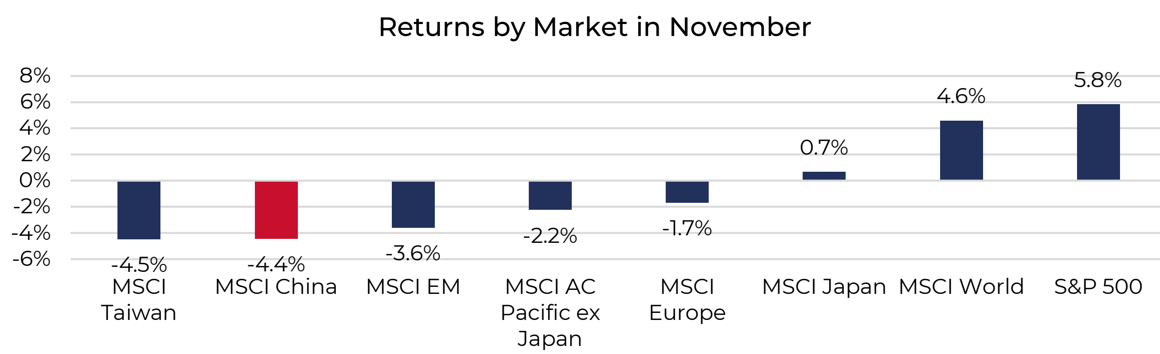
Guinness Atkinson
China & Hong Kong Fund
Managers' Update – Review of November 2024

Summary View

- China made it easier for larger investors to become "strategic investors" in listed companies. The lock-up period for these investors was cut from three years to one year, and the minimum investment amount for the designation was cut from $500m to $300m. Foreign investors can more easily take a stake in these instances, as tender offers are now allowed in addition to the previous means of private placements or share transfer agreements.
- The home purchase deed tax was cut from as high as 3%, to 1% for first- and second-time home buyers. This is expected to boost property demand.
- Export tax rebates were cut for a wide range of goods. For solar panels and batteries, the rebates were cut from 13% to 9%. For aluminium and copper, the rebates were completely removed. Part of the rationale for cutting the rebates may have been to ease trade tensions with other countries.

Market Commentary

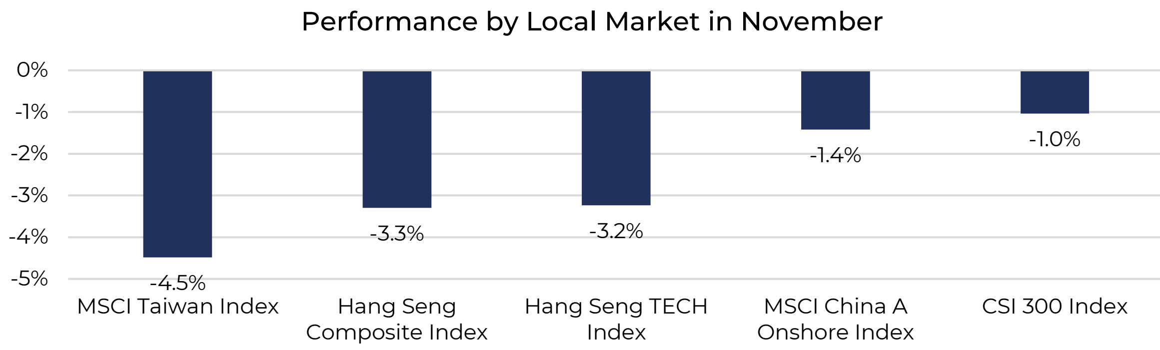
(Performance data in the section in USD terms unless otherwise stated)



(Data from 10/31/24 to 11/30/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

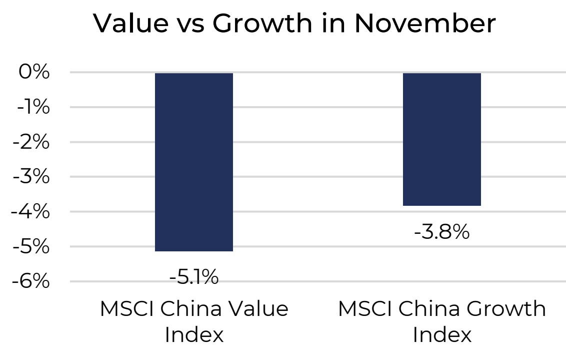
After the stimulus fueled rally at the end of September, China has given back some of its gains. In November, the MSCI China Index fell by 4.4% compared to the MSCI World Index which rose by 4.6%. Part of China's fall was driven by the lack of greater stimulus targeted directly towards the consumer. But we highlight progress in tackling local government debt – please read the outlook section for more details.

