Guinness Atkinson
Asia Pacific Dividend Builder Fund
Review of April 2020

Fund and Market

- Equity markets rallied in April. Asia, as measured by the MSCI AC Pacific ex Japan Net Total Return Index, rose 9.31% in USD terms.
- The market rebound in Asia was led by Materials, Energy and Industrials, which had all been hit hard in the first quarter. Notably, Financials and Real Estate were also hit earlier in the year, but while they also rose in April, they lagged in the rebound.
- India, Thailand and Australia were the best-performing markets during the month but remain among the weakest this year.
- Conditions suited the fund, however, which did slightly better than the market as represented by its benchmark. Corporate Travel Management, JB Hi-Fi, Elite Material, Sonic Healthcare, Catcher Technology, Tisco Financial, PTT, Qualcomm, St Shine Optical, Taiwan Semiconductor and China Resources Gas all contributed meaningfully.
- Detractors from relative performance during the month include AAC Technologies, Zhejiang Supor, Tech Mahindra, China Construction Bank, Hanon Systems, Public Bank, Godrej Consumer Products, Ping An Insurance and Janus Henderson. Some names such as Supor, Ping An and China Construction Bank had done relatively better earlier in the year. Indian names, AAC and Hanon remain on the back foot.

Events in April

- Markets surged; economies plunged. The backdrop is the broad-based and substantial monetary and fiscal support measures from governments and central banks across the world.
- The price of oil, as measured by the West Texas Intermediate (WTI) benchmark, went negative for a short period. Copper, however, rose 9% and iron ore rose 5%.
- OPEC reached an agreement to cut back production, beginning in May.
- The rise in copper and iron ore was in line with a price recovery in Chinese excavators and earth moving equipment, indicating that China's infrastructure and construction industry is picking up.
- US-China tensions are rising; the political temperature is likely to increase as the US presidential election approaches. The latest move to tighten controls on the supply of US-made semiconductors to Huawei is the latest manifestation.
- President Moon Jai-In reaped the benefit of his handling of the COVID-19 outbreak with a landslide win in the South Korean parliamentary election with his coalition group winning 180 seats out of 300 on a 66% voter turnout (said to be the highest in 28 years).

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Portfolio view and review

In last month's update we discussed the process we are going through to establish the robustness of the companies we hold and the operational attributes we seek which support the cashflow and dividend growth that we want these companies to deliver. The following tables show the output of this analysis for each of the companies in the portfolio.

Table 1. Financial Stability (as of 04/30/2020)

