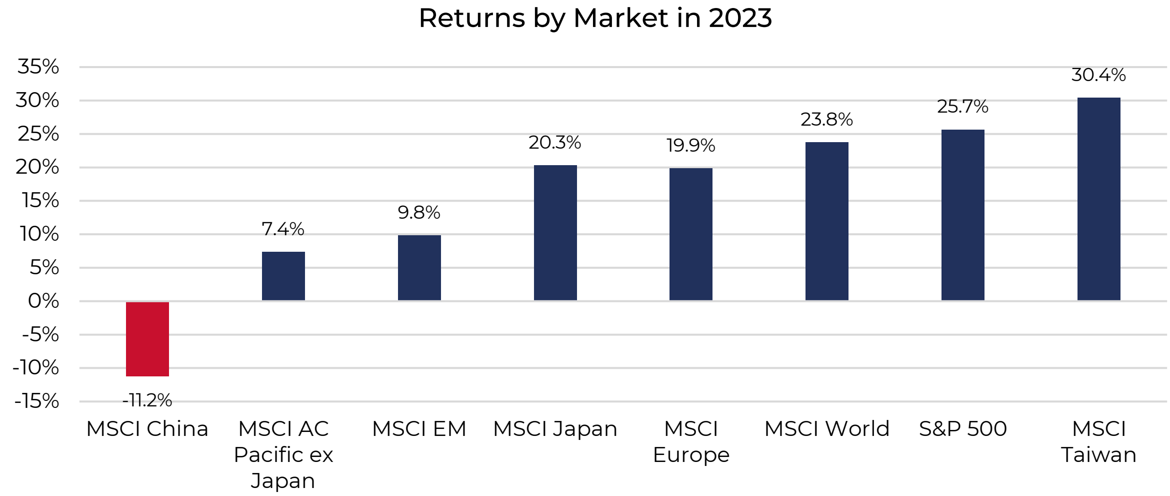
Guinness Atkinson
China & Hong Kong Fund
Review of 2023

Summary

- In the Fund, the strongest stocks in 2023 were Netease, Weichai Power, China Medical System, Zhejiang Supor and Nari Technology. The weakest names were Hangzhou First Applied Material, Xinyi Solar, JD.com, Wuxi Lead Intelligent Equipment and China Merchants Bank.
- In 2023, relative to the MSCI China Index, the Fund benefited from good stock selection in Communication Services, Information Technology and Health Care. Detractors included stock selection in Financials, Industrials and the underweight to Energy, where the Fund has no exposure.
- In the fourth quarter, relative to the MSCI China Index, the Fund benefited from stock selection in Health Care, Consumer Discretionary and Communication Services. Detractors included stock selection in Information Technology, Industrials and Financials.
- We made one pair of switches in the year, buying TravelSky and selling Shengyi Technology,
- On estimated 2023 and 2024 earnings, the Fund is trading on a price earnings ratio of 13.0x and 11.1x. This is close to two standard deviations below the current set of holdings' 15-year average. Despite the Fund's low exposure to real estate and the banks, our companies are still facing the "China" macro discount.
- Over the past 10 years, our holdings have grown earnings by 8% a year. This compares favorably to the MSCI China Index, where earnings have actually contracted by 1% a year over the past decade. Based on consensus analyst estimates, the Fund's holdings in aggregate are expected to grow earnings by 23% in 2023, 16% in 2024 and 14% in 2025. This compares favorably to the MSCI World Index, where earnings are expected to grow by 1% in 2023, 9% in 2024 and 10% in 2025. At current valuations, we believe the Fund represents outstanding value to investors for the premium growth on offer.

Market Review

(Performance data in the section in USD terms)



(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/22 to 12/31/23)

Compared to other major markets, China was a clear laggard in 2023 as the post reopening rally faded. Many investors were expecting a substantial rebound in economic activity and while there has been some growth, on the whole the recovery has been much weaker than expected. As we have argued in the past, we believe the government is intentionally deleveraging the property sector in order to free up capital towards the pillar industries that will make China a high-income country. The transition is likely to be painful for those who have an investment strategy reliant on rising property prices. (Please see our monthly update for Sep-23 for a detailed breakdown of the property sector and its impact on China's financial system.) Our strategy is not reliant on property market growth – instead we target profitable, high-quality companies which give exposure to the structural growth themes in China.

The MSCI China Index fell by 11.2% in 2023, compared to the MSCI World Index which rose by 23.8%.

(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/22 to 12/31/23)

The year started off strongly for China, with markets continuing their post-reopening rally in January. The online technology firms were boosted by comments made by a senior government official, who said the "capital rectification" regulation for the sector was complete. Approvals for video games also continued, improving the prospects for Tencent and NetEase. Consequently, the internet platform names did well.

However, January marked the peak of Chinese markets. From the trough in October to the peak in January, the MSCI China Index rose 60%. Much of the post-reopening rally was led by a valuation rerating for China, which was trading at very attractive prices before the zero-COVID policy was dismantled. At the end of Oct-22 the MSCI China Index was valued on a forward year price/earnings ratio of 9.2x. At the peak in Jan-23, it was valued at a price/earnings ratio of 13.5x, meaning valuations increased by 47%, accounting for more than three quarters of the post-reopening rally.

