Guinness Atkinson

China & Hong Kong Fund

Managers' Update – July 2022

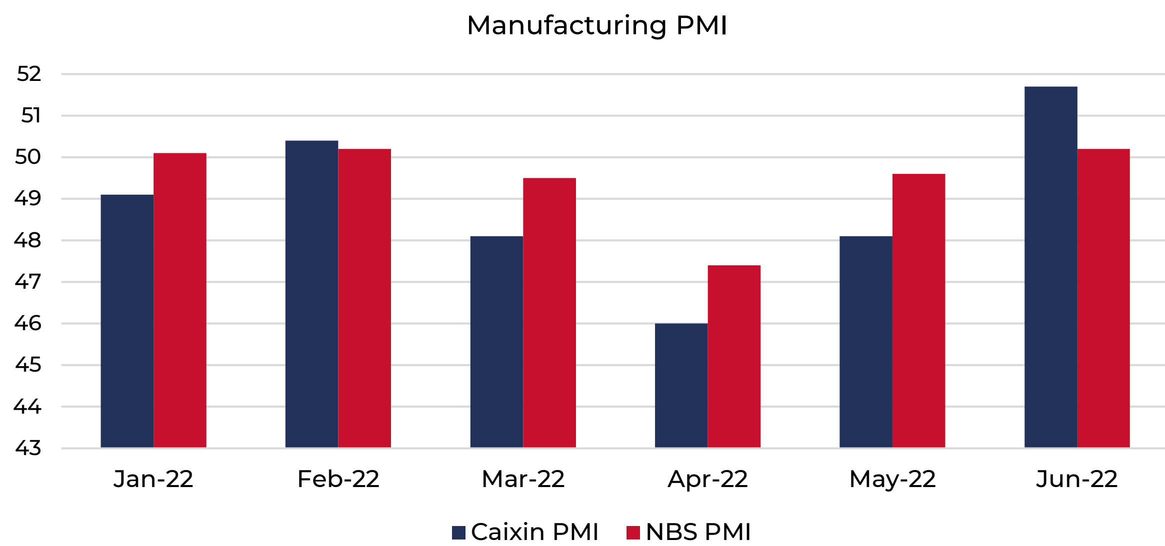
Summary Review & Outlook

Summary View

- In the first six months of the year, the MSCI China Total Return Index ("MSCI China Index") fell 11.3% (in USD unless otherwise stated).
- We sold three positions in the first half of the year – Galaxy Entertainment, China Resources Gas, and another position which will be disclosed when complete.
- We bought three positions – Shenzhou International, Shenzhen Inovance Technology and Hong Kong Exchanges & Clearing.
- The Fund is valued at 15.4x on estimated 2022 earnings, which puts it at a 20% premium to the MSCI China Index. We feel this premium is worth paying for because of the structural growth that the Fund provides. Over the past 10 years, the Fund's holdings have grown net income by 282% compared to virtually no growth for the MSCI China Index.

Macro Commentary

China faced a surge in Covid cases which peaked in April. Given the country is still pursuing its zero covid policy, these cases led to relatively brief lockdowns in Shenzhen and Jilin province. However, in Shanghai, officials understandably tried to minimize the impact on the economy and focused on locking down specific neighborhoods. Nevertheless, by this point cases had already reached a critical level, made even worse by the more transmissible Omicron variant. Cases in Shanghai surged out of control and the city was in full lockdown in April and May. Other cities, including Beijing, were also under threat of entering a full lockdown but due to much earlier restrictions this was avoided. The cost of the lockdowns and restrictions across the country was seen in very weak economic data between March and May. The Caixin Purchasing Managers Index (PMI), which is more geared towards private businesses, fell sharply from 50.4 in February to 48.1 in March and 46.0 in April. The same trend, though not as steep, was seen in the National Bureau of Statistics (NBS) PMI, which is more geared towards state owned enterprises. Retail sales fell 3.5% year-on-year in March and 11.1% in April.

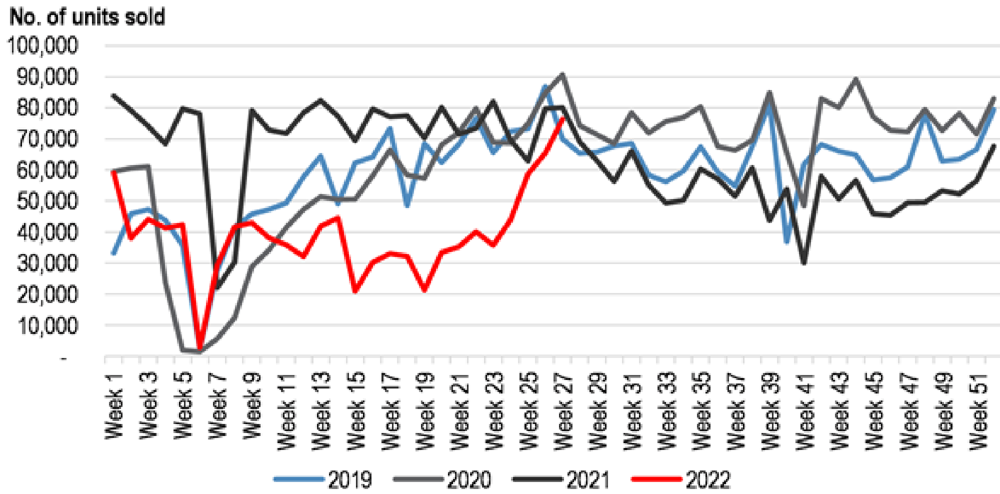


(Data from 12/31/21 to 06/30/22, source: Bloomberg, Guinness Atkinson calculations)

Shanghai's lockdown was lifted at the very beginning of June and since then the covid situation has improved. At the end of June, of the largest 100 cities which account for 70% of China's GDP, more than half had no lockdown restrictions. Of the remaining cities, most had relatively loose measures in place. We are seeing more people being asked to conduct regular covid tests every 3-5 days in order to enter public venues. A national covid pass, which checks if one has the virus or is an area with a moderate level of cases, is also required to move between cities. In the next few months, we expect this to continue to be the norm.

We expect covid outbreaks and the zero covid policy to continue as we think the Omicron variant is too transmissible to eliminate completely. Given the outcome in Shanghai, we do not expect local leaders to take any chances in their approach. Earlier intervention in the form of movement restrictions, as well as mass testing, is likely to be the common response in the coming months. On a positive note, we have seen one small policy change– close contacts of people infected with covid now need to isolate for 10 days, which has been cut from 14 days. 10 days of isolation is also now asked of for international travelers, which has been cut from 21 days.

