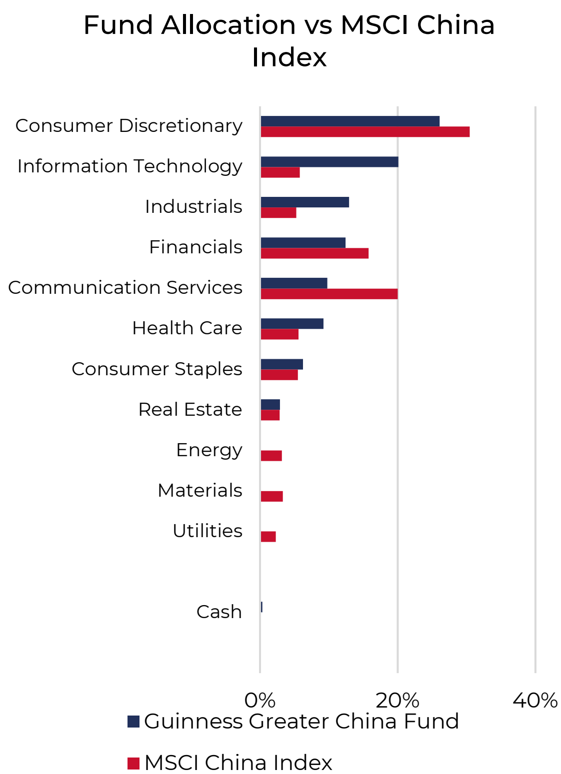
By theme, the Fund's largest exposures are to the Rise of the Middle Class, followed by Sustainability and Financial Services. Important subthemes include Home Improvements, Pharmaceuticals and Consumer Finance.

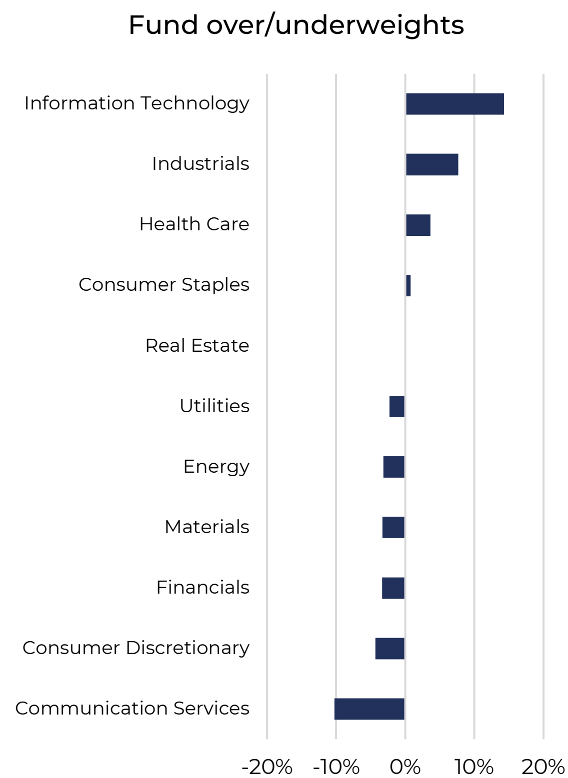




(Data as of 30/09/23, source: Guinness Global Investors calculations)

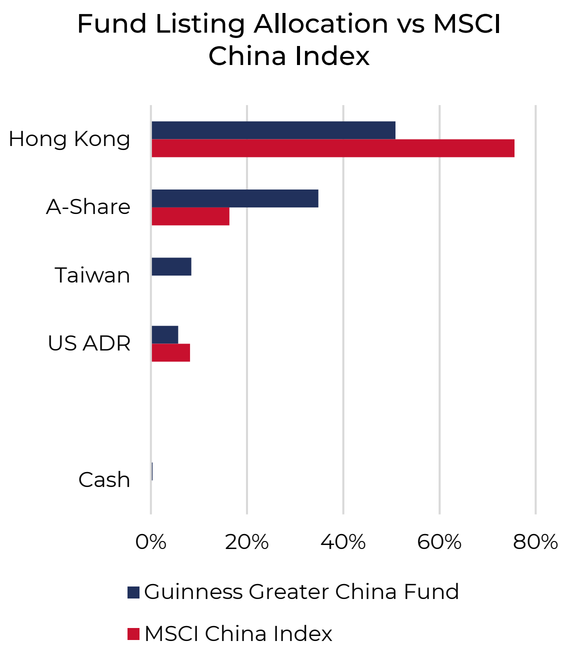
On a sector basis, the Fund's largest exposures are to Consumer Discretionary and Information Technology (IT). The Fund has no exposure to Utilities, Energy or Materials. Relative to the MSCI China Index, the Fund is overweight in Information Technology and Industrials. The Fund is underweight in Communication Services.