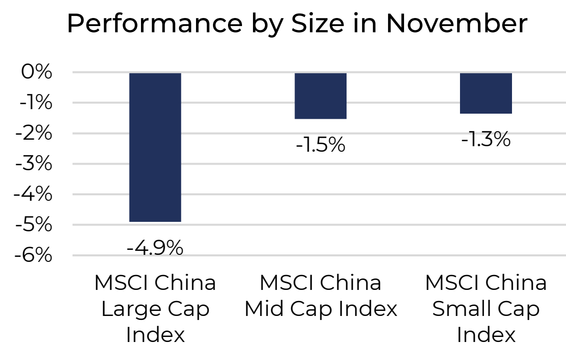
The election of Donald Trump as the next President in the US was also a cause of weakness for China. Trump has said he will increase tariffs on Chinese products by 10% and has threatened to increase them to 60%. He has already started to nominate China hawks in important posts, such as Marco Rubio as Secretary of State and Mike Waltz as National Security Advisor. But his pick for Secretary of the Treasury, Scott Bessent, is viewed by some as more moderate on China. Bessent views Trump's threats of 60% tariffs as a "maximalist" position that could be negotiated, though we caution Bessent is just one of many senior officials within the incoming administration and does not represent Trump's views.



(Data from 10/31/24 to 11/30/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Offshore markets, as measured by the Hang Seng Composite Index, were weaker in November as they fell 3.3%. Onshore markets, as measured by the MSCI China A Onshore Index, were slight outperformers, falling by 1.4%.





(Data from 10/31/24 to 11/30/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Value stocks fell by 5.1% compared to the growth index which fell by 3.8%. Large caps continued to underperform, falling 4.9% in November compared to the 1.5% drop for the mid cap index and 1.3% drop for the small cap index.

US and Export Exposure

On a weighted average basis, 79% of the Fund's revenue is derived from China and 21% is from exports. In response to the risk of rising tariffs once Trump comes into power, we will discuss our exposure to the US. Not every company we hold discloses its export sales by country, as generally a country breakdown is provided if sales to that country are viewed as material. As a rough rule of thumb, this is when export sales to a specific country are more than 10% of total revenue. On this basis we assume that if sales to the US are not disclosed for a company, sales to the US are worth less than 10% of that company's total revenue.

For those companies that do report US exposure:

- Haier Smart Home (US revenue worth 31% of total revenue in 2023) – of sales to the US, 60% of production is in the US, 20-30% is in Mexico and 10% is in China. Management say they can become more efficient in their US productions in order to increase output, and can work on expanding their Thailand and Vietnam facilities.

- Shenzhou International (US revenue worth 16% of total revenue in 2023) – for the past decade, this garment manufacturer has been diversifying its production facilities across South East Asia. This was initially due to economics, as rising wages in China meant that Vietnam and Cambodia were more attractive locations. In recent years, due to geopolitical risk this move into South East Asia also has diversification benefits. In 2016, 69% of staff were based in China and 31% were abroad. By 2023, 49% of staff were in China and 51% were abroad (split 29% Vietnam and 21% Cambodia). Shenzhou has the flexibility to use its various production sites to respond to tariffs. Its Vietnam facilities predominately manufactures for US sales, while Cambodia targets Europe and domestic facilities target China and the broader Asia-Pacific region.
- Midea (US revenue worth ~6% of total revenue in 2023) – Midea is one of the world's largest household appliances firms, well known for its air conditioning business. Though not disclosed in its annual report, separately Midea has indicated sales to the US are worth only 6% of revenue. US exposure is relatively small and is mostly via the home appliances segment rather than the air conditioning business. Over the past few years, Midea has been expanding its footprint worldwide and now has production plants in Brazil, Indonesia, Italy, Thailand, India, Mexico and Egypt. The company can use these various sites to offset tariff risk.