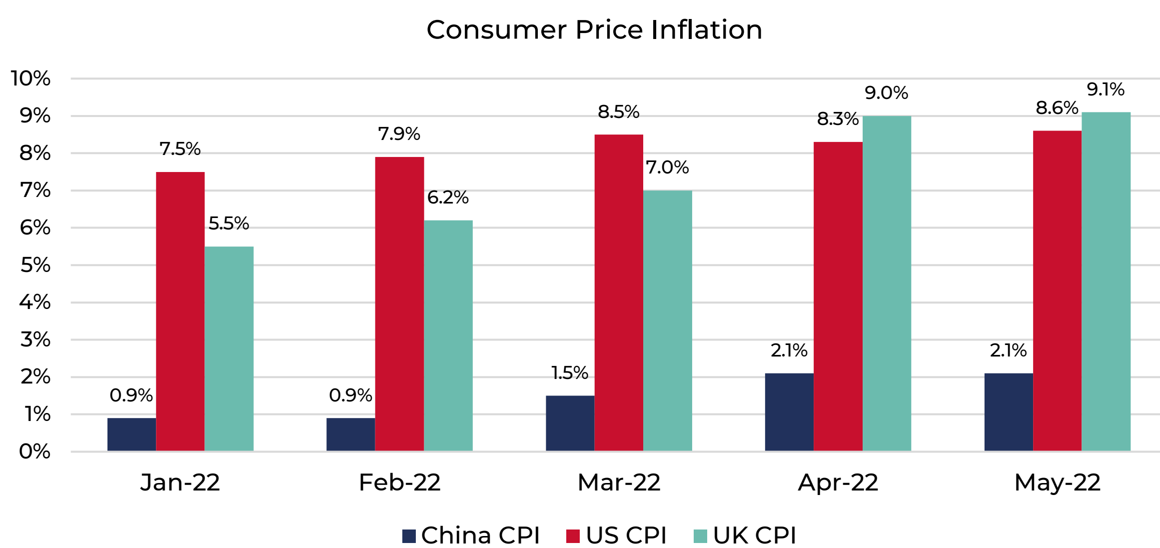
Given the improvement in covid cases, we have seen a sharp recovery in economic data. The Caixin PMI rose from 46.0 in April to 48.1 in May and 51.7 in June – a reading above 50.0 indicates expansionary activity. After falling 7.7% in April, industrial production rose 3.2% in May. The most recent indications from China show that a recovery in the residential property market is indeed underway. The red line in the chart below shows a smart pick up in unit sales in the top 60 cities in both absolute terms and compared to the same time of year in the last three years:



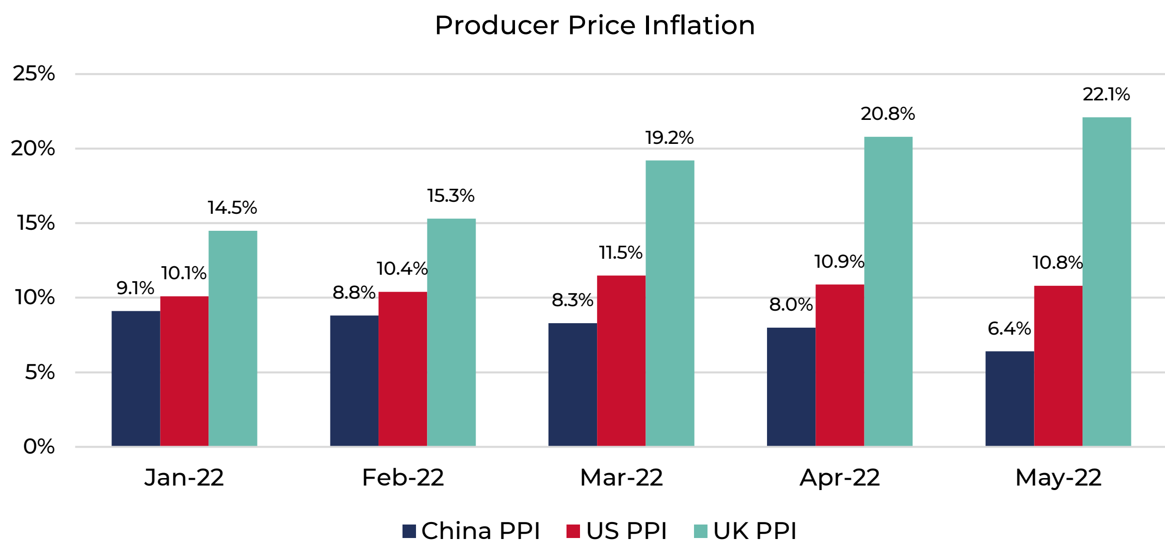
(Source: CREIS, JP Morgan Research)

Inflation

Inflation in China is, unlike in most developed countries, not a huge problem. Consumer price inflation (CPI) was 2.1% in May, significantly below the US at 8.6% and the UK at 9.1%. While no doubt China's weak demand during the lockdowns dampened inflation, even before the lockdowns, CPI was 0.9% in January and February. While producer price inflation (PPI) in China was 6.4% in May, this was lower than April's reading of 8.0% and March's 8.3%. On the other hand, in May producer inflation in the US was 10.8% (as measured by final demand) and in the UK it was 22.1%.

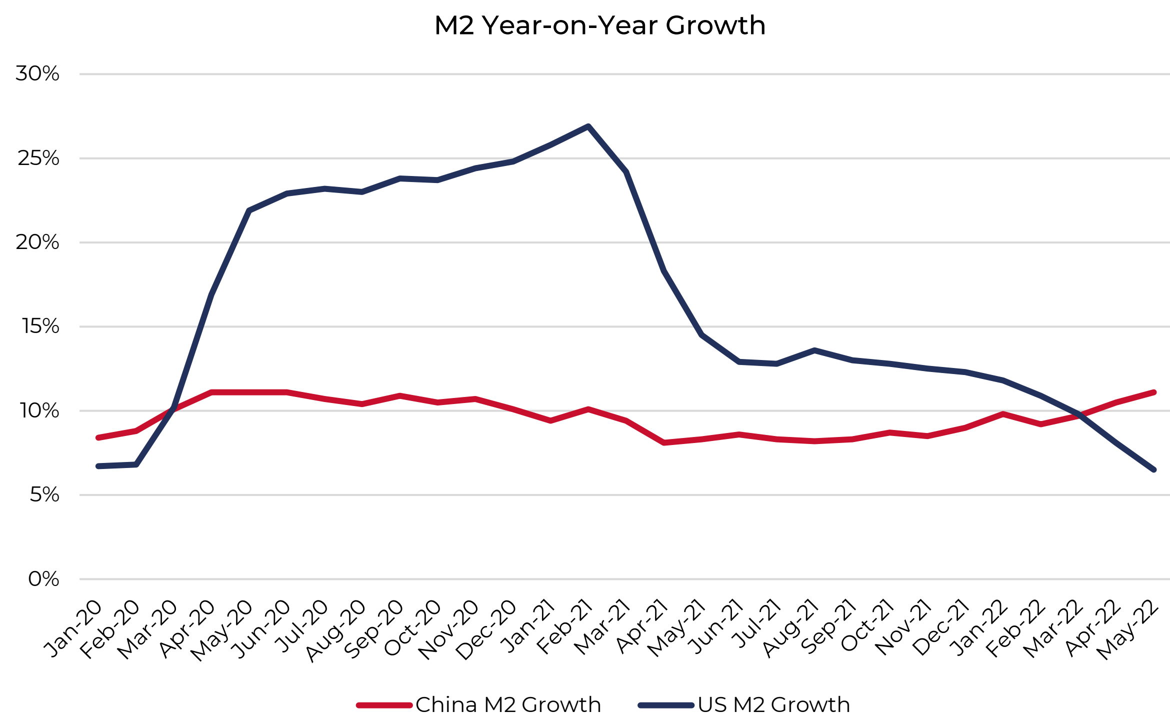


(Data from 12/31/21 to 06/30/22, source: Bloomberg, Guinness Atkinson calculations)