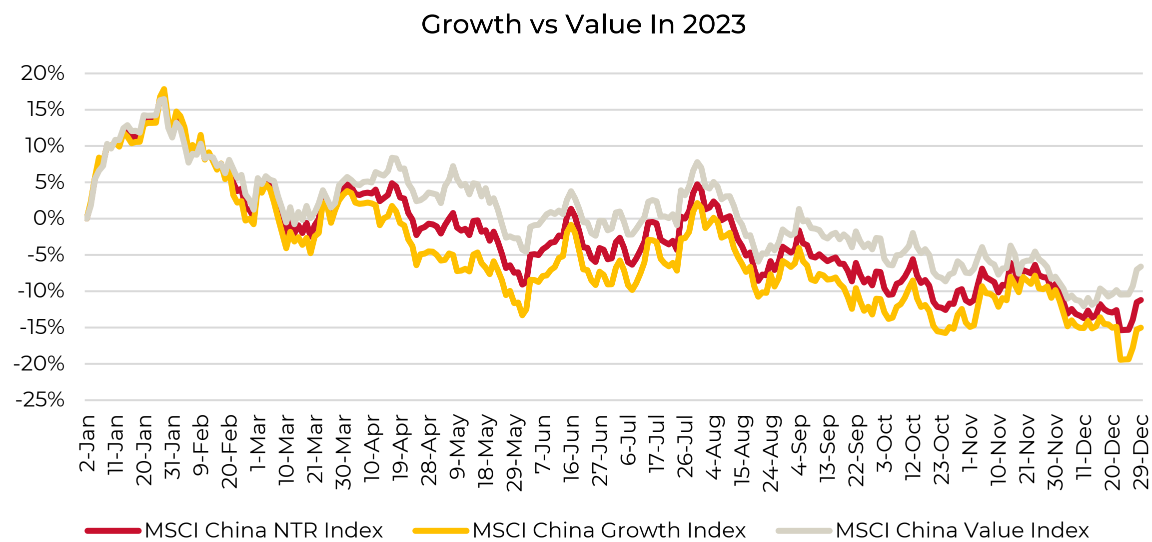
Later in the first quarter, stocks sold off globally as high inflation in the US led to rising expectations of further increases in interest rates in developed markets. Soon this was followed the collapse of Silicon Valley Bank, and the emergency takeover of Credit Suisse in Switzerland, leading to concerns over the viability of America's and Europe's banking system.

In the second quarter, China's macro data came in generally weaker than expected and we saw value stocks begin to significantly outperform growth stocks. One of the main reasons behind the outperformance of value was driven by 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.

In July, Chinese markets rallied with the MSCI China Index rising by 10.8%. Markets were strong on expectations of greater stimulus for the housing market and wider economy. The readout from the Politburo's meeting acknowledged "insufficient domestic demand" and mentioned the need for counter-cyclical economic policy. Supporting the private sector was mentioned, though at the time we argued actions rather than rhetoric was needed. The phrase "housing is for living, not for speculation" was removed from the statement, which was interpreted by most as a sign that more easing measures for the property market were on the way. However, we note that the phrase later reappeared in other government documents. The gains in July were erased over the next two months as the MSCI China Index fell by 9.0% in August and a further 2.8% in September. Wealth management products run by Zhongrong Trust failed to repay lenders, leading to fears over the strength of China's broader financial system. Country Garden, a large private property developer, failed to repay its maturing bonds on time. We also saw the ramp-up in the anti-corruption campaign in the healthcare sector.

China started the fourth quarter by falling 4.3% in October as globally, equities sold off on rising bond yields in the US. Both the Caixin and NBS PMI (National Bureau of Statistics Purchasing Managers Index) data points for October fell below 50, indicating weakening activity. The US tightened restrictions on exporting advanced chips and chip equipment to China. The Chinese government announced it would issue RMB 1 trn ($137bn) in additional central government bonds, the proceeds of which were to be spent on infrastructure in areas with recent natural disasters. In November, global markets rallied on growing expectations of cuts to interest rates in the US. Chinese markets also initially rallied but only rose by 2.5% in the month compared to the 9.4% rise seen for the MSCI World Index. This was because in the second half of November, Chinese markets gave back some of the gains due to disappointing quarterly results from some of the large tech names such as Alibaba and Meituan, along with mixed macroeconomic data. Reports suggested that the People's Bank of China may supply more than CNY 1 trillion ($141bn) for low-cost financing for affordable housing and renovation of villages. According to estimates from JP Morgan, this would fund renovation of villages for one or two years. Reports also indicated up to 50 large property developers may be eligible for cheaper financing, with banks potentially offering non-secured lending (i.e. not backed by collateral).

In December, Chinese markets sold off again due to mixed macro data – for example, retail sales growth and consumer price inflation were weaker than expected. At the end of the month, the National Press and Publication Administration unexpectedly released draft rules covering the video gaming industry. Our view is the regulator is trying to limit some of the practices used by the industry which could be viewed as encouraging addictive behavior. Video game stocks sold off sharply on the day of the news, though partially recovered in the following days. Comments from various government sources made it clear the government is supportive of the industry's growth, while a new batch of video games was approved for release, solidifying the industry's pipeline of games for the next year.

