

### Fund and Market

- In August, the Fund rose 5.80% compared to the market which rose 3.85% as measured by MSCI AC Pacific ex Japan Net Total return Index.
- Outperformance was driven by a rebound in Corporate Travel Management and was well supported by strong performances from Shenzhou International, Hanon Systems, Suofeiya Home Collection, Inner Mongolia Yili, JB Hi-Fi, Qualcomm and Tech Mahindra.
- Weaker performances came from technology names Novatek Microelectronics, Largan Precision and Catcher Technology. Thai energy stock PTT, Ascendas Real Estate Investment Trust (REIT) and China Resources Gas also lagged.
- The Consumer Discretionary sector (which accounts for 17% of the benchmark) was the best-performing area by far, rising 13.81%. The next strongest group was Materials, which rose 5.06%. Technology (which accounts for 18% of the Index) was the weakest segment, falling 1.87%.
- The best-performing markets during the month were China, Hong Kong and India, while Thailand and Malaysia were notably weaker. Taiwan, with a 70% weight in Technology, was also an underperformer.

### Events in August

- Chinese economic data continue to improve: manufacturing confidence, exports and industrial profitability all indicated record expansion, building on the positive GDP growth recorded in the second quarter of the year. Industrial profits grew over 19% in July compared to July last year, making it the third consecutive month of positive annual growth.
- Taiwan's technology sector is looking solid with export orders and manufacturing confidence in expansion territory. This contrasts with the (smaller) domestic sector, which still shows weakness.
- Signs of recovery are also evident in Singapore, where June retail sales were up 51% compared to May's number, which in its turn was down 21% compared to April.
- Relations between China and the US continue to oscillate. Both sides reaffirmed their commitment to the Phase 1 trade deal, but we also saw ByteDance ordered to sell TikTok's US operations and the addition to the US's Entity List of 38 companies linked to Huawei, barring any companies using US hardware or software from dealing with them.

*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 current to the most recent month end may be obtained by calling 800-915-6566 and/or visiting [www.gafunds.com](http://www.gafunds.com).*

- Australia is weighed by a resurgence in COVID cases in the State of Victoria, which the central bank reports is likely to have a significant impact on economic recovery.
- Tensions between China and India along the border rose again. In September China and India have agreed to a rapid de-escalation and disengagement of troops.

## Portfolio view and review

The Fund had a good month in August and outpaced the market. Corporate Travel Management, to which we had added on weakness in July, was the best performer, rising over 80%. We were also pleased to see strong performance from stocks that we have added over the course of the year, namely Shenzhou International and China A-shares Suofeiya Home Collection and Inner Mongolia Yili Industrial (a dairy business). We are pleased also to see Tech Mahindra's share price rally; we commented earlier this year on what we see as the disconnect between the company's new order wins and poor share price performance. The sharp recovery in Hanon's share price reflects, we believe, a greater focus on the electric vehicle business and a willingness to look through the weaker second-quarter results that were in line with expectations.

The Technology sector had a weaker month. Further US restrictions on Huawei affected a number of stocks that supply the company including Novatek Microelectronics, which was the Fund's weakest performer this month. The stock is still one of our best performers this year, and while the company is indeed exposed to Huawei, it is by no means lacking other customers. Following on from moves to force the sale of TikTok's US operations, Tencent's WeChat business also came under threat, leading to concerns of possible retaliation against Apple which was reflected in weakness among the Apple supply chain. For the Fund this was felt by Largan Precision and to a lesser extent by Hon Hai Precision.

China's economic performance continues to impress, with exports growing since April and manufacturing confidence as measured by the Purchasing Managers Indices (PMI) pointing to expansion. Economic policy is certainly focused on supporting growth, as it is almost everywhere else, but the picture is reassuringly 'normal', with the recent 10-year China government bond yield of 3%. In a recent speech by the Chairman of the China Banking and Insurance Regulatory Commission it was put that China "values very much the normal monetary and fiscal policies we are practicing now. We will not flood the economy with liquidity, still less employ deficit monetisation or negative interest rates." (*Quoted by Merryn Somerset Webb, Financial Times, Sept 11, 2020.*)

In August, 22 of the Fund's 36 holdings reported results. Of these companies, 12 typically distribute interim dividends, the rest make annual distributions. Seven companies maintained or increased their dividends: China Medical Systems, China Mobile, China Resources Gas, JB Hi-Fi, Ping An Insurance, Shenzhou International and Sonic Healthcare. Dividends fell for five companies: BOC Hong Kong, China Lilang, Corporate Travel Management, DBS and Public Bank.