(Data from 12/31/21 to 06/30/22, source: Bloomberg, Guinness Atkinson calculations)

There are numerous reasons why inflation is not as significant in China. The first relates to the demand side. In response to the original covid outbreak, central banks in developed countries loosened monetary policy considerably. The chart below shows the US significantly increased its money supply in 2020 and while the pace of increase slowed in 2021, it was still substantial. Meanwhile, in China, the money supply growth rate moderated in 2020 and 2021. In 2022, we can see the situation has reversed as the US is tightening while China is accelerating.



(Data from 12/31/20 to 06/30/22, source: Bloomberg, Guinness Atkinson calculations)

Additionally, the lockdowns in China have dampened demand. We expect as China loosens movement restrictions; demand is likely to increase which should add upward pressure to inflation.

But inflation pressures are not solely the result of strong demand, which interest rates are best suited to address, but also a product of supply-side shortages where interest rates are less effective. In developed countries, the mix of higher prices from the supply side and weaker demand resulting from higher interest rates is the basis for a potentially stagflationary environment. Added to that, in developed markets rising bond yields increase the interest burden on public finances. This is important following a significant increase in public debt during recent years of low-interest rates and lifted further by COVID support programs in 2020. This limits the options available for cyclical support and indeed could see a higher tax burden on businesses and consumers in developed markets.

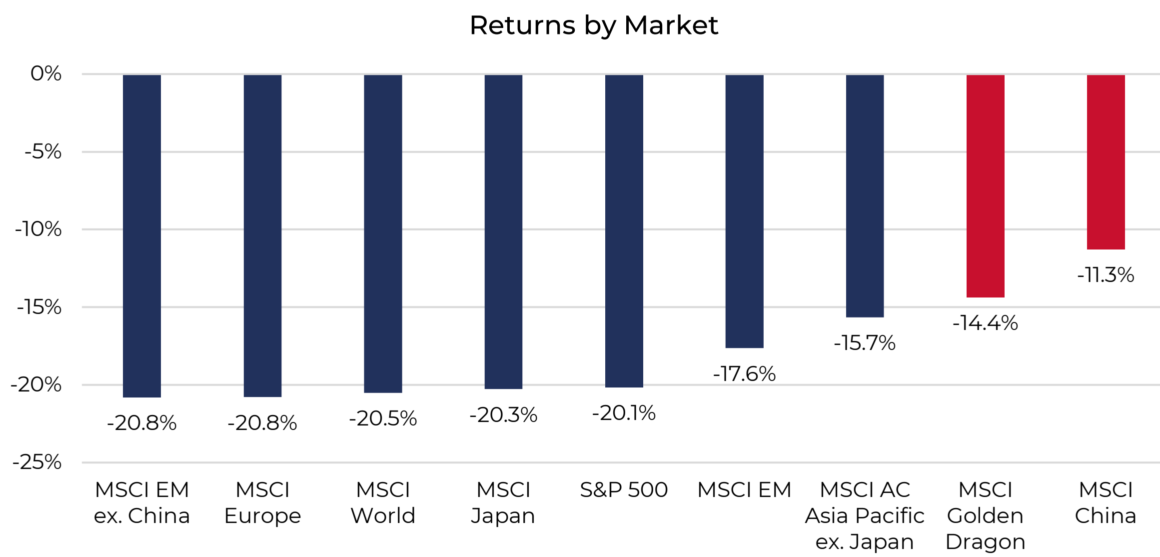
China does not have this particular issue. China's sovereign bond yield curve has barely moved this year; the 1-year bond yield has moved 0.26% lower in anticipation of monetary easing in China, in marked contrast to almost everywhere else. Across maturities out to thirty years, there has been almost no change. In the US, the 1-year bond has moved 1.15% higher, and then across maturities out to thirty years, yields are 0.50% to 0.85% higher. The result is that by the end of the first half of the year, Chinese bond yields have moved from an average of 1.34% higher than the US Treasuries to an average of 0.37% below.

Producer Price Inflation (PPI) measures the average change over time in the price domestic producers receive for their output.

M2 is a calculation of the money supply that includes all elements of M1 as well as "near money." M1 includes cash and checking deposits, while near money refers to savings deposits, money market securities, and other time deposits (in amounts less than $100,000). These assets are less liquid than M1 and not as suitable as exchange mediums, but they can be quickly converted into cash or checking deposits.

Market Commentary

Chinese markets were volatile but despite this volatility, outperformed developed markets. In the first six months of the year, the MSCI China Index fell 11.3% (in USD) compared to the MSCI World Index which fell 20.5%, and the S&P 500 Index which fell 20.1%.



(Data from 12/31/21 to 06/30/22, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

In January, expectations of rising interest rates in the US led to a weakness for growth stocks globally and in China. The People's Bank of China (PBOC) cut a set of interest rates by 0.1%. While these moves by the PBOC were encouraging in that they signaled a marginal loosening of monetary policy, we did not regard them as significant enough to stimulate economic growth.

In February, Chinese tech stocks were subject to more headwinds. Meituan, the food delivery service company, was told by the government to reduce its services charges, to help smaller and medium-sized vendors on its platform. News reports indicated banks were being asked about their exposure to Ant Group, which is owned by Alibaba, and so led to weakness in Alibaba's share price. There were also news reports suggesting Tencent and other video game developers could be subject to more regulations over their new releases, as well as over their operations in the metaverse. (In some signs of easing, the regulator issued licenses for 45 new games in April after a 9-month hiatus.) Later in the month, Russia invaded Ukraine which led to further volatility in markets – please see our update published in March for our views of the effect of the invasion on China.

