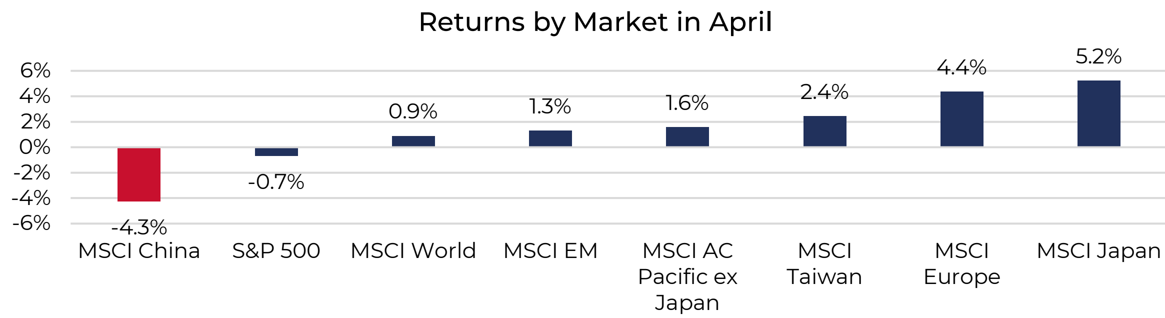
Guinness Atkinson
China & Hong Kong Fund
Managers' Update – Review of April 2025

Market Commentary



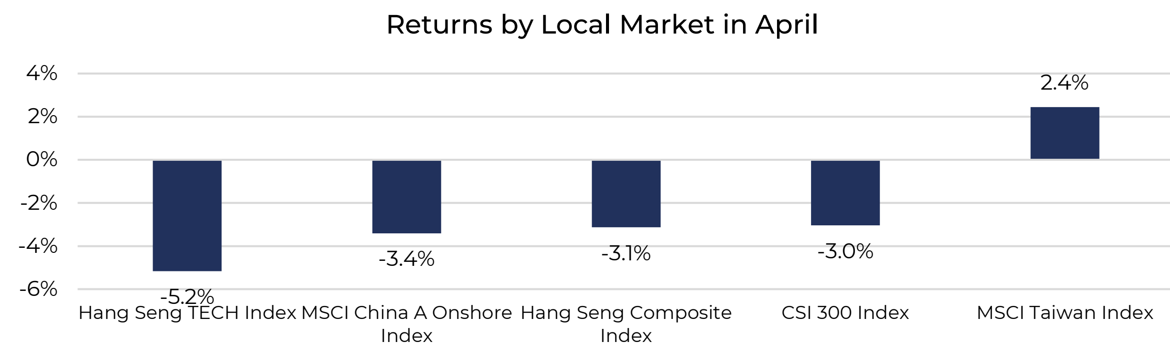
(Data from 03/31/25 to 04/30/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

In April, the MSCI China Index fell by 4.3% while the MSCI World Index rose by 0.9%. The first half of April was a shocking one for markets. On the 2nd of April, Donald Trump announced "Liberation Day" – a day when the US would impose "reciprocal" tariffs on countries across the world, escalated a tariff war with China that has effectively created a trade embargo between the two nations, and then on the 9th of April, the very day that higher rate tariffs kicked in, Trump temporarily postponed said tariffs, giving all countries (excluding China) a 90 day reprieve.

The baseline for these tariffs started at 10%, but many were faced with higher rates. Rather than looking for parity by matching existing tariffs from partnering countries, Trump's tariffs were calculated by looking at the trade deficit between these partnering countries and the US, effectively tying them to existing trade imbalances, and resulting in high tariffs for many emerging economies. Cambodia, for example, was hit a 49% tariff. What's more, higher rates were handed out regardless of political alliances with the EU receiving a 20% tariff, India a 26% tariff and China seeing an additional 34% increase on top of the pre-existing 20% given out earlier this year.

