Guinness Atkinson
China & Hong Kong Fund
Review of 2022

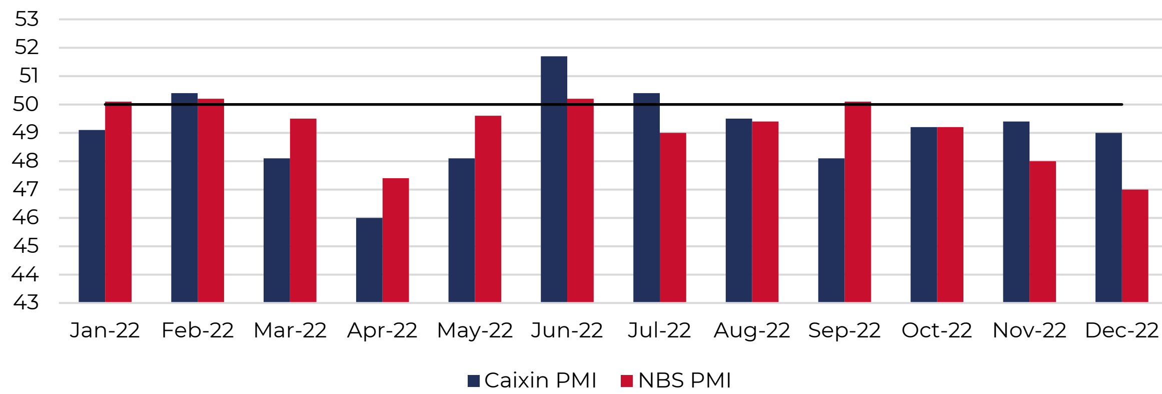
Summary

- For much of 2022 China persisted with its zero-COVID policy, the economic costs of which increased significantly with the very transmissible Omicron strain. This policy led to a cycle of lockdowns and movement restrictions across the country, impacting economic growth.
- At the end of the year, nearly all COVID restrictions were dropped in China. China is now expected to be the only major economy to accelerate economic growth in 2023.
- In the Fund, the strongest names were China Overseas Land & Investment, AIA Group, China Medical System, CSPC Pharmaceutical and Ping An Insurance. The weakest names were Shenzhen H&T Intelligent, Wuxi Lead Intelligent Equipment, Geely, Shengyi Technology and Chongqing Fuling Zhacai.
- We sold four positions – China Resources Gas, Galaxy Entertainment, China Lesso and China Lilang.
- We bought four positions – Shenzhou International, Shenzhen Inovance Technology, Hong Kong Exchanges and Clearing and Hangzhou First Applied Material.
- China is trading at attractive valuations. Combined with the Fund's focus on high return on capital companies which give exposure to the structural growth themes in China, we believe the Fund's holdings are poised to grow earnings in the future. This expectation is not based on hope but on our companies' track records of growing earnings over time. Over the past 10 years, the Fund's current holdings have, in aggregate, grown earnings by 13% a year. This compares to the MSCI China Index where earnings have actually contracted by 1% a year over the same period.

What Happened in China?

For much of 2022 China persisted with its zero-COVID policy, the economic costs of which increased significantly with the very transmissible Omicron strain. This policy led to a cycle of lockdowns and movement restrictions across the country, impacting economic growth. To illustrate this, we show below the Purchasing Managers Indices (PMIs) – monthly questionnaire asking purchasing managers about changes in new orders, output, employment, suppliers' delivery times and inventories. The answers are combined into one final value, where a value above 50 indicates expanding activity and a value below 50 indicates contracting activity. The Caixin PMI, which is more geared towards private enterprises, was below 50 for much of the year. The National Bureau of Statistics (NBS) PMI, which is more geared towards state-owned enterprises (SOEs), showed a similar trend. Whether one looks at the private or state sector, it is clear economic activity was weak in 2022.

Manufacturing Purchasing Managers Index (PMI)

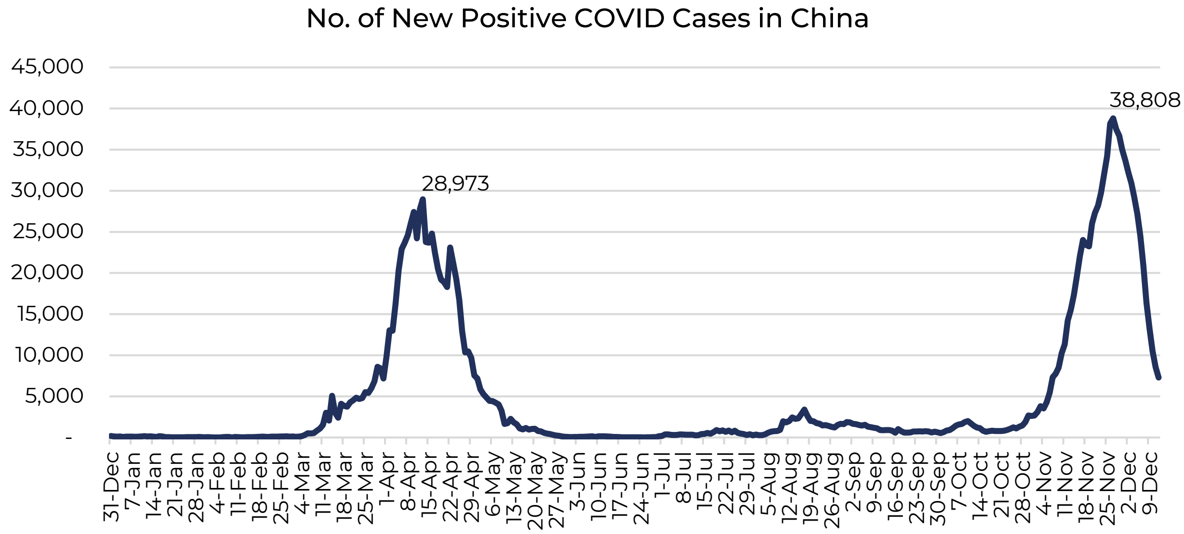


(Source – Bloomberg)

Early in the year, Russia began its invasion of Ukraine, which led to globally higher energy prices. In March, Chinese markets fell by the most in a month since the Global Financial Crisis. The MSCI China Index fell 7.7% (in USD unless otherwise stated) on March 14th, 2022, and a further 6.1% on the following day. We believe the sharp fall over that two-day period 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.
- The risk of China ADRs delisting in the US, in response to the Holding Foreign Companies Accountable Act (HFCAA).
- A weakening Chinese economy and lack of significant fiscal and monetary support.
- Very weak sentiment towards China tech stocks, with talk of them being un-investable during the peak of the sell-off.