In March, Chinese markets fell by the most since the global financial crisis. The MSCI China Index fell 7.7% on 03/14 and a further 6.1% on 03/15. We believe this was due to several reasons, which all combined to create a sense of panic selling:

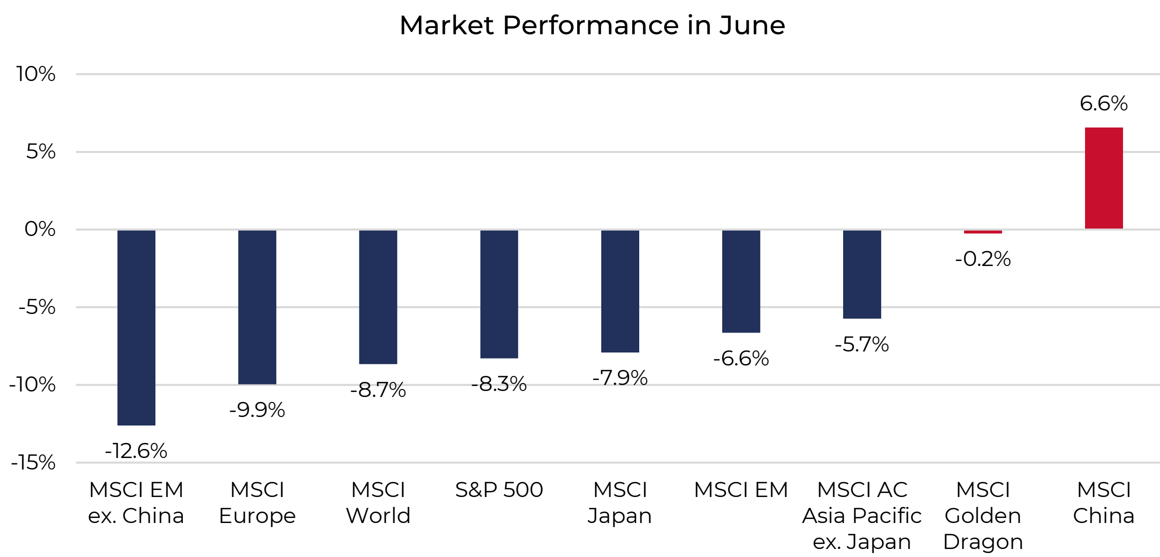
- Rising Covid cases in China, prompting a tougher government response in line with its zero-Covid strategy.
- The potential that China could be sanctioned by the US if it provided military support to Russia.
- Risk of China ADRs delisting in the US, in response to the Holding Foreign Companies Accountable Act (HFCAA).
- Weakening Chinese economy and lack of significant fiscal and monetary support.
- Very weak sentiment towards China tech stocks with talk of it being un-investable during the peak of the sell-off.

On 03/16, Vice Premier Liu He convened a meeting, chairing the Financial Stability Committee. The committee released a series of statements to which markets reacted positively to:

- The committee recognized the need to loosen monetary policy in order to reach the GDP target of 5.5% growth for 2022.
- China aiming to cooperate with the US on accounting issues related to the ADRs.
- Regulation on tech to be completed as soon as possible.
- Government departments to coordinate regulations and policies to better consider the impact on the economy.

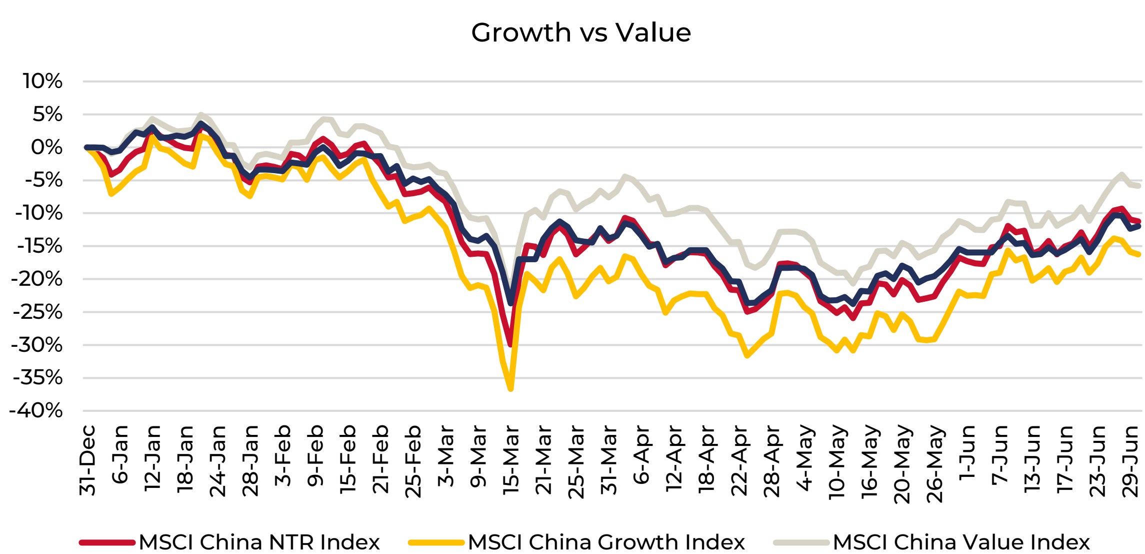
Chinese markets then rallied sharply on the news, increasing 14.6% on 03/16 and a further 6.0% on 03/17, before essentially being flat for the rest of the month.

In April, Chinese markets fell but were outperformers relative to their developed market counterparts. The MSCI China Index fell 4.1% while the S&P 500 Index fell 8.7%. The Chinese government continued to state it would stimulate the economy, repeating old promises, but markets remained unconvinced. Chinese markets rose by 1.2% in May, but the month really had two phases. In the first half, Chinese markets had fallen by as much as 10.0% as Shanghai was still in lockdown and fears were building that Beijing would follow too. However, as Covid case rates began to improve and further economic stimulus was announced, markets rebounded over the rest of the month, meaning Chinese markets rose in May. This optimism continued into June, as the MSCI China Index rose 6.7% while the S&P 500 Index fell 8.3% and the MSCI World Index fell 8.7%.



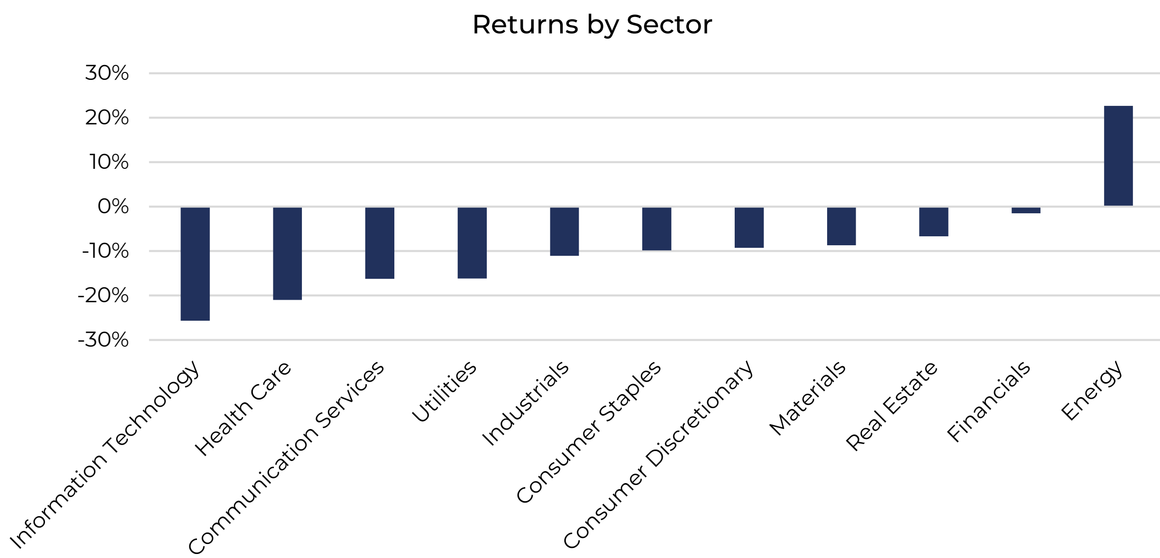
(Data from 05/31/22 to 06/30/22, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

