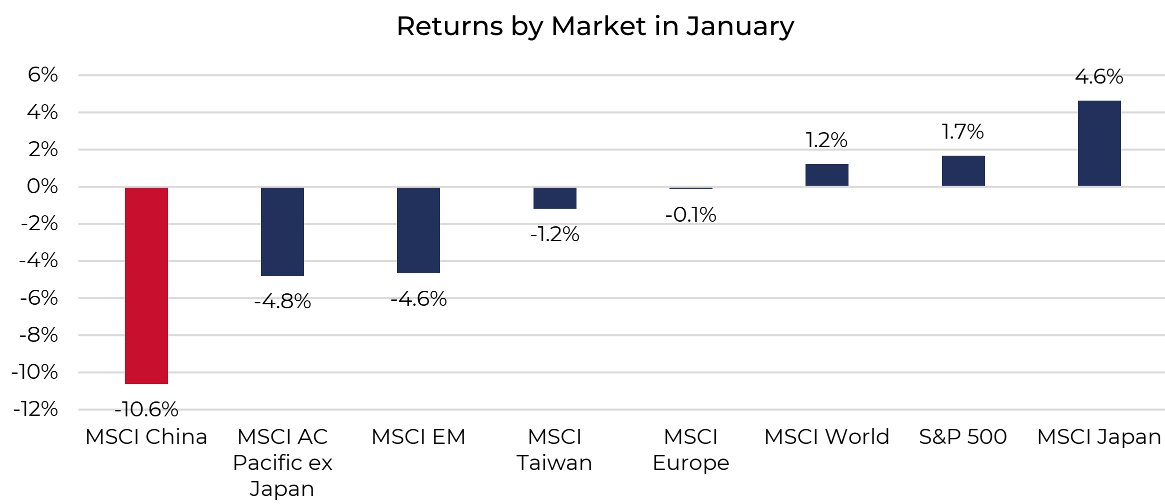
Summary View

- Based on analysts' consensus estimates, the Fund is trading on a price to earnings ratio of 10.0x on 2024 earnings and 8.7x on 2025 earnings. The current set of holdings is trading at more than two standard deviations below their 15-year average.
- Over the past 10 years, our holdings have in aggregate grown earnings by 8% a year. Based on consensus analyst estimates, the Fund is expected to grow earnings by 21% in 2023, 17% in 2024 and 15% in 2025. At current valuations, we believe the Fund represents outstanding value to investors for the growth we believe to be on offer.

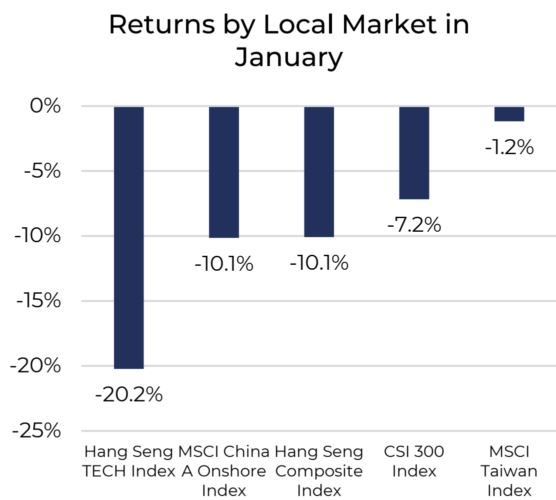
Market Commentary

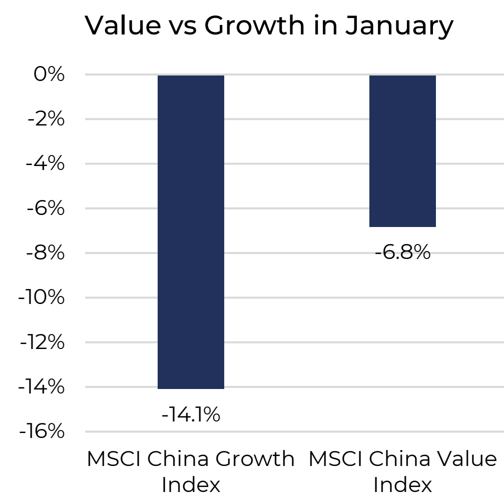
(Performance data in the section in USD terms unless otherwise stated)