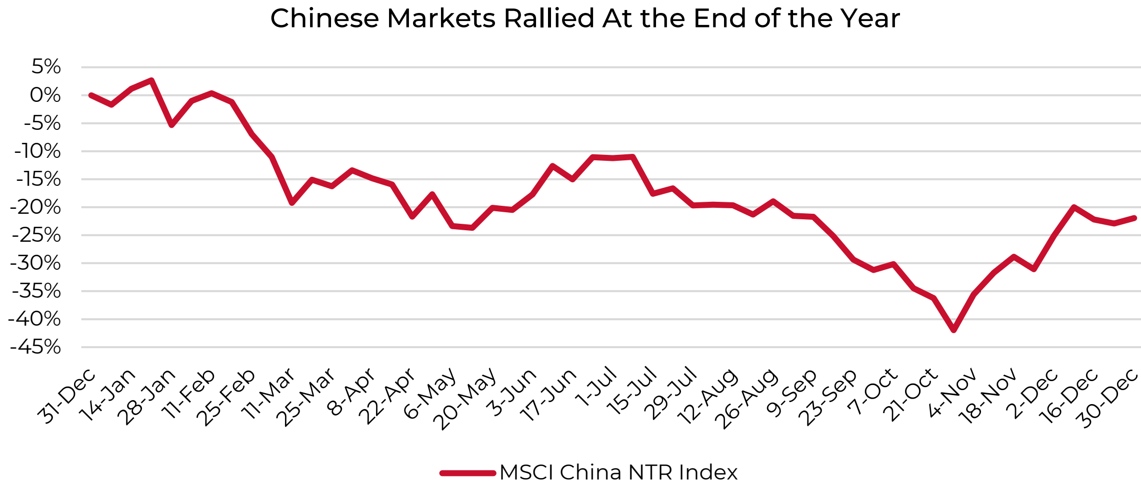
On March 17th, Vice Premier Liu He convened a meeting, chairing the Financial Stability Committee. The committee released a series of statements acknowledging market concerns. Chinese markets rallied sharply on the news, increasing 14.5% on March 18th and a further 6.0% on March 19th. They were essentially flat for the rest of the month. However, in April COVID cases increased rapidly in Shanghai. The local government intended to tolerate a certain number of cases before locking down, but cases reached a critical level. The city entered full lockdown in April and May before reopening in June. Other cities avoided Shanghai's fate by locking down much earlier, but this led to weak economic activity in China. At the time we argued that COVID outbreaks and restrictions were likely to continue as the Omicron variant was too transmissible to eliminate completely.



(Source – Bloomberg, National Health Commission (NHC). Data from 12/31/21 to 12/12/22. In Dec-22, the NHC stopped posting case data)

The real estate market was behind the 9.5% fall in Chinese markets in July. There were protests in nearly 100 cities as homebuyers refused to make their mortgage payments on the grounds that construction work had stopped on houses which they had pre-purchased, off-plan. Construction projects were stalled because certain developers' finances were stretched and they did not have the cash to work on projects, an example being Evergrande. Later in the year, policymakers eased policy to extend financing to developers, to allow projects to continue. In August, Chinese markets slightly recovered. A likely short squeeze led to a rally in the large tech stocks. In Sichuan province a record heatwave led to rivers and dams drying up, meaning hydropower could not generate enough energy. At the same time, the demand for air conditioning significantly increased, placing strain on the electricity grid in the province. The local government initiated power cuts which led to companies stopping production for a week. Rising COVID cases led to lockdowns in Tibet, Sichuan and Shenzhen. The US and China reached a deal to let the US regulator, the Public Company Accounting Oversight Board (PCAOB), inspect the audit work of Chinese companies listed on American exchanges.

In October, China was the weakest major market, falling 16.8% compared to the MSCI World Index which rose 7.2%. Investors were worried about the impact of leadership changes to the Politburo and Standing Committee of the Politburo. Xi Jinping began his third term as leader of the country while Premier Le Keqiang was not reappointed to the Standing Committee. The unofficial age limit for retirement at 68 years old was ignored as Zhang Youxia (Vice Chairman of Central Military Commission) and Wang Yi (Foreign Minister) retained their posts on the Standing Committee. Xi's new appointments to the Committee consisted of firm allies with whom he has worked in the past. A lack of 'market-friendly' faces on the Standing Committee raised questions over China's commitment to growth. Despite the sell-off, we do not see any significant change to China's growth model. Decision making has become more centralized, but this is acceptable if decisions are rational and of course a problem if they are not. We have not seen any strong arguments explaining why the leadership changes will lead to irrational decision making. We think that in the medium term, the stability in leadership is likely to allow Xi to carry out his economic plan: to upgrade China's competence in fields including high-end manufacturing, pharmaceuticals, semiconductors, and so on. These will be examples of his pillar industries – not the current internet tech companies.



(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/21 to 12/31/22)

Chinese markets were strong in November and the MSCI China Index rose 29.7%. It was a volatile month, with Chinese markets initially rallying in the first two weeks, giving back some of the gains the following week, and then rallying at the end of the month. Following the political events in October, we saw significant changes in China's COVID and real estate policies. On the COVID front, the time required in centralized quarantine was cut from seven days to five days. The classification of districts was simplified into high and low-risk districts, eliminating mid-risk. The number of days required for a district to move from high to low risk was cut by five days. Furthermore, close contacts of people testing positive for COVID were no longer identified, reducing the pressure on quarantine facilities. Some areas dropped the requirement to have a negative PCR test 48 hours before long-distance journeys. The People's Daily, a government-run newspaper, for the first time played down the long-term impact of COVID on health outcomes.

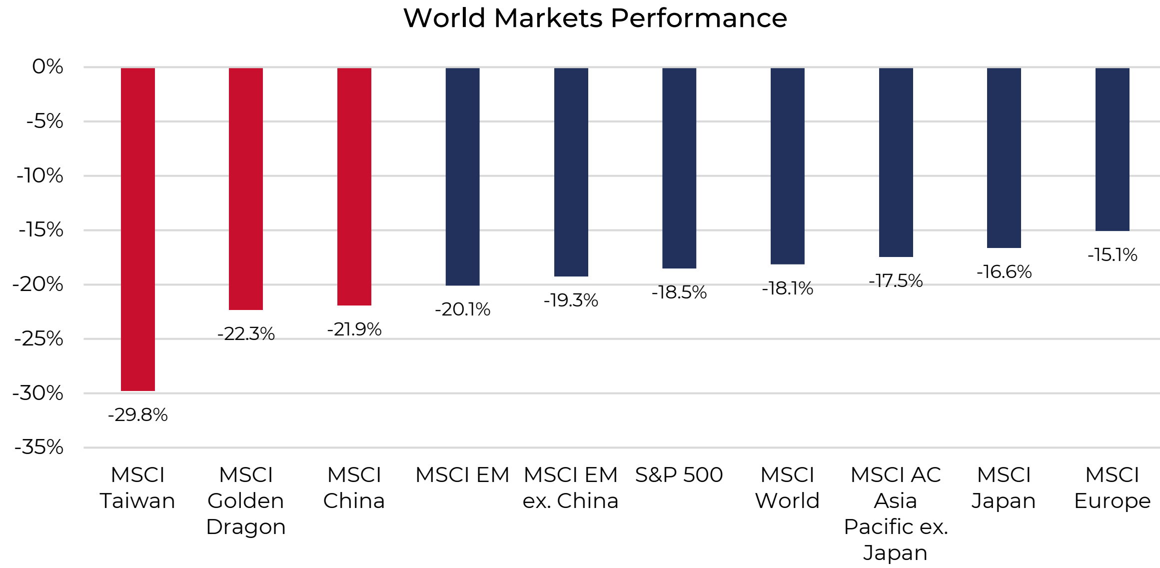
The government also announced a raft of policies designed to boost the property sector. More loans from the state-owned banks were extended to property developers to ensure work continued on existing projects. Private developers, which were struggling compared to their state-owned counterparts, were to receive equal treatment in stimulus measures. Loans could be rolled over for a year where the loan was maturing within six months, meaning the banks would not have to immediately classify as non-performing.