Name	Sector	Assets /Equity x	Net Debt /Equity %	Net ST Debt/ Equity %	EBITDA /Interest Exp x	Bloomberg default risk scale
China Mobile Ltd	Communication Services	1.5	Net Cash	Net Cash	91.4	IG1
China Lilang Ltd	Consumer Discretionary	1.3	Net Cash	Net Cash	268.0	IG1
Corporate Travel Management L	Consumer Discretionary	1.8	Net Cash	Net Cash	52.1	IG8
Hanon Systems	Consumer Discretionary	3.2	87.6%	Net Cash	12.1	IG6
JB Hi-Fi Ltd	Consumer Discretionary	2.4	30.6%	Net Cash	30.5	IG6
Luk Fook Holdings International I	Consumer Discretionary	1.4	2.1%	2.1%	58.7	IG9
Shenzhou International Group Hc	Consumer Discretionary	1.3	Net Cash	Net Cash	71.3	IG1
Zhejiang Supor Co Ltd	Consumer Discretionary	1.7	Net Cash	Net Cash	2,208.9	IG1
Godrej Consumer Products Ltd	Consumer Staples	1.9	34.4%	Net Cash	12.8	IG2
KT&G Corp	Consumer Staples	1.2	Net Cash	Net Cash	226.5	IG1
PTT PCL	Energy	2.8	28.2%	Net Cash	10.6	IG9
China Medical System Holdings L	Health Care	1.2	Net Cash	Net Cash	47.5	IG3
Sonic Healthcare Ltd	Health Care	1.8	41.9%	1.6%	12.6	IG5
St Shine Optical Co Ltd	Health Care	1.5	Net Cash	Net Cash	126.8	IG1
Yangzijiang Shipbuilding Holdings	Industrials	1.5	Net Cash	Net Cash	25.3	IG9
Catcher Technology Co Ltd	Information Technology	1.6	1.0%	Net Cash	27.3	IG7
Elite Material Co Ltd	Information Technology	1.9	Net Cash	Net Cash	97.1	IG5
Hon Hai Precision Industry Co Ltc	Information Technology	2.7	Net Cash	Net Cash	2.7	IG6
Largan Precision Co Ltd	Information Technology	1.2	Net Cash	Net Cash	14,803.5	IG1
Novatek Microelectronics Corp	Information Technology	1.4	Net Cash	Net Cash	229.1	IG1
QUALCOMM Inc	Information Technology	6.7	83.4%	Net Cash	14.5	IG7
Taiwan Semiconductor Manufact	Information Technology	1.4	Net Cash	Net Cash	202.9	IG1
Tech Mahindra Ltd	Information Technology	1.7	Net Cash	Net Cash	28.7	IG3
Ascendas Real Estate Investment	Real Estate	1.8	63.3%	5.2%	5.4	IG5
CapitaLand Mall Trust	Real Estate	1.5	43.4%	0.8%	4.3	IG5
Link REIT	Real Estate	1.2	11.4%	0.4%	44.8	IG1
China Resources Gas Group Ltd	Utilities	3.0	Net Cash	Net Cash	18.4	IG1
Aflac Inc	Financials	5.3	5.8%	Net Cash	na	IG7
Janus Henderson Group PLC	Financials	1.6	Net Cash	Net Cash	40.0	IG5
BOC Hong Kong Holdings Ltd	Financials	10.0	Net Cash	Net Cash	na	IG6
China Construction Bank Corp	Financials	12.1	58.8%	Net Cash	na	IG8
China Merchants Bank Co Ltd	Financials	12.8	185.0%	Net Cash	na	IG6
DBS Group Holdings Ltd	Financials	11.4	112.1%	Net Cash	na	IG7
Ping An Insurance Group Co of Cl	Financials	12.2	181.4%	Net Cash	na	IG5
Public Bank Bhd	Financials	9.9	9.5%	Net Cash	na	IG5
Tisco Financial Group PCL	Financials	7.6	73.7%	Net Cash	na	IG7

Source: Bloomberg, Guinness Atkinson Asset Management

The columns above measure the degree of leverage using the following measures:

- Assets to Equity (Total assets divided by Total equity)
- Net Debt to Equity (Total debt less cash, divided by Total equity
- Net ST Debt to Equity (Short-Term debt due within one year less cash, divided by Total Equity)
- EBITDA to interest expense (The number of times interest expense is covered by operating profit, as measured by Earnings before Interest, Tax, Depreciation and Amortization divided by annual interest expense)
- Bloomberg Default Risk scale an assessment of each company's creditworthiness or likelihood of defaulting on its debt obligations in the coming year. (Bloomberg's scale of IG, Investment Grade, quality ranges from 1 to 10, reflecting a default probability of 0% to 0.5%; with IG1 as the highest positive level to IG10 as the lowest level).

Debt levels relative to their capital (equity) are low and many have more cash than debt overall. If we look at short-term debt, falling due in the next twelve months, we can see all but five seem to have enough cash to cover the obligations, *in the event that no refinancing of any kind is available*. For banks we must consider leverage differently: for them we compare the size of their assets to the capital base by measuring Assets to Equity. Our minimum threshold for inclusion into our investable universe is 5x.