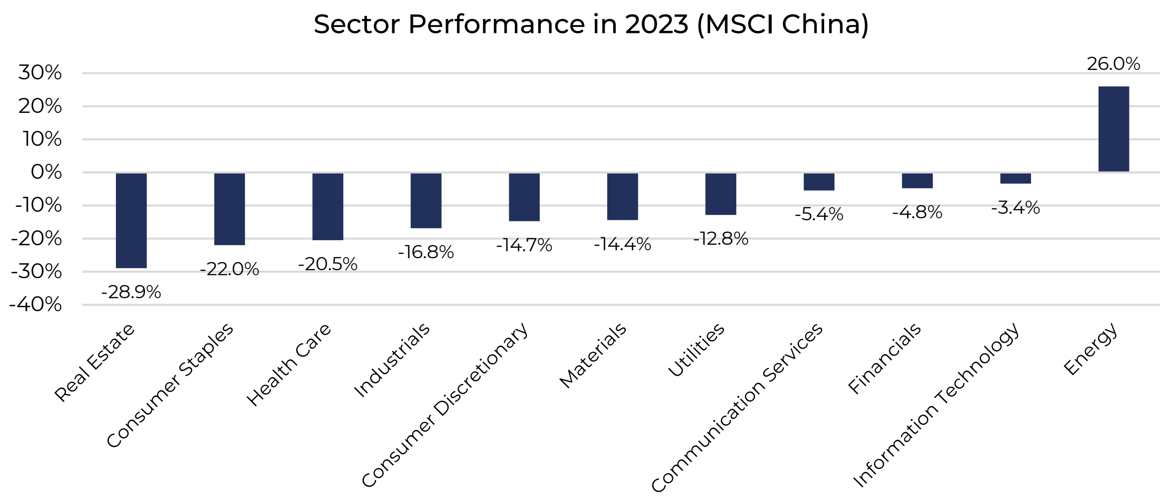


(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/22 to 12/31/23)

In 2023, value stocks outperformed growth stocks. The MSCI China Value Index fell by 6.6% compared to the MSCI China Growth Index which fell by 15.0%. As the chart above shows, value began to noticeably outperform growth from March onwards and this lasted until October. For much of this period, the outperformance of value was driven by enthusiasm over SOE reforms as well as a rotation into cheaper stocks with less demanding earnings estimates. As a reminder, the Fund targets quality, profitable companies which give exposure to the structural growth themes in China. In an environment where low quality stocks outperform, many of which are classed as value, we would not expect the Fund to outperform.

(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/22 to 12/31/23)

Onshore markets, as measured by the MSCI China A Onshore Index, underperformed offshore markets as measured by the Hang Seng Composite Index. In 2023, the MSCI China A Onshore Index fell by 10.1% compared to the Hang Seng Composite Index which fell by 4.9%.

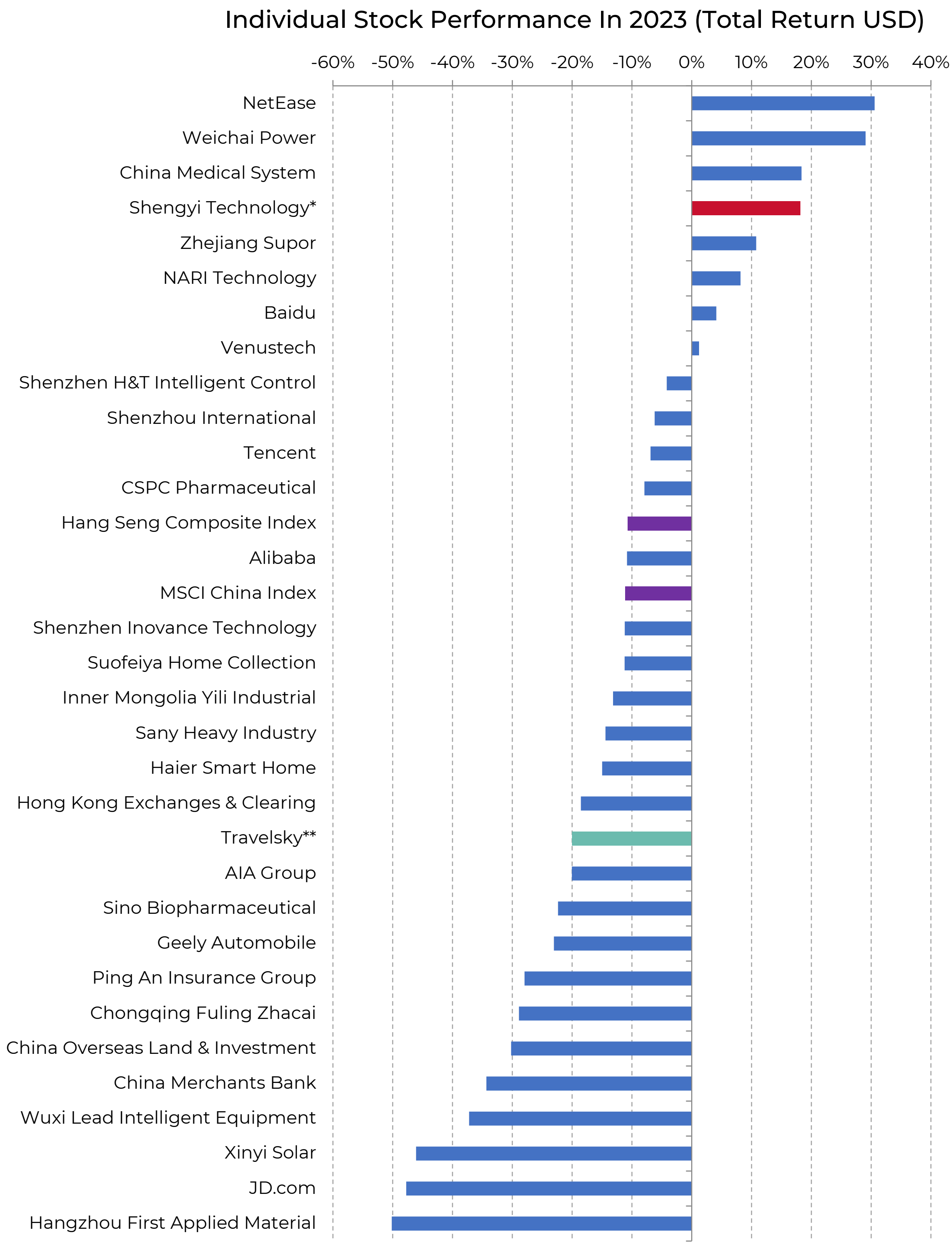


(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/22 to 12/31/23)

The strongest sectors were Energy (total return +26.0%), Information Technology (-3.4%) and Financials (-4.8%). Energy names were strong due to higher oil prices – note the Fund does not have an allocation to this sector because of the lack of exposure to the structural growth themes we target. Within Information Technology, the strongest names were Zhongji Innolight, WUS Printed Circuit and Lenovo Group. Financials outperformed, driven by the large state-owned banks which benefited as investors turned to value stocks.

