Guinness Atkinson

China & Hong Kong Fund

Managers' Update – Review of Q2 2023

Summary View

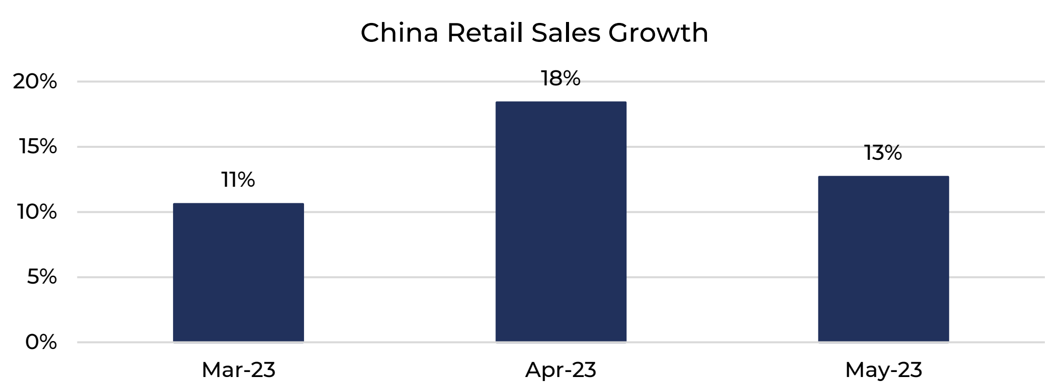
- In May and June, we visited China and met representatives of four of the companies held in the Fund. In addition to receiving the latest business updates, we engaged with our holdings and suggested areas of improvement. For more details, please refer to the review of May monthly update for the Fund.
- Over the past 10 years, the Fund's holdings have grown net income by a compound annual growth rate (CAGR) of 8% a year. This is higher than the -1% CAGR achieved by the MSCI China Index.
- Based on consensus analyst estimates, the Fund's holdings in aggregate are projected to grow net income by 22% a year over the next two years, higher than the 13% a year growth rate projected for the MSCI China Index.
- On 2023 earnings, the Fund is valued on 14.2x. This is one of the lowest valuations the current set of holdings has traded at over the past decade. Combined with the compounding ability of the stocks we target, we believe now is an excellent time to be allocating to China.

Macro Commentary

China's economic rebound since dropping its zero COVID-19 policy has been weaker than the market expected, leading to poor market performance after a rally lasting from Nov-22 to Jan-23. We think it is important to break down where the strengths and weaknesses in China's economy currently lie, the constraints the government is facing, and what the government could do to stimulate the economy.

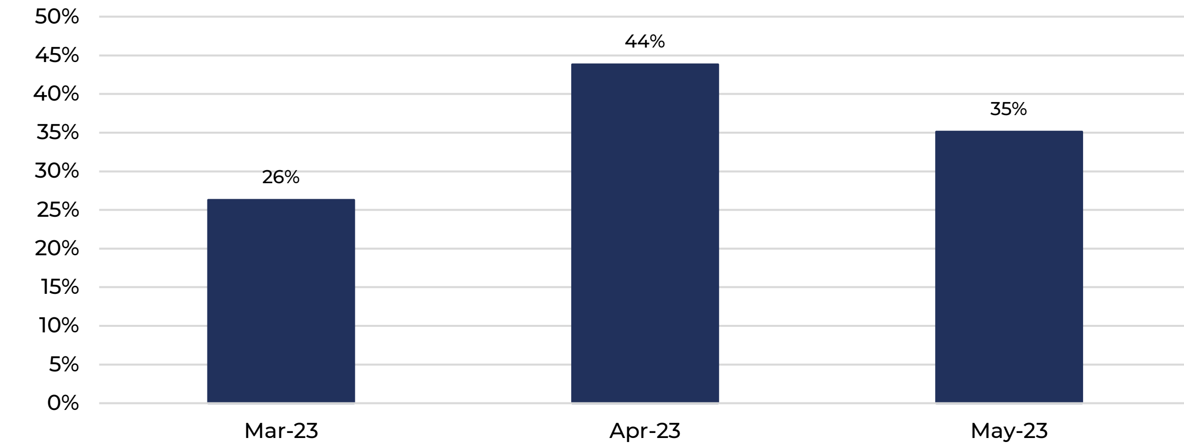
<u>Strengths</u>

The rebound in consumption has been encouraging, though lower than expected. Retail sales growth has been robust, with 18% growth in April and 13% growth in May. Areas such as restaurants, shopping malls and travel are seeing the largest rebounds, after suffering the most during last year's lockdowns. Catering sales rose by 44% in April and 35% in May. The number of domestic flights has exceeded 2019 levels, while the number of international flights is ramping up quickly to ~69% of 2019 levels. Flights to and from Korea, Vietnam, Singapore, Spain and the UK are recovering well but we highlight that due to political tensions, flights from China to the US are only 7% of 2019 levels. Following US Secretary of State Blinken's visit to Beijing, both sides said they would increase the number of flights between the two countries.



(Data from 12/31/22 to 05/31/23, source: Bloomberg, Guinness Atkinson calculations)

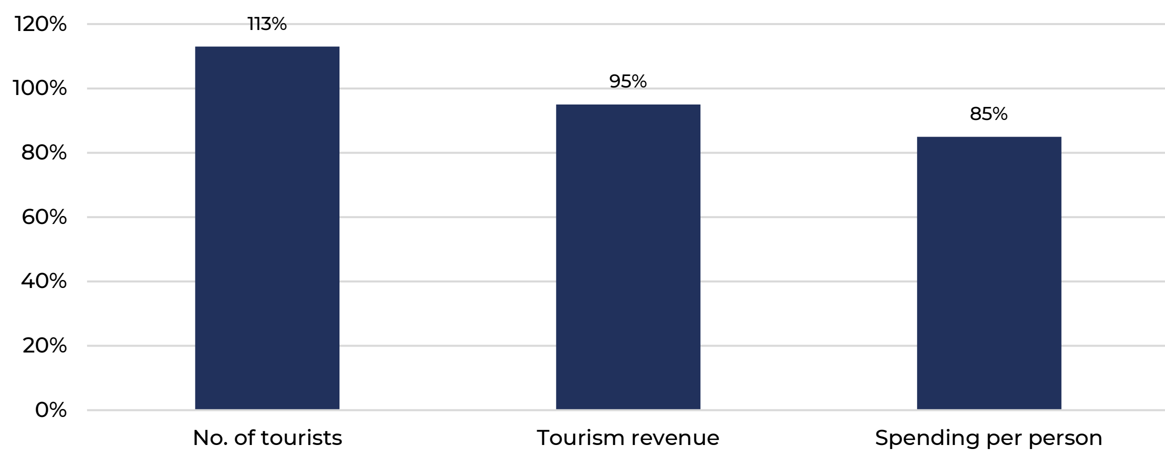
Growth in Sales of Catering Services



(Data from 12/31/22 to 05/31/23, source: Bloomberg, Guinness Atkinson calculations)

The recent Dragon Boat Festival gave us a chance to see how tourism is faring. The number of tourists reached 113% of the corresponding level in 2019. However, tourism revenue reached 95% of 2019 levels while spending per person was 85% of the 2019 level. Based on some of the commentary from China Tourism Group Duty Free (held in the Fund), flights and hotels have become more expensive since China reopened, partly explaining the lower spending figures.