For completeness, we also briefly comment on our Chinese holdings where overseas sales account for a meaningful portion of sales:

- Shenzhen H&T Intelligent (overseas revenue worth 67% of total revenue in 2023) – H&T is a manufacturer of controllers (chips) for household appliances and power tools. The controllers are used as a component for said applications and so are unlikely to face direct tariffs – rather they are likely to be indirectly affected as the final goods may be subject to tariffs. The company has said direct exports to the US account for a "relatively small proportion" of sales and current tariffs have no significant impact on performance. To counter the risk of rising US tariffs, the company is building a new factory in Mexico. It also has bases in Vietnam, Italy and Romania which it can utilize should tariffs rise.
- Sany Heavy Industry (overseas revenue worth 58% of total revenue in 2023) – Sany is a manufacturer of construction equipment, covering excavators and construction cranes. The US already has a 25% tariff on imports of Chinese construction equipment. In response, Sany has facilities in Indonesia to serve the US, with capacity of 8,000 units. This has allowed Sany to avoid the tariffs. The company has also started building capacity in the US and trial production has begun.
- AIA Group (overseas revenue worth 42% of total revenue in 2023) – of the overseas revenue, this can be further split into 12% from Thailand, 13% from Singapore and 7% from Malaysia.
- Alibaba (overseas revenue worth 37% of total revenue in 2023) – though Alibaba does not disclose US exposure, we know its international e-commerce sites targeting the West has been doing better recently, along with the likes of Shein and Temu (owned by Pinduoduo). These companies all rely on the "de minimis exemption", which allows goods worth less than $800 to be shipped to customers without being declared at customs or paying any tariffs or duties. This practice is now under scrutiny and if the cap was lowered or even eliminated, Alibaba's e-commerce segment is likely to slow. Alibaba has also been affected by the US' restrictions on chip exports, meaning Alibaba cannot buy the most cutting edge chips from Nvidia. On this front, we expect more of the same from a Trump administration.
- Zhejiang Supor (overseas revenue worth 26% of total revenue in 2023) – management say exposure to the US is "limited". More than 50% of its sales to the US are manufactured in Vietnam and there is room for Vietnam to take on more if tariffs increase.
- Hangzhou First Applied Material (overseas revenue worth 19% of total revenue in 2023) – First Applied is the world's largest manufacturer of solar film, which protects solar modules. It sells to the major module manufacturers worldwide, many of whom are Chinese. The US is likely a trivial

part of First Applied's exports as the US already imposes 50% tariffs on imports of solar modules from China.

- Geely Automobile (overseas revenue worth 18% of total revenue in 2023) – of the overseas revenue, this can be further broken down into 10% from Eastern Europe, 3% from Northern Europe and 3% from the Middle East.

Macro Policy

Consumer Support

Though Chinese markets have given back some of their gains, as greater stimulus for households has not yet come through, we do highlight that other important policies have been enacted. These moves have not necessarily dominated headlines but nonetheless are needed if China is to navigate its current economic weakness.