The weakest sectors were Real Estate (total return -28.9%), Consumer Staples (-22.0%) and Health Care (-20.5%). The Real Estate sector sold off sharply, driven by the precarious position of private property developers and the sharp fall in sales for the entire sector. The main laggards in Consumer Staples were Mengniu Dairy, JD Health and liquor stocks China Resources Beer, Tstingtao Brewery and Wuliangye Yibin. The Health Care sector's weakness in the first half of the year was predominantly driven by biotech names which were facing higher funding costs, restraining their growth. Additionally, slower growth expectations led to weakness for the generic pharmaceutical companies. In the third quarter, the government started an anti-corruption push which made hospitals cautious, and sales slowed down across the sector.

Stock Performance



(Source – Bloomberg, Guinness Atkinson calculations. Performance in USD. Data from 12/31/22 to 12/31/23)

* sells, ** buys

Leaders

Below we discuss the best performing stocks that have been held for the entire year.

Netease (total return +30.6%) is a video game developer. The business' Eggy Party game had a good first year, peaking at 100 million monthly active users in August. For context, China has 660 million gamers so the game is a huge success. While Netease is mostly known for its games targeting hardcore gamers, Eggy Party targets the casual gamer and was the most downloaded game in China in 2023. The company's other recent release, Justice Mobile, is also targeting new users and earned RMB 5 bn in its first two months of release.

Weichai Power (total return +29.1%) is a manufacturer of diesel engines for heavy duty vehicles. Weichai has been gaining market share in the domestic market, with its market share rising from 32% in 2022 to 40% in the first 9 months of 2023. The heavy duty truck industry performed better than expected in 2023 and management expect continued growth into 2024, driven by infrastructure stimulus and replacement demand. The company's share incentive plan aims to increase margins with greater contribution from higher margin products such as engines for liquefied natural gas (LNG) trucks.

Despite being affected by the ongoing anti-corruption campaign in the Health Care sector, China Medical System was one of the Fund's strongest performers in the year (total return +18.4%). The company is making the transition away from generic drugs towards self-developed innovative drugs. CMS is also diversifying its business - In November, it presented its new drug to treat psoriasis (a skin condition), highlighting the gains made by CMS's relatively newer dermatology segment.

Zhejiang Supor (total return +10.8%) is a manufacturer of kitchenware and small household appliances. Supor has benefited from greater export orders for its parent company based in France, Groupe SEB. Supor is expecting sales to Groupe SEB to grow by 25% in 2023. Competition in the domestic market remains intense given the macroeconomic situation. Management aim to balance margins and growth by focusing on the premium end of the market.

Nari Technology (total return +8.2%) makes grid hardware and software. As China builds out its renewable energy capacity, the additional capacity will need to be connected to the grid, which implies continued growth for Nari's products. In 2023, Nari won projects to build several Ultra High

Voltage lines, which carry electricity over long distances while reducing energy loss compared to conventional lines.

Laggards

Hangzhou First Applied Material (total return -50.2%) and Xinyi Solar (total return -46.1%) were the weakest stocks in the Fund, driven by the general oversupply in the solar industry. First Applied is the world's largest manufacturer of solar film which is used to protect solar modules, while Xinyi Solar is the world's largest manufacturer of solar glass. Polysilicon prices have plummeted from their peak in 2022, leading to lower prices across the supply chain. So even though both First Applied's and Xinyi Solar's volumes have increased significantly this year, the fall in prices has moderated revenue growth. Earnings estimates have been cut significantly for both stocks, though the market is still expecting earnings growth for both companies. We continue to hold both stocks because they are conservatively financed and can weather weaker periods. We expect both to benefit as their weaker competitor eventually exit the business, as some are unprofitable at current prices.

JD.com (total return -47.7%) is one of China's largest e-commerce companies. It is struggling with the rise of Pinduoduo, which caters towards lower income customers. Pinduoduo often subsidises its sales which has forced JD.com to follow suit, lowering margins. JD.com is now in a tough spot – to cater towards its original higher income consumers, it must continue to sell authentic high quality products. But the lower income consumers that Pinduoduo targets are willing to pay for lower quality and cheaper products, which often are not genuine. If JD.com moves too far downmarket, it risks alienating its core customer base. It is difficult for JD.com to be all things for all customers, which is why is share price has struggled.

Wuxi Lead Intelligent Equipment (total return -37.2%) is a manufacturer of battery production equipment. With concerns over potential battery overcapacity in China, the market is paying attention to Lead Intelligent' s order book. We expect growth in the company's new orders to come from overseas, though whether they are booked in the fourth quarter of 2023 or 2024 is difficult to predict. We know Lead Intelligent has exposure to major customers abroad such as Volkswagen and ACC (a joint venture between Stellantis, Mercedes and TotalEnergies). CATL, which is one of the world's largest battery manufacturers, is the second largest shareholder in Lead Intelligent. Therefore we expect Lead Intelligent to benefit from CATL's new plant in Hungary.

China Merchants Bank (CMB) (total return -34.3%). The market is concerned over the asset quality of the bank given its exposures to property and local government financing vehicles, even though it has a solid track record in risk management and the largest capital buffer, which is over 5% above the regulatory requirement of all China's banks. As of the third quarter, 2.0% of assets were exposed to local government financing vehicles and ~3.9% of assets exposed to real estate. Additionally, the industry wide cut to mutual fund fees is putting pressure on the bank's wealth management division.