In the quarter, value stocks did better than growth, as the MSCI China Value Index fell 5.8% while the Growth Index fell 16.3%.



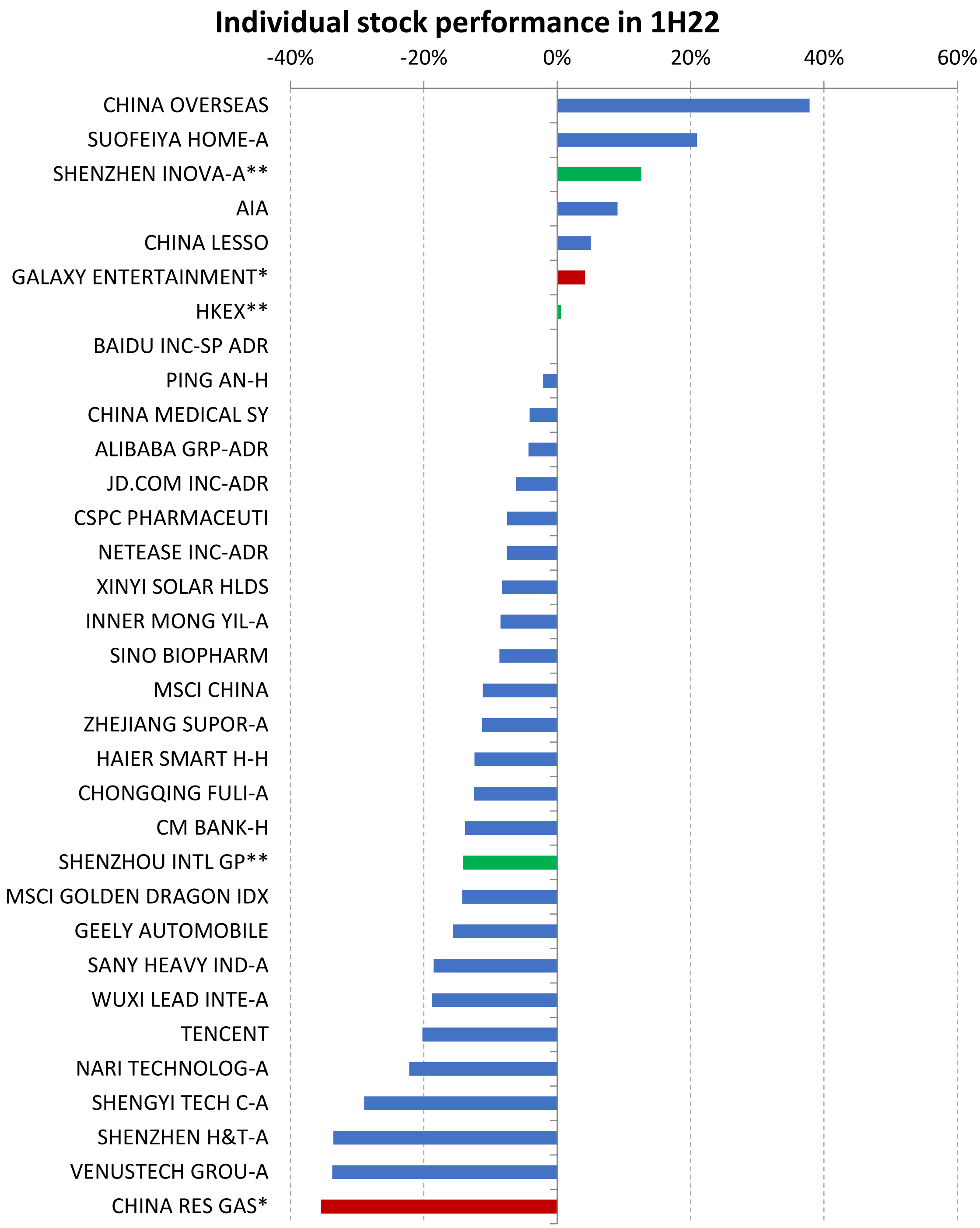
(Data from 12/31/21 to 06/30/22, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

As oil, gas, and coal prices rallied, Energy was by far the best performing sector in the first half of the year. Financials, which contain the Chinese state-owned banks, were also outperformers as investors turned to cheaper stocks in the period. Despite the negative sentiment, Real Estate was an outperformer as the market looks to easing measures that should stimulate the property market. The postponement of a long-discussed property tax also boosted sentiment. On the other hand, Information Technology, Healthcare, and Communication Services were laggards.



(Data from 12/31/21 to 06/30/22, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Company Performance



* sells, ** buys

Leaders

The Fund's best-performing stock was China Overseas Land & Investment (COLI), which is a state-owned property developer. In the first five months of the year, property sales had fallen 39%, which was in line with peers. This reflects the current weak state of the property market. On the other hand, given the company's strong balance sheet, COLI has been active in acquiring land. In the first five months of the year, the business had acquired CNY 32.0bn of land, which assuming an exchange rate of USDCNY 6.70, is worth ~$4.8bn. As policymakers are loosening policy to stimulate the property market, COLI's valuation multiple has re-rated, from 3.8x FY1 P/E in Dec-21 to 5.8x in Jun-22 i.e., a 53% increase. To put this into context, COLI's 10-year average P/E is 7.0x so if the property market does indeed strengthen, we think there is more room for a rerating.

Suofeiya is a manufacturer of kitchen cabinets and so has exposure to the property market. In the first quarter, revenue grew 14% but net profit fell 3%. The loss of Evergrande revenue was offset by strong growth in the retail channel. Though volumes are flat, the company has promoted its packaged products which led to a 10-15% increase in average ticket size. The company is also increasing its exposure to state-owned property developers, such as COLI, who are performing better than private developers in a weak environment. To offset some of the increase in raw material costs, Suofeiya increased prices by low single digits in March. Like with COLI, as sentiment towards the property market has improved, Suofeiya's valuation multiple has also seen a rerating. The forward P/E ratio increased from ~12.9x in Dec-21 to 18.6x in Jun-22 i.e., a 44% increase.