Table 2. Dividends per share, in Local Currency

Name	Sector	2017 DPS	2018 DPS	2019 DPS	Chg 2018	Chg 2019	Payout 2018	Payout 2019
CHINA MOBILE LTD	Communication Services	2.73	2.76	2.89	1%	5%	48%	54%
JB HI-FI LTD	Consumer Discretionary	1.32	1.42		8%		63%	
CHINA LILANG LTD	Consumer Discretionary	0.26	0.37	0.39	43%	5%	59%	52%
SHENZHOU INTERNATIONAL GROUP	Consumer Discretionary	1.20	1.57	1.71	31%	9%	52%	50%
LUK FOOK HOLDINGS INTL LTD	Consumer Discretionary	0.90	1.15		28%		45%	
HANON SYSTEMS	Consumer Discretionary	305	320	320	5%	0%	58%	52%
CORPORATE TRAVEL MANAGEMENT	Consumer Discretionary	0.36	0.40		11%		48%	
ZHEJIANG SUPOR CO LTD -A	Consumer Discretionary	0.72	1.02	1.59	42%	56%	73%	67%
GODREJ CONSUMER PRODUCTS LTD	Consumer Staples	6.67	10.00		50%		47%	
KT&G CORP	Consumer Staples	4,000	4,000	4,400	0%	10%	57%	54%
PTT PCL	Energy	2.00	2.00	2.00	0%	0%	47%	59%
JANUS HENDERSON GROUP PLC	Financials	0.74	1.40	1.44	88%	3%	28%	33%
TISCO FINANCIAL GROUP PCL	Financials	3.50	5.00	7.00	43%	40%	58%	77%
BOC HONG KONG HOLDINGS LTD	Financials	1.30	1.47	1.54	13%	5%	50%	49%
CHINA CONSTRUCTION BANK-H	Financials	0.29	0.31	0.32	5%	5%	30%	30%
CHINA MERCHANTS BANK-H	Financials	0.84	0.94	1.20	12%	28%	29%	33%
PING AN INSURANCE GROUP CO-H	Financials	1.50	1.72	2.05	15%	19%	21%	18%
DBS GROUP HOLDINGS LTD	Financials	0.93	1.20	1.23	29%	3%	55%	49%
AFLAC INC	Financials	0.87	1.04	1.08	20%	4%	24%	24%
PUBLIC BANK BERHAD	Financials	0.61	0.69	0.73	13%	6%	48%	51%
SONIC HEALTHCARE LTD	Health Care	0.81	0.84		4%		67%	
CHINA MEDICAL SYSTEM HOLDING	Health Care	0.27	0.30	0.32	11%	6%	40%	40%
ST SHINE OPTICAL CO LTD	Health Care	25.00	26.50	18.00	6%	-32%	80%	71%
YANGZIJIANG SHIPBUILDING	Industrials	0.22	0.25	0.23	16%	-10%	28%	27%
TECH MAHINDRA LTD	Information Technology	14.00	14.00	15.00	0%	7%	30%	31%
CATCHER TECHNOLOGY CO LTD	Information Technology	12.00	12.00		0%		33%	
HON HAI PRECISION INDUSTRY	Information Technology	2.50	4.00		60%		52%	
LARGAN PRECISION CO LTD	Information Technology	72.50	68.00	79.00	-6%	16%	37%	40%
NOVATEK MICROELECTRONICS COR	Information Technology	7.10	8.80	9.00	24%	2%	84%	73%
TAIWAN SEMICONDUCTOR MANUFA(	Information Technology	8.00	8.00	9.50	0%	19%	58%	71%
QUALCOMM INC	Information Technology	2.20	2.38	2.48	8%	4%	86%	73%
ELITE MATERIAL CO LTD	Information Technology	4.80	3.80	6.00	-21%	58%	69%	63%
LINK REIT	Real Estate	2.50	2.71		9%		100%	
ASCENDAS REAL ESTATE INV TRT	Real Estate	0.16	0.15	0.16	-1%	1%	100%	109%
CAPITALAND MALL TRUST	Real Estate	0.11	0.12	0.12	3%	4%	84%	92%
CHINA RESOURCES GAS GROUP LT	Utilities	0.55	0.77	0.87	40%	13%	37%	38%

Source: Bloomberg, Guinness Atkinson Asset Management

The table above shows the reported dividend per share from each of the portfolio companies for the financial year to which it relates for 2017, 2018 and 2019 in their local reporting currencies. Not all companies have declared their dividends for the 2019 financial year. The table shows the growth of the dividend compared to the prior year and the payout, the proportion of profits paid out by the companies in 2018 and 2019.

We think this presents a robust picture. Many of these companies reported declared dividends as the COVID-19 outbreak was already having a meaningful impact and companies have mostly maintained or grown their dividends. Only two dividends have fallen and in both cases, these have reflected an earnings decline, most pronounced in the case of St Shine Optical. The common dividend policy focus in Asia is on the payout ratio, the proportion of profits paid out, and thus we consider it to be an important metric when considering management views and outlook. Considering the dividend outlook for these companies, we think it likely that dividend payout ratios will be maintained but we also expect earnings for 2020 to come under pressure, so dividend growth in the coming year cannot be assured.