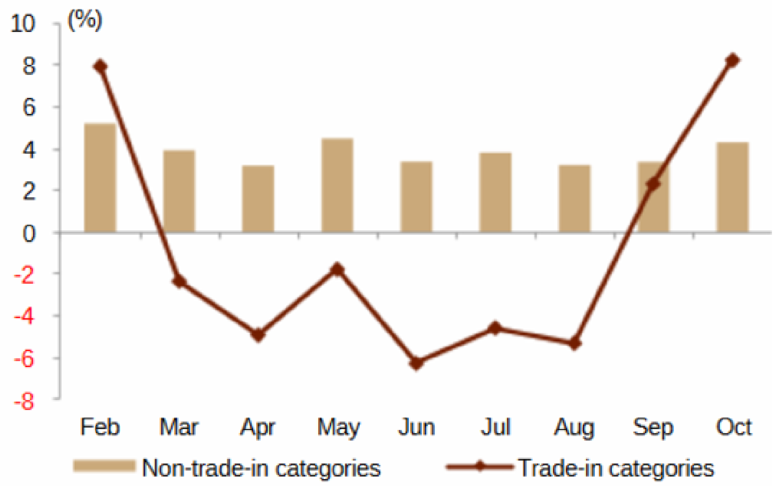
To summarize September's stimulus, China's monetary and fiscal policies were loosened. With the Federal Reserve cutting interest rates, China has more room to lower its own rates without exacerbating capital outflows or putting significant strain on the Renminbi (holding all other factors constant). The People's Bank of China (PBOC) cut short-term rates by 0.2 percentage points, which was a larger-than-usual cut. It also lowered the required reserve ratio (RRR), injecting approximately CNY 1 trillion ($138bn, assuming USDCNY 7.24) of liquidity into the economy. But the underlying issue in China is weak demand for credit and so we view the RRR cut as not very effective.

It is demand for credit which is the issue and here the fiscal policies aimed towards the property market and consumer are relevant. In the property sector, mortgage interest rates were reduced which should save households CNY 150bn ($21bn) annually. But the impact on demand is expected to be limited as each household is likely to save only CNY 200-300 ($30-43) a month. The government has also relaxed down payment ratios for second homes, although previous efforts in this area have only led to short-term boosts.

For the consumer, a trade-in program has been introduced for older products, with the aim of stimulating spending. CNY 150bn ($21bn) of subsidies is available, allowing consumers to upgrade older products such as household appliances and passenger vehicles. Consumption vouchers have also been handed out in some cities, the proceeds of which can be spent on outdoor activities. While this is a start, we argue the measures are modest in scale, representing only a small percentage of retail sales. To significantly boost economic growth, the government will have to scale up its support. Reports indicate the government is to issue CNY 2 trn ($286bn) of sovereign bonds, which is on top of the CNY 1 trn ($143bn) of ultra long-term bonds already announced this year. We expect part of the proceeds to be spent on scaling up the funding behind the consumer trade in program.

We now look at how effective this consumer support has been. Research by CICC estimates that by the end of October, subsidies worth nearly CNY 70bn ($9.7bn) had been provided to consumers. They look at sales for goods covered by the trade-in program, where the chart below shows sales were contracting over the spring and summer. Once the subsidy program was finalized in August, sales started to grow in September and October. CICC estimate that between September and October, the amount of subsidies granted increased by CNY 41bn ($5.7bn), while retail sales of trade-in goods rose by CNY 100bn ($13.8bn). This results in a fiscal multiplier of 2.6x, higher than the 2.3x figure they estimate for the 2010 trade-in program. While this is encouraging, the boost in spending needs to be put into context. In 2023, China's GDP was CNY 126 trn ($17.4 trn), so a CNY 100bn boost is only worth 0.08% of GDP. As we argued in October, the policy makes sense but its scale needs to be expanded significantly to boost overall economic growth.