However, as the relaxation in COVID policies was announced, cases increased sharply, surpassing the peak seen in spring when Shanghai locked down. In response, many cities and towns introduced lockdowns and movement restrictions as local government officials ignored the new rules issued by central government. But, in a surprising turn of events, protests against lockdowns spontaneously erupted in cities across China. This demonstrated the frustration that had built up after nearly three years of restrictions. In our opinion, the level of discontent surprised the government and certainly increased the cost of maintaining the status quo

Soon after the protests, China gradually dropped its zero-COVID policy in December. In the beginning of the month, for those who tested positive, the requirement for centralized quarantine in a government facility was dropped. Instead, people could quarantine at home if they were asymptomatic or had mild symptoms. Close contacts were also allowed to home quarantine. At the end of December, nearly all restrictions were dropped. The only restriction left was on people coming into China, for whom a negative PCR test was required 48 hours before departure.

Market Review

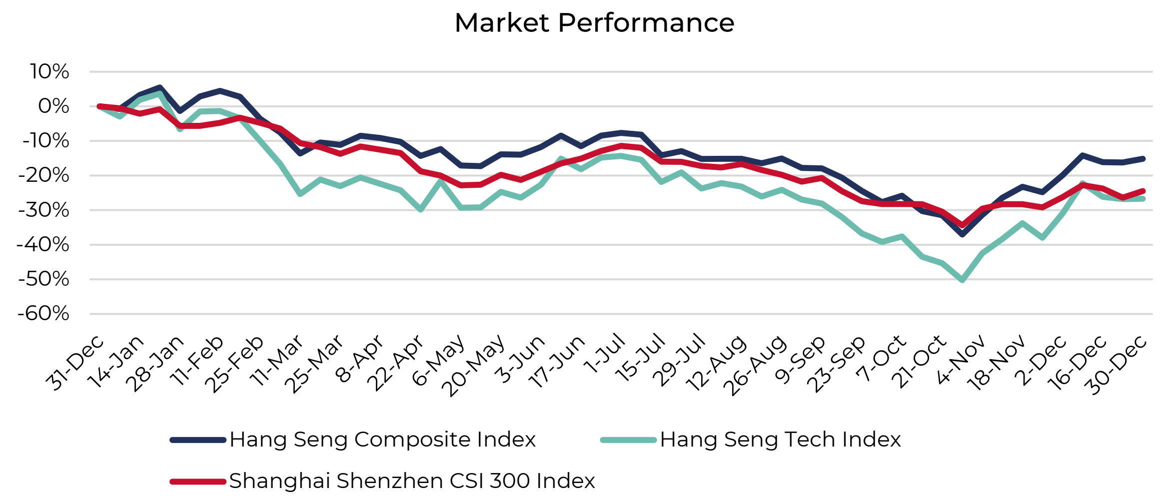
(Performance data in the section in USD terms)



(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/21 to 12/31/22)

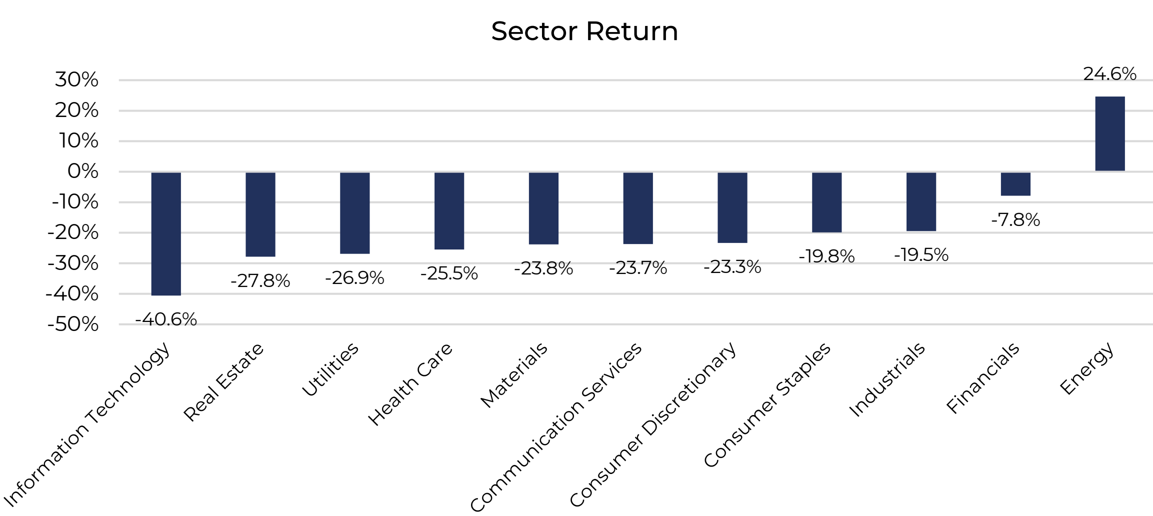
It is probably no surprise that among major markets, Chinese markets were the weakest, falling 21.9%. For much of the year, value stocks outperformed growth stocks. After the political changes in October, and the resulting policy changes in November, Chinese stocks rallied and growth stocks outperformed in the last two months of the year.