Dragon Boat Festival Data Relative to 2019



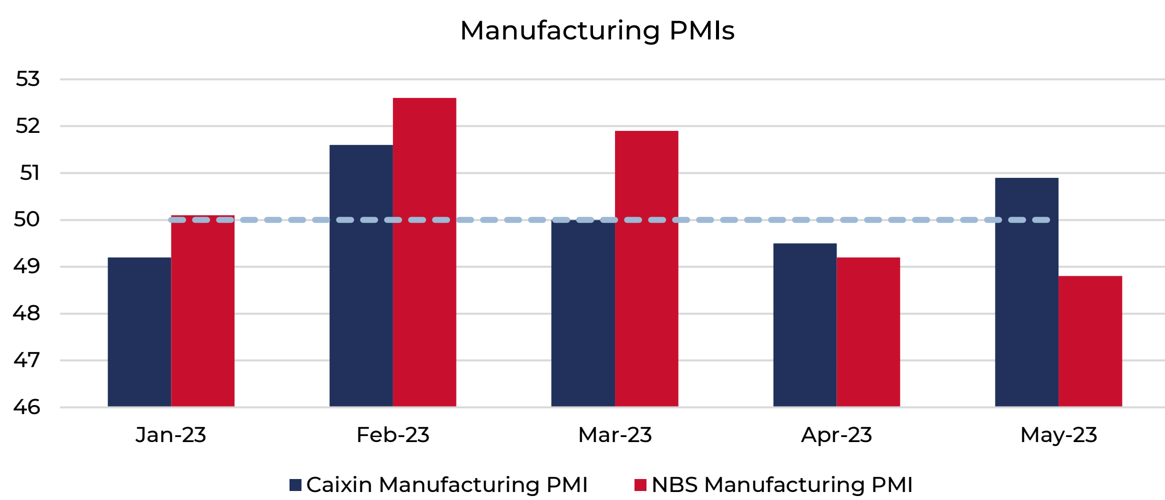
(Source: JP Morgan, Guinness Atkinson calculations)

The second wave of covid seems to have peaked at the end of May. A good proxy for case numbers is the volume of COVID-19 related searches on Baidu, China's most popular search engine. Here we can see searches peaked towards the end of May and have been falling since, with the search index falling by half (relative to the recent peak) by the end of June.

Weaknesses

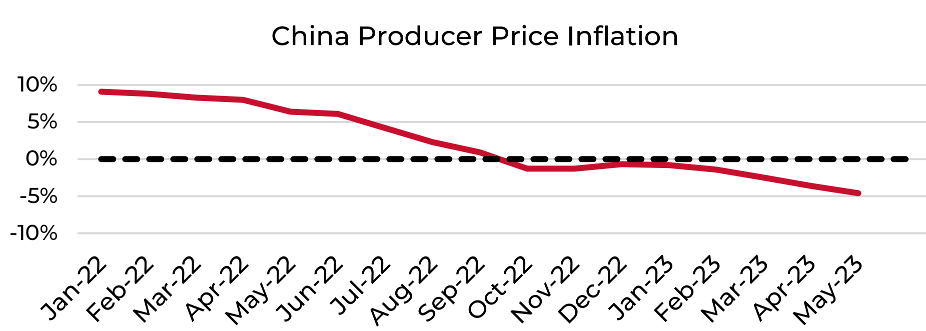
Moving onto the weaker areas in China, it is soft industrial demand and slowing exports which are notable.

The Purchasing Managers Index (PMIs) gives us a higher frequency data set from which to judge the state of manufacturing. Both the Caixin and NBS PMIs rebounded in February after an early Chinese New Year, to 51.6 and 52.6 respectively. (Note a reading above 50 indicates expanding activity while a reading below 50 indicates weakening activity, and the readings should be interpreted on a month-on-month rather than year-on-year basis). In March and April both PMIs fell but it was surprising to see both below 50 in April, as this indicated declining activity. In May, the Caixin PMI rebounded to one of its highest levels in the past year while the NBS PMI fell further. The divergence may be due to the sample set in each survey – the Caixin PMI is more geared towards private, exporting firms while the NBS PMI is more geared towards domestic facing companies. Delving deeper into the sub-components of the PMI, both saw a fall in the employment measure.



(Data from 12/31/22 to 05/31/23, source: Bloomberg, Guinness Atkinson calculations)

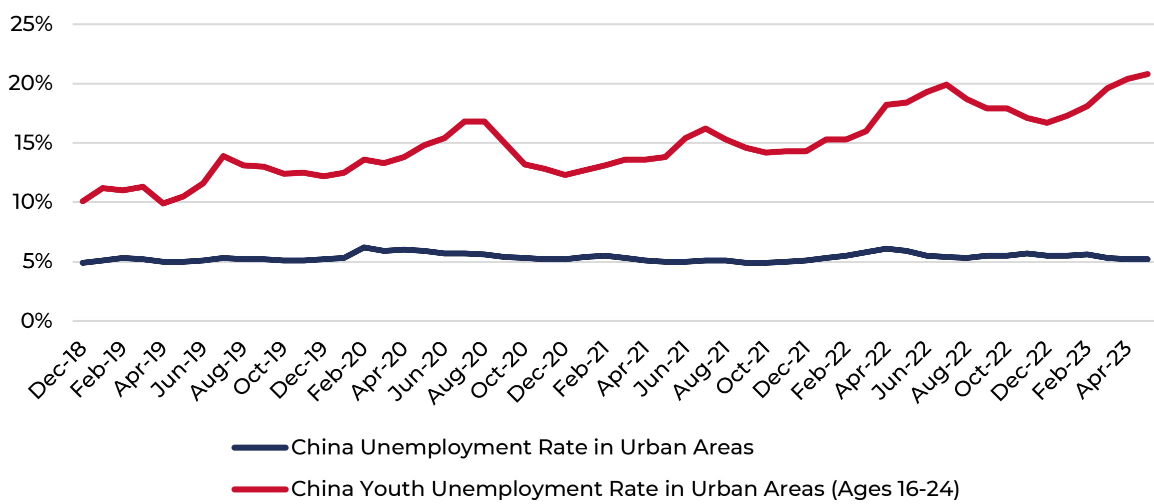
Falling producer price inflation (PPI) is a headwind for Chinese industrial companies. PPI has been negative since Oct-22, leading to lower prices for many industrial companies. Year-to-date (not year-on-year) domestic hot rolled coil steel (finished steel) prices are down 17%, steel rebar prices are down 18%, while aluminium prices are down 20%.