(Data from 12/31/24 to 01/31/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

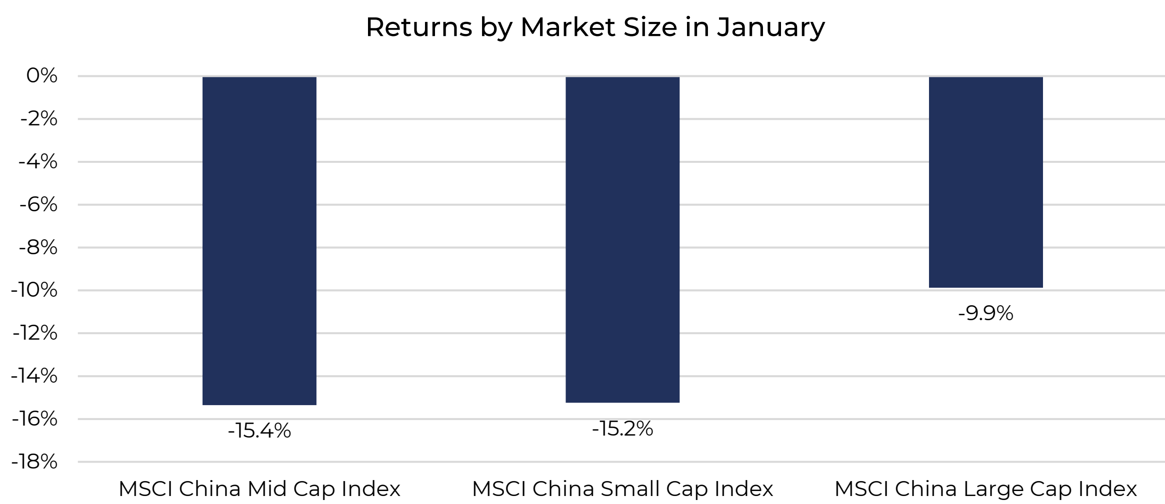
In January, the MSCI China Index fell by 10.6% compared to the MSCI World Index which rose by 1.2%. Macro data for December came in mixed. Industrial production grew by 6.8% in December while nominal retail sales grew by 7.4%, though this was a deceleration compared to the previous month. But property data remained weak. Sales, as measured by floor space and value, fell by 13% and 17% respectively in December despite continued support for the property market. Consumer prices remain in deflationary territory, driven by producer price deflation and China's ongoing deleveraging in the property sector. Despite the macroeconomic data, no significant government stimulus was announced and so Chinese markets sold off, particularly in parts of the A share market.