AIA Group reported first-quarter results where the value of new business fell 19%, in line with expectations. Greater demand from mainland Chinese buying insurance in Macau was a positive surprise. However, the lockdown in Shanghai and restrictions in Beijing are likely to mean weak second-quarter results for the China business. That said, AIA's Tianjin and Shijiazhuang branches obtained full licenses, allowing the company to open more branches in these cities. The recently approved Henan branch is in the process of hiring a management team and AIA aims to have 400 agents for the launch in the province. The company sees the middle class in China as being the growth driver for the business over the next decade.

China Lesso is a manufacturer of plastic pipes. Given the slowdown in the economy last year, its valuation multiple fell from a high of 12.2x to 5.7x in Dec-21. As the market has paid more attention to policy stimulus as well as value stocks, the stock has benefited from a rerating to 8.0x.

Baidu benefited from the attention to value stocks. While advertising revenue in the search segment is falling year-on-year it is increasing in the social feed. This is a sign that the company is having some success in keeping users entertained with their short-form videos. Furthermore, as the government is lowering the "walled gardens" which locked content into platforms, users on Baidu's platform are now able to access content from other platforms. We expect that in due course, Baidu's users will also be able to access content from Douyin (who operates TikTok). The company is also committed to improving group margins which we expect to lead to more interest in the stock.

Laggards

China Resources Gas is a gas distributor focusing on urban areas, targeting both residential and commercial customers. At the start of the year, gas prices had been generally increasing, and following Russia's invasion of Ukraine, spiked up further. Though in theory gas distributors can pass on these higher costs, there is a possibility they are asked to conduct "national service". This could mean absorbing some of the higher costs, rather than passing them on to small and medium enterprises (SMEs) and residential customers. Given the weak economy, we felt there was a non-trivial probability of this occurring, and so sold the stock.

Venustech is a provider of cybersecurity services in China. Lockdowns have led to delays in government projects, which was also the case in 2020. Therefore, earnings estimate for the company have come down along with a 15% derating in the valuation multiple. By April the stock was trading on a P/E ratio of 12.8x, its lowest level ever. Perhaps taking advantage of the cheap price, China Mobile Capital, a subsidiary of China Mobile, acquired a 23% equity and voting stake in the business. Venustech's founders' equity stake will fall to 21.7% but their voting power will fall to 13.1%. China Mobile will be able to appoint four seats out of a total of six available on the board, meaning it will control the company's strategy. Given the national importance of cybersecurity, the state has been taking stakes in cybersecurity companies and the investment in Venustech is a continuation of this trend. On the positive side, Venustech will gain more access to a very large client in the form of China Mobile. The founders are staying and if they want to reduce their stakes in the business, they will have to meet certain financial goals. On the other hand, we question whether Venustech will retain the same competitive edge which made it attractive to us in the first place. The valuation of the stock remains undemanding and to some extent, may compensate for this risk.

H&T Intelligent makes controllers used in household appliances and power tools, which convert user input into the output of the product. H&T's controllers are used in well-known brands such as Whirlpool, Siemens, and Bosch. The business has grown rapidly over the years and so the stock is one of the more expensive stocks in the portfolio on a multiple basis. Given the slowdown in both the domestic and Chinese economy, revenue in the first quarter fell 3% and net income fell 34%. The P/E ratio has fallen 30.0x at the beginning of the year to 24.7x by June.

Portfolio Switches

In the first half of the year, we sold three positions and bought three positions.

Sells

We sold Galaxy Entertainment due to our belief that rising Omicron cases would become harder to control, which we saw in Shanghai. As China sticks to its zero covid policy, it is likely the casinos in Macau will have another tough year.

As mentioned, we sold China Resources Gas. We sold China Resources Gas due to the risk that company's margins could fall due to national service.

We are in the process of selling another position which will be disclosed when complete.

<u>Buys</u>

We bought Shenzhou International, a textile and apparel maker, after the stock sold off on a profit warning. Due to the Covid-related suspension of production sites across Cambodia and Vietnam, costs increased, and revenues fell in the second half of 2021. We do not think these conditions are likely to last for the next three years. The risk-reward ratio for the stock became much more attractive and so we bought the stock.

Following the sell-off in the middle of March, we bought Shenzhen Inovance Technology and Hong Kong Exchanges and Clearing. We felt that many quality stocks were selling off regardless of their fundamentals, so we were assessing the ideas on our watchlist. The two additions made had been expensive for a very long time but within a few days presented an acceptable upside for the amount of risk taken.

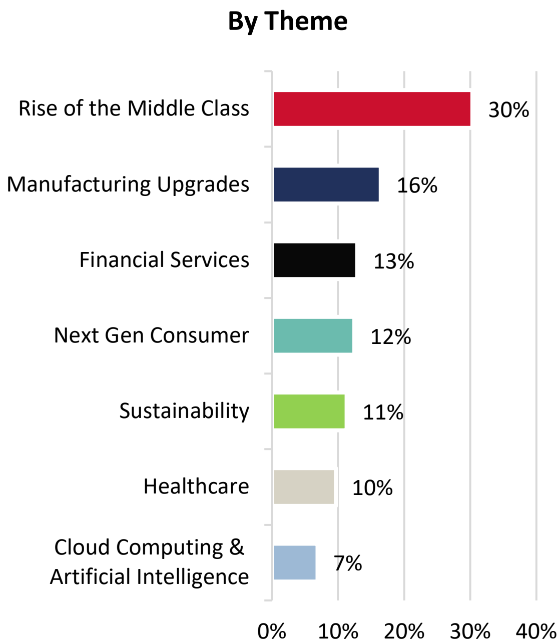
Inovance is a manufacturer of industrial automation equipment. It started off making inverters (frequency converters) for industrial equipment and elevators, before successfully expanding into servos (error-sensing devices) and automation equipment. Inovance is now one of the top five firms in the inverter and servo market in China, when measured by revenue.

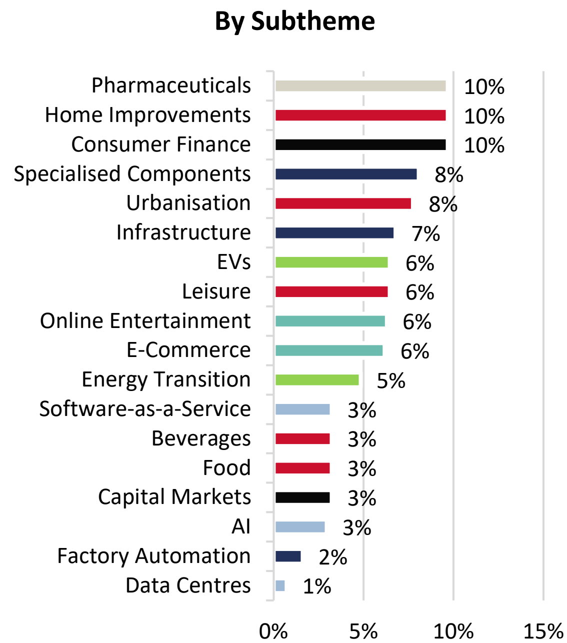
The business gives exposure to various traditional industrial markets as well as newer markets such as electric vehicles (EVs) and solar panels. Inovance has a quickly growing EV controller business which may become profitable in 2022, and we expect this to become a further growth driver for the business.