(Data from 12/31/21 to 05/31/23, source: Bloomberg, Guinness Atkinson calculations)

The overall unemployment rate in China has marginally improved since the country dropped its zero COVID policy. The rate fell from 5.7% in Nov-22 to 5.2% in May-23. However, the youth unemployment rate has actually increased, from 17.1% to 20.8% in the same period. Both the absolute level and trend in the youth rate is puzzling, though we point out that it is common to see a youth unemployment rate far higher than the overall unemployment rate. For example, in the UK, in April the overall unemployment rate was 3.8% while the youth unemployment rate was 2.9x higher, at 10.9%. However, China's youth unemployment rate is 4.0x higher than the overall rate., which we argue has several underlying reasons. The supply of educated young workers has increased over the years, with the number of new college graduates rising from 2 million in 2003 to 12 million in 2023. However, the number of suitable jobs for these graduates has fallen, with the number of service jobs falling significantly in 2021 and 2022 due to lockdowns. It will take time for these jobs to reappear, though we are surprised the youth unemployment rate has still risen since China reopened, given the rising demand for restaurants, malls and internal travel within China. Greater regulation in the tech sector has meant firms in industries such as e-commerce and video gaming are not currently in a hiring mindset, leading to fewer job opportunities for graduates.

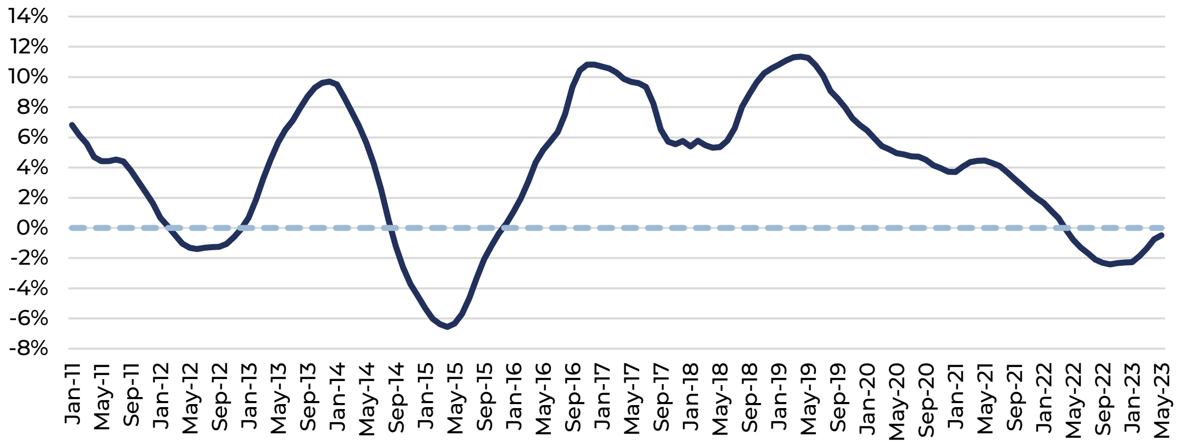
China Unemployment Rate



(Data from 12/31/18 to 05/31/23, source: Bloomberg, Guinness Atkinson calculations)

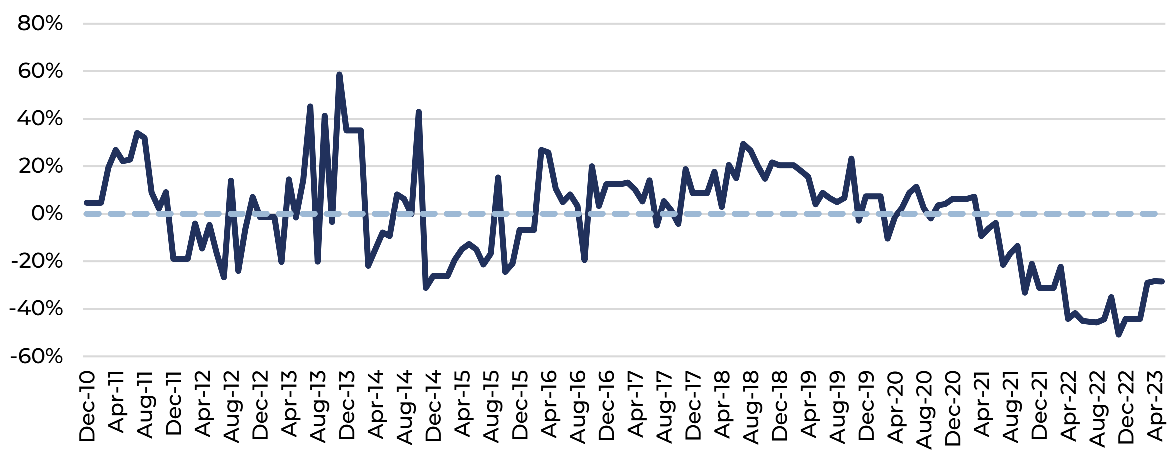
We argue that one of the main underlying reasons for the weakness in industrial data is the frail property market. On a year-on-year basis, prices are still falling but the pace of decline has slightly narrowed, from a 2.4% decline in Oct-22 to a 0.5% decline in May. However, on a month-on-month basis, prices have been increasing since February. Below we show the year-on-year changes on a longer time horizon to give some context. That being said, in aggregate property developers are not building enough new properties, given tight funding conditions for the private developers. Since 2021, new home starts have been falling on a year-on-year basis. Again, the decline has narrowed this year but newly constructed floor space still fell 29% in May. While prices are stable, volumes for new property are still falling substantially.

Changes in the Prices of New Homes (year-on-year)



(Data from 01/31/11 to 05/31/23, source: Bloomberg, Guinness Atkinson calculations)

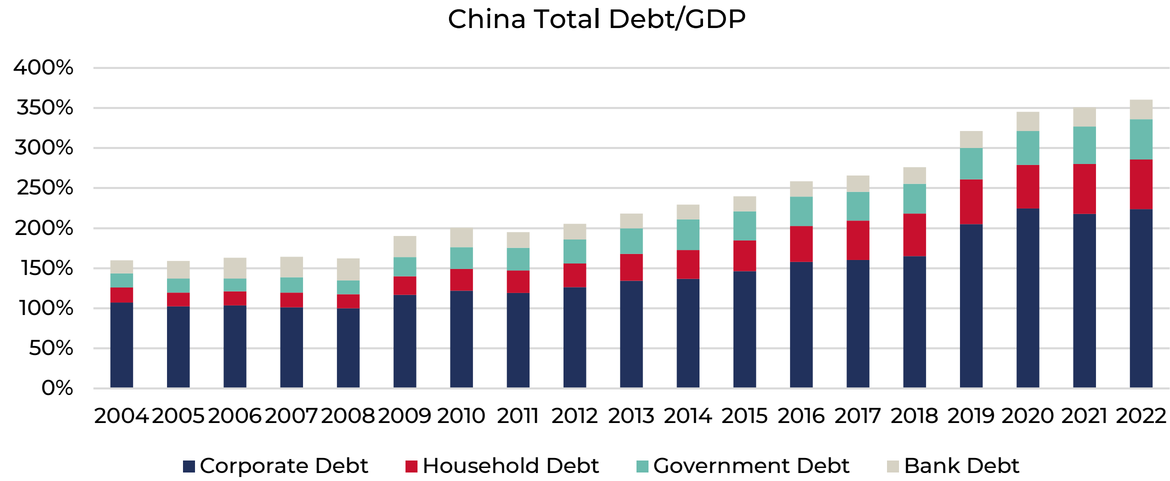
Floor Space of Houses Newly Started (year-on-year % change)