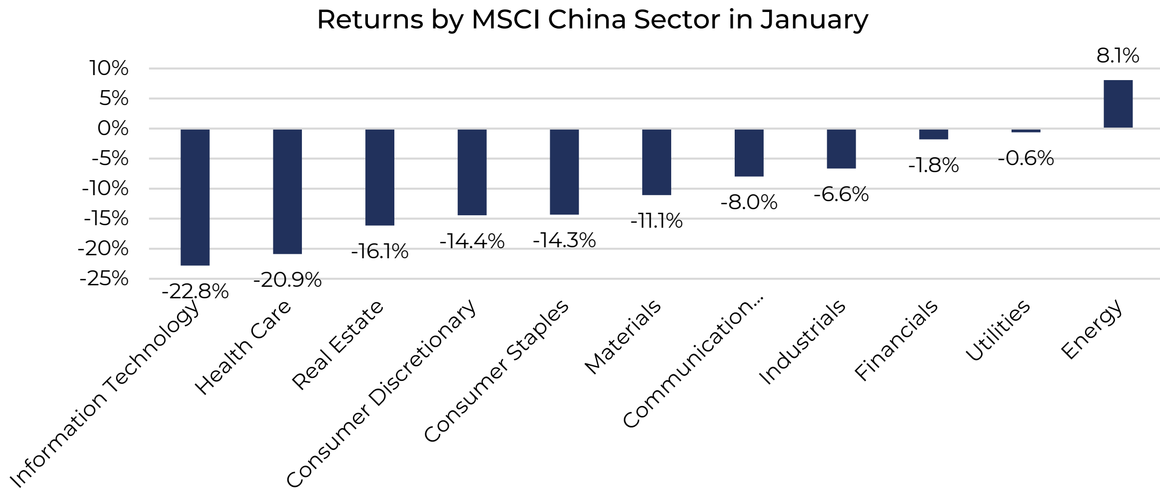
(Data from 12/31/24 to 01/31/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Offshore and onshore stocks performed similarly in January, as both the Hang Seng Composite Index and MSCI China A Onshore Index fell by 10.1%. Value stocks, as measured by the MSCI China Value Index, fell by 6.8% in January compared to the 14.1% decline for the growth index. Generally, investors looked to move to more defensive areas of the market.



(Data from 12/31/24 to 01/31/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Small and mid-cap stocks led the weakness in China, with the MSCI China Mid Cap Index falling 15.4% and the MSCI China Small Cap Index falling 15.2%. Large caps, as measured by the MSCI China Large Cap Index, fell by 9.9%. Large caps benefited from the National Team (state owned funds) buying ETFs tracking the CSI 300 Index, which tracks the 300 largest China A Shares. Retail investors followed the National Team, and so sold small and mid caps stocks and rotated into large cap stocks.

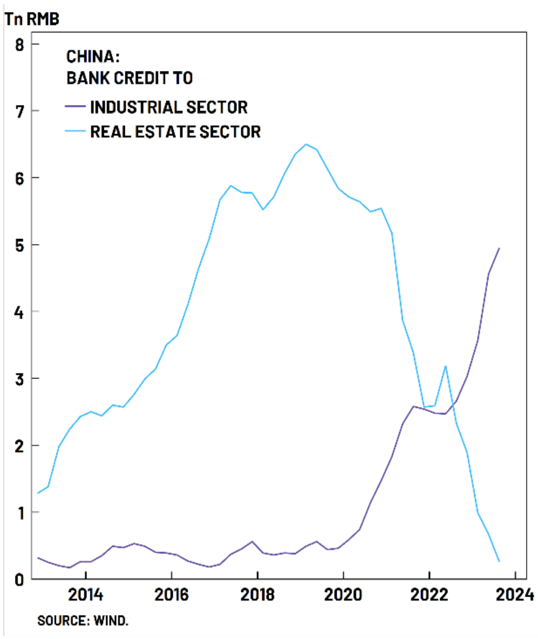


(Data from 12/31/24 to 01/31/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

In January, the best performing sectors in the MSCI China Index were Energy (total return +8.1%), Utilities (-0.6%) and Financials (-1.8%). In a risk-off environment, value and/or defensive stocks in the three sectors outperformed. The weakest sectors were Information Technology (total return -22.8%), Health Care (-20.9%) and Real Estate (-16.1%). In Information Technology, weaker stocks were Xiaomi, Lenovo Group and Sunny Optical. In Healthcare, a bill by a congressional committee in the US aimed to restrict US groups genetic information to certain Chinese biotech companies, leading to weakness for Wuxi Biologics, Innovent Biologics and Beigine. Real Estate names were weak as volume of property sold continues to fall, along with prices.

Outlook

We argue that the government has, for the past few years, been intentionally deleveraging the property sector. There are multiple reasons behind this. The first reason was the accumulation of debt, particularly amongst private property developers which has for some time presented itself as a source of systematic risk. Since 2021, the government has been clamping down on the use of the aggressive debt funded growth in the property sector, leading to Evergrande and other private property developers' business models failing.



