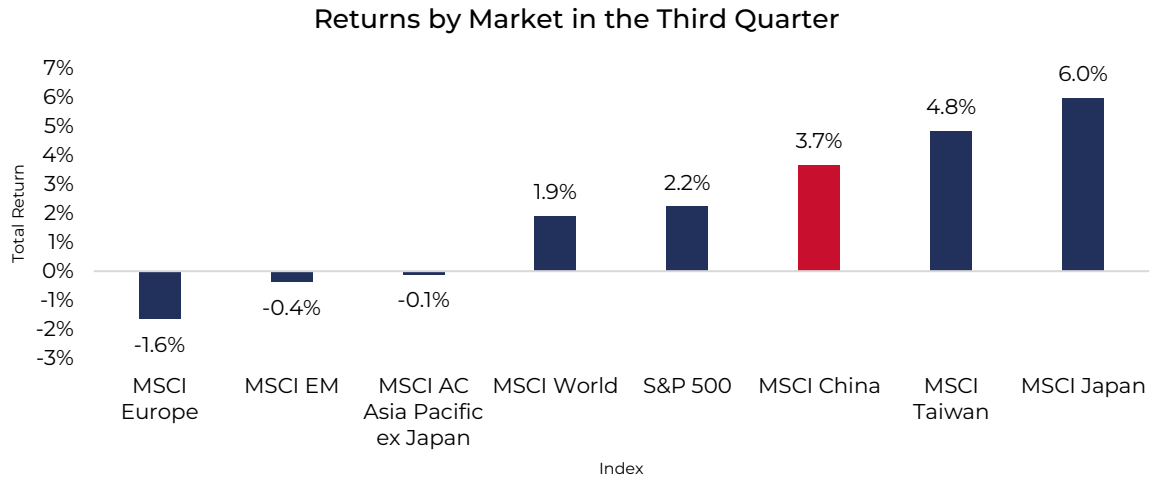
# ICHKX
## China & Hong Kong Fund
October 2026 Update

GUINNESS ATKINSON FUNDS

## Market Commentary

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




(Data from 06/30/26 to 09/30/26, returns in USD, source: Bloomberg, Guinness Atkinson calculations)




(Data from 06/30/26 to 09/30/26, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

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(Data from 06/30/26 to 09/30/26, returns in USD, source: Factset, Guinness Atkinson calculations)

In the third quarter, the MSCI China Index rose by 3.7%, which was slightly ahead of the MSCI World Index, which rose by 1.9%. The gains were led by the Financials, Health Care and Consumer Discretionary sectors, while Information Technology was the main drag.

Financials benefited from improving earnings, attractive valuations and stronger capital market activity. Bank revenue growth improved as net interest margins stabilized, while high dividend yields relative to government bonds continued to attract institutional capital, particularly from insurers. Insurers themselves benefited from strong investment income, while brokers were supported by higher equity market turnover and rising investment gains.

Healthcare's strength was supported by a combination of improving fundamentals and investor rotation. Strong earnings and guidance upgrades, positive clinical readouts and continued progress in out-licensing reinforced confidence in innovative drug pipelines. At the same time, investors rotated into Healthcare stocks as they diversified away from the earlier concentration in AI-related technology names.

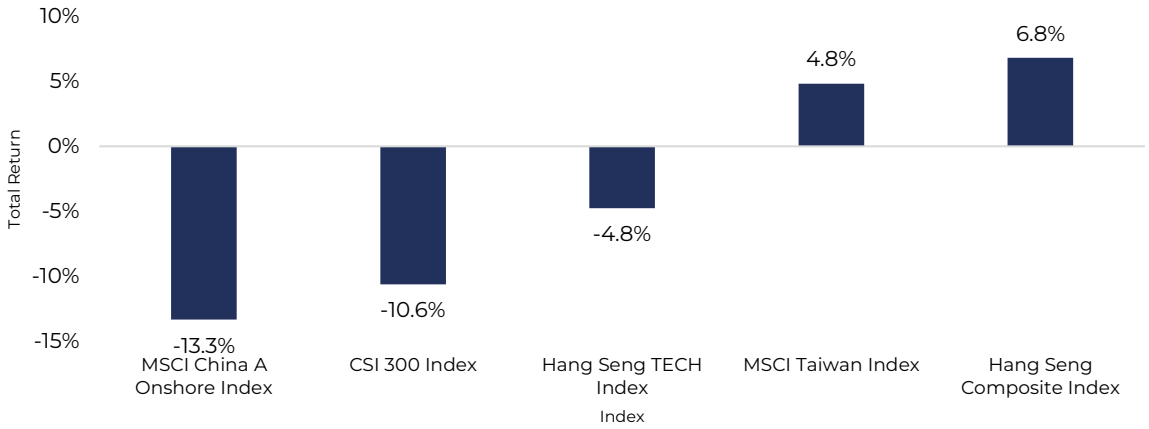
Information Technology lagged as investors took profits after strong earlier gains and sentiment around the AI trade became more cautious. Renewed US-China technology tensions, including potential restrictions on Chinese optical transceiver imports, added uncertainty. Higher global bond yields also put pressure on valuations for long-duration growth stocks.