(Data from 12/31/12 to 05/31/23, source: Bloomberg, Guinness Atkinson calculations)

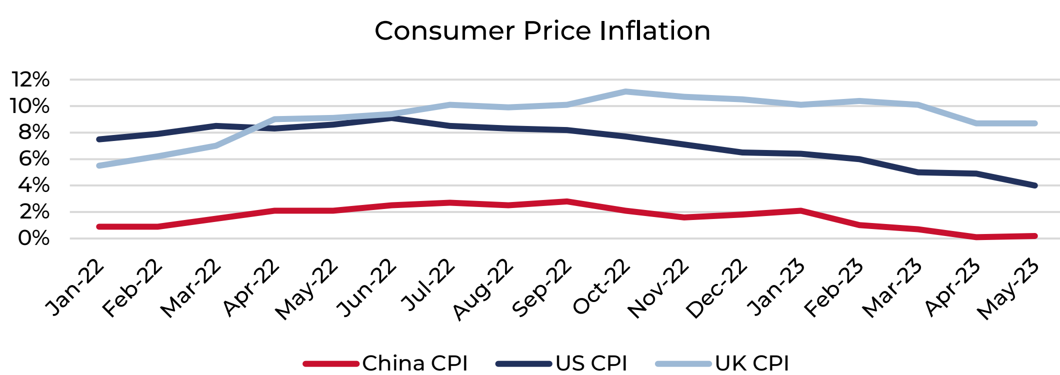
In our view, much of the weakness in the property market was government-induced. For more than a decade, property developers expanded using a debt funded model, adding to China's overall debt burden. The government had, at multiple points in the 2010s, tried to reign in this model but eased policy each time when it became clear economic growth was too weak. In Aug-20, the government introduced the three red lines policy, limiting the amount of debt developers could hold, which eventually led to Evergrande's business model failing. The government stuck to the policy for some time but again, relaxed some of the limits to boost the real estate sector. So far, the relaxation in policy has not been enough to boost the market. It is private property developers in particular which are facing the most funding pressure, whereas the more conservatively financed state owned enterprises (SOEs) developers have been more active in acquiring land.

The government's issue is that if it eases policy by too much, China is likely to simply face the same boom-bust cycle it has seen over the past two decades. The problem is the risks of this cycle are greater today than they were in the past, given the higher level of debt within the Chinese economy. In 2010, China's total debt/GDP ratio was already high at 200% - in 2022, it had reached 360%. This was split into 224% corporate debt, 62% household, 50% government and 24% bank. China's corporate debt is too high and policymakers are reluctant to increase this further, given the rising interest burden this would create.

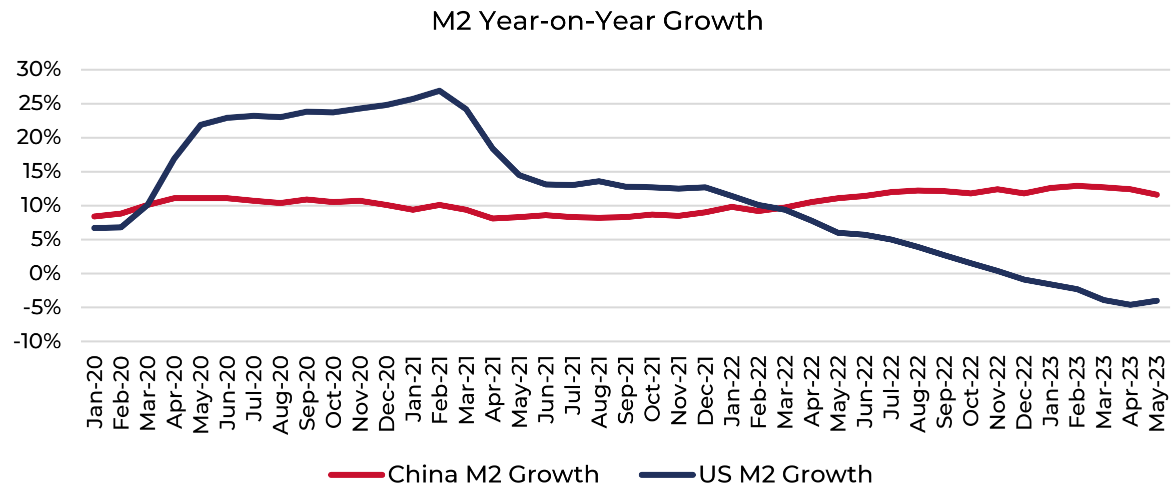


(Data from 12/31/04 to 12/31/22, source: Bloomberg, Guinness Atkinson calculations)

To stimulate growth in both the wider economy as well as the property market, the People's Bank of China recently cut short-term and medium-term interest rates by 0.1%. China has some room to cut rates given that high inflation is not a concern. Consumer price inflation was 0.2% in May compared to 4.0% in the US and 8.7% in the UK. Undoubtedly the lockdowns last year and China's muted rebound explain part of the low CPI in China, but we argue that because China stuck to conventional monetary policy during COVID, China is not facing high inflation today. Below we show the evolution of the M2 money supply in both China and the US from 2020 onwards. China's money supply remained broadly stable but on the other hand, the US significantly eased monetary policy leading to a surge in money supply. In our opinion, this surge is one of the main causes of high inflation in the western world today.

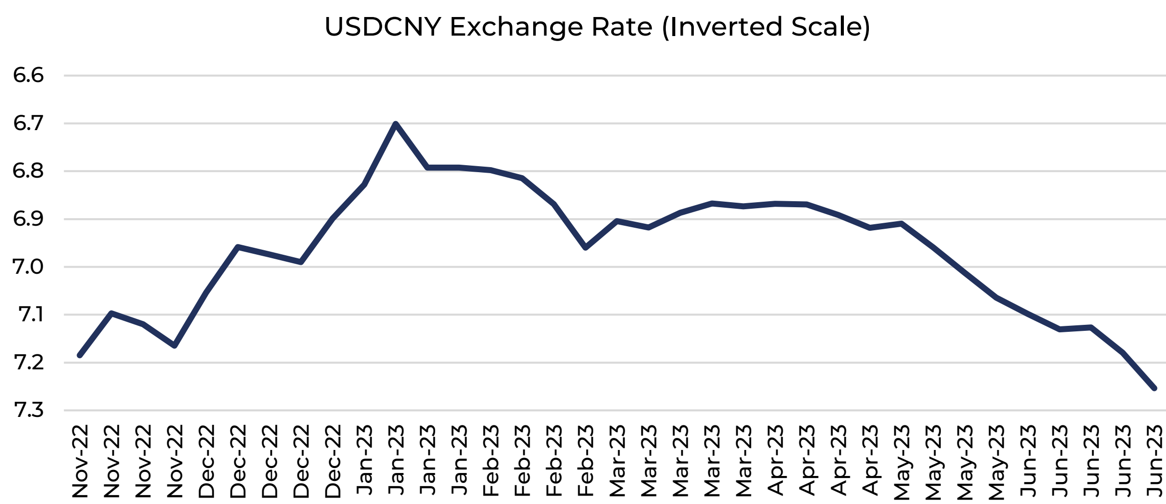


(Data from 12/31/21 to 05/31/23, source: Bloomberg, Guinness Atkinson calculations)



(Data from 12/31/19 to 05/31/23, source: Bloomberg, Guinness Atkinson calculations)

Another constraint China is facing is the effect of interest rate cuts on the renminbi. After the renminbi strengthened against the dollar post-reopening, it has since weakened by 7.6% from the peak in January. We expect interest rates to further fall in China and to further rise in the US, which would increase the interest rate differential between the two countries, likely leading to a weaker Renminbi when measured against the dollar. As we have seen in the past, a weaker renminbi tends to lead to rising capital outflows in China.