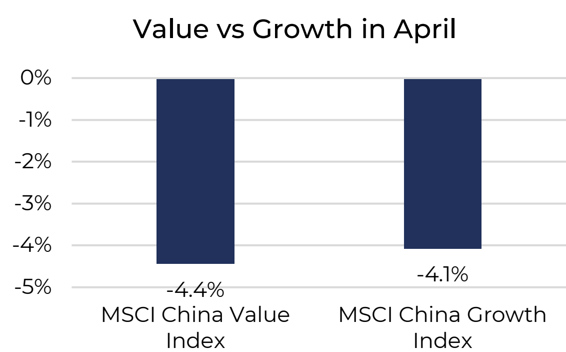
The increase of tariffs on China has led to a trade war between the two nations, which has continued to escalate, ultimately ending with China imposing 125% tariffs on US goods while the US imposed a total of 145% tariffs on Chinese goods. This, along with news that the EU had also approved their first round of retaliatory tariffs, led to steep sell-offs in the long end of the US Treasury market and in global equity markets. This market upset led to Trump announcing a temporary 90-day pause from higher tariffs for all countries except China.

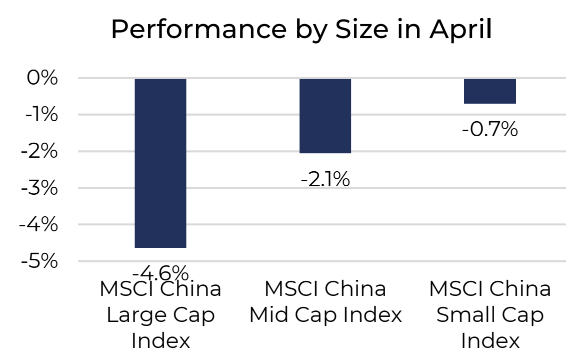
Since then, we have seen both the US and China quietly exempt selected goods from these higher tariffs. In the case of the US, exemptions were handed out to a number of consumer electronics products, including smartphones, laptops and memory chips. All in all, the exemptions are expected to be equivalent to 22% of US imports from China last year. The list of products that have been exempted cover an estimated 24% of Chinese imports from the US last year. China too is reported to have quietly given out exemptions to mitigate supply shocks. There does, however, seem to be some difference in how the two countries have approached tariffs, with China choosing to exempt select products rather than whole subindustries. For example, there are reports that exemptions on US ethane have been given to some plastics producers who are heavily reliant on it as a fuel source for operations. Similarly, in the chips industry, China has purportedly lifted tariffs on eight specific types of microchips on where domestic production remains insufficient.



(Data from 03/31/25 to 04/30/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

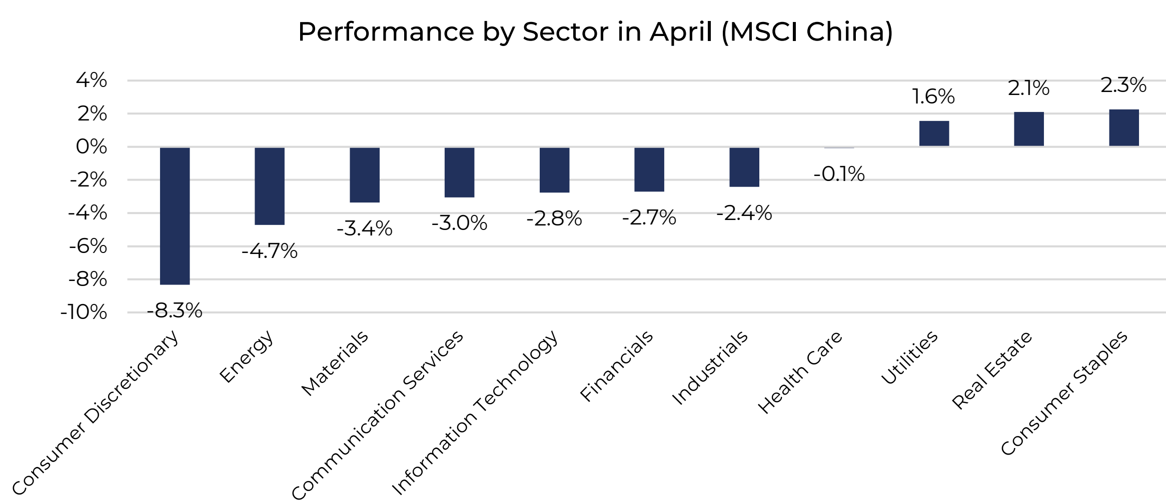
Offshore markets and onshore markets performed similarly, as the Hang Seng Composite Index fell by 3.1% while the MSCI China A Onshore Index fell by 3.4%.