Industrials were held back by continued weakness in domestic demand, uneven manufacturing activity and a significant currency headwind for exporters. Investment and construction activity remained subdued, while manufacturing growth was concentrated in upstream materials, AI-related supply chains and selected high-end export segments. More traditional downstream industries continued to face weak demand, excess capacity and pricing pressure. Renminbi appreciation added further pressure, particularly for export-oriented manufacturers with RMB cost bases and foreign currency revenues.

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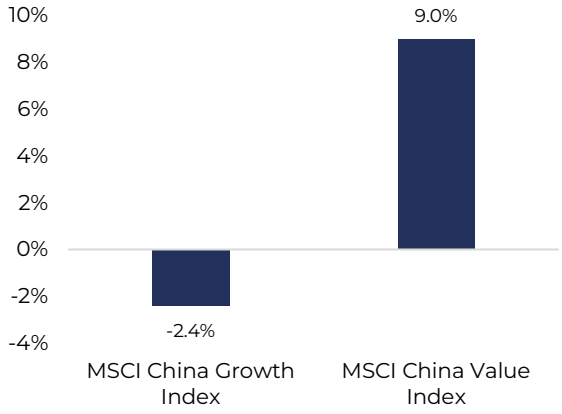
### Returns by Local Market in the Third Quarter



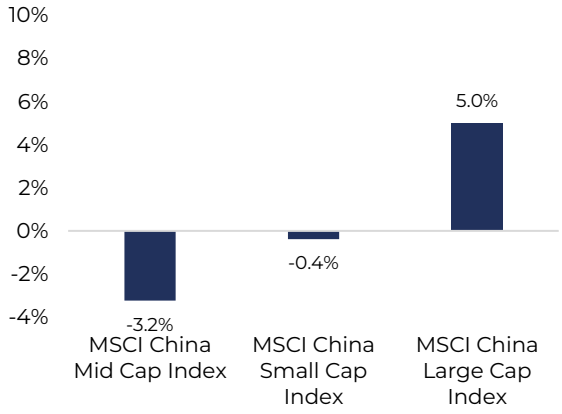

(Data from 06/30/26 to 09/30/26, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

In the third quarter, offshore markets outperformed, as the Hang Seng Composite Index rose by 6.8% while the MSCI China A Onshore Market fell by 13.3%. Large-cap H-shares (Chinese companies listed in Hong Kong) benefited from renewed investor demand at relatively attractive valuations, while sustained southbound flows provided an additional source of support. Some offshore investors also unwound short positions, which offered an additional technical cushion during periods of market weakness. By contrast, A-shares were more exposed to weaker domestic risk appetite during the September pullback, as the market retrenched from relatively high valuations earlier in the year.

### Growth vs Value in the Third Quarter




### Performance by Size in the Third Quarter




(Data from 06/30/26 to 09/30/26, source: Bloomberg, Guinness Atkinson calculations)

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Growth stocks significantly underperformed as the MSCI China Growth Index fell by 2.4% while the value index rose by 9.0%. Large-caps, boosted by the rotation into Hong Kong-listed technology companies and large state owned banks, rose by 5.0%.