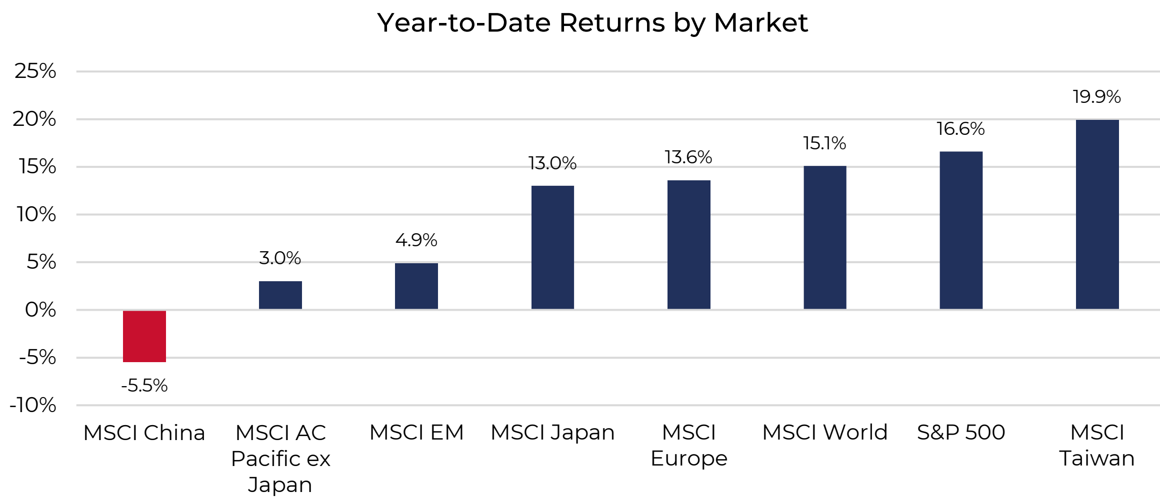


(Data from 11/04/22 to 06/30/23, source: Bloomberg, Guinness Atkinson calculations)

The People's Bank of China recently cut short-term and medium-term interest rates by 0.1%. While the magnitude of the cuts was small, it did mark the first set of cuts in nearly a year which was an important policy signal. A report from Bloomberg suggests that officials have been meeting economists and business leaders to debate the optimum stimulus measures. We do not think broad based interest rate cuts are likely to solve the problem. We believe further support for the property market is needed to boost overall economic growth as property and its related sectors likely account for 20% of GDP. We think targeted support is required where funding conditions are eased for high quality, private property developers. Lower quality developers should be split into good and bad assets, with the good assets acquired by state owned developers and the bad assets acquired by specialist asset management companies.

Market Commentary

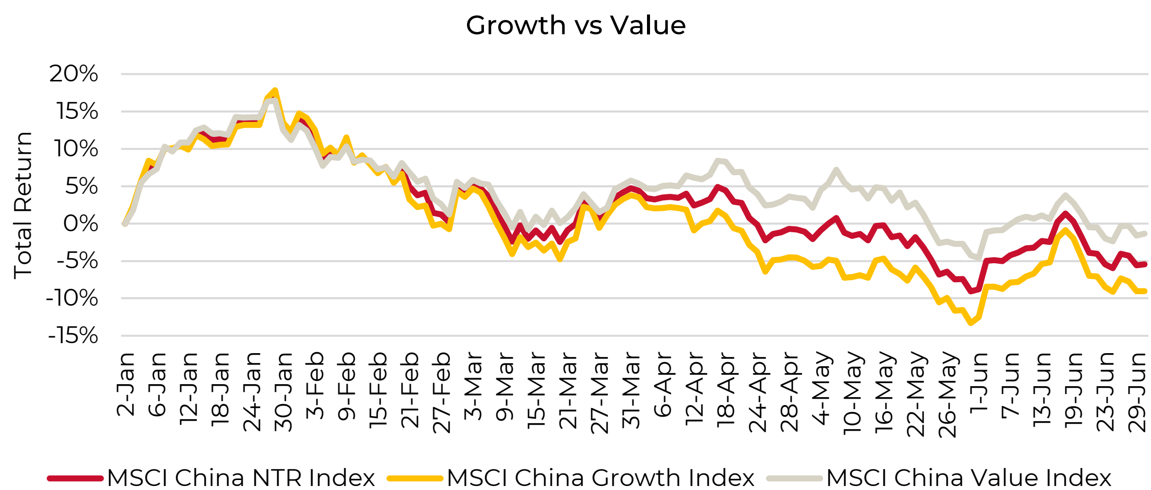
(Performance data in the section in USD terms unless otherwise stated)



(Data from 12/31/22 to 06/30/23, returns in USD, source: Bloomberg, Guinness Atkinson calculations
Past performance cannot predict future results.)

Year-to-date, the MSCI China Index has fallen by 5.5% in USD, which compares to the MSCI World Index which has risen by 15.1%. Following strong performance at the end of last year when China started dropping its zero COVID policy, Chinese markets continued to rally in January. The rally, which was led by growth stocks, peaked at the end of the month. However, from this point on, Chinese markets broadly fell as the macro data generally came in weaker than expected. Year-to-date value stocks have outperformed, with the MSCI China Value index falling by 1.4% in USD. Meanwhile the corresponding growth index has fallen by 9.0%. As a reminder, the Fund targets quality, profitable companies which give exposure to the structural growth themes in China.