(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/21 to 12/31/22)



(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/21 to 12/31/22)

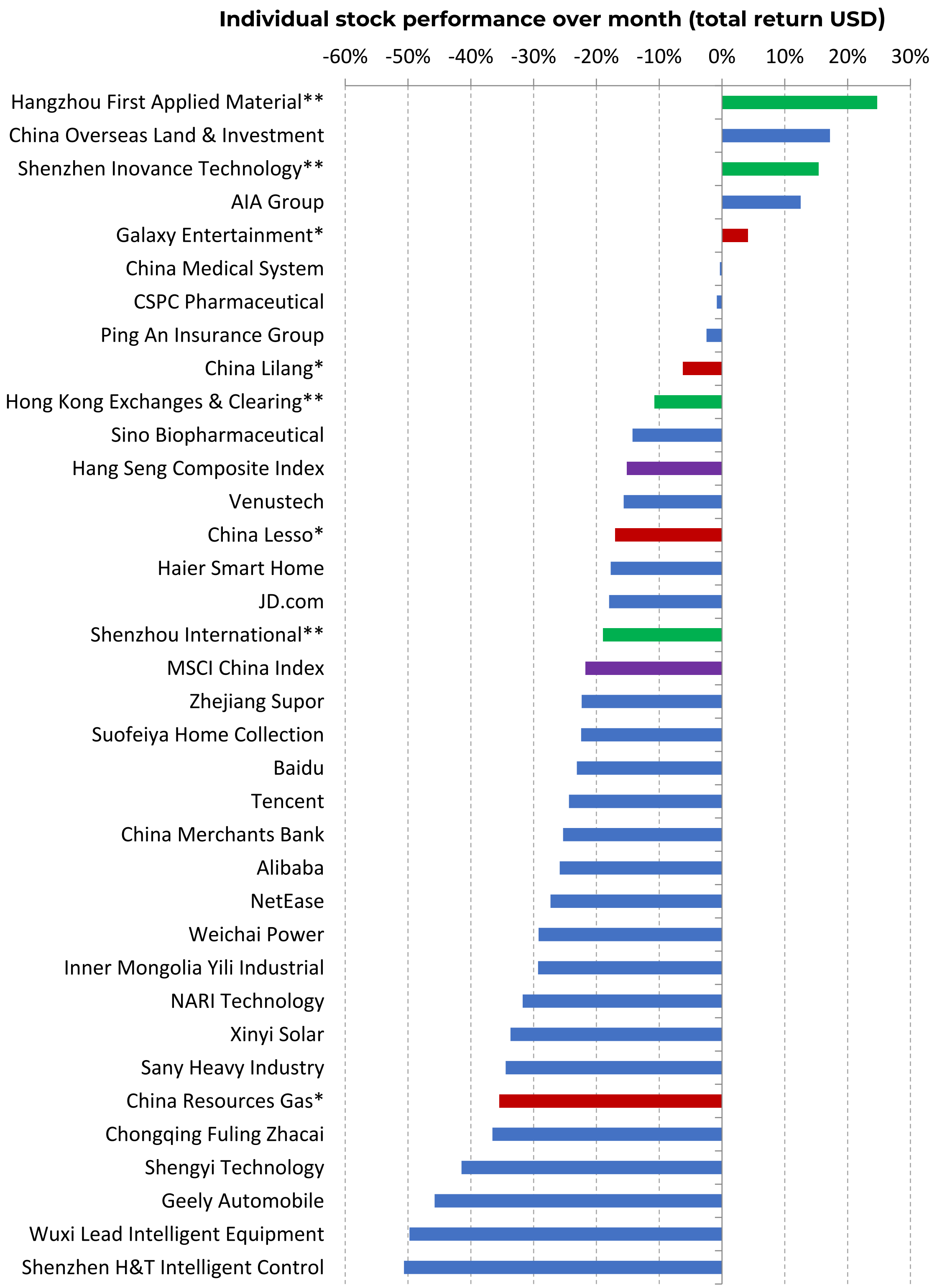
We find it helpful to show performance by market. Here we show performance split by offshore listed stocks (Hang Seng Composite Index) and onshore listed stocks (Shanghai Shenzhen CSI 300 Index). As mentioned, growth stocks underperformed for much of the year and this was particularly felt by the online tech stocks. The Hang Seng Tech Index significantly underperformed the offshore market in the downturn, as at its worst it was down 50% for the year compared to the Hang Seng Composite Index which was down 37%. When markets rallied at the end of the year, the online tech stocks rebounded significantly, causing the Hang Seng Tech Index to outperform in the rally.



(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/21 to 12/31/22)

The strongest sectors were Energy and Financials. Higher oil and gas prices explain Energy's outperformance. As investors looked to value stocks in the sell-off, they bought the cheaper SOE banks, resulting in Financials doing well. The weakest sectors were Information Technology and Real Estate. As the global economy slowed down, consumer demand for laptops, smartphones etc. weakened, meaning the share prices of companies in the Information Technology sector have been weak. The ongoing slowdown in the Chinese property market led to poor performance for the Real Estate sector.

Stock Performance



Source: Guinness Atkinson Asset Management, Bloomberg

* sells, ** buys

Leaders

Below we discuss the best performing stocks that have been held for the entire year.

It is probably a surprise to most to see a property developer, China Overseas Land & Investment (COLI), be the best performing stock in the Fund. The property sector has been weak but both on an absolute and a relative basis COLI has done well. It is a conservatively financed state-owned enterprise (SOE) which has not breached any of the debt limits introduced by the government. SOEs fared much better than their generally more indebted private competitors in 2022, being able to take on projects where the private sector pulled back. For example, local SOEs share of land auctions in 22 major cities increased from 23% in early 2021 to 59% in late 2022. Correspondingly, private developers' share fell from 54% to 24% in the same period. Following the political reshuffles in October, the government has extended support to the real estate sector which bodes well for 2023.

AIA Group is a Hong Kong listed insurer that sees mainland China as its growth driver, due to the rise of the country's middle class. Lockdowns in China and movement restrictions between the mainland and Hong Kong resulted in a weaker year by AIA's standards, but the company still made investments to drive long-term growth. In 2022 AIA's Tianjin and Shijiazhuang branches obtained full licenses, allowing the company to open more branches in these cities. The company also received approval to open a new branch in Henan province.

China Medical System (CMS) and CSPC Pharmaceutical performed well. Both businesses have exposure to China's central procurement policy which aims to bring down prices paid for pharmaceutical drugs significantly in return for these companies receiving higher volumes. Due to the lower barriers to entry and greater number of competitors, generic products have faced the greatest pricing cuts whereas innovative drugs (i.e. developed from scratch) have fared better. Therefore, China's entire pharmaceutical industry has, for several years, had an incentive to start developing their own drugs. CMS mostly sells generic pharmaceuticals on behalf of other firms. In response to China's central procurement policy, it has been building its own pipeline by acquiring early-stage products at reasonable prices. CMS also acquired a dermatology business to diversify its sales and reduce its exposure to centralized procurement.