(Source – BCA Research)

The second reason behind the intentional deleveraging push in the property market is driven by China's long-term economic plan. Ultimately, for China to become rich on a per-capita basis, capital needs to be diverted away from property and towards the new pillar industries. Real estate accounts for at least ~20% of China's gross domestic product (GDP) and 23% of its capital investment. China's GDP per capita is currently ~$12,500 per person and to take it to the level of countries such as Korea and Japan, with GDP per capita of ~$35,000 and $39,000 respectively, real estate is not the answer. The answer is also unlikely to be found in other industries that foreign investors have historically been attracted to in China, such as video games (Tencent) and e-commerce (Alibaba). For China to become a wealthy nation, the new pillar industries are going to need capital to grow. These industries include (but are not limited to) the EV supply chain, industrial automation, semiconductor manufacturing and research into pharmaceutical development and healthcare equipment. We can see in the chart that while lending to the real estate sector has plummeted, at the same time lending to the industrial sector, which contains many of these pillar industries, has increased significantly.

China's current problem is that while in the long-term the deleveraging of the property sector is positive, in the short-term, because of its large contribution to GDP, the declining real estate market is creating a drag on growth. Meanwhile while the new pillar industries are growing, they are still relatively small in size and are certainly not large enough to offset the weakness in real estate.

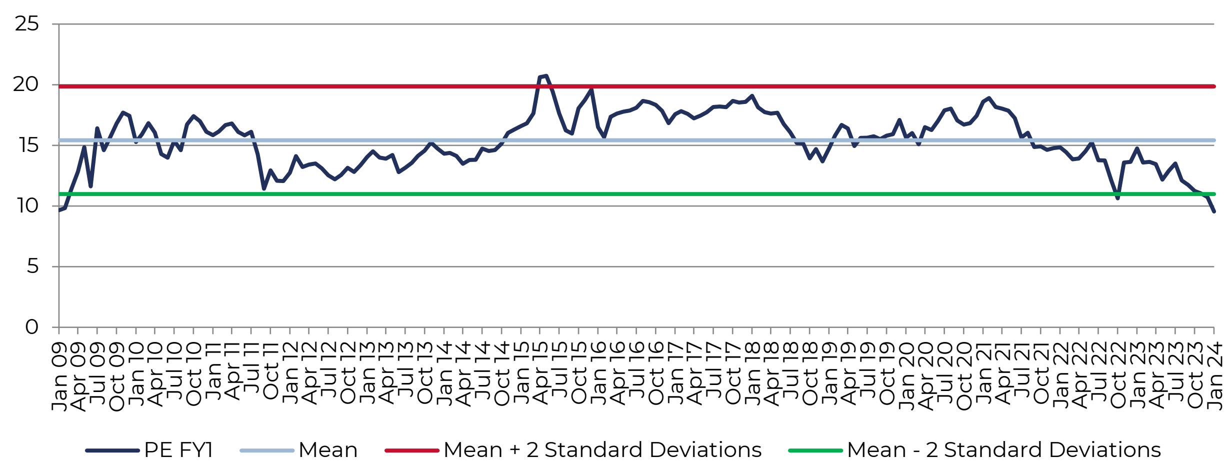
So at what point could the new pillar industries become large enough to offset the weakness in property? Goldman Sachs looked specifically at EVs, batteries, wind and solar power generation as their proxy for the pillar industries. In their scenario, by 2028 the new pillar industries may become large enough to offset the weakness in property, assuming property continues to decline. Of course, their work only looks into three specific industries and ignores China's other pillar industries, so using similar logic we believe that well before 2028, China's pillar industries are likely to become large enough to offset the falling real estate market.