## Stock Performance in the Third Quarter

Strongest Stocks

**Sino Biopharmaceutical** (total return +31.1% in USD in the third quarter) reported first-half revenue which rose 11%, boosted by 29% growth in innovative drug sales and a sharp increase in income from licensing medicines to overseas partners. During the quarter, the company signed a major licensing agreement with AstraZeneca carrying a $200m upfront payment. It also increased its ownership of core subsidiary CT Tianqing, a transaction expected to boost earnings immediately. Progress in the drug pipeline remained encouraging, with several treatments moving into clinical trials or closer to potential approval. These developments came against a supportive backdrop for Chinese healthcare, which was the strongest-performing sector during the quarter. Investor confidence was helped by strong earnings across the industry, continued policy support for innovative medicines and a high level of licensing agreements between Chinese drug developers and global pharmaceutical companies. Overall, the quarter strengthened the case that newer medicines, overseas licensing and improving efficiency can become increasingly important growth drivers, although pricing pressure on some older products remains a headwind.

**Travelsky** (+16.0%) saw resilient earnings but slower growth in its core airline-related business. First-half revenue rose 6% and net profit increased 7%, supported by tight cost control and strong growth in airport digitalization and other technology services. However, the number of passengers processed through TravelSky's systems grew only modestly, reflecting slower growth in domestic air travel and more disciplined airline capacity. Core aviation information services revenue fell slightly, while airport digitalization revenue rose 44%, helping offset the weakness. TravelSky continues to benefit from its dominant position in China's aviation technology infrastructure and from growth in newer digital services, but the short-term earnings outlook is increasingly dependent on a recovery in passenger growth and the ability of other parts of the business to offset slower expansion in its core operations.

**Inner Mongolia Yili** (+15.3%) saw steady sales growth but weaker reported profits because of impairment charges and inventory write-downs. First-half revenue rose 4% while reported net profit fell 20%, largely due to write-offs relating to its Ausnutria business and inventories. Underlying operations were more resilient than the headline profit decline suggests, as liquid milk returned to modest growth and newer categories such as fresh milk, ice cream and nutritional products continued to expand. The company also announced a share buyback, reinforcing its focus on shareholder returns while management continues to target a high dividend pay-out. More broadly, conditions in the dairy industry

may be starting to improve as raw milk supply contracts, which could reduce pricing pressure and support a stronger competitive environment. Channel checks also pointed to healthier inventories and less stock being pushed into distributors. Overall, Yili's quarter showed that consumer demand remains subdued, but its core business is proving resilient and profitability could improve if industry pricing and supply conditions normalize.

Weakest Stocks

**Baidu** (total return -21.7% in the third quarter) saw strong growth in its AI businesses offset by continued weakness in its traditional advertising operations. In the second quarter, Baidu's core online advertising revenue fell 19% year-on-year, reflecting softer advertiser demand, although revenue improved slightly from the previous quarter. By contrast, revenue from AI cloud infrastructure grew 50% and is becoming an increasingly important part of the group. The company also continued to invest heavily in AI, with capital expenditure almost doubling from the previous quarter as Baidu expanded its computing capacity and developed new models. This investment is supporting long-term growth opportunities but is putting pressure on short-term profitability. Progress at Apollo Go was another positive, with the autonomous driving business expanding internationally through commercial operations in Dubai and road testing in London, while also receiving approval for fully driverless trials in Hong Kong. Overall, the quarter reinforced Baidu's aim to move from a traditional internet advertising company toward an AI-focused business.

**Shenzhen Inovance Technology** (-20.8%) saw strong growth in its core industrial automation business offset by weaker performance in electric vehicle-related products. In the first half, industrial automation revenue rose 29%, supported by market share gains and stronger demand from areas including machine tools, air conditioning and battery manufacturing. Its newer businesses also grew rapidly, with robotics and digital energy revenue almost doubling, helped by strong demand for energy management equipment and automation products. The main area of weakness was the electric vehicle business, where first-half revenue grew only 4% as demand slowed and some product deliveries were delayed. Management is responding by raising prices for some products, tightening costs and concentrating investment on areas with stronger long-term potential, including robotics, AI-related industrial applications and new energy. Demand for industrial automation remained strong in July but slowed in August, raising some concern that growth may moderate in the second half.