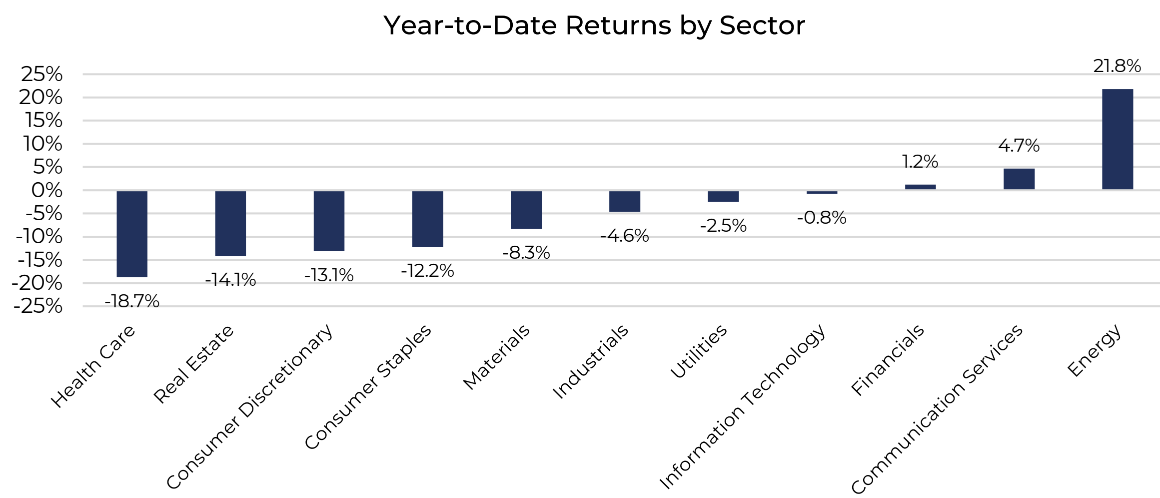
One of the main reasons behind the outperformance of value is the enthusiasm over reforms to state owned enterprises (SOEs). The latest set of reforms aim to improve the SOEs' operating efficiency and corporate governance, in order to improve their valuations. The reforms also aim to task the SOEs with helping China's broader development goals, such as adopting newer technologies to increase China's self-sufficiency in technology.



(Data from 12/31/22 to 06/30/23, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

The best performing sectors were Energy, Communication Services and Financials. Energy, telecom and bank SOEs were boosted by enthusiasm over SOE reforms. Information Technology performance was driven by companies with exposure to generative artificial intelligence and greater localisation of digital infrastructure.

The weakest performing sectors were Health Care, Real Estate and Consumer Discretionary. Health Care was driven by biotech names, with a common theme being tighter funding costs restraining growth. Real Estate performance was driven by the sluggish property market and the lack of stimulus. Consumer Discretionary performance was driven by expectations of lower margins for the e-commerce companies who have been subsidising consumer's purchases.



(Data from 12/31/22 to 06/30/23, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Fund Commentary

Leaders

Netease is one of China's largest video game developers. Companies in the industry have been receiving approvals for new games which should drive additional earnings growth going forward. Recent launches of titles *Justice Mobile* and *Race Master* have been a success. Netease has also set up overseas studios which should drive earnings growth in the medium term.

We think Baidu is one of China's most advanced AI companies, given its more than 10 years of investment into the area. The company operates, what is by far, China's largest search engine so has a large data set to train its models with. It also has the necessary scale required to buy the more expensive chips required as well as the know how to navigate China's regulatory landscape. Baidu runs China's, and one of the world's, largest autonomous vehicle companies called *Apollo*.

Shenzhen H&T Intelligent makes controllers for household appliances and power tools, which are chips that process the input from the user into an output of the product. Customers include well known foreign brands such as Electrolux, Whirlpool and Siemens as well as domestic brands such as Hisense, Haier and Supor.

Nari Technology is a manufacturer of dispatching hardware and software for China's electricity grid. Their equipment allows the grid to monitor real time information. As China continues to invest in renewable energy, the extra capacity needs to be connected to the grid, which bodes well for Nari. The company also manufactures ultra high voltage lines which are able to transport electricity over long distances with less energy loss than conventional lines.

Laggards

JD.com is one of China's largest e-commerce companies. The market has been concerned over the impact of subsidies on margins of e-commerce companies. JD.com is spending at least CNY 10 billion (around USD 1.5 billion) on subsidies to fund price cuts, to allow JD to better compete with competitors such as Pinduoduo. In the recent 618 shopping festival, JD.com's Gross Merchandise Value (GMV) reached a record high. The company is now targeting untapped users in smaller towns and rural areas, selling more high margin self-developed products, and growing the international business. We continue to hold JD.com as it is one of the few well-run businesses which give exposure to ecommerce.

Hangzhou First Applied Material is the world's largest manufacturer of solar film, which is used to protect solar modules. Due to rising demand for solar energy, volume growth is strong, with the company aiming to increase its shipments by 50% in 2023. However, input costs are rising which has led to earnings downgrades this year. Last year earnings per share (EPS) fell by 29%. Based on consensus analyst estimates, EPS is still expected to increase by 91% in 2023 and 25% in 2024.

China Merchants Bank's (CMB) first quarter results were slightly weaker than expected, as fees from the wealth management segment were soft from lower trading volumes. The non-performing loan (NPL) ratio for property rose from 3.99% last year to 4.55%, but the business has reduced its developer loan book by CNY 27 billion to CNY 737 billion. Overall we had no major issues with the set of results and we note CMB's attractive valuation, with a trailing price/book ratio of 0.89x which is one of the lower levels seen in the past decade. On a trailing basis, the stock is offering a dividend yield of 5.7%.

Sino Biopharmaceutical (SBP) and China Medical System (CMS) are two pharmaceutical companies in the process of shifting away from generic drugs to self-developed innovative drugs. Price cuts for existing generic products are likely to put downward pressure on sales in this segment, while pricing remains attractive for innovative/self-developed drugs. SBP is expecting high single digit revenue growth in 2023 given a slow first quarter, where the COVID-19 surge meant fewer patients in hospitals for regular treatments. The company is expecting greater contribution from new products and highlighted its work in targeting NASH (non-alcoholic steatohepatitis) and obesity. Unlike SBP which is focusing more on developing drugs itself, CMS is acquiring products after proof of concept. It is looking for drugs with differentiation, a large addressable market and most importantly, a high expected return on investment. Year-to-date, CMS has received approval for three innovative drugs which are expected to start contributing to revenue in 2024. On our recent trip to China, we met representatives with the company. CMS's disclosure is relatively good and so the main suggestion was to do with capital management. Like many companies listed in Hong Kong, CMS asks shareholders for the right to issue shares without pre-emptive rights up to a limit of 20% of the issued share capital. We feel 20% is excessive and can encourage undisciplined capital raising. CMS was open to lowering the limit, where we said 10% was a more reasonable limit.

Portfolio Switches

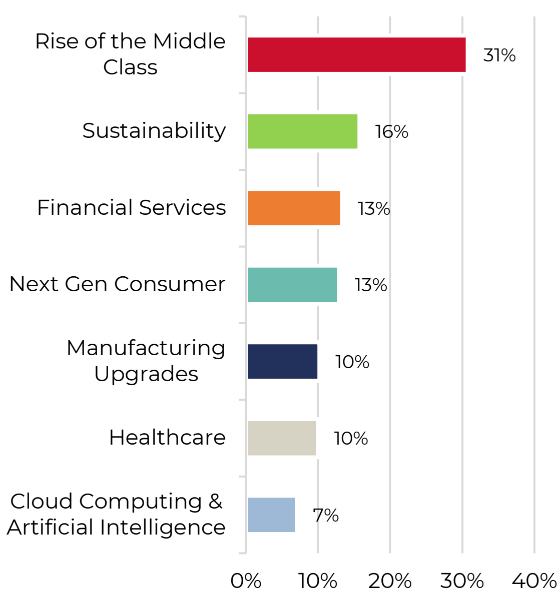
In the first quarter we bought TravelSky, which provides services used for flight bookings such as ticket pricing, reservation and inventory systems and airport passenger processing. It also operates a centralized settlement service between airlines and travel agents. Now that China has moved on from its zero-COVID policy, we are expecting a large rebound in both outbound and inbound tourism, which is likely to bode well for TravelSky.