Fund view - Dividends

China Mobile declared a final dividend for 2019 which makes a 1% increase over 2018. The company emphasized the importance it attaches to maintaining a stable dividend in 2020. Service revenue rose in the first quarter of this year, while equipment sales fell. Capital spending plans for 5G technology have become clearer and appear to be lower than the market was expecting. In the meantime, the company appears to be on target to achieve 70 million 5G subscribers for this year.

China Lilang declared a full-year dividend that was 5% higher than 2018 and which has now been paid. Because the company is a clothing designer and distributer, the first quarter has been hard, with an estimated 40% fall in same-store sales, but there are now signs of a pick-up. Trade fair orders for the spring/summer collection this year were 6%-9% higher.

Shenzhou International increased its final dividend by 11%, which meant the full-year payment was 8.6% above 2018. Some impact is expected on order patterns, but the company does not expect pricing pressure from its brand customers. The company has established new garment-making facilities in Vietnam which incorporate higher levels of automation, keeping costs down.

Hanon Systems maintained its dividend in 2019 but it will likely need to come down in 2020 as car makers' production volumes remain in the doldrums. First-quarter results delivered a quarterly payment which if maintained would represent a 15% reduction on 2019.

Zhejiang Supor announced a final dividend that delivered full year growth for 2019 of 7.3%. The company produces and distributes household appliances and cookware. First-quarter sales were weak, as expected, but as China emerges from lockdown they are picking up, with the sector recording a sales surge over the labor day holiday.

KT&G's latest dividend announcement represents a 10% increase over the prior year (which was flat against the year before) even as the Korean tobacco industry is slowing. Heat-not-burn product growth dropped by 8% but KT&G's real estate earnings supported operating income in the first quarter. The company has also reached an agreement with Philip Morris to distribute its vaping product overseas.

PTT maintained its full-year dividend at 2 Thai Baht per share, the same level as 2017 and 2018. The energy conglomerate derives the bulk of its earnings from the supply of gas to Thailand's state electricity generators, while its subsidiaries have exposure to oil and gas production and to petrochemicals.

Janus Henderson maintained its quarterly dividend unchanged from 2019. In the recent earnings call the company said that "the board remains committed to paying our regular dividend" and that "the dividend remains well-supported by business results". The company has also been active in repurchasing shares and bought back 2.1m shares in the first quarter.

Tisco Financial distributed an annual dividend which was 11% higher than 2018 and was paid in April. The company has a good track record in underwriting, has flexibility in managing operating expenses and has been proactive in provisioning against bad debts.

BOC Hong Kong's final dividend for 2019 grew 7.5%, making growth of 4.7% for the full year. A larger dividend cut than expected at rival Hang Seng Bank in the first quarter sparked fears of sharply weaker asset quality, but Bank of China Hong Kong came through with better asset quality, improved funding costs and stronger loan growth than its rival. The company declares a dividend twice a year rather than quarterly, but its better operating performance and strong capital position leaves us positive on the dividend outlook.

China Construction Bank reported an annual dividend which grew slightly, by 0.6%, over the prior year. Dividend has been limited for the past five years. Results for the first quarter showed 6% growth in operating profits before provisioning charges against bad debt. Net profit was up 5% compared to the same period last year. The results reflect good overall sector performance.

China Merchants Bank announced a 27% increase in the dividend for 2019 which takes its payout ratio (the proportion of profits distributed) to 33%, the highest in the sector. The bank is more focused on consumer lending and has been one of the most active in investing in new technology. In its first quarter results it reported margin expansion substantially above the sector.

Ping An Insurance's dividend for 2019 grew 19% compared to 2018 (and by 6.7% if we include the special dividend paid in 2018). New business sales dropped in the first quarter but there are signs of sequential recovery in April data just reported.

DBS Group has moved to quarterly distributions but the aggregate for 2019 was 5% higher than for 2018. The bank is naturally cautious in this environment but appears to be trying to keep the dividend stable and rising. In the recent earnings call, the management stated "our dividend policy has been to try and [keep the] whole dividend stable and grow them in line with earnings. … oftentimes we're asked why we don't increase dividends a lot more dramatically, and we've always said we want to be cautious. So that gives us enough headroom that we don't have to cut, if we don't need to." The decision by HSBC to cut its dividend was taken very badly in Hong Kong; on this point management said "We are also conscious that a number of our shareholders are retail shareholders in Singapore and so similar to the HSBC Hong Kong situation. Many of these people do rely on us for their pensions and monthly payments and so on. So we're conscious of that as well."