Hong Kong Exchanges & Clearing (HKEX) is a high-quality stock that is often expensive. As we are clearly bullish on the demand for Chinese stocks over time, we expect the exchange which facilitates the trade of Chinese stocks to also do well. The exchange benefits through the Stock Connect scheme which allows foreigners to buy domestic A shares. The ETF Connect was approved in June which allows mainland investors to buy HKD-denominated ETFs in Hong Kong – this is a further positive step for HKEX.

Portfolio Positioning

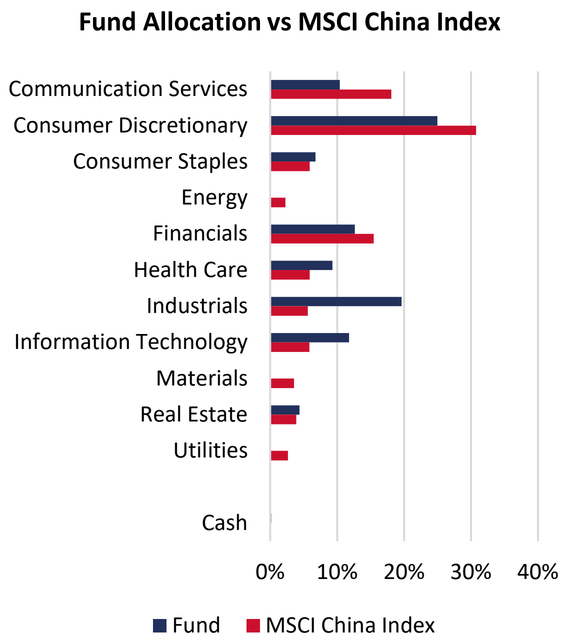
By theme, the Fund's largest exposure is to the Rise of the Middle Class, followed by Manufacturing Upgrades. Important subthemes include Pharmaceuticals, Home Improvements, Consumer Finance and Specialised Components.

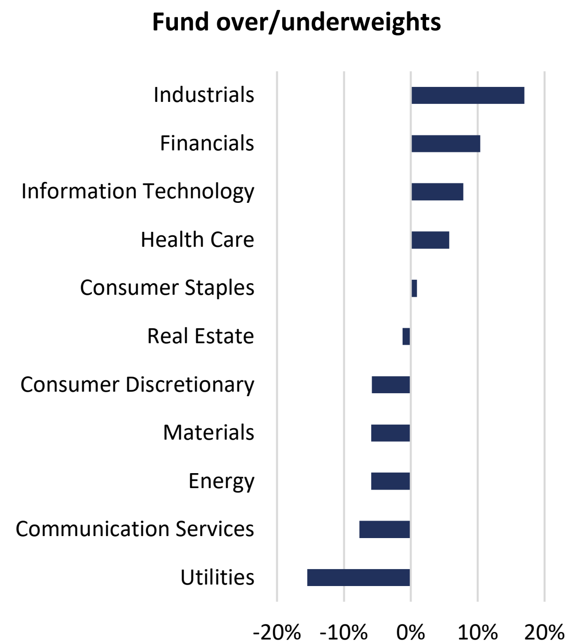




(Data as of 06/30/22, source: Guinness Atkinson calculations)

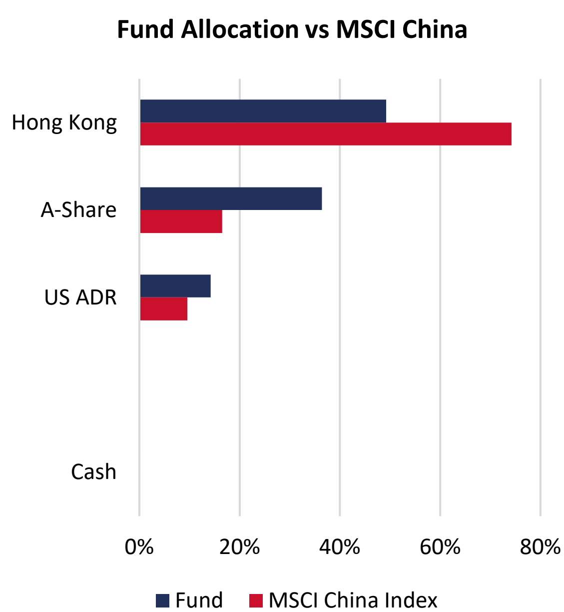
On a sector basis, the Fund's largest exposures are to Consumer Discretionary, Industrials and Information Technology (IT). Relative to the MSCI China Index, the Fund is overweight in Industrials and Information Technology. The Fund is underweight in the Communication Services and Consumer Discretionary sectors.

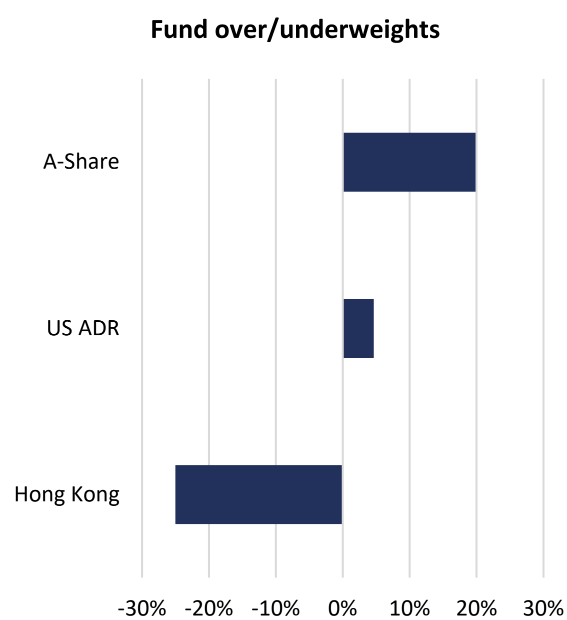




(Data as of 06/30/22, source: Guinness Atkinson calculations)

On a listing basis, the Fund has 49% exposure to stocks listed in Hong Kong, 36% exposure to the A share market and 14% in China ADRs trading in the US.