CSPC Pharmaceutical is adjusting to the transition differently, preferring to develop its pipeline in-house through R&D (research & development). CSPC's R&D spend, as a percentage of revenue, has increased from 3.3% in 2016 to 12.1% in the first half of 2022. The company's sales have to an extent been affected by lockdowns, as fewer people went to hospitals for treatment, reducing the demand for certain products. CSPC's Vitamin C and caffeine sales, however, performed well. CSPC is also working on its own mRNA vaccine for COVID. The company has applied for Emergency Use Authorisation (EUA) and already has a production line ready with capacity for 500m doses.

Ping An Insurance's stock benefited from its relatively low valuation – at the beginning of the year, it was valued at 5.4x on expected 2022 earnings, which at the time was close to its lowest valuation in the preceding 10 years. Ping An is undergoing a transition from a model with many agents to one with fewer but more productive agents. In the context of repeated lockdowns, the business has coped well, managing to continue operating through online sales.

Laggards

Shenzhen 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. In the first half of 2022, 67% of sales were to the overseas market while 33% of sales were to the domestic market. Given the slowdown in both the domestic and Chinese economy, revenue in the first nine months of the year only grew 1% while operating income fell 21% and earnings per share (EPS) fell 24%. The gross margin in the period fell, driven by higher raw material prices and lower capacity utilization. The one year forward P/E ratio fell from 31.1x at the beginning of the year to 16.7x at the end of the year, as growth was lower than expected.

Wuxi Lead Intelligent Equipment's operations were strong in 2022 – in the first nine months of the year, revenue grew 68%, operating income grew 70% and EPS grew 58%. But the one year forward P/E ratio fell from 55.5x at the beginning of the year to 15.7x at the end of the year. The market is concerned over whether the battery equipment cycle has peaked. We believe that the current market valuation is very undemanding given the areas of growth the company can target. Lead Intelligent is expanding into the European market, working with customers such as Volkswagen and Northvolt. Energy storage solution are another avenue of growth.

Geely is a car manufacturer gradually making the shift towards electric vehicles. In the first 11 months of the year, the number of cars sold by the business increased by 10%. Pure electric vehicles accounted for 17% of total cars sold while hybrid vehicles accounted for 7%. Various lockdowns impacted production while weak consumer sentiment affected demand. The investments in the electric vehicle segment are lowering margins but we remain confident in the business. In our view, Geely is one of the best run car companies in China and is one of the companies more likely to manage the transition towards electric vehicles well.

Shengyi Technology makes copper clad laminates (CCLs) which are a base material in printed circuit boards (PCBs). Its products are used in everyday household appliances as well as servers. Due to weak global demand for the end products, CCL prices have been weak, impacting Shengyi's margins. Shengyi can mitigate some of this impact through targeting higher margin complex CCLs, as well as through targeting the localization trend seen in China.

Chongqing Fuling Zhacai is a condiment manufacturer. Lockdowns tended to lead to a spike in sales, with subsequent easings seeing periods of lower growth. The company increased its marketing expenditure which lowered earnings, a surprise to the market which led to a valuation derating. We believe Fuling Zhacai's brand is very strong which should continue to allow the business to have the pricing power to maintain gross margins.

Portfolio Changes

We sold four positions and bought four positions.

<u>Sells</u>

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 risen but following Russia's invasion of Ukraine, spiked up further. Though in theory gas distributors can pass on these higher costs, there was a possibility they are asked to conduct 'national service'. This could mean absorbing some of the higher costs, rather than passing them onto 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.

We sold Galaxy Entertainment earlier in the year due to our belief rising Omicron cases would become harder to control, which turned out to be a correct assumption.

We sold China Lesso, a manufacturer of plastic pipes used in infrastructure projects and the real estate industry. It unexpectedly omitted the dividend and announced an expansion into the solar business where it had no expertise. We did not see how the existing business gives Lesso a competitive advantage in solar and so sold the stock.

We also sold China Lilang, a clothing retailer targeting the men's casualwear segment. Given repeated COVID outbreaks in China, sales in the physical stores which make up most of revenue had been weak. Liquidity in the stock had also declined in the past year.

<u>Buys</u>

We bought Shenzhou International, a textile and apparel maker, after the stock sold off on a profit warning. Due to 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.

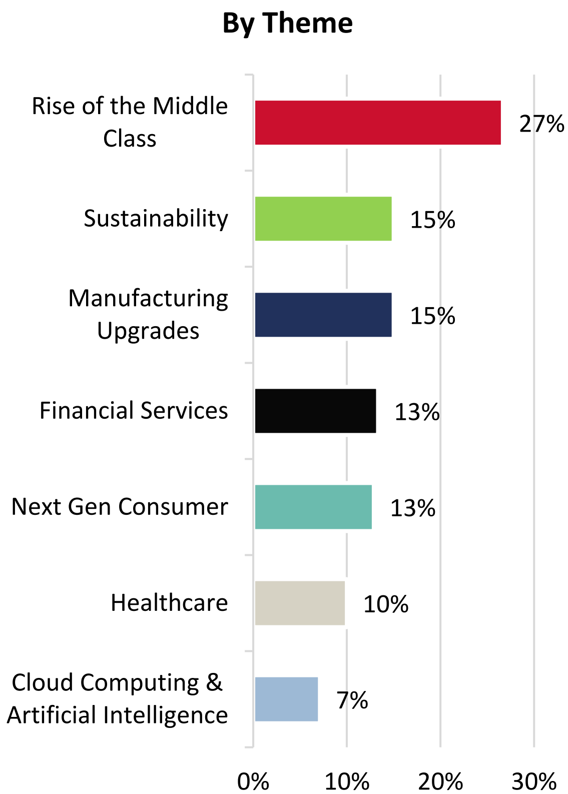
Following the sell-off in the middle of March, we bought Shenzhen Inovance Technology and Hong Kong Exchanges and Clearing. We felt that many quality stocks were selling off regardless of their fundamentals, and so we were assessing the ideas on our watchlist. The two additions made had been expensive 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.

