

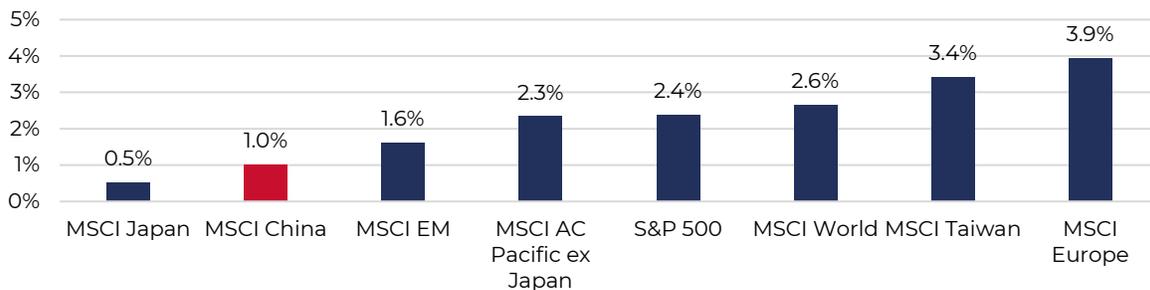
**Summary View**

- Outperformers in the Fund were Sino Biopharmaceutical, Elite Material and Geely Automobile. Underperformers were CSPC Pharmaceutical, Xinyi Solar and Netease.
- Relative to the MSCI China Index, contributors to the Fund's relative performance were stock selection in the Consumer Discretionary and Financials sectors. Detractors from performance were the structural underweight to Tencent, stock selection in the Information Technology, Industrials and Consumer Staples sectors, and the Fund's overweight to growth stocks and small and mid caps.
- We sold Venustech Group and in its place bought Haitian International.

**Market Commentary**

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

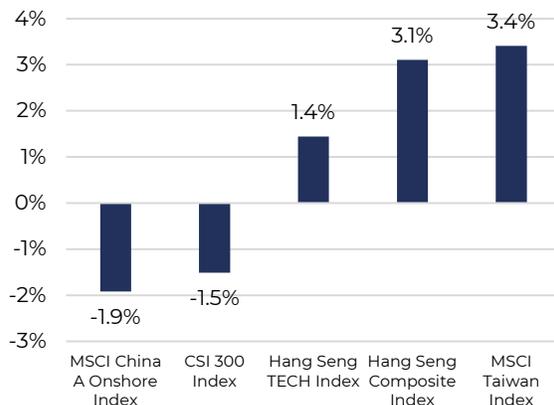
**Returns by Market in August**



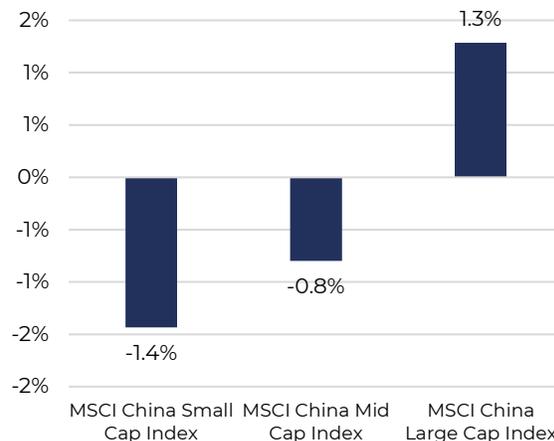
(Data from 07/31/24 to 08/31/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