We sold Shengyi Technology which makes copper clad laminates (CCLs) for printed circuit boards (PCBs). Given weaker global demand for consumer technology, the earnings outlook for the business had deteriorated. On a total return basis, the prospects for TravelSky were more attractive.

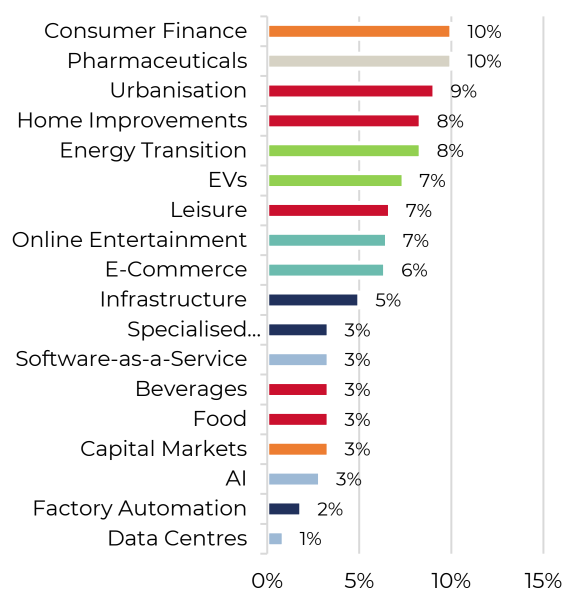
Portfolio Positioning

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

By Theme

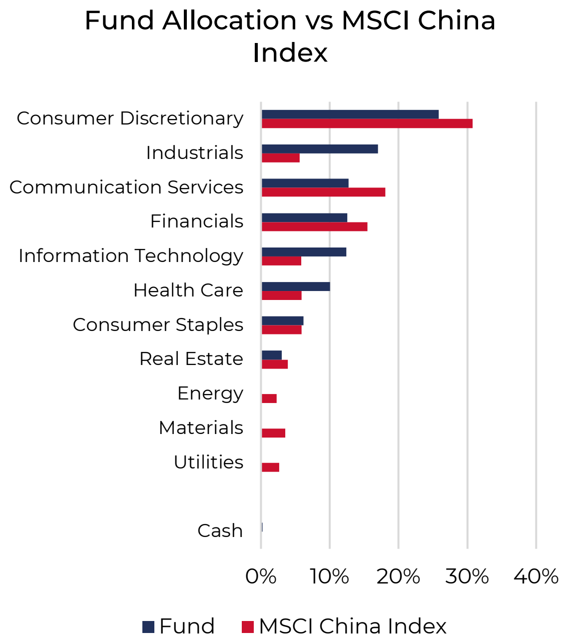


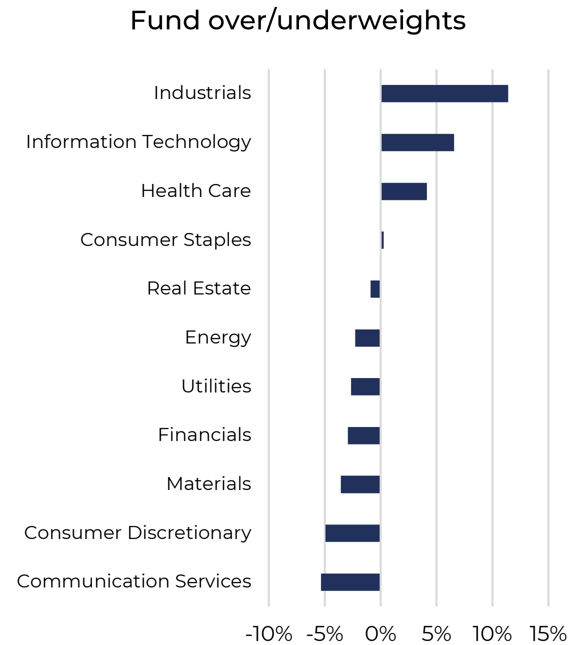
By Subtheme



(Data as of 06/30/23, source: Guinness Atkinson calculations)

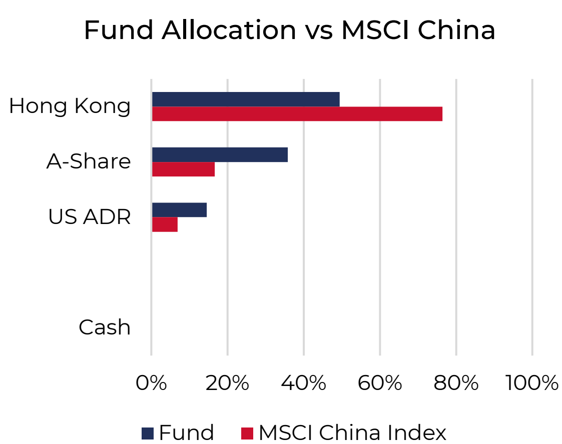
On a sector basis, the Fund's largest exposures are to Consumer Discretionary and Industrials. The Fund has no exposure to Utilities, Energy or Materials. Relative to the MSCI China Index, the Fund is overweight in Industrials and Information Technology. The Fund is underweight in Communication Services and Consumer Discretionary. As the Fund is equally weighted, each position has a neutral weight of ~3.2%. In the MSCI China Index, Tencent (Communication Services) and Alibaba (Consumer Discretionary) have weights of 12.2% and 9.4% respectively. Therefore, the Fund is structurally underweight in these two stocks, partly explaining the underweight to the Communication Services and Consumer Discretionary sectors.

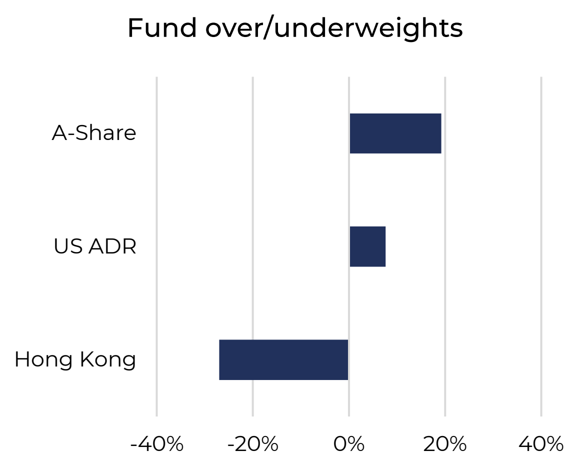




(Data as of 06/30/23. Source: Bloomberg, MSCI, Guinness Atkinson calculations)

On a listing basis, the Fund has 49% exposure to stocks listed in Hong Kong, 36% exposure to the A share market and a 15% allocation to Chinese companies trading as American Depositary Receipts (Alibaba, JD.com, Netease and Baidu).