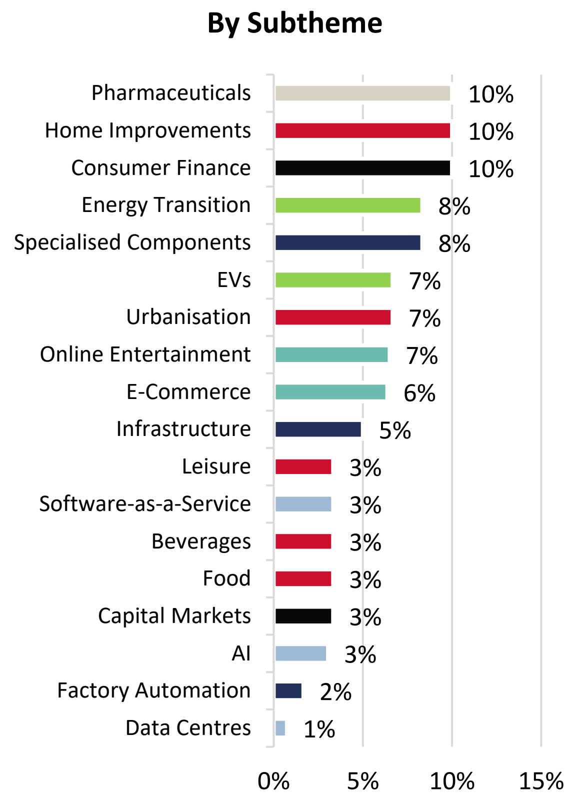
Hong Kong Exchanges & Clearing (HKEX) is a high-quality stock which is often expensive. As we are clearly bullish on the demand for Chinese stocks over time, we expect the exchange, which facilitates the trade of Chinese stocks, to also do well. The exchange benefits through the Stock Connect scheme 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 – a further positive step for HKEX.

We bought Hangzhou First Applied Material, which is the world's largest manufacturer of EVA (ethylene vinyl acetate) film, which is used to protect solar modules. In order for solar modules to operate for 20 or more years, high quality EVA film is needed, and so brand image is important. Hangzhou First Applied is now the world's largest manufacturer of EVA film for the solar industry. Since the business listed in 2014, it has generated a cash return on capital above the cost of capital, which is encouraging as it is a sign that the business has withstood prior slowdowns in the solar space.

Portfolio Positioning

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

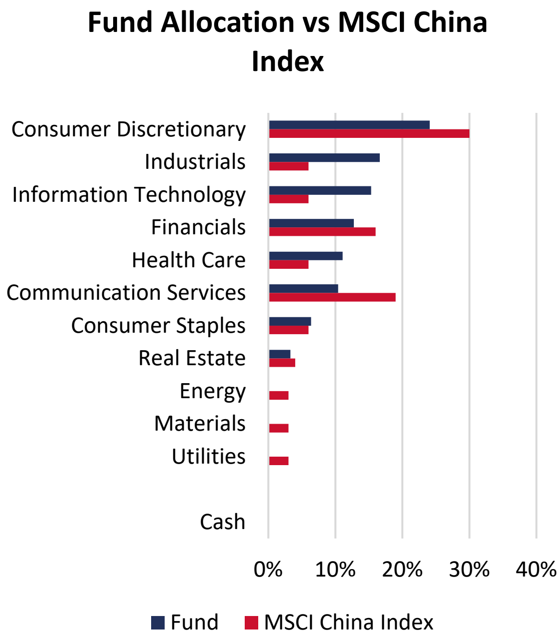


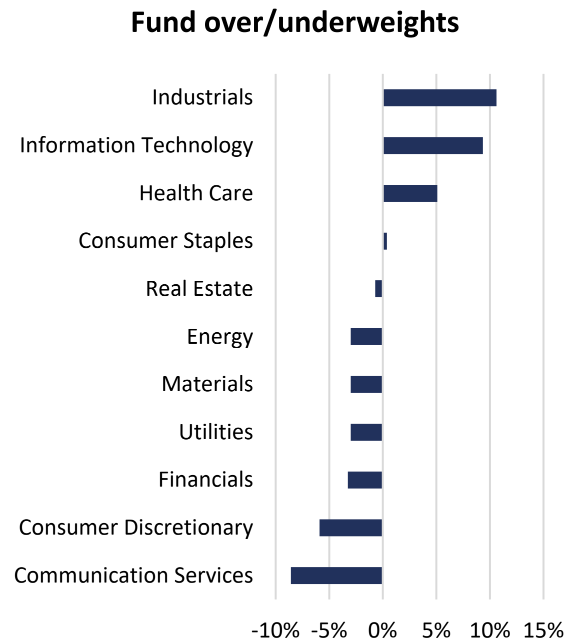


(Source: Guinness Atkinson Asset Management. As of 12/31/22)

On a sector basis, the Fund's largest exposures are to the Consumer Discretionary, Information Technology (IT) and Industrials sectors. Relative to the MSCI China Index, the Fund is overweight in IT and Industrials, and underweight in Communication Services and Consumer Discretionary sectors. On the surface, the Fund's IT weight is high but within this group of companies there are completely different businesses whose operations are unrelated. Based on the classifications below, we believe our IT holdings are well diversified.

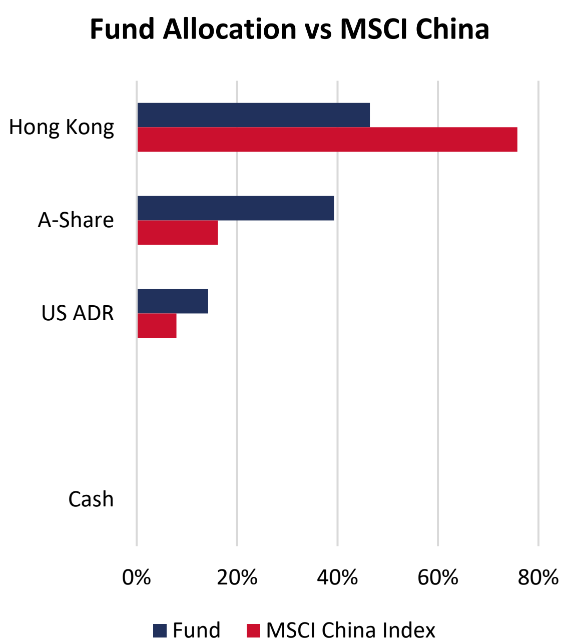
- Cybersecurity – Venustech, one of China's largest providers of cybersecurity services.
- Electric vehicle (EV) equipment – Lead Intelligent, supplier of equipment used to build out EV plants.
- Solar power – Xinyi Solar, world's largest supplier of glass used in solar panels.
- Copper clad laminates (CCLs) – Shengyi Technology, exposure to smartphones and servers.
- Controllers and IoT – H&T Intelligent, exposure to household appliances and power tools.

