
Summary Review & Outlook

Market

- After weak performance in February and March, Chinese markets rose in April. MSCI China rose 1.4% and MSCI Hong Kong rose 3.1%. The Shanghai Shenzhen CSI 300 Index rose 2.8%.
- MSCI China Growth rose 2.2% while MSCI China Value rose 0.6%.
- In MSCI China, the strongest sectors were Healthcare (total return of +10.9%), Materials (+6.0%) and Consumer Staples (+3.3%) while the weakest were Real Estate (-4.9%), Financials (-3.2%) and Energy (-2.2%).
- In MSCI Hong Kong, the Real Estate and Financials indexes rose 2.5% and 3.9% respectively.
- In the Fund, strong performers were China Medical System, China Lesso and Oriental Yuhong. Weaker stocks were Suofeiya, Sany Heavy Industry and JD.com.

Events in April

- Consumer price inflation (CPI) was 0.4% in March, which marked the first positive reading in three months. Producer price inflation (PPI) rose from 1.7% in February to 4.4% in March. Higher PPI reflected higher oil prices and greater industrial demand.
- Total social financing (TSF), a broad measure of credit, grew 12.6% in March compared to 13.5% in February. Government bond financing slowed, reflecting less government fiscal support in March 2021 vs March 2020, when COVID-19 was at its peak in China. On the other hand, medium and long-term credit continues to flow to the corporate sector, suggesting robust appetite for investment.
- First quarter gross domestic product (GDP) grew 18.3% against a very low base. Compared to the first quarter of 2019, GDP has grown by 5.0% a year. Sequentially, GDP growth slowed down, most likely due to travel restrictions introduced during the New Year holiday in February.
- Retail sales grew 34.2% in March. On a month-on-month (mom) basis, retail sales grew 3.2% in March compared to 1.3% mom in the first two months of the year. On the other hand, industrial production fell 3.9% in March compared to a 0.6% mom rise in the first two months of the year.

Company Updates

The Fund's holdings in A-shares reported 2020 results in April, which are summarized below.

Yuhong's revenue grew 20% and earnings per share (EPS) grew 56%. The main segment, waterproofing membranes, grew sales by 13%. The smaller but rapidly growing waterproof paint segment grew sales by 23%. Gross profits benefited from lower oil and bitumen prices in 2020. As raw material costs are now increasing, margins are likely to slightly drop from their elevated levels, but the company has plans in place to help mitigate this decline. A combination of price increases, greater use of automation and a shift in product mix towards higher margin products should help soften the drop in margins. We were encouraged to see that Yuhong's control of its working capital improved, allowing the company to build up a net cash position.

Suofeiya reported revenue growth of 9% and EPS growth of 10%. The company is a manufacturer of wardrobes and kitchen cabinets. To help target the different segments of the market, Suofeiya has established a new brand called Milana, targeting the mass market. Existing brands Schmidt and Huahe will target the premium end of the market, while Suofeiya will cover the mid-to-high-end. We believe the company can take advantage of rising household incomes which should drive demand for home improvements.

Nari Technology's revenue grew 19% while EPS grew 12%. The company manufactures equipment for the State Grid, specialising in dispatching hardware and software which transmits real-time information to the dispatch centre. As China continues to build out its renewable energy capacity, the grid will need to be expanded and so Nari should be a beneficiary. Nari is also a leading company in Ultra High Voltage (UHV) lines which lower transmission losses when electricity is transported across long distances.

Lead Intelligent grew revenue 25% but EPS fell 2%. Losses in an acquired business, Titan New Energy, which conducts testing for lithium cells, explained much of the gap between revenue growth and a drop in earnings. However, management say the restructuring of Titan is complete and that order wins in the first two months of 2021 have already exceeded the total for 2020. Separately, CATL, which is one of the world's largest battery manufacturers, is now the second largest shareholder in Lead Intelligent. This means Lead has opportunities to expand its sales to CATL to different parts of the production process.

China Lesso reported revenue growth of 7% and EPS growth of 25%. Lesso is expanding its plastic pipes business into the agricultural sector which is a sensible decision. Potential applications include irrigation systems and marine aquaculture. Lesso is also expanding its overseas business as it is building a new production base in Indonesia and is planning another for Cambodia.

Fuling Zhacai grew revenue 15% and EPS by 28%. In response to rising mustard root costs, the company has passed on some of the higher costs onto customers, indicating the business' pricing power. However, costs have risen by more than expected this year due to lower supply output in eastern China, and so

margins may drop in 2021. The company has an aggressive growth target and is aiming for 30%+ revenue growth a year for the next five years. To achieve this aim, the company has significantly increased its number of distributors in lower tier cities.

Yili reported revenue growth of 7% and EPS growth of 2%. Management think Yili now ranks as the fifth largest dairy company in the world and is aiming to become the third largest by 2025. Margins for the core business were stable but the group margin was dragged down by newer segments such as fresh milk and cheese. These newer segments are needed if Yili is to achieve its growth target.

Outlook

Out of 30 companies held in the Fund, 28 have reported full year earnings for 2020. In aggregate, for the 30 reporting companies, sales grew 7% while earnings grew 16%. The median increase in revenue was 11% while the median increase in earnings was 9%. This compares to MSCI China, whose sales fell 5% and earnings fell 10%.