(Data from 03/31/25 to 04/30/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Value and growth stocks performed similarly, falling ~4%. Large caps underperformed, falling 4.6% while the small and mid-cap indexes fell by 2.1% and 0.7% respectively.



(Data from 03/31/25 to 04/30/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

The best performing sectors were Consumer Staples (total return +2.3%), Real Estate (+2.1%) and Utilities (+1.6%). Investors looked for areas of relative safety and so Consumer Staples and Utilities outperformed, driven by names such as JD Health, Nongfu Spring and Giant Biogene. Consumer Staples was also boosted by rising expectations of easing domestic policy, to offset weaker exports to the US. Real Estate outperformed on hopes of further easing for the sector in response to higher tariffs from the US.

The weakest sectors were Consumer Discretionary (-8.3%), Energy (-4.7%) and Materials (-3.4%). In the Consumer Discretionary sector, weakness was led by Alibaba, Meituan, Pinduoduo and JD.com. JD.com's entrance into the food delivery business, which was dominated by Meituan and Alibaba (through Ele.me), led to weakness for the affected names.

Outlook

Once again, tariffs, trade conflict, and the resulting geopolitical tensions dominated much of the news flow and conversations with clients this month, with the China-US trade relationship front-and-center. Following the agreement reached in Geneva, both sides have agreed to lower tariffs and a 90-day pause, although there is clearly a tough path of negotiation ahead. It is worth taking a step back to consider the aims the US has in escalating the trade conflict, as well as the respective positions both the US and China find themselves in.

The US's aims are difficult to determine with confidence, but in our view, this has likely been part of the negotiation tactics. By creating a chaotic environment, counterparts are ultimately forced into negotiation. In China's case, the US claims to be seeking a more balanced trade arrangement, which would imply a return to purchase commitments being used as part of any agreement (as they were during the 'Phase One' trade agreement signed in early 2020). On Fentanyl, negotiations have also made clear that action on precursor chemicals might unlock a reduction in tariffs on China of up to 20%. Much has been made politically on the potential for US job creation, though the announcement of investment in domestic production and construction of facilities on US soil is likely to be the initial victories claimed by politicians.

The position the US finds itself in is not straightforward. The experience in markets in April suggests that a serious attempt to impose dramatically higher tariffs will likely harm the US consumer, including through the wealth effect (which is felt immediately as markets sell off). We have already seen supply-side disruption: this was delayed initially by advance purchases of inventory by those who could see higher tariff rates further down the line, but we have now begun to see sharp falls in shipments. The disruption that may follow could be reminiscent of the interruptions felt during COVID, though they are not expected to be as severe in magnitude.

The other constraint acting on the US is the sensitivity to inflationary pressure. While the impact of tariffs is yet to show up, the expectation is that it will affect inflation figures in the months to come. Clearly, after the experience of the past few years, policymakers must be reluctant to jeopardize the price stability recently achieved. Other constraints on the US's position include the weakness observed in the dollar (which ran counter to the expectation that tariffs would lead to dollar strength) and the challenging fiscal outlook faced by the US, both from a fiscal deficit perspective and also the challenge of ongoing debt issuance.