Aflac has a potential increase in COVID-19 related claims and a slowdown in sales due to the prevention of face-to-face meetings. These are short-term headwinds, along with lower interest rates. The company is very well capitalized even in a very conservative scenario analysis. In Q1 results on April 30th, management committed to "defending and extending our 37-year track record of annual dividend increases," and the dividend grew 3.7%.

Public Bank increased the 2019 dividend by 5.8% compared to 2018. The company has shown a willingness to increase its payout ratio when necessary, including through the financial crisis period of 2008-9, and has grown its dividend per share each year since then. Clearly there are headwinds, and so we cannot be sure what will happen this year, but we note the bank's past focus on the dividend, its superior asset quality compared to peers, and the ongoing investment in technology.

China Medical System's dividend for 2019 as a whole was 6% higher than 2018, although we note the final dividend was 11% lower than the same period last year; the growth therefore came at the interim stage before COVID-19. We are not too concerned about this since the company reported strong results that reflected growth in its core products as well as a developing pipeline of new drug offerings and new channels of distribution. Full-year dividend per share has grown incrementally each year since 2010 and the company has paid a dividend every year since 2007.

St Shine Optical: The dividend for 2019 fell 32% on weaker earnings. The company is facing adverse operating leverage where excess production capacity exerts a drag on the business. Weak orders, especially from Japan, are the primary reason. The China business is showing positive momentum but is not large enough to offset weakness elsewhere. The outlook remains difficult for this company.

Yangzijiang Shipbuilding pays an annual dividend which fell 10% for 2019, in line with earnings. The impressive thing about this company has been its ability to sustain earnings and dividends over the past few years during a very difficult period for the shipbuilding industry. In the first quarter, the company reported 45% growth in new orders (for containerships) when the rest of the sector reported a 71% decline.

Tech Mahindra's annual dividend rose 7.1% over 2018, compared to earnings which were unchanged compared to the prior year. The first quarter of the year showed Tech Mahindra to have been more affected by COVID with its higher consulting exposure to Business Process Operations and Networks. Deals have been slow to ramp up. At the same time, the medium term is looking much stronger as evidenced by order wins worth $500m during the quarter, totaling $3.7 billion of new orders for the full financial year, up 122% on the previous year.

Largan Precision: The dividend continues to move in line with earnings up 15% in 2019 following a 6% fall in 2018. The payout ratio has remained between 35% and 37% over the past five years and since the company moved to pay dividends wholly in cash the distributions have been on a rising trend. The company reported 32% year-on year growth for its first quarter results this year, and remains focused on high-end lenses which should help stave off price erosion and sustain margins.

Novatek Microelectronics grew its ordinary dividend by 2.3% for 2019 then added a special dividend which increased the total distribution by 19.3% compared to 2018. The payout ratio is high at more than 80% but has been so since 2014 and has been above 75% since 2010. First-quarter earnings were 12% higher than the same period last year and company guidance of 55-10% revenue growth in the second quarter was better than some were expecting.

Taiwan Semiconductor has moved to quarterly dividend payments (so year-on-year comparisons are not valid). Q1 earnings saw strong revenue growth of 30%, suggesting resilient demand for advanced semiconductors despite the downturn. The company has increased capex for 2020. Management committed that the dividend would be maintained at a level of at least current dividend.

Qualcomm: The recent quarterly dividend increased 5%, having been unchanged since the beginning of 2018. The growth was augmented by $1.6 billion of share repurchases over the same period. The company has pursued a progressive dividend policy whereby it has remained flat or grown since 2004.

Elite Material declared a dividend for 2019 that is 58% higher than the previous year. The 63% payout ratio, down from 69% in 2018, bring the distribution as a proportion of profits closer to prior years. The company makes laminates for printed circuit boards and specializes in producing halogen-free (and more environmentally friendly) materials. It is also developing a niche with technology that broadens its range from smartphones to high-density technology infrastructure.

Ascendas REIT's dividend growth was virtually flat for 2019. The business focuses on industrial properties primarily in Singapore but has recently expanded its portfolio to include industrial properties located in the US. The portfolio has been notably less affected by COVID-19 than those in the retail space (see next).