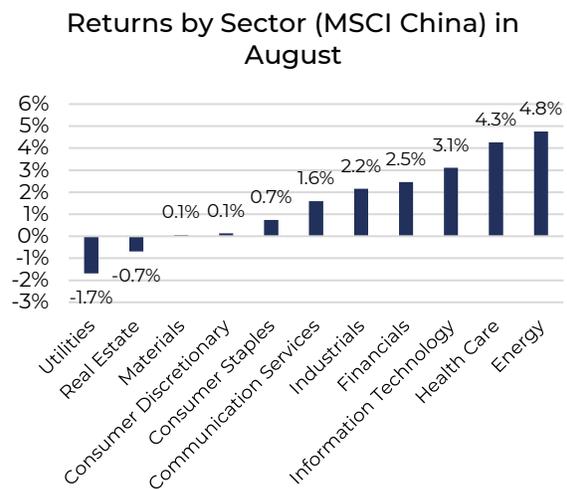
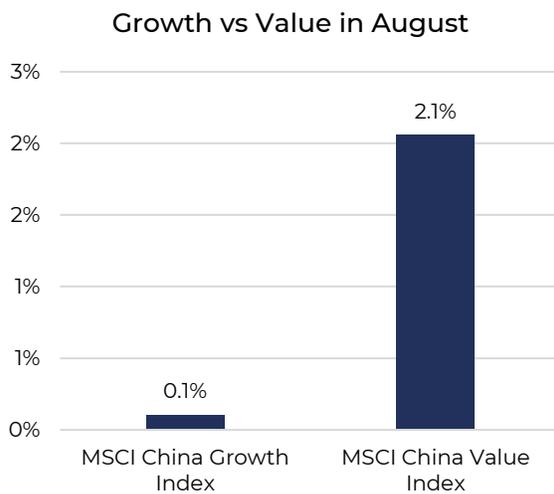
In August, the MSCI China Index rose by 1.0%, lagging the MSCI World Index which rose by 2.6%. During the sell-off in Japan and other developed markets at the beginning of the month, Chinese markets were outperformers, particularly the A share market. But once global markets recovered, China lagged in the recovery as another relatively weak set of economic indicators was released. The housing market continues to drop, while export growth was weaker than expected in July.

**Returns by Local Market in August**



**Returns by Market Size in August**





(Data from 07/31/24 to 08/31/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Offshore markets outperformed onshore markets, as the Hang Seng Composite Index rose by 3.1% while the MSCI China A Onshore Index fell by 1.9%. Large cap stocks notably outperformed as the MSCI China Large Cap Index rose by 1.3% while the small and mid-cap indexes fell by 1.4% and 0.8% respectively. Value stocks outperformed, with the MSCI China Value Index rising by 2.1% compared to the growth index which only rose by 0.1%. The best performing sectors in the MSCI China Index were Energy, Health Care and Information Technology, while the weakest were Utilities, Real Estate and Materials.

### Stock Commentary

In August, the strongest three stocks in the Fund were Sino Biopharmaceutical (total return +15.2%) and Geely Automobile (+11.0%).

Sino Biopharmaceutical (SBP) is in the process of moving away from focusing on selling generic drugs, and towards a model of drugs developed in house. In the first half of 2024 revenue grew by 11%, driven by the oncology and analgesia segments. Its subsidiary Beijing Tide, which focuses on analgesia products, faces limited competition and so the segment has grown despite price cuts. SBP remained disciplined on costs and excluding a one-off gain, core earnings grew by 14%. Management is aiming for sales to grow by double digits in the coming years, driven by a growing contribution from self-developed innovative drugs.

Geely Automobile grew revenue by 39% in the second quarter, selling 480,000 cars in the quarter. Electric vehicles, which consists of pure and hybrid vehicles, grew to 37% of units sold. Management indicate capex has peaked and so we expect operating leverage to work in the business' favor going forward. Earlier this year, Geely increased its sales target for the year to 2 million units, of which 64% had been achieved by the end of August.

In August, the weakest three stocks in the Fund were CSPC Pharmaceutical (-17.0%), Xinyi Solar (-15.2%) and Netease (-12.7%).

CSPC Pharmaceutical saw an unexpected drop in operating performance in the second quarter. Its oncology and cardiovascular sales were impacted by price cuts and growth in newer areas such as nervous system and anti-infectives was not large enough to offset this weakness. Management has said their earlier aim for double digit growth in revenue this year is unlikely to be achieved.

In the first half of 2024, Xinyi Solar reported revenue growth of 4% and earnings per share (EPS) growth of 41%. Despite the bounce in activity, overcapacity remains present in much of the solar supply chain.

Solar glass prices remain depressed and even though volumes are increasing, this has nearly all been offset by falling prices. Management has pared back its expansion plans in light of the industry's overcapacity problems. We continue to hold the stock because as the largest solar glass manufacturer in the world, with ~50% global market share, Xinyi Solar benefits as the lowest cost producer. At current prices many smaller competitors are likely loss making and eventually may have to leave the industry. As the supply demand dynamics rebalance, we expect Xinyi Solar to benefit. In the meantime, its strong balance sheet allows it to weather the current period of weakness.