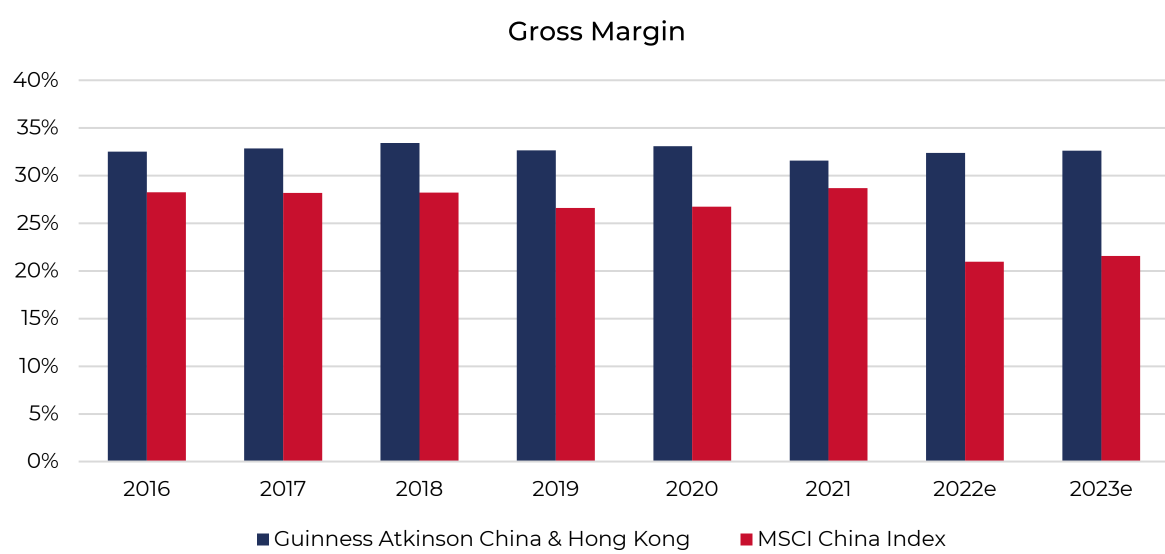
(Data as of 06/30/22, source: Guinness Atkinson calculations)

Outlook

Currently, global investors' appetite for Chinese stocks is low, one of the reasons for which is China's zero covid policy and its impact on the economy. We believe that China is still following this policy because of the low take up of vaccinations and booster shots by the elderly. Given this age group is the most vulnerable to covid, this is a problem. In Beijing, local authorities briefly introduced a vaccine mandate, only allowing the vaccinated to enter many public venues. However, in response to public backlash, the mandate was cancelled after only two days. This highlights the reservations the public have with the domestic vaccines and the difficulty facing the government. A successful domestic mRNA vaccine may lead China to move away from zero covid. China is developing its own mRNA vaccines and results of several vaccine trials are expected to come through in the second half of 2022.

We think that China remains an attractive investment destination if investors take a medium to long term view. On a purchasing power basis, China is the largest economy in the world, yet its equity markets remain smaller than that of the US. We expect that over time, China's economy is to continue growing, increasing the potential sales for Chinese companies. We have invested in a set of companies which give exposure to interesting structural growth opportunities. These are well run companies which have demonstrated they can convert revenues into earnings and cash for their investors. These companies make good capital allocation decisions as evidenced by their high return on capital.

We believe our companies also have good pricing power as shown by their higher and more stable gross margins. A stable gross margin, in our view, indicates companies can pass on higher costs onto consumers. Over the past five years, the Fund has had a higher gross margin than the MSCI China Index. Based on consensus analyst expectations, the Fund's margin is expected to hold up in 2022 while that of the China index is expected to fall significantly. This ability to pass on some of the inflationary pressures is important in the current environment.



Source: MSCI, Guinness calculations. Data as of 06/30/2022. Holdings for the Fund exclude the position which we are in the process of exiting. Data for the Fund is a simulation based on actual historic data for the Fund's current holdings. Index data uses historic holdings as of the end of each year.

We believe the tightening of monetary policy in developed markets is likely to lead to a valuation derating for stocks in these markets. China is moving in the opposite direction with counter-cyclical support measures which developed economies would like, but with runaway inflation are not able to provide. These take the form of monetary loosening and policy support designed to reaccelerate growth and boost consumer confidence. Lower stock market valuations today and forecast consensus earnings growth of 16% in 2023 and 14% in 2024 make China an interesting investment opportunity at this point, in our opinion.

Edmund Harriss (portfolio manager)

Sharukh Malik (portfolio manager)

GUINNESS ATKINSON FUNDS

Performance

As of 06/30/2022	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	-11.07%	-20.53%	2.57%	3.47%	4.93%
Hang Seng Composite Index TR	-7.67%	-25.24%	-1.87%	1.63%	5.45%
MSCI China Net Total Return Index	-11.26%	-31.79%	-0.57%	2.14%	5.49%

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

Expense Ratio: 1.50%

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 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 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.

The Shanghai Shenzhen CSI 300 Index is a market capitalization-weighted stock market index designed to replicate the performance of the top 300 A-share stocks traded in the Shanghai and Shenzhen stock exchanges.

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

In China, the NBS Manufacturing Purchasing Manager Index measures the performance of the manufacturing sector and is derived from a survey of more large-scale, state-owned companies. The Manufacturing Purchasing Managers Index is based on five individual indexes with the following weights: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%), and Stock of Items Purchased (10%), with the Delivery Times index inverted so that it moves in a comparable direction.

The Caixin PMI measures the performance of the manufacturing sector and is derived from a survey of more private companies.

MSCI AC Asia Pacific ex Japan Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of countries in the Asia Pacific region.

MSCI Europe Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of European markets.

MSCI EM Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of emerging markets in Asia, Europe, the Middle East, Africa, and Latin America.

MSCI EM ex-China is the same as the MSCI Emerging Markets Index but excludes China.

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.

The MSCI China A Index captures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges. The index covers only those securities that are accessible through "Stock Connect".

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.

MSCI Golden Dragon is a composite of the MSCI China, Hong Kong, and Taiwan Indices which are free float-adjusted market capitalization-weighted indices that are designed to measure the equity market performance of the respective markets.

MSCI Japan Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of the Japanese market.

MSCI World Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets.

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.

S&P 500 Index is a market-capitalization-weighted index of leading publicly traded companies in the U.S.

Price/Earnings ratio (P/E) is an equity valuation multiple. It is defined as market price per share divided by annual earnings per share

Discounted cashflow measures future cashflows in terms of today's value using discount rates.

Standard deviation (SD) is a statistic that measures the dispersion of a dataset relative to its average.

The Required Reserve Ratio (RRR) is how much of a bank's capital that must be kept as reserves.

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 6/30/2022:

1.	China Overseas Land & Investments Ltd	4.37%
2.	Suofeiya Home Collection - A Shares	4.17%
3.	JD.com Inc	4.08%
4.	NetEase Inc – ADR	4.07%
5.	AIA Group Ltd	3.86%
6.	NARI Technology Co Ltd	3.73%
7.	Baidu Inc	3.63%
8.	China Medical System Holdings Ltd	3.58%
9.	Shenzhen Inovance Technology Co Ltd.	3.53%
10.	Haier Smart Home Co Ltd	3.50%

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

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