CapitaLand Mall Trust grew the dividend for 2019 by 4%. Also based in Singapore and with 100% Singaporean retail exposure, the Trust has been affected. Its portfolio has a significant exposure to prime retail space in the downtown district, which has seen the sharpest declines. Its properties in non-core areas have held up much better. First quarter revenues were up 6.7% but the focus is on rents in the second quarter. Actions taken so far include a rental relief package and allowing tenants to draw on their security deposits to make rent payments for the coming quarter.

China Resources Gas: The dividend for 2019 grew 13% compared to 2018, which was in line with earnings growth. The payout ratio has grown each year from 20% in 2011 to 37% in 2019. The company recently raised new capital by issuing shares as it sees opportunities to expand the business. The company is reportedly targeting two projects in Ningbo and Taiyuan with an estimated two million additional users and is said to be looking at projects in the Greater Bay Area in the south of China.

Portfolio Update

The table below shows the performance of stocks in the portfolio in USD terms for the month of April and for the year to the end of April.

Name	Sector	April 2020 Total Return	Year to 30 April 2020 Total Return
CORPORATE TRAVEL MANAGEMENT	Consumer Discretionary	55.7%	-41.4%
JB HI-FI LTD	Consumer Discretionary	34.3%	-10.2%
ELITE MATERIAL CO LTD	Information Technology	24.8%	-4.6%
YANGZIJIANG SHIPBUILDING	Industrials	19.9%	-16.1%
SONIC HEALTHCARE LTD	Health Care	19.5%	-11.1%
CATCHER TECHNOLOGY CO LTD	Information Technology	18.7%	1.0%
TISCO FINANCIAL GROUP PCL	Financials	17.6%	-24.4%
PTT PCL	Energy	16.4%	-23.5%
QUALCOMM INC	Information Technology	16.3%	-10.2%
ST SHINE OPTICAL CO LTD	Health Care	14.7%	-22.4%
TAIWAN SEMICONDUCTOR MANUFAC	Information Technology	13.1%	-6.5%
CHINA RESOURCES GAS GROUP LT	Utilities	12.3%	2.8%
HON HAI PRECISION INDUSTRY	Information Technology	12.1%	-14.7%
BOC HONG KONG HOLDINGS LTD	Financials	11.2%	-11.4%
NOVATEK MICROELECTRONICS COR	Information Technology	10.3%	-14.3%
CHINA MEDICAL SYSTEM HOLDING	Health Care	10.1%	-17.2%
SHENZHOU INTERNATIONAL GROUP	Consumer Discretionary	9.7%	-20.3%
MSCI AC PACIFIC ex JP NR	Benchmark Index	9.3%	-12.3%
LARGAN PRECISION CO LTD	Information Technology	9.2%	-17.3%
KT&G CORP	Consumer Staples	9.1%	-17.5%
AFLAC INC	Financials	8.8%	-29.2%
DBS GROUP HOLDINGS LTD	Financials	8.6%	-26.4%
CHINA MOBILE LTD	Communication Services	8.3%	-4.2%
CAPITALAND MALL TRUST	Real Estate	6.7%	-25.8%
CHINA MERCHANTS BANK-H	Financials	6.2%	-6.8%
CHINA LILANG LTD	Consumer Discretionary	6.0%	-24.9%
LUK FOOK HOLDINGS INTL LTD	Consumer Discretionary	6.0%	-25.9%
ASCENDAS REAL ESTATE INV TRT	Real Estate	6.0%	-3.6%
LINK REIT	Real Estate	5.9%	-15.2%
JANUS HENDERSON GROUP-CDI	Financials	5.2%	-34.0%
PING AN INSURANCE GROUP CO-H	Financials	4.7%	-13.0%
GODREJ CONSUMER PRODUCTS LTD	Consumer Staples	4.5%	-24.6%
PUBLIC BANK BERHAD	Financials	3.4%	-17.9%
HANON SYSTEMS	Consumer Discretionary	3.4%	-21.3%
CHINA CONSTRUCTION BANK-H	Financials	-0.3%	-5.6%
TECH MAHINDRA LTD	Information Technology	-3.2%	-31.2%
ZHEJIANG SUPOR CO LTD -A	Consumer Discretionary	-4.4%	-15.4%

As we described in last month's update, there were very few stocks that were working for us. Only a selection of Chinese names together with a couple of Taiwanese technology companies and Ascendas REIT were ahead of the benchmark at the end of March. We attribute this to the economic sensitivity of our names in the provision and distribution of goods and services which the breadth of economic closures has disrupted. We emphasized the financial strength of our companies because with the extent and unknown duration of lockdowns we want to be confident that our businesses can not only survive but also emerge in a stronger position relative to peers. We believe that when economies are operating, these businesses have superior attributes that should deliver superior operating cash flows and dividends.