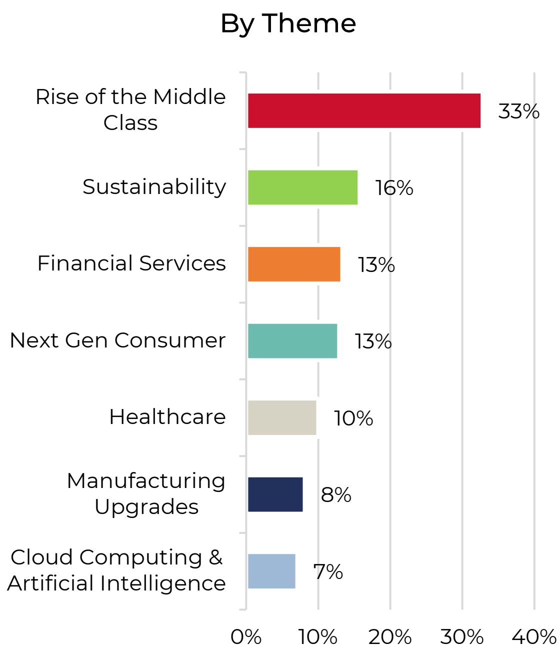
Portfolio Changes

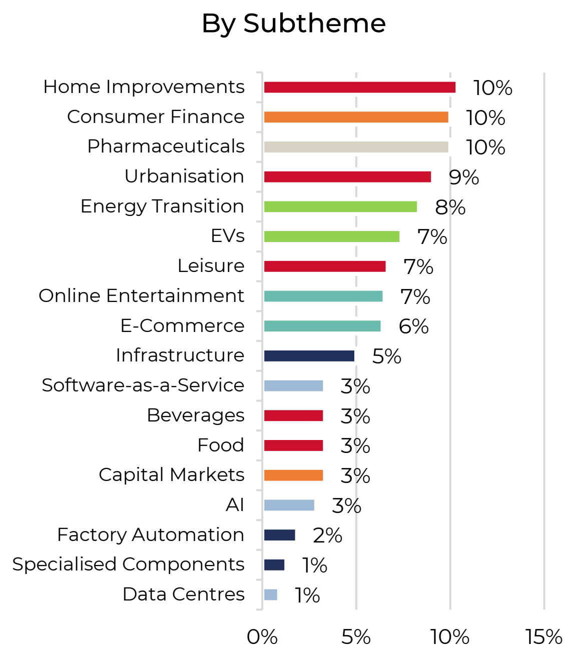
In the first quarter we bought TravelSky, which provides services used for flight bookings such as ticket pricing, reservation and inventory systems and airport passenger processing. It also operates a centralized settlement service between airlines and travel agents. Now that China has moved on from 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

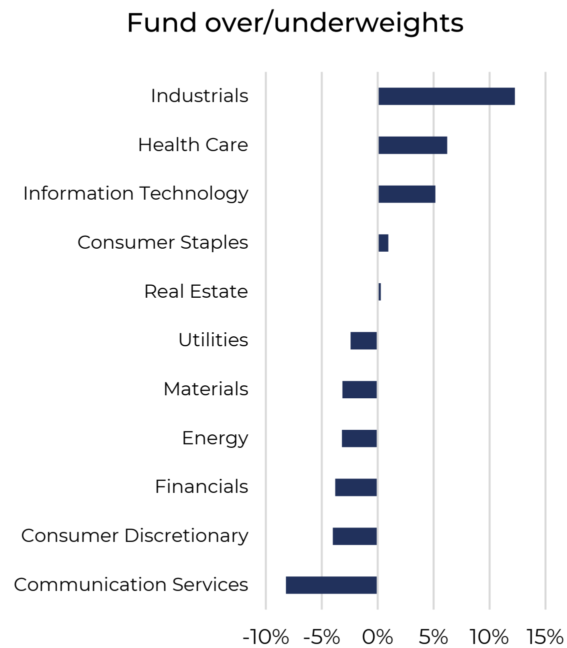
By theme, the Fund's largest exposure is to the Rise of the Middle Class, followed by Sustainability and Financial Services. Important subthemes include Home Improvements, Consumer Finance and Pharmaceuticals.





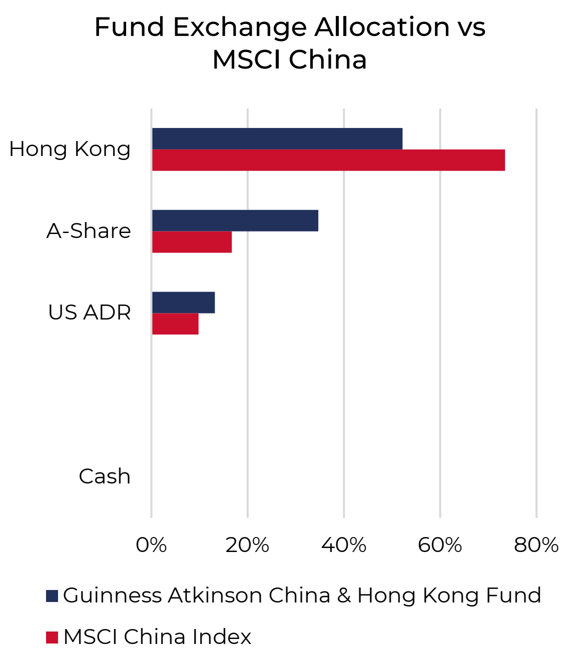
(Source: Guinness Atkinson Asset Management. As of 12/31/23)