NetEase fell following its results which included more moderate guidance than the market had expected. Revenues grew 6% and the gross profit margin expanded 3 percentage points to 63%. Net profit was down on foreign exchange translation and a higher (normalized) tax rate. However, a combination of weaker revenue coming through from legacy games plus a perceived shortfall in new games coming through has caused a sell off. This pattern of sell-off and rally on the timing of new launches is endemic to this stock. The company has an excellent track record in new game design, and we regard this slowdown as temporary.

### **Stock Switches**

We sold Venustech Group and in its place bought Haitian International.

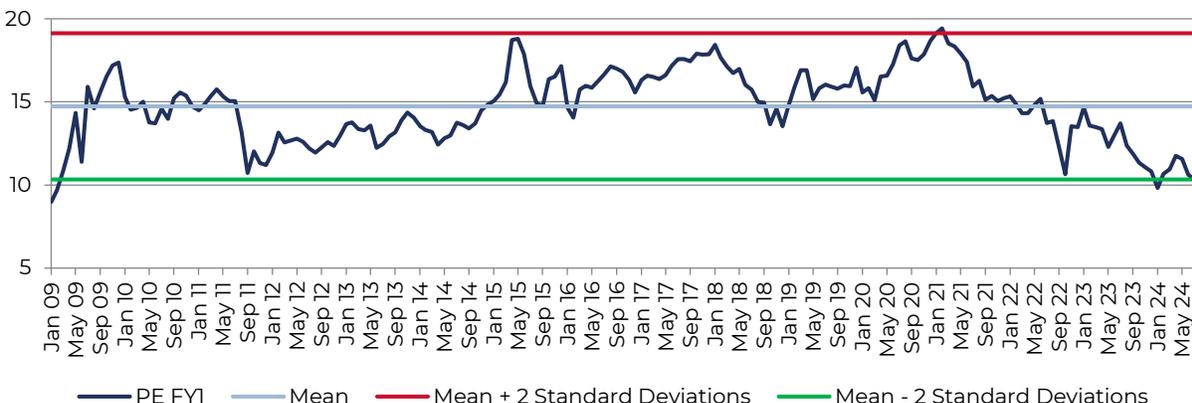
Venustech is a cybersecurity company whose largest shareholder is China Mobile. Though cybersecurity standards have been made more stringent in China over the past few years, the industry has struggled. Some local governments, whose incomes are under pressure from the weak property market, have cut budgets for cybersecurity spending. Despite the attractive long-term picture for cybersecurity demand, in the current environment, the entire industry has struggled and has failed to provide the secular growth we look for.

Haitian International is the world's largest manufacturer of plastic injection moulding machines. It is likely to benefit from government stimulus for its customers to upgrade older equipment. Additionally, Haitian gives indirect exposure to the trade-in of consumer goods, where consumers are given subsidies to trade in their older household appliances for newer products. This should lead to greater capex for some of Haitian's downstream customers, leading to greater demand for their machines. Management also say reshoring is creating opportunities for the business, as if new plants are being created in, for example, Southeast Asia, this should also boost demand for plastic injection moulding machines. Haitian trades at a very favorable risk reward ratio for a consistently high return on capital business.

### **Outlook**

Our view is that investors, both domestically and abroad, are significantly undervaluing the high-quality companies in China that we target. These companies have strong balance sheets with relatively little debt, and so can weather the next few years of relative weakness, as China completes its transition away from real estate and towards the new pillar industries. The companies we own give exposure to the structural growth themes in China and while earnings expectations have been falling, importantly these companies are still expected to grow. Based on consensus analyst estimates, we believe the Fund's holdings in aggregate are expected to grow net income by 19% in 2024 and 10% in 2025. On a valuation basis, the Fund is trading on a forward year price earnings ratio of 10.4x. For the holdings in aggregate, this valuation is one of the lowest levels we have seen since the financial crisis, which presents one of the best risk reward ratios we have seen for some time.

Historic Forward Year Price/Earnings Ratio for Current Holdings



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

Edmund Harriss (portfolio manager)

Sharukh Malik (portfolio manager)

## Performance

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

- Stock selection in the Consumer Discretionary sector, driven by not holding Pinduoduo, and good performance from Travelsky, Geely and Midea.
- Stock selection in the Financials sector, driven by AIA Group, Ping An Insurance and Hong Kong Exchanges & Clearing. Additionally, not holding the large state-owned banks contributed to performance.