**Himile Mechanical** (-16.6%) had a mixed quarter, with strong revenue growth but weaker profitability as the company invests ahead of future expansion. Second quarter revenue rose 12% year-on-year and was ahead of expectations, but earnings per share fell 9% as profit margins were affected by currency movements, the cost of adding new capacity and hiring employees ahead of that capacity coming into use. For the first half, revenue increased 14%, led by 20% growth in the core tire mold business. Growth in large industrial components was more modest at 3%, although this mainly reflected capacity constraints rather than weak demand, with the business maintaining a full order book. Revenue from machine tools fell 25% as more internally produced equipment was used to support Himile's own factory expansion rather than sold externally. Short-term profitability may remain under some pressure as substantial new tire mold and large

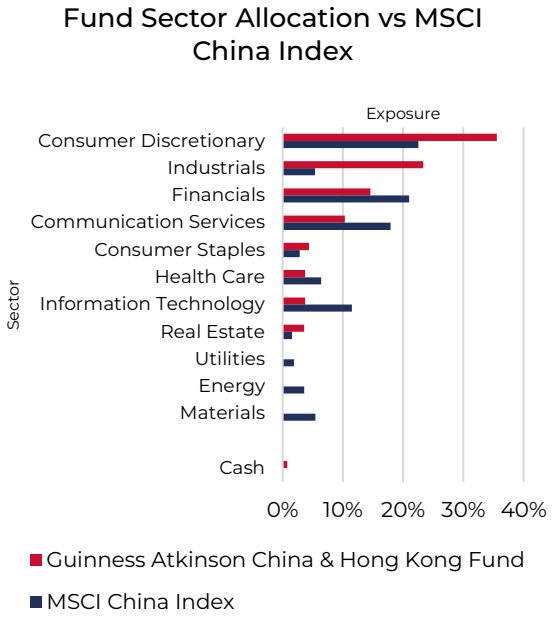
component capacity comes online before reaching full utilization. However, this investment should provide scope for stronger growth as production ramps up, particularly from 2027 onwards.

## Portfolio Changes

There were no switches in the quarter.

## Portfolio Positioning

On a sector basis, the Fund's largest exposures are to Consumer Discretionary and Industrials. Relative to the MSCI China Index, the Fund is overweight Industrials and Consumer Discretionary, while it is underweight Information Technology and Communication Services.





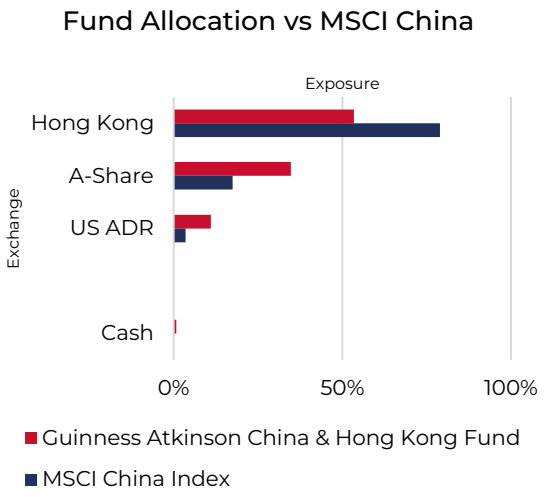


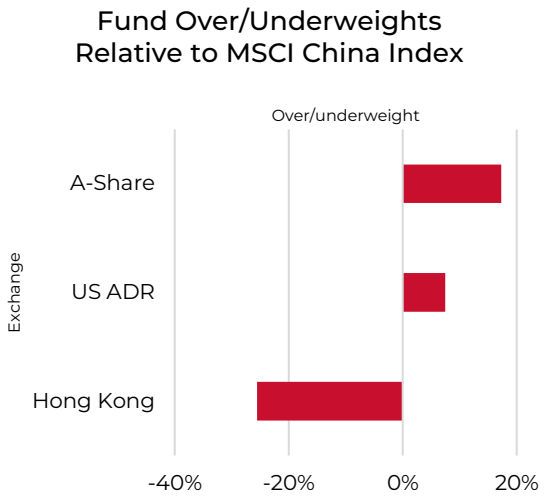
(Data as of 09/30/26, source: Guinness Atkinson calculations, Bloomberg)

On a listing basis, the Fund has 53% exposure to Hong Kong-listed stocks and 35% exposure to the A-share market. Relative to the MSCI China Index, the Fund is 17% overweight A shares and 26% underweight Hong Kong-listed stocks.