The recovery in markets and progress in Asia towards loosening restrictions, which is now also underway in Europe, were good conditions for our companies. Better performance in April brought more names back above the benchmark for the year to date. An example is JB Hi-Fi, a retailer of electricals and household goods, whose stock was immediately sold off but has since reported stronger sales especially in office equipment. Its online distribution channel is still smaller than its physical store channel but was already being developed before the crisis, and importantly, the company appears to be further ahead than its competitors.

There are a number of stocks that have yet recover, such as Aflac, Tech Mahindra, Janus Henderson, DBS Group and Tisco Finance. As we hope the notes above suggest, these are reflections of market views as to the progress of unlocking and these are later-stage businesses. For example, the share price of Aflac is only likely to start moving again when its agents are in a position to meet people and sell. The same would be true of Ping An. Tech Mahindra's business of consultancy focusing on networks and business processing requires working in situ with people, as opposed to developing IT infrastructure and systems which can be done at a distance. Tech Mahindra is winning new orders in a competitive space and when business activities resume revenue is likely to pick up as well.

Tisco's and DBS' share prices are under pressure because of concerns about rising non-performing loans and lower rates of interest on loans as interest rates have come down, but in their recent updates we can see that underwriting quality, which has been good in the past, remains so. Both institutions have set aside funds in good times to cover bad debts in times like these and thus are prepared. Furthermore, both have shown an ability to reduce their cost of funding, which can mitigate lower rates of interest income. However, it is likely that markets will want to see evidence of this when second quarter results are announced before they will be confident in the trajectory of earnings and dividends.

There are some stocks which are clearly struggling. St Shine Optical saw weakness in new orders prior to the COVID crisis and this is now likely to delay recovery further. Hanon Systems is an auto parts maker with strength in electric vehicles. The auto industry is still on its back and production will need to resume before Hanon sees a recovery in revenues. Corporate Travel Management is the third company where there are clearly challenges but the scalability of its business model works in its favor. The company has shrunk costs significantly as revenues have fallen to around 15% of prior levels (which is better than many of its peers) and it is able to survive at these levels based on its cash and credit reserves for almost two years. A recovery in domestic (not international) travel to 60% of prior levels should bring the company back to breakeven, we believe.

Outlook

The environment continues to be fraught with uncertainty. Lockdowns are easing across the region but with countries at very different stages, and fears of "second wave" infections remain ever present. Governments across the world are implementing unprecedent support programs, ranging from fiscal and monetary support to quantitative easing. New methods, such as central banks buying up government debt, are also being tried. Success is predicated on interest rates and inflation remaining low for an extended period, which is not a given. Political pressures are also intense and re-election prospects seem to be closely tied to performance during this crisis. South Korea's president is seen to have done a good job and his ruling coalition has swept back into power by a landslide. The US is heading into a presidential election in November and the picture is not so clear, creating a backdrop for rising international tensions.

The recent move to take on Huawei directly by requiring US companies seeking to do business with it to obtain prior approval is a step up in the trade dispute. Hitherto, the rhetoric has been fiery, but efforts have been made, especially by China, to limit the response. They may be less willing to hold back this time. There are practical reasons to think this will not automatically descend into an outright fight: major US technology companies, as well as Asian ones, will struggle with this. Revenues will fall, which will impact research and development and capital spending, and so they will be lobbying hard. But while political and social pressures remain high, there would appear to be less appetite for give and take.

This does not mean that Asian technology is about to fall into a hole and the region along with it, but it adds further uncertainty. The development of 5G technology is going to continue and 5G telecom infrastructure spending is where it starts. Consumer demands for 5G enabled devices and industry demands for 5G-solutions to improve operating efficiencies in production and business processes have not gone away, and in a more challenging economic environment may well be more pressing.