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

- Structural underweight to Tencent. The Fund is run on an equally weighted basis and so each position has a neutral weight of 3.2%. As of the end of June, Tencent's weight in the MSCI China Index was 16.6%, making it the largest stock by far in that index. Tencent was an outperformer in the month and so the Fund benefited from less of its performance than the index.
- Stock selection in the Information Technology sector, driven by Venustech, Xinyi Solar and not holding Xiaomi.
- Stock selection in the Industrials sector, driven by Wuxi Lead Intelligent Equipment and Shenzhen Inovance Technology.
- Stock selection in the Consumer Staples sector, driven by Inner Mongolia Yili Group.
- The Fund's focus on growth stocks worked against it, as value stocks significantly outperformed growth stocks.
- The Fund has an overweight to small and mid-caps which underperformed large caps. The most interesting names in the onshore market are the "Little Giants" – smaller companies which are in the industries that are likely to make China a developed country. These companies are getting government support in the form of a lax regulatory environment, greater government orders and lower taxes. These Little Giants are currently being ignored by the market and we strongly believe

that once China completes its economic transition away from property, these companies are likely to have a long path of compounded growth ahead of them.

As of 08/31/2024	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	-12.12%	-16.63%	-18.12%	-6.03%	-1.50%
Hang Seng Composite Index TR	7.23%	0.86%	-9.82%	-1.93%	0.83%
MSCI China Net Total Return Index	4.39%	-2.77%	-13.57%	-3.39%	0.55%

As of 06/30/2024	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	-8.16%	-16.65%	-18.79%	-6.17%	-0.61%
Hang Seng Composite Index TR	5.67%	-1.99%	-13.47%	-3.91%	1.35%
MSCI China Net Total Return Index	4.74%	-1.62%	-17.68%	-4.25%	1.39%

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

Expense Ratio: 1.82%

*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](http://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](http://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.**

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One cannot invest directly in an Index.

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

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

The compound annual growth rate (CAGR) is the rate of return (RoR) that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's life span.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas. Average price data for select utility, automotive fuel, and food items are also available.

USD/CNY is the abbreviation for the US Dollar and Chinese Yuan pair. It shows how much the USD (base currency) is worth as measured against the CNY (counter currency).

The Shanghai Shenzhen CSI 300 Index is a market capitalization-weighted stock market index designed to replicate the performance of the top 300 A-share stocks traded in the Shanghai and Shenzhen stock exchanges.

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

In China, the National Bureau of Statistics (NBS) Manufacturing Purchasing Manager Index measures the performance of the manufacturing sector and is derived from a survey of more large-scale, state-owned companies. The Manufacturing Purchasing Managers Index is based on five individual indexes with the following weights: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stock of Items Purchased (10%), with the Delivery Times index inverted so that it moves in a comparable direction.

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

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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". 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.

The Shanghai Shenzhen CSI 300 Index is designed to replicate the performance of the top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It is weighted for market capitalization and is seen as a blue-chip index for mainland Chinese stocks.

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.

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.

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. With 90 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Taiwan.

Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, technology, or equipment. CapEx is often used to undertake new projects or investments by a company.

Reshoring is the process of returning the production and manufacturing of goods back to the company's original country. It is also known as onshoring, inshoring, or backshoring.

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 depository receipt (ADR) refers to a negotiable certificate issued by a U.S. depository 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

USDCNY exchange rate refers to how many Renminbi one US dollar is worth.

Opinions expressed are subject to change, are not a guarantee and should not be considered investment advice. Past performance is not indicative of future results.

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Dividends are not guaranteed and may fluctuate. Earnings growth and Income growth are not a measure of future performance.

Top Fund Holdings as of 8/31/2024:

1. Tencent Holdings Ltd	5.21%
2. Geely Automobile Holdings Ltd	4.27%
3. Midea Group Co Ltd	3.77%
4. TravelSky Technology Ltd	3.75%
5. Ping An Insurance Group Co of China Ltd - H Share	3.68%
6. Sany Heavy Industry Co	3.67%
7. Zhejiang Supor Cookware - A Shares	3.67%
8. Hong Kong Exchanges & CL	3.64%
9. AIA Group Ltd	3.55%
10. Sino Biopharmaceutical Ltd	3.53%

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

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