By contrast, we think that China has found itself in a relatively better position. China's response to the US has been robust, with counter-tariffs, and again with a focus on targeting some of the 'red state' areas where Trump's support is highest. To us, is a reflection of China observing that economic pain stemming from the tariffs has mostly threatened to fall on US consumers. The response appears to have worked, forcing a change in tack from the US. Nevertheless, early indications were that tariffs have had somewhat of a negative impact on China's economy.

China has, of course, been using economic stimulus over the past nine months, both with monetary easing and increased fiscal stimulus. Further, fiscal stimulus measures have been increasingly more focused and directed towards consumption within the economy. Given the chaotic environment experienced in April, it is not altogether surprising that policymakers have generally paused further stimulus efforts. However, in a more stable environment, stimulus could be used to further promote consumption and to address shortfalls in trade.

The overall effects of these events over the short term have had two main impacts. First, we think investors have started to question their view of US-primacy from an investment perspective and are starting to consider alternative regional exposure. Secondly, this has encouraged a reappraisal of the direction that China and Asia more broadly have been headed in. What is most interesting to us is that these short-term effects are starting to align with the longer-term perspective we have of regional development in Asia; for example, the effect of sustained investment in innovation and high-technology areas that is now starting to produce very visible results in China.

In the parts of the market that we invest in, our expectation is that the results of the business will ultimately be the dominant driver of returns. Provided we believe the underlying business performance will be sound, the turbulence we have seen in stock prices can therefore present opportunities. Our focus is on the cash-based return on capital a business generates; therefore, the business must be profitable, and management must allocate capital rationally. The requirement that companies have strong balance sheets generally makes them less dependent on capital markets (they do not have large debt burdens to refinance).

Edmund Harriss (portfolio manager)
Sharukh Malik (portfolio manager)

Performance

In April, relative to the MSCI China Index, areas which helped the Fund's performance were:

- A combination of the overweight to the Health Care sector and stock selection, driven by Sino Biopharmaceutical and CSPC Pharmaceutical.
- Stock selection in the Communications Services sector, driven by the underweight position in Tencent, and the allocation to Netease.
- Stock selection in the Consumer Discretionary Sector, driven by the underweight to Meituan and Pinduoduo (neither held) as well as Alibaba (held).

In April, areas which detracted from the Fund's relative performance were:

- Stock selection in the Industrials sector, driven by Hongfa Technology and Haitian International.

As of 04/30/2025	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	6.59%	9.21%	-4.53%	-3.21%	-0.86%
Hang Seng Composite Index TR	11.60%	30.92%	5.59%	2.56%	1.49%
MSCI China Net Total Return Index	10.11%	26.13%	10.77%	-3.19%	5.13%

As of 03/31/2025	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	10.36%	16.31%	-5.29%	-1.07%	0.77%
Hang Seng Composite Index TR	15.21%	44.99%	5.33%	4.41%	3.28%
MSCI China Net Total Return Index	15.02%	40.59%	3.53%	1.46%	2.51%

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

Expense Ratio: 1. 94%

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 MSCI China Small Cap Index is designed to measure the performance of the small cap segment of the China market. With 241 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the China equity universe.

The MSCI China Mid Cap Index is designed to measure the performance of the mid cap segments of the Chinese markets. With 397 constituents, the index covers approximately 15% of the free float-adjusted market capitalization in China.

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. American Depositary Receipts). With 305 constituents, the index covers about 85% of this China equity universe.

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.

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.

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.

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

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 4/30/2025:

1.	Tencent Holdings Ltd	4.43%
2.	Geely Automobile Holdings Ltd	4.07%
3.	Sino Biopharmaceutical Ltd	4.00%
4.	Shandong Himile Mechanical Science & Technology Ltd	3.97%
5.	Shenzhen Inovance Technology Co Ltd	3.69%
6.	Sany Heavy Industry Co	3.65%
7.	NetEase Inc	3.62%
8.	Weichai Power Co Ltd - H Shares	3.59%
9.	AIA Group Ltd	3.49%
10.	Midea Group Co Ltd	3.49%

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

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