At the same time, Asia still offers a deep consumer market away from the semiconductor sector. The structural themes that support it have not disappeared and the financial sector that supports it is in good health overall. If we are looking for an area where there is spending power, savings and liquidity, then Asia still offers these. We can point to areas of consumption where sales have been strong and to heavier industry areas such as infrastructure and construction where government spending is having an effect. We can track these through reported sales on e-commerce platforms, through rising industrial metals prices and through increased oil demand (back to pre-COVID levels in China) to chart progress.

In such an environment of cross currents and mixed messages we believe our focus has to be on the financial stability and market positions of the companies we hold. Stock prices continue to move sharply in either direction each day, so market noise can be deafening, and we try not to let it distract us from our core investment principles. We continue to seek those companies that we believe are best placed to deliver sustainable dividend growth funded by superior cash-generative operations.

Edmund Harriss and **Mark Hammonds** (portfolio managers)

Sharukh Malik (analyst)

Performance

as of 4/30/2020	YTD	1 YR	3 YR	5 YR	10 YR
Asia Pacific Dividend Builder Fund	-12.75%	-9.75%	1.93%	1.84%	5.38%
MSCI AC Pacific ex Japan NR	-12.28%	-7.43%	2.65%	1.48%	4.31%

as of 3/31/2020	YTD	1 YR	3 YR	5 YR	10 YR
Asia Pacific Dividend Builder Fund	-21.11%	-16.31%	-1.00%	1.59%	4.36%
MSCI AC Pacific ex Japan NR	-19.74%	-13.70%	0.17%	1.01%	3.52%

All returns over 1 year annualized. *Source: Bloomberg, Guinness Atkinson Asset Management.*

Expense Ratio: 1.10% (net); 4.02% (gross)*

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 800-915-6566 and/or visiting www.gafunds.com. Performance data does not reflect the 2% redemption fee for shares held less than 30 days and, if deducted the fee would reduce the performance noted. Total returns reflect a fee waiver in effect and in the absence of this waiver, total returns would be lower.

**The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding Acquired Fund Fees and Expenses, interest, taxes, dividends on short positions and extraordinary expenses) in order to limit the Fund's Total Annual Operating Expenses to 1.10% through June 30, 2021. To the extent that the Advisor absorbs expenses to satisfy this cap, it may recoup a portion or all of such amounts absorbed at any time within three fiscal years after the fiscal year in which such amounts were absorbed, subject to the expense cap in place at the time recoupment is sought, which cannot exceed the expense* *cap at the time of the waiver. The expense limitation agreement may be terminated by the Board of the Fund at any time without penalty upon 60 days' notice.*

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company, and it may be obtained by calling 800-915-6566 or visiting gafunds.com. Read it carefully before investing.

Investments in foreign securities involve greater volatility, political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets countries. Non-diversified funds concentrate assets in fewer holdings than diversified funds. The Asia Pacific stock markets may experience periods of volatility and instability. Some domestic China "A" Shares are available through the Hong Kong Stock Connect or Shenzhen Stock Connect, which may be subject to risks of trading suspensions, quota limitations and additional risk. The Fund may invest in small-cap or mid-cap companies, which involves additional risks such as limited liquidity and greater volatility, than in larger companies.

MSCI AC Pacific Ex-Japan Net Total Return Index is a market capitalization weighted index that monitors the performance of stocks from the Pacific region, excluding Japan consisting of Australia, China, Hong Kong, Indonesia, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, and Thailand.

One cannot invest directly in an Index.

The Dividend Payout Ratio is the proportion of net profit distributed as a dividend.

Opinions expressed are subject to change, are not a guarantee and should not be considered investment advice. Past performance is not indicative of future results.

Top Fund Holdings as of 4/30/20

1.	Corporate Travel Management Ltd	3.20%
2.	Aflac Inc	3.20%
3.	JB Hi-Fi Ltd	3.08%
4.	PTT PCL /Foreign	3.02%
5.	Sonic Healthcare Ltd	2.99%
6.	Elite Material Co Ltd	2.95%
7.	CapitaMall Trust	2.94%
8.	China Merchants Bank Co Ltd - H Shares	2.92%
9	QUALCOMM Inc	2.91%
10.	Yangzijiang Shipbuilding Holdings Ltd	2.87%

Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

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