## Outlook

Consensus earnings estimates revisions (as recorded by Bloomberg) since the end of June, for the next twelve months (FY1) have been revised higher in Australia, China, Korea and Taiwan. On a sector basis, the most significant upgrades to FY1 forecasts have been in the Health Care, Materials and Technology sectors, which account for 6%, 6% and 18% of the benchmark respectively. The weakest sector by far is Industrials, which accounts for 5% of the benchmark index. Upward revisions in Materials and Technology lie behind the improvements in forecasts for Australia and Taiwan in particular. Estimates for two years' time (FY2) are positive for the same group of countries and also for India. The sector picture for upward revisions in FY2 appears to be more broad-based, with only Industrials and Utilities seeing further downgrades.

In the past month earnings forecasts for the market as measured by MSCI Asia Pacific ex Japan Index have increased slightly for FY1 and FY2. Earnings estimates for the Fund over the same period have risen for FY1 and in FY2, too. Among the portfolio holdings, in respect of revisions to earnings forecasts, the market consensus in August has been most positive for Inner Mongolia Yili, JB Hi-Fi, Hanon Systems, Sonic Healthcare, Netease, Shenzhou and Novatek Microelectronics. The market consensus remains negative for earnings from Corporate Travel, St Shine Optical and Catcher Technology. Current earnings growth forecasts for the portfolio based on the aggregation of consensus estimates for each holding are for a contraction in FY1 and for growth in FY2 and FY3.

*Earnings estimates and revisions are based on consensus data gathered by Bloomberg. Data for the market, countries and sectors refer to the relevant MSCI regional, country and sector indices. These figures are current estimates at the time of writing (9/11/20) and are all subject to change.*

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Guinness Atkinson  
**Asia Pacific Dividend Builder Fund**  
 Review of August 2020



## Performance

as of 8/31/2020	YTD	1 YR	3 YR	5 YR	10 YR
<b>Asia Pacific Dividend Builder Fund</b>	-0.30%	11.34%	1.91%	8.31%	6.65%
<b>MSCI AC Pacific ex Japan NR</b>	6.13%	19.80%	5.51%	10.58%	6.87%

as of 6/30/2020	2Q20	YTD	1 YR	3 YR	5 YR	10 YR
<b>Asia Pacific Dividend Builder Fund</b>	15.28%	-9.05%	-3.17%	1.53%	3.34%	6.80%
<b>MSCI AC Pacific ex Japan NR</b>	18.25%	-5.10%	1.31%	3.71%	4.62%	6.32%

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

Expense Ratio: 1.10% (net); 4.02% (gross)\*

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*\*The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding Acquired Fund Fees and Expenses, interest, taxes, dividends on short positions and extraordinary expenses) in order to limit the Fund's Total Annual Operating Expenses to 1.10% through June 30, 2021. To the extent that the Advisor absorbs expenses to satisfy this cap, it may recoup a portion or all of such amounts absorbed at any time within three fiscal years after the fiscal year in which such amounts were absorbed, subject to the expense cap in place at the time recoupment is sought, which cannot exceed the expense cap at the time of the waiver. The expense limitation agreement may be terminated by the Board of the Fund at any time without penalty upon 60 days' notice.*

***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.***

Guinness Atkinson  
Asia Pacific Dividend Builder Fund  
Review of August 2020



**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. Non-diversified funds concentrate assets in fewer holdings than diversified funds. The Asia Pacific stock markets may experience periods of volatility and instability. Some domestic China "A" Shares are available through the Hong Kong Stock Connect or Shenzhen Stock Connect, which may be subject to risks of trading suspensions, quota limitations and additional risk. The Fund may invest in small-cap or mid-cap companies, which involves additional risks such as limited liquidity and greater volatility, than in larger companies.**

**MSCI AC Pacific Ex-Japan Net Total Return Index** is a market capitalization weighted index that monitors the performance of stocks from the Pacific region, excluding Japan consisting of Australia, China, Hong Kong, Indonesia, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, and Thailand.

One cannot invest directly in an Index.

The forward Price Earnings Ratio (PER) is calculated by dividing the current market price of the stock or market by the forecast earnings per share and is expressed as a multiple of earnings.

The Dividend Payout Ratio is the proportion of net profit distributed as a dividend.

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.*

Top Fund Holdings as of 8/31/20

1	Corporate Travel Management Ltd	3.68%
2	Shenzhou International	3.62%
3	Inner Mongolia Yili	3.55%
4	Hanon Systems	3.36%
5	Elite Material Co Ltd	3.21%
6	Zhejiang Supor Cookware	3.20%
7	Suofeiya Home Collection	3.14%
8	Lilang China Co	2.91%
9	JB Hi-Fi Ltd	2.86%
10	QUALCOMM Inc	2.83%

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

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