However, this point is still a few years away. Until then, government stimulus is needed to help the economy navigate the ongoing economic transition. In our previous update, we said we could see the government cutting interest rates and lowering the required reserve ratio (RRR). This had already commenced in January, with the RRR cut by 0.5 percentage points and relending and rediscount rates for the rural sector and small and medium enterprises (SMES) cut by 0.25 percentage points.

We remain of the view, however, that fiscal stimulus is likelier a more effective tool than monetary policy but even here there are constraints. Some local governments have high levels of debt and are facing issues servicing debt given their revenue shortfalls. Income from land sales makes up ~50% of local government revenue and since land sales are weak, local government revenues are under significant strain. The central government will have to bear the brunt of fiscal easing. Here, we see signs the government may agree. In October, the government increased the official fiscal deficit from 3.0% to 3.8% of GDP, allowing it to issue RMB 1 trn in central government bonds, the proceeds of which will be spent on infrastructure in areas with recent natural disasters. With more government spending, which can come in various forms, the stimulus can better offset the weakness from property.

From an investment perspective, China continues to become cheaper. The Fund's holdings in aggregate are trading at a forward price/earnings ratio of 9.5x which is now more than two standard deviations below the holdings' 15-year average. A good strategy paper from Goldman Sachs looked at the historic performance of the MSCI China Index when it has been at depressed levels, i.e. when its forward price earnings ratio was below 10.0x. Their analysis showed that historically, on average the index has returned 23% in the following 12 months at current valuations. However, the likelihood of positive returns is dependent on realized earnings growth. Their analysis found that when the MSCI China Index has been this cheap, if it grew earnings by more than 10% for the year, the annual return was always positive. Earnings growth is critical at current valuations for China. Here we point out the Fund's strong track record in this respect. Over the past decade, our holdings in aggregate have grown earnings by 8% a year. Meanwhile the MSCI China Index has seen earnings fall by 1% a year over the past decade, despite all of the economic growth in China. We argue a passive approach is not the best way to get exposure to high quality, compounding companies in China. Based on consensus analyst estimates, the Fund's holdings in aggregate are expected to grow earnings by 21% in 2023, 17% in 2024 and 15% in 2025. At current valuations, we believe this represents outstanding value to investors for the growth on offer.

Historic Forward Year Price/Earnings Ratio for Current Holdings



(Data from 12/31/08 to 01/31/24, source: Bloomberg, Guinness Atkinson calculations. Calculations assume an equally weighted portfolio)

Edmund Harriss (portfolio manager)

Sharukh Malik (portfolio manager)

Performance

Areas which helped the Fund's performance in January were:

- Good performance from China Merchants Bank (total return +4.9%), Netease (+4.8%) and Inner Mongolia Yili (+0.3%).
- Stock selection in Consumer Discretionary, driven by not holding names such as Meituan (total return -23.7%), Pinduoduo (-13.3%), Li Auto (-28.0%), BYD (-18.8%), Nio (-38.0%) and Xpeng (-43.0%).
- Underweight to Tencent (total return -7.9%) and Alibaba (-8.1%). The Fund is run on an equally weighted basis and so each stock has a neutral weight of ~3.2%. Therefore the Fund captures less of these two stocks' decline.
- Underweight to Materials (total return -11.4%) where the Fund has no exposure.

Areas which detracted from the Fund's relative performance were:

- Travelsky supplies data for China's aviation industry and processes nearly all passenger flights in the country. One segment of the business, System Integration, is involved with installing equipment and software to airports and airlines. The segment saw a significant drop in revenue in the second half of 2023 whereas in the last set of interim results, management guided for positive growth. It seems slower progress on certain projects as well as payment delays led to the miss. Additionally, across the business higher labor costs led to a rise in expenses, overall leading to a large earnings miss. The stock sold off 25% on the profit alert. Our view is that the System Integration segment, due to being project based, can have a more volatile growth profile than the core business. It may turn out that the segment rebounds in the future once the delayed projects are completed. Travelsky remains one of the cheapest quality stocks which give exposure to China's rebound in travel, both in the short and long-term. Therefore, we decided to top up on the position following the sell off.
- Stock selection in Industrials, driven by Wuxi Lead Intelligent Equipment (total return -23.2%), Inovance (-12.2%), Nari Technology (-6.8%) and Sany Heavy Industry (-6.0%).
- Weaker stocks in Information Technology were Venustech (-32.1%), Shenzhen H&T Intelligent (-29.3%) and Xinyi Solar (-21.6%).
- Overweight to Healthcare (sector total return -20.8%), with weakness from CSPC Pharmaceutical (-21.0%), China Medical System (-19.2%) and Sino Biopharmaceutical (-19.1%).

As of 01/31/2024	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	-12.12%	-32.72%	-20.98%	-6.32%	-0.57%
Hang Seng Composite Index TR	-10.09%	-26.84%	-17.71%	-6.17%	0.32%
MSCI China Net Total Return Index	-10.61%	-28.99%	-23.23%	-6.93%	0.42%

As of 12/31/2023	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	-14.51%	-14.51%	-15.25%	-1.94%	0.04%
Hang Seng Composite Index TR	-10.69%	-10.69%	-13.31%	-2.72%	0.79%
MSCI China Net Total Return Index	-11.20%	-11.20%	-18.46%	-2.80%	0.85%

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.

P/E ratio is a current stock price over its earnings per share. The forward P/E ratio is a current stock's price over its "predicted" earnings per share. If the forward P/E ratio is higher than the current P/E ratio, it indicates decreased expected earnings.

Standard deviation is a statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance. If the data points are further from the mean, there is a higher deviation within the data set. A volatile stock has a high standard deviation, while the deviation of a stable blue-chip stock is usually rather low.

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 Basel Accords are a series of three sequential banking regulation agreements (Basel I, II, and III) set by the Basel Committee on Bank Supervision (BCBS). Basel III is an international regulatory accord that introduced a set of reforms designed to mitigate risk within the international banking sector by requiring banks to maintain certain leverage ratios and keep certain levels of reserve capital on hand. Basel III is an internationally agreed set of measures developed in response to the financial crisis of 2007-2009.

A nonperforming loan (NPL) is a loan that is in default due to the fact that the borrower has not made the scheduled payments for a specified period.

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 Hang Seng Composite Index ("HSCI") offers a comprehensive Hong Kong market benchmark that covers about the top 95th percentile of the total market capitalisation of companies listed on the Main Board of the Stock Exchange of Hong Kong ("SEHK").

Hang Seng TECH Index represents the 30 largest technology companies listed in Hong Kong that have high business exposure to technology themes and pass the index's screening criteria.

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.

The MSCI China Mid Cap Index is designed to measure the performance of the mid cap segments of the Chinese markets. With 431 constituents, the index covers approximately 15% of the free float-adjusted market capitalization in China.

The MSCI China Small Cap Index is designed to measure the performance of the small cap segment of the China market. With 226 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the China equity universe.

The MSCI China Large Cap Index captures large cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). With 334 constituents, the index covers about 85% of this China equity universe.

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Privately owned enterprise (POE) is a business that is managed by an independent company or private individual — rather than the Chinese Government or the host country government. While these companies may issue stock and have shareholders, their shares are not listed on public exchanges.

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.

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

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 1/31/2024:

1.	NetEase Inc	4.92%
2.	Weichai Power Co Ltd - H Shares	4.66%
3.	NARI Technology Co Ltd	4.14%
4.	Tencent Holdings Ltd	4.00%
5.	Inner Mongolia Yili - A Shares	3.97%
6.	China Medical System Holdings Ltd	3.89%
7.	Haier Smart Home Co Ltd	3.87%

8.	Sany Heavy Industry Co	3.68%
9.	Zhejiang Supor Cookware - A Shares	3.63%
10.	Baidu Inc	3.62%

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.