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(Data as of 09/30/26, source: Guinness Atkinson calculations, Bloomberg)

## Outlook

The Fund remains overweight Industrials by 18%, where the short-term domestic environment is still mixed. The property downturn continues but as the sector becomes a smaller share of the economy, its drag on overall activity should gradually diminish. At the same time, several of our holdings are exposed to structurally stronger areas of investment, including factory automation, power infrastructure and the build-out required for AI data centers. These businesses have generally not been valued like the more obvious beneficiaries of the AI theme, such as semiconductor companies, despite participating in the same increase in power and capital investment. We therefore continue to see attractive long-term upside where current valuations reflect cyclical weakness but assign relatively lower value to these structural growth opportunities.

The Fund remains overweight Consumer Discretionary by 13%, where short-term momentum is weak but valuations increasingly price in a prolonged period of subdued demand. Recent government measures, including targeted support for housing and selective credit easing, are helpful at the margin but are not large enough to materially change the consumption outlook. This weakness has driven a significant de-rating across the sector, creating what we believe is an attractive long-term opportunity. At current valuations, investors are paying very little for future growth. We do not need to assume a major stimulus-led recovery; if China's consumer economy is simply in a healthier position five years from now than it is today, we believe many of these businesses could prove to have been bought at exceptionally attractive prices.

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

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## Performance

Year-to-date, relative to the MSCI China Index, areas which helped the Fund's performance were:

- The structural underweight to Tencent and Alibaba. The Fund is run on an equally weighted basis and so each position has a neutral weight of about 3.3%. As Tencent and Alibaba underperformed, the structural underweight position benefited the Fund in relative terms.
- The underweight to Materials which underperformed.

Year-to-date, the area which detracted from the Fund's relative performance was:

- A combination of the underweight to Financials and stock selection, driven by not holding banks which outperformed in the third quarter.

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

- Stock selection in Information Technology, driven by not holding names such as Hua Hong Grace Semiconductor, Kingboard Laminates, Yangtze Optical Fibre and Zhongji Innolight.
- Stock selection in Consumer Staples, driven by Inner Mongolia Yili.
- A combination of the overweight to Real Estate and stock selection, driven by China Overseas Land & Investment.

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

- A combination of the underweight to Financials and stock selection, driven by not holding banks, which outperformed.
- The overweight to Industrials, which underperformed.
- Stock selection in Communication Services, driven by Baidu and the structural underweight to Tencent.
- The underweight in Health Care and Energy, which outperformed.

| As of 9/30/2026 | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|---|
| **China & Hong Kong Fund (ICHKX)** | -11.19% | -11.89% | 3.82% | -5.15% | 1.57% |
| **MSCI China Net Total Return Index** | -11.86% | -18.37% | 9.75% | -2.10% | 3.36% |

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

Expense Ratio: 1.86%

*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.***

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**Investments in foreign securities involve greater volatility, political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets countries. The China and/or Hong Kong stock markets in which the Fund invests may experience periods of volatility and instability. These fluctuations may cause a security to be worth less than it was at the time of purchase. Market risk applies to individual securities, a particular sector or the entire economy. China and/or Hong Kong stocks may fall out of favor with investors, the value of Chinese currencies may decline relative to the U.S. dollar and/or China or Hong Kong stock markets may decline generally. The Fund invests in small-cap or mid-cap, which involve additional risks such as limited liquidity and greater volatility, than investments in larger companies.**

One cannot invest directly in an Index.

RMB is the official currency of the People's Republic of China

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

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". The index is designed for international investors and is calculated using China A Stock Connect listings based on the offshore RMB exchange rate (CNH).

The MSCI China A Onshore Index captures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges.

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.

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 capitalization 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.

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The MSCI Taiwan Index is designed to measure the performance of the large and mid cap segments of the Taiwan market. With 90 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Taiwan.

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 9/30/2026:

| | | |
|---|---|---|
| 1. | Inner Mongolia Yili - A Shares | 4.37% |
| 2. | Hongfa Technology Co Ltd | 4.35% |
| 3. | Midea Group Co Ltd | 4.02% |
| 4. | China Merchants Bank Co Ltd - H Shares | 3.97% |
| 5. | Tencent Holdings Ltd | 3.88% |
| 6. | AIA Group Ltd | 3.85% |
| 7. | Sino Biopharmaceutical Ltd | 3.76% |
| 8. | Hangzhou First Applied Materials | 3.71% |
| 9. | Zhejiang Supor Cookware - A Shares | 3.68% |
| 10. | NetEase Inc - ADR | 3.63% |

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

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