We believe the Fund's strong sales and earnings performance is down to the approach we use. We have identified several industries which we think are likely to grow over time based on numerous structural growth themes. We believe companies in these industries therefore have a high chance of growing their earnings over time. We then apply a set of quantitative filters to identify profitable companies which earn a return on capital above their likely cost of capital. These companies must also have strong balance sheets, with a debt to equity cap of 150%. This results in an investable universe of 320 stocks, of which 30 make it into the Fund. When picking these 30 companies, we look for businesses which in addition to growing their earnings, are attractively valued. We are not interested in stocks where a valuation derating can offset most, if not all, of the earnings growth. This process may result in a portfolio which is cheaper than the benchmark yet offers high earnings growth, while doing so at a return of equity which is double that of the benchmark.

Edmund Harriss (portfolio manager)

Sharukh Malik (portfolio manager)

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Performance

In April, the Guinness Atkinson China & Hong Kong Fund rose 2.26% while the Hang Seng Composite Index rose 1.90%. Therefore the Fund outperformed by 0.36%. In the Fund, strong performers were China Medical System, China Lesso and Oriental Yuhong. Weaker stocks were Suofeiya, Sany Heavy Industry and JD.com.

As of 04/30/2020	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	-14.22%	3.93%	3.46%	1.32%	3.07%
Hang Seng Composite Index TR	-12.23%	-4.11%	1.72%	0.25%	5.15%

As of 03/31/2021	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	5.71%	48.99%	7.46%	15.30%	4.31%
Hang Seng Composite Index TR	3.50%	39.77%	1.79%	10.22%	5.58%

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

Expense Ratio: 1.60%

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

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Fund may be lower or higher than the performance quoted. Performance data shown is current to the most recent month and quarter end. To obtain performance as of the most recent month end, please visit www.gafunds.com or call 1-800-915-6565. 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.

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. The China and/or Hong Kong stock markets in which the Fund invests may experience periods of volatility and instability. These fluctuations may cause a security to be worth less than it was at the time of purchase. Market risk applies to individual securities, a particular sector or the entire economy. China and/or Hong Kong stocks may fall out of favor with investors, the value of Chinese currencies may decline relative to the U.S. dollar and/or China or Hong Kong stock markets may decline generally. The Fund invests in invest in small-cap or mid-cap, which involve additional risks such as limited liquidity and greater volatility, than investments in larger companies.

One cannot invest directly in an Index.

Top Fund Holdings as of 04/30/2021:

1. Sino Biopharmaceutical Ltd	4.07%
2. Anhui Conch Cement Co Ltd - H Shares	3.93%
3. Alibaba Group Holding Ltd	3.91%
4. NetEase Inc - ADR	3.87%
5. Noah Holdings Ltd	3.83%
6. Tencent Holdings Ltd	3.77%
7. Haier Electronics Group Co Ltd	3.57%
8. Weichai Power Co Ltd - H Shares	3.52%
9. China Merchants Bank Co Ltd - H Shares	3.50%
10. JD.com Inc	3.48%

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.*

Consumer Price Inflation (CPI) examines the weighted average of prices of a basket of consumer goods and services.

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Producer Price Inflation (PPI) calculates and represents the average movement in selling prices from domestic production over time.

Gross Domestic Product (GDP) is a monetary measure of the market value of all the final goods and services produced in a specific time period.

Hang Seng Composite Total Return Index is a market capitalization weighted index that monitors the performance of stocks listed in Hong Kong.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). With 703 constituents, the index covers about 85% of this China equity universe.

MSCI Hong Kong Index is a capital weighted stock index designed to measure the performance of the large and mid cap segments of the Hong Kong market. It has 48 constituents and covers approximately 85% of the free float-adjusted market capitalization of Hong Kong equity stocks.

Shanghai Composite Index, also known as SSE Index, is a stock market index of all stocks that are traded at the Shanghai Stock Exchange.

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

Shenzhen Component Index is an index of 500 stocks that are traded at the Shenzhen Stock Exchange (SZSE). It is the main stock market index of SZSE.

Shanghai Stock Exchange Composite Index is a stock market index of all stocks that are traded at the Shanghai Stock Exchange.

MSCI Hong Kong Index is designed to measure the performance of the large and mid cap segments of the Hong Kong market.

MSCI China Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across the Chinese equity markets.

MSCI China Value Index captures large and mid cap Chinese securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price, and dividend yield.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings.

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Return on Capital (ROC) is a measure of the profitability and value-creating potential of companies relative to the amount of capital invested by shareholders and other debtholders.

Earnings Growth is the annual compound annual growth rate of earnings from investments.

MSCI Golden Dragon Index captures the equity market performance of large and mid cap China securities as well as securities classified in Hong Kong and Taiwan.

Price Earnings Ratio (P/E Ratio) is the ratio of a company's share price to the company's earnings per share.

Return on Equity (ROE) is a measure of the profitability of a business in relation to the equity.

MSCI Europe Index captures large and mid cap representation across 15 Developed Markets countries in Europe.

MSCI World Index captures large and mid cap representation across 23 Developed Markets countries.

MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market.

MSCI Emerging Markets (EM) Index captures large and mid cap representation across 27 Emerging Markets countries.

MSCI AC Asia Pacific Index captures large and mid cap representation across 5 Developed Markets countries and 9 Emerging Markets countries in the Asia Pacific region.

S&P 500 Index is a free-float, weighted measurement stock market index of the 500 large companies listed on stock exchanges in the United States.

Discounted Cash Flow is a valuation method used to estimate the value of an investment based on its expected future cash flows.

Earnings per Share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.

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