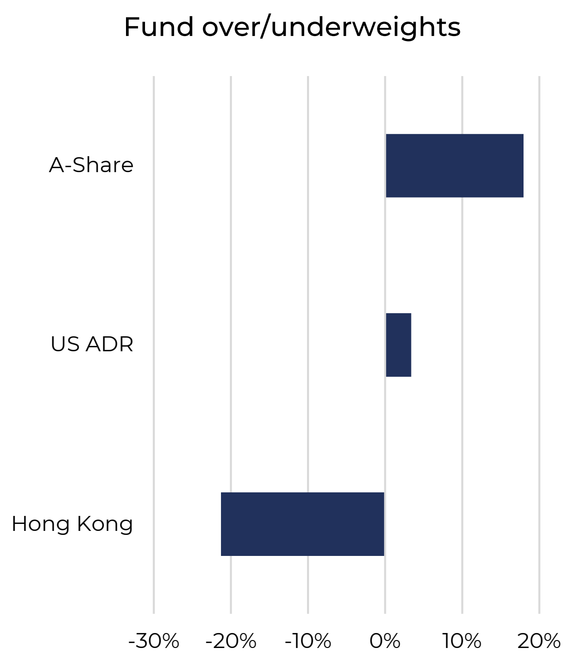
On a sector basis, the Fund's largest exposures are to the Consumer Discretionary, Industrials and Health Care sectors. Relative to the MSCI China Index, the Fund is overweight in Industrials and Healthcare, and underweight in Communication Services and Consumer Discretionary sectors.



(Source: Guinness Atkinson Asset Management, Bloomberg, MSCI. As of 12/31/23)

On a listing basis, the Fund has 52% exposure to stocks listed in Hong Kong and 35% exposure to the A share market.





(Source: Guinness Atkinson Asset Management, Bloomberg, MSCI. As of 12/31/23)

Trip to China

In May, we traveled to China to visit some of the holdings in the Fund. The aim was to hear about the latest business developments and more importantly to engage with our holdings. We took the opportunity to suggest areas of improvement across various areas. In summary, it was very encouraging to see that our companies were receptive to our ideas and were very keen to understand the perspectives of foreign shareholders. We summarize below the meetings we had for the companies held in the Fund.

Venustech is a large cybersecurity company. We spent most of our meeting suggesting improvements Venustech could make in its disclosures. Since Venustech is a cybersecurity company, labor is the main cost and we suggested the company could disclose much more on how it develops and trains its staff. We also suggested improvements to governance, including greater independence on the audit committee and supervisory board.

Shenzhen Inovance Technology is a manufacturer of industrial equipment with a speciality in inverters, servos (motion controllers) and robotic equipment. We had the opportunity to visit the company's impressive showroom, where we saw the range of products sold by Inovance. The most impressive products were their six-axis industrial robots, with which the company aims to replicate its success in SCARA (Selective Compliance Assembly Robot Arm). Inovance makes some of the most extensive disclosures among A share companies which notably improved in the set of reports covering 2022. We suggested that Inovance make the audit committee fully independent and that it should sign up to the UN Global Compact.

Shenzhen H&T Intelligent Control is a manufacturer of controller chips for household appliances and power tools. H&T's customers include well-known brands such as Electrolux, Whirlpool, Siemens, TTI (Techtronic), Hisense, Haier and Supor. As H&T's customers are diversifying their suppliers from a geographic perspective, it has set up production bases in Vietnam and Romania. This is an important point – while foreign companies are diversifying from China, Chinese companies are also willing to diversify with them. We made a range of suggestions where H&T could improve. For example, we suggested H&T disclose the opportunities available in electric vehicles and energy storage solutions. We also suggested that they disclose more policies related to labor, namely how labor relations are managed and the training and development opportunities available to staff. H&T has an anti-corruption policy which it maintains internally, and we suggested that it disclose the policy to shareholders. We were given a tour of some of the production facilities, which were highly automated.

CMS's disclosure is relatively good and so our main suggestion related to 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, for which we said 10% was more reasonable.

Outlook

Structural Growth

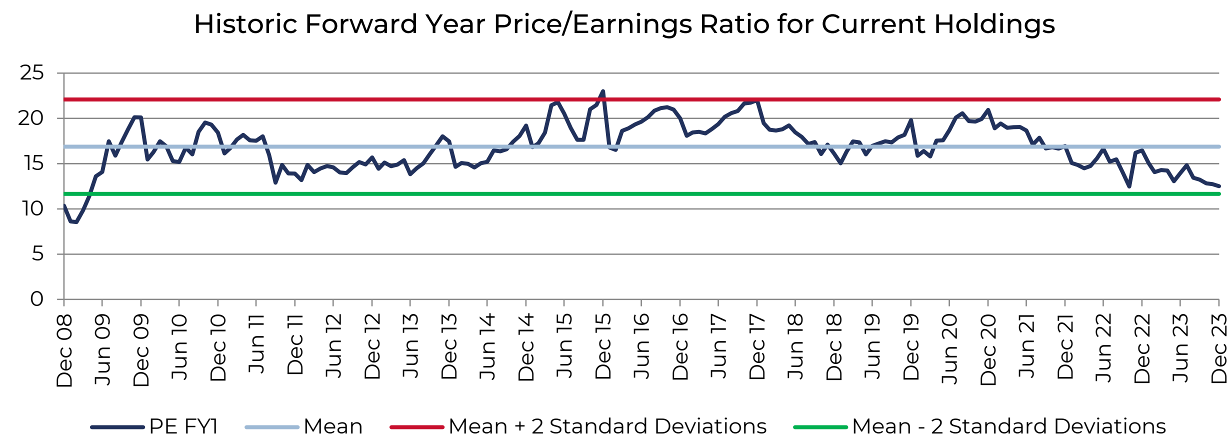
We briefly discuss our outlook on certain structural growth themes.