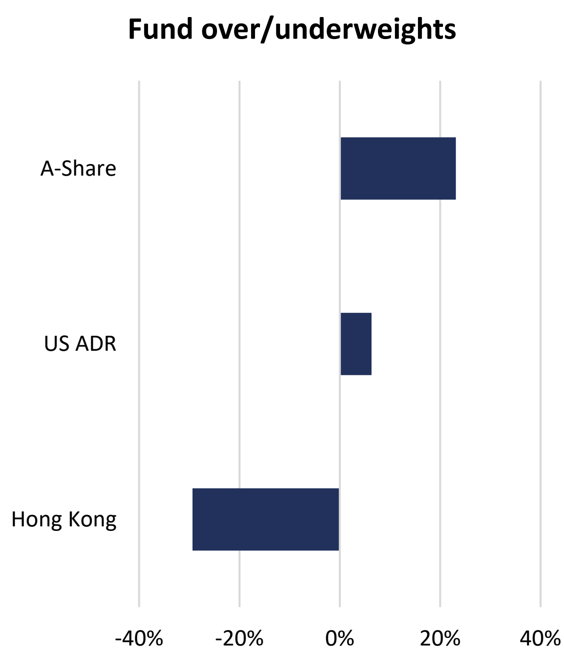




(Source: Guinness Atkinson Asset Management, Bloomberg, MSCI. As of 12/31/22)

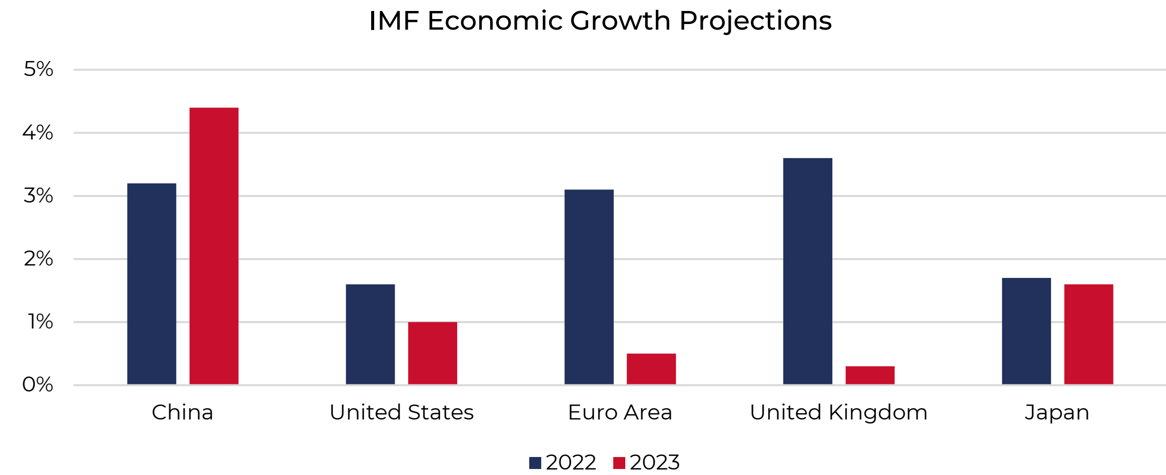
On a listing basis, the Fund has 50% exposure to stocks listed in Hong Kong and 38% exposure to the A share market.





(Source: Guinness Atkinson Asset Management, Bloomberg, MSCI. As of 12/31/22)

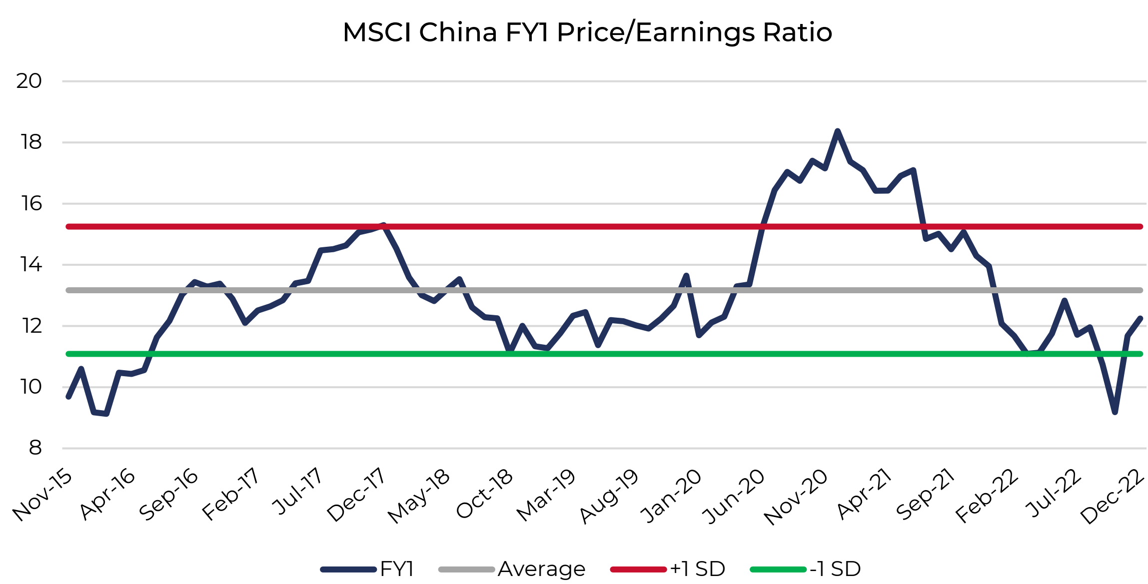
Outlook



(Source: IMF, World Economic Outlook, October 2022)

As China has removed nearly all COVID restrictions, it is the only major economy which is expected to see an acceleration in economic growth in 2023. As the US has normalized monetary policy, developed markets are expected to see a deceleration in economic growth. This, along with other factors, means Europe and the United Kingdom may well enter a recession in 2023.

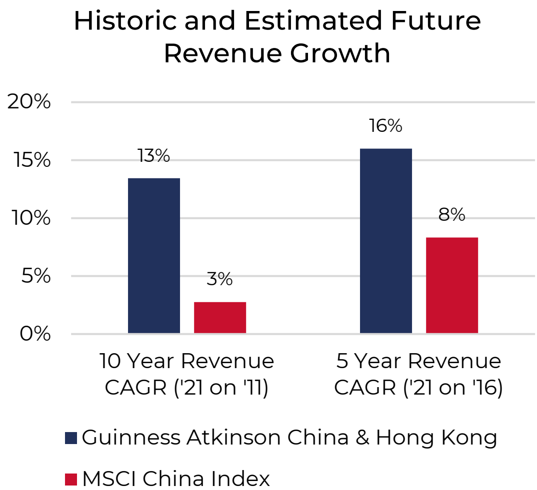
From an investment perspective, we remind readers that returns can be broken down into three components: changes in valuation multiples, earnings growth and dividends. Below we break down the first two components to argue why investors should be allocating to China and specifically, the Guinness Atkinson China & Hong Kong Fund.