Figure 5: YoY growth in monthly total retail sales of consumer goods

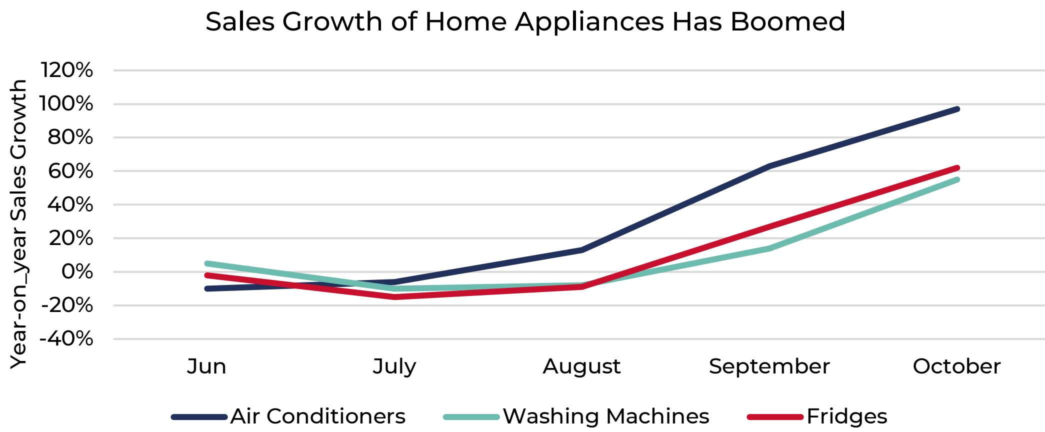


Note: Trade-in goods include household appliances and audio-visual equipment, automobiles, furniture, and construction and decoration materials.
Source: Wind, CICC Research

(Source: CICC. As of 12/03/24)

For the CNY 150bn ($21bn) funding the consumer trade-in program, CNY 30bn ($4.1bn) has been allocated to household appliances specifically. According to the National Development and Reform Commission (NDRC), sales of home appliances increased by 40% in October (year-on-year unless otherwise specified). As of early November, CNY 26bn ($3.6bn) of subsidies had been provided to consumers, driving CNY 138bn ($19bn) of purchases. However, this also implies that most of the CNY 30bn ($4.1bn) of subsidies was used up by early November, meaning it is likely demand for household appliances may slow in the last two months of the year.

According to data from All View Cloud, retail sales of air conditioners in the offline channel rose by 63% in September and 97% in October; for washing machines they rose 14% in September and 55% in October; and for fridges they rose 27% in September and 62% in October. Our holdings Haier Smart Home and Midea Group have benefited from this growth. In the offline channel, for air conditioners Midea has 36% market share and Haier has 14% market share; for washing machines, Haier has 37% market share.



(Source: AVC, UBS. As of 11/13/24)

The growth in home appliances sales also benefited our e-commerce holding JD.com, which has a good reputation in this space. In October, the industry's online retail sales grew by 11% and home appliance sales grew by 39%.

For passenger vehicles, the maximum subsidy for EVs was doubled from CNY 10k ($1.4k) to CNY 20k ($2.8k); for gasoline cars, the allowance was also doubled from CNY 7k ($1k) to CNY 15k ($2.1k). As of mid-November, there were more than two million applications for the subsidy. To put this number into context, 21.7 million passenger vehicles were sold in China last year, so two million applications for the subsidy is substantial.

Subsidies are also available for home renovations. We hold Suofeiya Home Collection, which is a manufacturer of kitchen cabinets and wardrobes. Orders grew significantly in October. Suofeiya's store in Guangzhou had revenue of CNY 100m ($14m) in October, far higher than the CNY 45m ($6m) in the peak month in 2023.

<u>Property Support</u>
In September, the government also cut mortgage rates by 0.5pp. The downpayment ratio for second homes was cut from 25% to 15%, putting it at the same level as first homes. Home purchase restrictions were relaxed in tier one cities such as Shanghai and Guangzhou. So far, we have seen registrations for primary sales (new properties) spike up since the stimulus, growing year on year. However, registrations remain well below 2019-2021 levels, which marked the peak of the Chinese property market. Home prices, as measured by the National Bureau of Statistics (NBS) measure tracking 70 major cities, fell by 6.2% yoy in the primary market in October. Contract sales for the largest 100 property developers initially increased by 5% yoy in October, but then fell 10% in November.

<u>Local Government Debt Swap</u>
In November, the government announced CNY 10 trn ($1.4 trn, assuming USDCNY 7.24) of funding for debt swaps. Of this amount, CNY 6 trn ($0.83 trn) is new, while the other CNY 4 trn ($0.55 trn) was re-allocated from the quota for existing local government bonds. The funding allows local governments to issue bonds, replacing existing debt. Existing debt is generally less transparent and is generally held through other entities called local government financing vehicles (LGFV), which is considered as off-balance sheet debt.