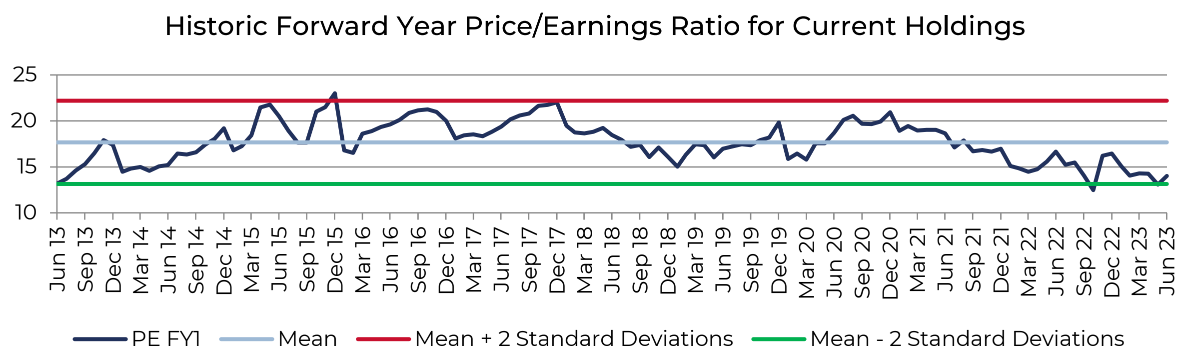




(Data as of 06/30/23. Source: Bloomberg, MSCI, Guinness Atkinson calculations)

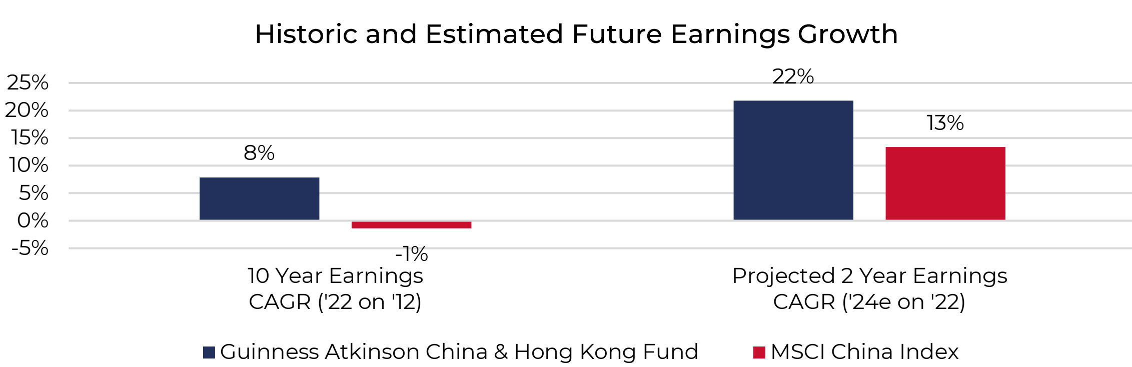
Outlook

We argue now is an excellent time to be allocating to the high quality, compounder stocks we offer in the Fund. Investors, both Chinese and foreign, are bearish over the prospects over the Chinese economy and this is reflected in very attractive valuations. The portfolio is trading on a forward year price/earnings ratio of 14.2x, which is one of the lowest valuations the current set of holdings has traded at over the past decade.



(Data as of 06/30/23, source: Bloomberg, Guinness Atkinson calculations)

But valuations are only one component of shareholder returns. In the long-term, it is earnings growth which drives the bulk of returns. Here, we think our focus on high quality, profitable stocks which give exposure to China's structural growth themes, serves us well in finding earnings compounders. Over the past decade, the Fund's holdings have in aggregate grown earnings per share by 8% a year (in USD). This is higher than the -1% a year growth offered by the MSCI China Index. Based on consensus analyst estimates, the Fund's holdings are in aggregate expected to grow earnings by 22% a year over the next two years, again higher than the MSCI China Index which is expected to grow by 13% a year. To put these figures into context, the S&P 500 Index is expected to see earnings growth of only 4% a year over the same period. The current weakness in the Chinese economy has not, in our view, changed the competitive advantages our holdings have held over the past decade.



(Data as of 06/30/2023. Source: Bloomberg, Guinness calculations. Data in USD. Data for the Fund assumes an equally weighted portfolio of the current holdings. Data for the Fund is a simulation based on actual historic data for the Fund's current holdings)

Edmund Harriss (portfolio manager)

Sharukh Malik (portfolio manager)

Performance

As of 06/30/2023	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	-5.80%	-19.14%	-5.34%	-3.87%	2.80%
Hang Seng Composite Index TR	-3.71%	-11.54%	-4.99%	-3.68%	2.99%
MSCI China Net Total Return Index	-5.46%	-16.82%	-10.26%	-5.27%	3.04%

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

Expense Ratio: 1.71%

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 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.

The compound annual growth rate (CAGR) is the rate of return (RoR) that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's life span.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas. Average price data for select utility, automotive fuel, and food items are also available.

USD/CNY is the abbreviation for the US Dollar and Chinese Yuan pair. It shows how much the USD (base currency) is worth as measured against the CNY (counter currency).

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 National Bureau of Statistics (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 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, Middle East, Africa and Latin America.

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 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.

The MSCI Taiwan Index is designed to measure the performance of the large and mid cap segments of the Taiwan market. With90 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Taiwan.

American depositary receipt (ADR) refers to a negotiable certificate issued by a U.S. depositary bank representing a specified number of shares—usually one share—of a foreign company's stock. The ADR trades on U.S. stock markets as any domestic shares would.

Many investors use the price-to-book ratio (P/B ratio) to compare a firm's market capitalization to its book value and locate undervalued companies. This ratio is calculated by dividing the company's current stock price per share by its book value per share (BVPS).

The dividend yield, expressed as a percentage, is a financial ratio (dividend/price) that shows how much a company pays out in dividends each year relative to its stock price.

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

M2 is the U.S. Federal Reserve's estimate of the total money supply including all of the cash people have on hand plus all of the money deposited in checking accounts, savings accounts, and other short-term saving vehicles such as certificates of deposit (CDs). Retirement account balances and time deposits above $100,000 are omitted from M2.

USDCNY exchange rate refers to how many Renminbi one US dollar is worth.

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.

Dividends are not guaranteed and may fluctuate. Earnings growth and Income growth are not a measure of future performance.

Top Fund Holdings as of 6/30/2023:

1.	NetEase Inc	5.11%
2.	China Medical System Holdings Ltd	4.35%
3.	Baidu Inc	4.13%

4.	Shenzhen Inovance Technology Co Ltd	3.93%
5.	NARI Technology Co Ltd	3.82%
6.	Zhejiang Supor Cookware - A Shares	3.51%
7.	Tencent Holdings Ltd	3.50%
8.	Venustech Group Inc	3.40%
9.	Weichai Power Co Ltd - H Shares	3.40%
10.	AIA Group Ltd	3.35%

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

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