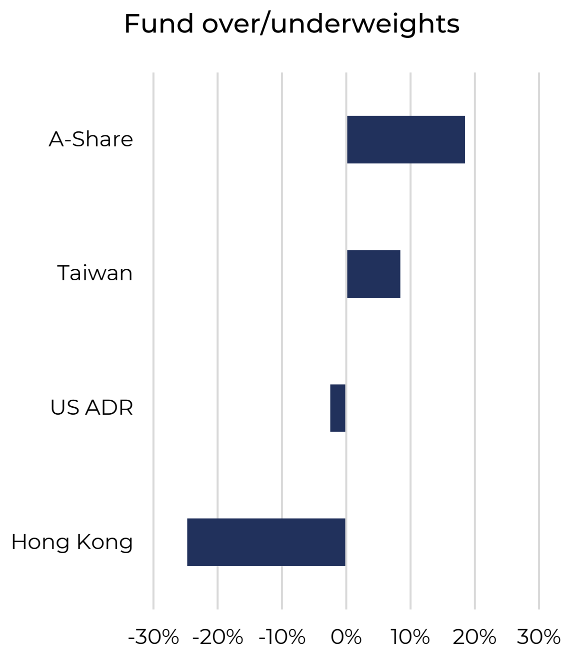




(Data as of 30/09/23. Source: Bloomberg, MSCI, Guinness Global Investors calculations)

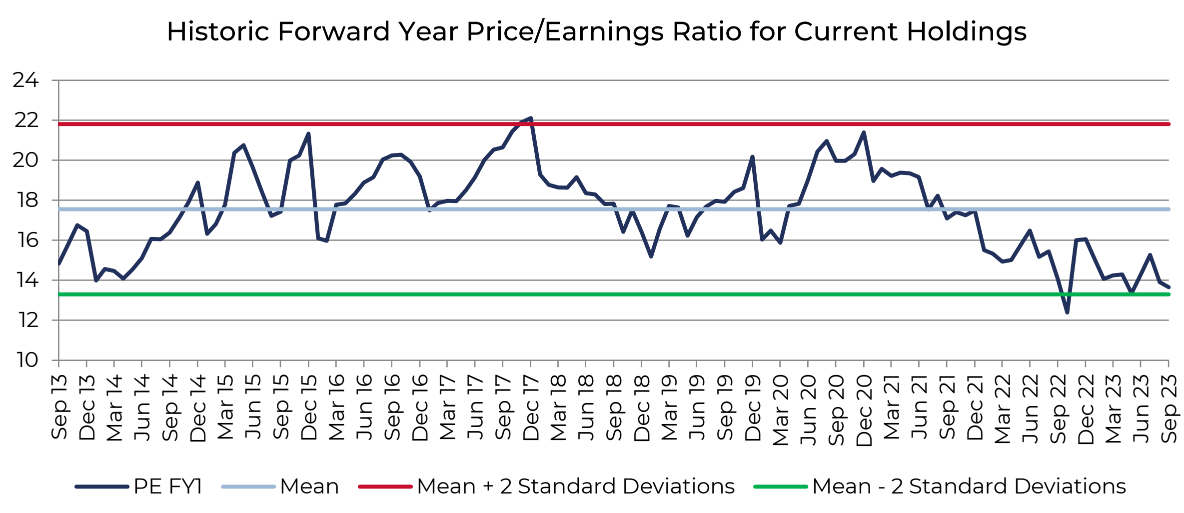
On a listing basis, the Fund has 51% exposure to stocks listed in Hong Kong, 35% exposure to the A share market and an 8% allocation to Taiwan. 6% of the Fund is also held in Chinese companies trading on US exchanges (Alibaba, JD.com, Netease and Baidu).