Why was debt held off-balance sheet? Until ~2015, local governments could not directly issue debt. Due to growth targets and insufficient tax receipts to fund expenditures, they relied on LGFVs where there were no restrictions on debt issuance. Since 2015 local governments have been able to issue bonds themselves, but have still used LGFV to raise debt despite central government discouraging the practice.

The debt swap should reduce the interest rate burden on local governments, freeing up funds for spending to support the real economy. To give more context to this point, many local governments are facing budget pressures. A substantial portion of their tax receipts are derived from land sales and given the weak property market, tax income from this channel has fallen. Land sales revenue fell by 30% in 2022-2023 and year-to-date (end of October), land sales revenue has fallen a further 23% and tax revenue has fallen 5%. As a result, local governments have generally been cutting back on spending such as by cutting salaries for staff. They are also being more active on finding new sources of revenue e.g. administrative fines on individuals and companies for fairly trivial oversights, and more aggressive tax collection. To add to this, in some provinces the interest burden on LGFV debt takes up a large portion of local government revenue. In Guangxi, Chongqing and Gansu, the interest burden accounts for ~35-40% of local government revenue

The debt swap should reduce some of the budgetary pressure local governments are facing, as off-balance sheet debt is more expensive than local governments bonds. The debt swap is expected to reduce the interest burden because local governments are to pay lower interest rates on bonds. This should free up cash to fund daily expenses e.g. pay civil servants on time, pay suppliers in a more timely fashion. The Ministry of Finance estimates the interest burden may fall by ~CNY 500-600bn ($69-83bn) over the next five years. Taking the midpoint and assuming this is split equally each year, an annual saving of CNY 110bn ($15bn) is worth 0.09% of 2023's GDP. While the debt swap is important in reducing risks, it is ultimately expected to have a small impact on economic growth.

Outlook

The Minister of Finance has said China will expand the number of consumer goods that are eligible for the trade in subsidy, as well as the total value of subsidies provided. More support will also be provided for equipment upgrades, which already has CNY 148bn of funding to subsidies upgrades of corporate equipment. This is encouraging as while the existing policies make sense, current funding is too small to have a significant impact on economic growth.

In early December, the Politburo further strengthened its wording on policy, as "more proactive" fiscal policy and "moderately loose" monetary policy was called for. These phrases are important as "more proactive" fiscal policy was last mentioned soon after the COVID-19 outbreak started, and "moderate loose" monetary policy was last used after the financial crisis. The Central Economic Work Conference is now being held and growth targets and budgets for next year will be disclosed to local governments, though the national GDP growth target will not be officially disclosed until the *Two Sessions* meeting in March. As ever, specific policies are needed to get the economy going and more funding is required to expand some of the existing schemes in place. Of course, the new Trump administration coming into power in January is another factor to watch and we believe it is likely the Chinese government is waiting to see how tariffs play out, before they move decisively on policy.

Edmund Harriss (portfolio manager)

Sharukh Malik (portfolio manager)

Performance

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

- Stock selection in the Consumer Discretionary sector, driven by the underweight to Pinduoduo and Meituan (neither held), as well as Alibaba (held). 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 November, Alibaba's weight in the MSCI China Index was 8.4%, making it the second largest stock in that index. Alibaba underperformed in the month and so the Fund suffered from less of its underperformance than the index.
- Stock selection in the Information Technology sector, driven by Shenzhen H&T Intelligent. H&T Intelligent was the strongest stock in the portfolio, rising 45%. It has a stake in Moore Threads which is planning on listing in the onshore market. Moore Threads has been called by some the Nvidia of China and H&T Intelligent is apparently the only listed company with exposure to Moore Threads, driven by its 1.2% stake in the company. Retail investors moved into the stock, with daily turnover reaching as high as $1.3bn compared to the one-year average of $75m. Therefore, the stock rose by 164% between the bottom in September and peak in November. As part of the rebalancing process of the Fund, we reduced our exposure to the stock twice in the month, as valuations reached historically high levels.
- The Fund is overweight to the onshore markets, so onshore markets' outperformance was beneficial for Fund performance.
- The Fund is overweight to growth and mid-cap stocks, so these factors' outperformance contributed to Fund performance.