Sustainability – for our companies with exposure to China's energy transition, we expect some consolidation in the solar industry in the current environment of falling prices. We expect our companies (Xinyi Solar and Hangzhou First Applied Material), with their strong balance sheets and leading global market share, to benefit as their weaker competitors exit the industry. We expect more stable prices to lead to strong earnings growth in 2024. As China continues to expand its electricity grid to accommodate its investments in renewable energy, we expect continued growth for Nari Technology, which manufactures both hardware and software for the national grid.

Healthcare – in response to government mandated price cuts for generic drugs, our pharmaceutical holdings have seen earnings growth slow down over the past few years. Pricing power is much greater for innovative drugs and so our holdings have been building up their pipeline of novel drugs. We expect that for some of our companies, the pipeline may start to deliver in 2024. China Medical System (CMS) won approval from the regulator for three treatments in 2023 which are expected to contribute to revenue in 2024. The company expects to launch another six products in the coming years. CSPC Pharmaceutical is expecting growth to accelerate in 2024, driven by new product launches targeting oncology and respiratory treatments. We believe that at current prices, the market is assigning essentially no value to future cashflows arising from these companies' pipelines, making them attractive investment propositions.

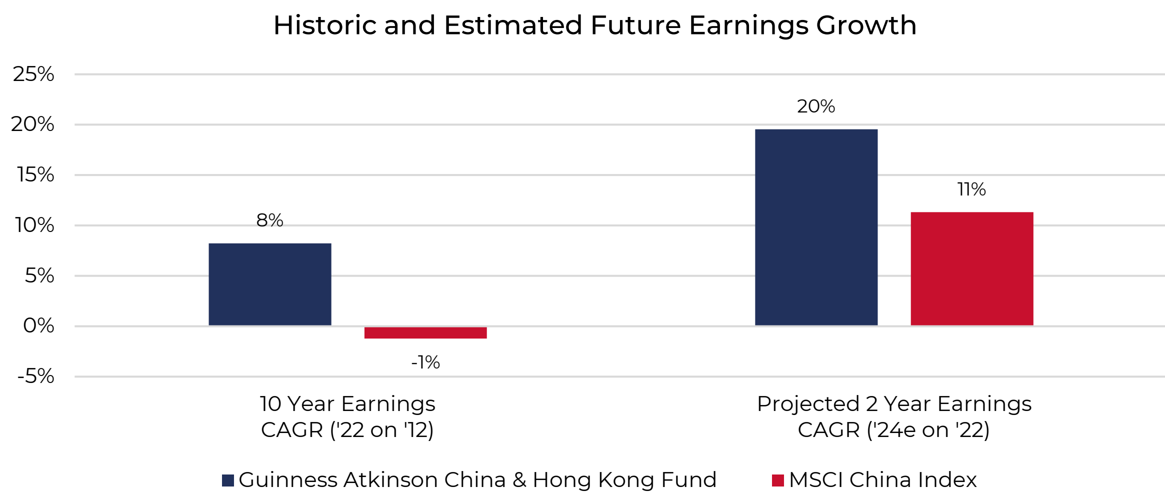
The Case for China Today

From an investment perspective, we remind readers that returns can be broken down into three components: changes in valuation multiples, earnings growth and dividends. Below we break down each component to argue why investors should be allocating to China and specifically, the China & Hong Kong Fund.



(Data from 08/31/12 to 12/31/23, source: Bloomberg, Guinness Atkinson calculations. Calculations assume an equally weighted portfolio)

The chart above shows the historic forward year price/earnings ratio, in aggregate, for the current holdings in the Fund. While we normally show the past 10 years of history, we now show the past 15 years to get a longer look at the historic valuations of our holdings. This must be viewed with one caveat, however – not all of our holdings were listed in 2008, and of those that were, some did not have analyst coverage. With this in mind, it is clear that the Fund's holdings, which trade at a forward price/earnings ratio of 11.7x, are trading at close to two standard deviations below their 15-year average. This is despite the fact the Fund has minimal exposure to the areas that investors are most cautious on China - real estate and the banks. Our holdings' valuations are being dragged down by the "China" discount, despite their strong track record of earnings growth across various economic environments.



(Source: Bloomberg, MSCI, Guinness Atkinson calculations. Data as of 12/31/2023. Earnings in USD. Fund series assumes $1m equally weighted into current holdings. Data for the Fund is a simulation based on actual, aggregate, historic data for the Funds' current holdings. Index data uses historic holdings as of the end of each year) Earnings growth is not a measure of future performance.

In the long-term, we believe it is earnings growth which is likely to deliver returns for shareholders. Over the past decade, our holdings in aggregate have grown earnings by 8% a year. This compares favorably to the MSCI China Index, where earnings have actually contracted by 1% a year over the past decade. Based on consensus analyst estimates, the Fund's holdings in aggregate are expected to grow earnings by 23% in 2023, 16% in 2024 and 14% in 2025. For context, the MSCI World Index is expected to grow earnings by 1% in 2023, 9% in 2024 and 10% in 2025. Therefore, despite the negative headlines on China, our companies are actually expected to grow earnings at a rate far higher than developed markets. At current valuations, we believe the Fund represents outstanding value to investors for the growth on offer. We argue that in summary, the risk-reward ratio for our high quality, compounding companies, looks very favorable for investors.

We believe that for China to become more attractive to investors, earnings estimates need to stabilize. Earnings forecasts for China are still stronger than those for developed markets, but they have been scaled back, so while companies are still expected to generate good growth, the expected rate has been persistently lowered. Once earnings estimates stabilize, we think both domestic and foreign investors are likely to find China more attractive, which could begin a valuation rerating in addition to earnings growth.