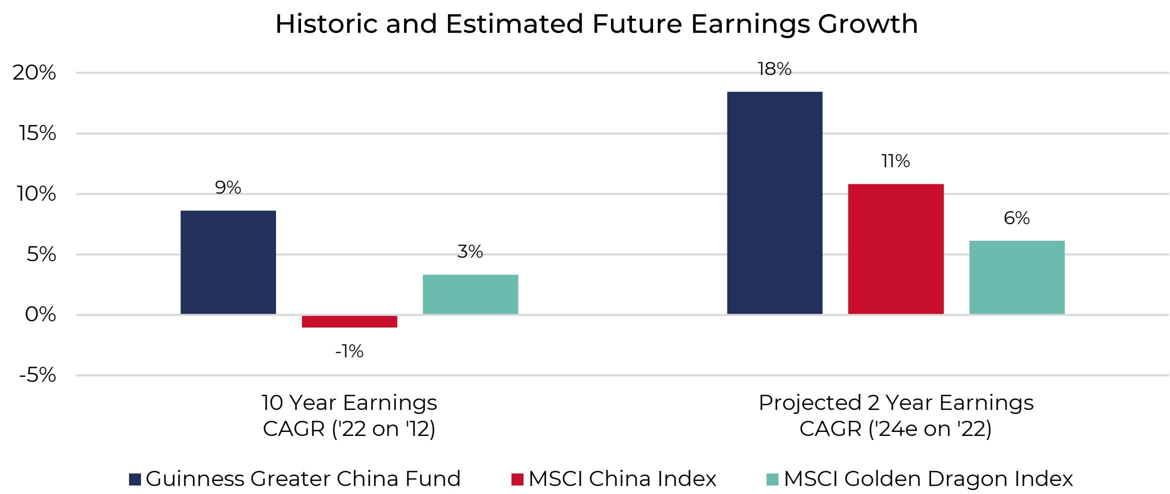
(Data as of 30/09/23. Source: Bloomberg, MSCI, Guinness Global Investors calculations)

OUTLOOK



(Data from 30/09/13 to 30/09/23, source: Bloomberg, Guinness Global Investors calculations)

We argue that talk of the collapse of China's financial system is unwarranted. Markets are to an extent pricing in this scenario, whereas we argue China has the capital in place in the banking system to absorb losses arising from the property market and wider economy. Therefore if markets are pricing in a scenario which we have assessed as unlikely, then this is an opportunity for investors. The Greater China Fund is trading on a forward year price earnings ratio of 14.0x which is close to two standard deviations below the current' holdings 10-year historic average. This valuation does not appear often for the high quality, compounding stocks we hold in the Fund. Over the past decade, our holdings in aggregate have grown earnings by 9% a year. If we exclude 2022 because of China's zero covid controls, the long-term growth rate in earnings was 12% a year. Based on consensus analyst estimates, the Fund's holdings in aggregate are expected to grow earnings by 18% a year over the next two years.



(Source: Bloomberg, MSCI, Guinness calculations. Data as of 30/09/2023. Sales in USD Fund series assumes $1m equally weighted into current holdings. Data for the Guinness Greater China Fund is a simulation based on actual, aggregate, historic data for the Funds' current holdings. The Greater China Fund was launched on 15.12.2015. Index data uses historic holdings as of the end of each year)