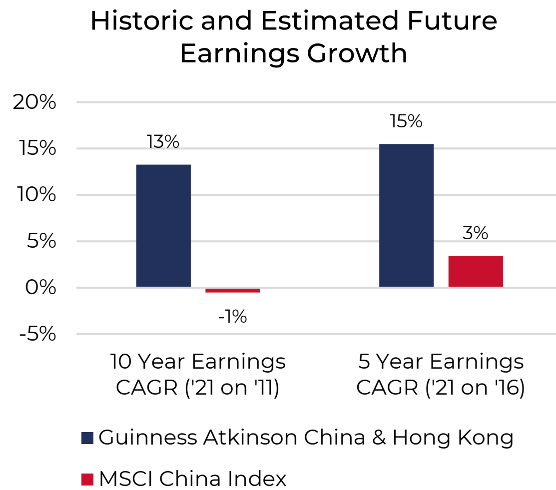


(Data from 11/30/15 to 12/31/22, source: Guinness Atkinson Asset Management calculations, Bloomberg)

Despite the bounce at the end of the year, Chinese equities remain attractively valued relative to their medium-term average. As of 12/31/22, the one-year forward price earnings ratio for MSCI China was 12.2x, below its medium-term average. (We use Nov-15 as the starting point to calculate this average since this is when the US-listed ADRs, which are generally more expensive, were included in the index. Valuations before this point are less useful for making comparisons today). While of course valuations can fall below historic levels, we argue today there is a low probability that investors are overpaying for China.

On consensus estimated 2023 earnings, the Fund is trading on 13.7x. We argue this premium is worth paying for given the Fund's focus on earnings growth.





(Data as of 12/31/22, in USD, source: Bloomberg, Guinness Atkinson Asset Management calculations. Earnings refers to net income. Data for the Fund is a simulation based on actual historic data for the Fund's current holdings)

Over the long-term, it is earnings growth that provides investors with the bulk of their returns. We argue that our companies are likely to grow their earnings in the future because they give exposure to the structural growth themes in China. To back up this claim, above we show the 10-year compound annual growth rate (CAGR) in earnings for our holdings. Over the past 10 years, the Fund's current holdings have, in aggregate, grown earnings by 13% a year. This compares to the MSCI China Index where earnings have actually contracted by 1% a year in the same period. We argue a passive approach leads to poor outcomes for investors in China.

Overall, we argue we offer a sensible approach to China, generally looking for companies with the following characteristics:

- High return on capital.
- Ability to convert revenues into cashflows.
- Growing operating cashflows, which we expect to continue to grow.
- The ability to deploy this cash at a high rate of return.
- Sensibly structured balance sheet with no excessive debt.
- Management which we trust to grow the business.
- Absence of activities judged to be harmful to society's wider interests.
- Growth opportunities undervalued by the market.

Now that China has dropped nearly all COVID restrictions and life should be back to normal in 2023, investors should be seriously looking to invest in what is the world's second largest economy. Global investors are significantly underweight in China despite the size of its economy – we expect this gap to close over time which is likely to serve investors in China well.

Performance

For the Fund, the main sources of negative performance were:

- Stock selection within Industrials, driven by Wuxi Lead Intelligent, Sany Heavy Industry, Nari Technology and China Lesso.
- Stock selection within Consumer Staples, driven by Chongqing Fuling Zhacai and Inner Mongolia Yili.

The main sources of positive performance were:

- Underweight in the large tech stocks of Tencent, Alibaba and Meituan. The Fund is run on an equally weighted basis and so each position has a neutral weight of about 3.2%. As these stocks underperformed the market, the Fund captured less of the downside.
- Stock selection within Health Care, driven by CSPC Pharmaceutical, China Medical System and Sino Biopharmaceutical.
- Stock selection within Real Estate, driven by China Overseas Land & Investment, which had a total return of 17.2% while the Real Estate sector fell 27.8%.

As of 12/31/2022	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	**-23.66%**	**-6.56%**	**-3.29%**	**2.26%**
Hang Seng Composite Index TR	**-15.18%**	**-5.42%**	**-3.49%**	**2.74%**
MSCI China Net Total Return Index	**-21.93%**	**-7.50%**	**-4.45%**	**2.42%**

All returns over 1 year 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. To obtain performance as of the most recent month end, please visit www.gafunds.com or call 1-800-915-6565. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. 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.

Dividends are not guaranteed and may fluctuate.

Themes:
The **Rise of the Middle Class** refers to the opportunity set as China's middle class continues to grow in size and wealth. A company falls within this theme if it gives exposure to Food, Home Improvements, Beverages, Urbanization, Leisure or Education.

Sustainability refers to China's efforts to reduce its carbon output and to reduce its impact to the environment. A company falls within this theme if it gives exposure to the ongoing energy transition, electric vehicles or waste reduction.

Manufacturing Upgrades refers to China's move up the value chain in the manufacturing industry. It also includes China's investments in new forms of infrastructure such as energy storage and transmission.

Next Gen Consumer refers to new ways of consumption. A company falls within this theme if it gives exposure to E-Commerce or Online Entertainment.

Active share measures the extent of active management in a portfolio compared to the corresponding benchmark listed.

Forward P/E is a measure of the P/E using forecasted earnings for the P/E calculation.

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 China Net Total Return (NTR) Index calculates the net total return of the MSCI China Index, after taking into account withholding taxes.

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 Emerging Markets Index is used to measure equity market performance in global emerging markets.

MSCI Emerging Markets ex China Index is used to measure equity market performance in global emerging markets excluding China.

Shenzen Component Index, also known as SZSE Index, is an index of 500 stocks that are traded at the Shenzhen Stock Exchange (SZSE).

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

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 is 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.

The MSCI Taiwan Index is designed to measure the performance of the large and mid-cap segments of the Taiwan market. With 88 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Taiwan.

The MSCI AC Asia Pacific ex Japan Index captures large and mid-cap representation across 4 of 5 Developed Markets countries (excluding Japan) and 8 Emerging Markets countries in the Asia Pacific region. With 1,251 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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

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

The MSCI Europe Index captures large and mid cap representation across developed markets countries in Europe.

Hang Seng TECH Index was launched in July 2020. It represents the 30 largest technology companies listed in Hong Kong that have high business exposure to technology themes.

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.

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.

With 190 member countries, the International Monetary Fund (IMF) has three critical missions: furthering international monetary cooperation, encouraging the expansion of trade and economic growth, and discouraging policies that would harm prosperity.

American Depositary Receipts (ADRs) offer US investors a means to gain investment exposure to non-US stocks without the complexities of dealing in foreign stock markets.

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.

Standard deviation measures the variation of a set of values around its mean.

Top Fund Holdings as of 12/31/22:

1.	China Medical System Holdings Ltd	4.52%
2.	JD.com Inc	4..47%
3.	NARI Technology Co Ltd	4.08%
4.	Shenzhen Inovance Technology Co Ltd.	4.04%
5.	Hangzhou First Applied Materials	4. 04%
6.	NetEase Inc - ADR	3.97%
7.	Venustech Group Inc	3.46%
8.	Baidu Inc	3.42%
9.	Sino Biopharmaceutical Ltd	3.35%
10.	AIA Group Ltd	3.32%

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

Distributed by Foreside Fund Services, LLC.