What could stabilize earnings estimates? Given the size of the real estate sector to the economy, its slump is strong enough to offset the growth in China's future pillar industries, which though are growing quickly, are not yet large enough to power overall economic growth. During this transition period, stimulus from the government is needed. In 2024 we can see the government cutting interest rates slightly and further lowering the required reserve ratio. But we argue loose monetary policy is a blunt tool. The economy is facing a negative wealth effect from falling property prices and even if credit becomes cheaper, often demand is the problem, not supply.

To address this issue, fiscal stimulus is likelier a better tool 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 take on 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 gross domestic product (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.

Performance

Relative to the MSCI China Index, areas which helped the Fund's performance in 2023 were:

- Stock selection in Communication Services, driven by the overweight to NetEase and Baidu which rose 30.6% and 4.1% respectively. An underweight in position Tencent, which fell 6.9% in 2023, also contributed to relative performance. The Fund, as an equally weighted portfolio, holds 3.2% in Tencent compared to an index weight of 14.6%.
- Stock selection in Information Technology, driven by Venustech (+1.2%).
- Stock selection in Health Care, driven by China Medical System (+18.4%) and not holding Wuxi Biologics which fell 50.5%.

Areas which detracted from the Fund's relative performance in 2023 were:

- Stock selection in Financials, driven by China Merchants Bank (–34.3%), AIA Group (–20.0%), Hong Exchanges & Clearing (-18.5%) and Ping An Insurance Group (-28.0%). The Fund also suffered from not holding the large SOE banks which were outperformers as they benefited from the rotation into value – we do not hold them because they do not give exposure to the structural growth themes we target.
- Stock selection in Industrials, driven by Wuxi Lead Intelligent Equipment (–37.2%), Sany Heavy Industry (–14.4%) and Shenzhen Inovance (-11.2%).
- Underweight to Energy, where the Fund has no exposure, because of the lack of opportunities which give exposure to the structural growth themes we target.

As of 12/31/2023	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	**-14.51%**	**-15.25%**	**-1.94%**	**0.04%**
Hang Seng Composite Index TR	**-10.69%**	**-13.31%**	**-2.72%**	**0.79%**
MSCI China Net Total Return Index	**-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. To obtain performance as of the most recent month end, please visit www.gafunds.com or call 1-800-915-6565. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. 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.

Dividends are not guaranteed and may fluctuate.

Themes:
Sustainability refers to China's efforts to reduce its carbon output and to reduce its impact to the environment. A company falls within this theme if it gives exposure to the ongoing energy transition, electric vehicles or waste reduction.

Healthcare refers to the opportunities arising from China's aging population, which we believe will be increasingly captured by China's own pharmaceutical and medical equipment companies.

The P/E ratio is calculated by dividing the market value price per share by the company's earnings per share. A high P/E ratio can mean that a stock's price is high relative to earnings and possibly overvalued. A low P/E ratio might indicate that the current stock price is low relative to earnings.

Forward P/E is a measure of the P/E using forecasted earnings for the P/E calculation.

Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.

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

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.

MSCI China Net Total Return (NTR) Index calculates the net total return of the MSCI China Index, after taking into account withholding taxes.

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 Emerging Markets Index is used to measure equity market performance in global emerging markets.

MSCI Emerging Markets ex China Index is used to measure equity market performance in global emerging markets excluding China.

Shenzen Component Index, also known as SZSE Index, is an index of 500 stocks that are traded at the Shenzhen Stock Exchange (SZSE).

Shanghai Composite Index, also known as SSE Index, is a stock market index of all stocks that are traded at the Shanghai Stock Exchange.

MSCI Golden Dragon is a composite of the MSCI China, Hong Kong and Taiwan Indices which are free float adjusted market capitalization weighted indices that is designed to measure the equity market performance of the respective markets.

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.

The MSCI Taiwan Index is designed to measure the performance of the large and mid-cap segments of the Taiwan market. With 88 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Taiwan.

The MSCI AC Asia Pacific ex Japan Index captures large and mid-cap representation across 4 of 5 Developed Markets countries (excluding Japan) and 8 Emerging Markets countries in the Asia Pacific region. With 1,251 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

S&P 500 Index is a market-capitalization-weighted index of leading publicly traded companies in the U.S.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market.

The MSCI Europe Index captures large and mid cap representation across developed markets countries in Europe.

Hang Seng TECH Index was launched in July 2020. It represents the 30 largest technology companies listed in Hong Kong that have high business exposure to technology themes.

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.

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.

In China, the National Bureau of Statistics (NBS) Manufacturing Purchasing Manager Index (PMI) 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.

Expected earnings growth refers to the market's expected earnings growth for a company, based on consensus analyst estimates.

Earnings per share (EPS) is a metric investors commonly use to value a stock or company because it indicates the profitability of a company on a per-share basis. EPS is calculated by subtracting any preferred dividends from a company's net income and dividing that amount by the number of shares outstanding.

With 190 member countries, the International Monetary Fund (IMF) has three critical missions: furthering international monetary cooperation, encouraging the expansion of trade and economic growth, and discouraging policies that would harm prosperity.

American Depositary Receipts (ADRs) offer US investors a means to gain investment exposure to non-US stocks without the complexities of dealing in foreign stock markets.

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.

Standard deviation measures the variation of a set of values around its mean.

Top Fund Holdings as of 12/31/23:

1.	China Medical System Holdings Ltd	4.67%
2.	NARI Technology Co Ltd	4.52%
3.	NetEase Inc – ADR	4.34%
4.	Weichai Power Co Ltd - H Shares	4.07%
5.	Tencent Holdings Ltd	3.72%
6.	Baidu Inc	3.53%
7.	TravelSky Technology Ltd	3.50%
8.	AIA Group Ltd	3.47%
9.	Venustech Group Inc	3.43%
10.	Inner Mongolia Yili - A Shares	3.42%

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

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