Portfolio Managers

Sharukh Malik
Edmund Harriss

GUINNESS GREATER CHINA FUND - FUND FACTS

Fund size	$8.6m
Fund launch	15.12.2015
OCF	0.89%
Benchmark	MSCI Golden Dragon TR

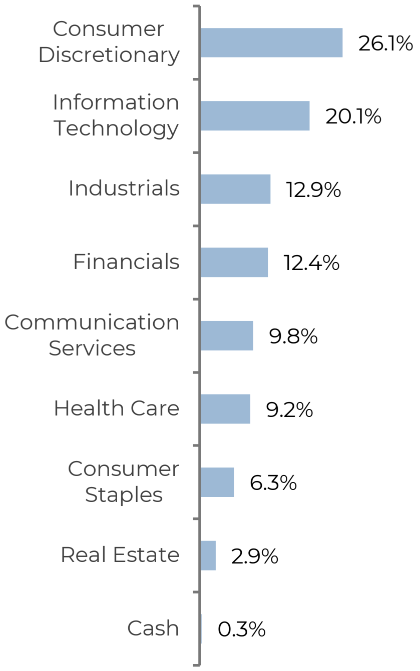
GUINNESS GREATER CHINA FUND - PORTFOLIO

Top 10 holdings

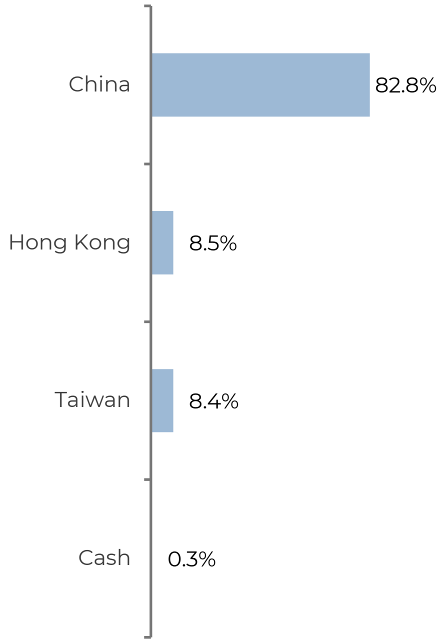
Elite Material	5.2%
Shenzhen Inovance Technology	3.7%
TravelSky Technology	3.6%
Haier Smart Home	3.5%
China Medical System	3.5%
Geely Automobile Holdings	3.4%
China Merchants Bank	3.4%
Inner Mongolia Yili Industrial	3.4%
Venustech Group	3.4%
NARI Technology	3.3%

Top 10 holdings	36.4%
Number of holdings	34

Sector



Country



Past performance does not predict future returns.

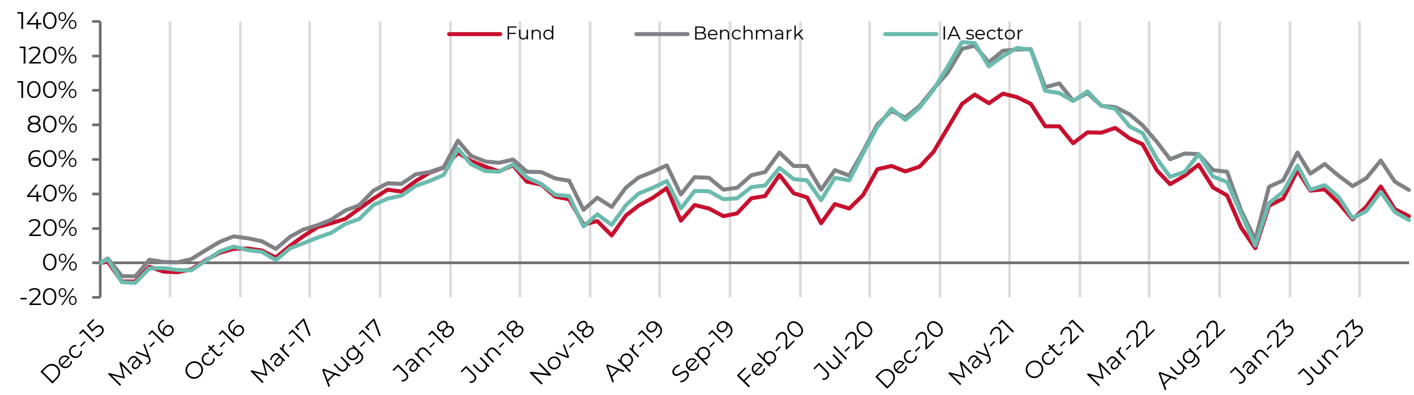
GUINNESS GREATER CHINA FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+0.5%	-8.8%	-3.9%	-12.1%	-0.9%	-
MSCI Golden Dragon TR	+0.4%	-5.2%	-0.5%	-18.2%	+2.9%	-
IA China/Greater China TR	+0.1%	-12.8%	-11.4%	-27.7%	-3.9%	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-3.2%	-7.5%	+5.1%	-17.0%	-7.3%	-
MSCI Golden Dragon TR	-3.3%	-3.8%	+8.8%	-22.8%	-3.7%	-
IA China/Greater China TR	-3.5%	-11.5%	-3.1%	-31.7%	-10.0%	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-0.8%	-6.7%	-2.8%	-8.1%	+1.8%	-
MSCI Golden Dragon TR	-0.9%	-3.0%	+0.7%	-14.5%	+5.7%	-
IA China/Greater China TR	-1.1%	-10.8%	-10.3%	-24.4%	-1.3%	-

GUINNESS GREATER CHINA FUND - ANNUAL PERFORMANCE

(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%	-	-	-
(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%	-	-	-
(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 30.09.23. 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. OCFs for all share classes are available on www.guinnessgi.com.

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: Waystone Management Company (IE) Limited (Waystone IE) 2nd Floor 35 Shelbourne Road, Ballsbridge, Dublin DO4 A4E, Ireland: or ,
- the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

Waystone IE, 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.