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

- Stock selection in the Health Care sector, driven by CSPC Pharmaceutical and Sino Biopharmaceutical.
- Stock selection in the Financials sector, driven by AIA Group and China Merchants Bank.

As of 09/30/2024	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	**10.80%**	**8.20%**	**-9.46%**	**-1.78%**	**1.47%**
Hang Seng Composite Index TR	**27.73%**	**22.89%**	**-2.76%**	**1.23%**	**3.27%**
MSCI China Net Total Return Index	**29.34%**	**23.89%**	**-5.55%**	**0.84%**	**3.40%**

As of 11/30/2024	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	**0.70%**	**-1.66%**	**-12.84%**	**-4.85%**	**0.12%**
Hang Seng Composite Index TR	**18.04%**	**17.52%**	**-4.12%**	**-0.84%**	**1.94%**
MSCI China Net Total Return Index	**16.29%**	**13.49%**	**-7.92%**	**-2.40%**	**1.72%**

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 or call 1-800-915-6565. Performance data does not reflect the 2% redemption fee for shares held less than 30 days and, if deducted the fee would reduce the performance noted.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company, and it may be obtained by calling 800-915-6566 or visiting gafunds.com. Read it carefully before investing.

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

One cannot invest directly in an Index.

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

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

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

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

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

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

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 Caixin PMI measures the performance of the manufacturing sector and is derived from a survey of more private companies.

MSCI stands for the investment research firm Morgan Stanley Capital International, now MSCI Inc., which has been an independent, stand-alone public company since 2009. There are more than 200,000 MSCI indexes that are used to track the performance of industries, sectors, and region.

MSCI AC Asia Pacific ex Japan Index (All Country Asia Pacific excluding Japan) is free float-adjusted market capitalization weighted index that is designed to measure the equity market performance in the large and mid-cap Asia Pacific region. Developed Markets countries in the index include: Australia, Hong Kong, New Zealand and Singapore. Emerging Markets (EM) include: China, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Taiwan and Thailand.

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 Emerging Markets (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.

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.

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 Hong Kong Index is a capital weighted stock index designed to measure the performance of the large and mid cap segments of the Hong Kong market. It has 48 constituents and covers approximately 85% of the free float-adjusted market capitalization of Hong Kong equity stocks.

MSCI Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the Japanese market.

MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

MSCI China Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across the Chinese equity markets.

MSCI China Value Index captures large and mid cap Chinese securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price, and dividend yield.

S&P (Standard & Poor's) 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.

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.

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.

American depositary receipt (ADR) refers to a negotiable certificate issued by a U.S. depositary bank representing a specified number of shares—usually one share—of a foreign company's stock. The ADR trades on U.S. stock markets as any domestic shares would.

Earnings per share (*EPS*) is calculated as a company's profit divided by the outstanding shares of its common stock.

China International Capital Corporation Limited is a Chinese partially state-owned multinational investment management and financial services company. Founded in China in 1995 and headquartered in Beijing, CICC has offices in Hong Kong, Singapore, New York City, London, San Francisco, Frankfurt and Tokyo.

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

Chinese yuan renminbi, or CNY, which means 'people's currency

The Political Bureau, or Politburo, is the command headquarters of the Chinese Communist Party. The Politburo is composed of twenty-four senior leaders who can be placed in two tiers: a small core of leading generalists serving on the Standing Committee, and a broader group of officials serving as leaders at the provincial or ministerial level. Nominally, Politburo members are elected by the Central Committee.

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 11/30/2024:

1.	Geely Automobile Holdings Ltd	6.26%
2.	Tencent Holdings Ltd	5.06%
3.	JD.com Inc	4.27%
4.	Suofeiya Home Collection - A Shares	3.81%
5.	TravelSky Technology Ltd	3.75%
6.	Hong Kong Exchanges & CL	3.71%
7.	Midea Group Co Ltd	3.66%

8.	Shenzhen Inovance Technology Co Ltd	3.64%
9.	Inner Mongolia Yili - A Shares	3.63%
10.	Ping An Insurance Group Co of China Ltd - H Share	3.58%

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