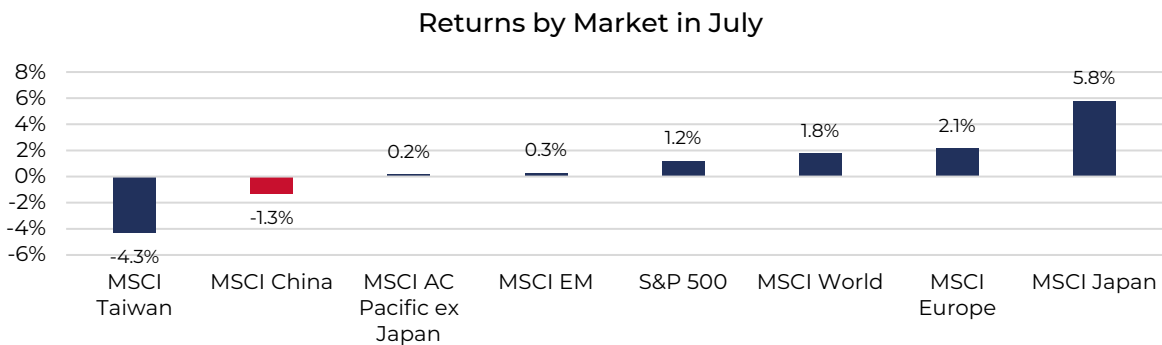


**Summary View**

- The People’s Bank of China (PBOC) cut the seven day repo rate (short-term interest rates) by 10 basis points to 1.7%. The five- and one-year loan prime rate (LPR) were also cut by 10 basis points to 3.85% and 3.35% respectively.
- The National Development and Reform Commission (NDRC) and Ministry of Finance (MoF) issued a new set of policies to stimulate consumption. Of the CNY 1 trillion of ultra long-term special central government bonds, CNY 150bn will be used to support trade-in of household appliances while CNY 150bn will be used to fund upgrades of corporate equipment. For trading in ICE vehicles, the allowance for qualified EVs will be doubled, from CNY 10k to CNY 20k.
- Over the next five years, central state-owned enterprises (SOE) will spend CNY 3 trn (~\$414bn) on upgrading large scale equipment. This is likely to lead to greater demand for domestic equipment manufacturers.
- For the macro data covering June, retail sales grew weaker than expected at 2.0% growth, with autos acting as the main drag. Fixed asset investment (FAI) grew 3.6%, but as always the split between the different types of investment is important. Manufacturing FAI grew 9.3% and infrastructure FAI grew 4.6%, while real estate FAI fell 10.1%. Exports grew 8.6% while imports fell 2.3%. Inflation eased to 0.2%.
- Outperformers in the Fund were Alibaba, Hangzhou First Applied Material and Sino Biopharmaceutical. Underperformers were Weichai Power, Shenzhou International, and Geely Automobile.

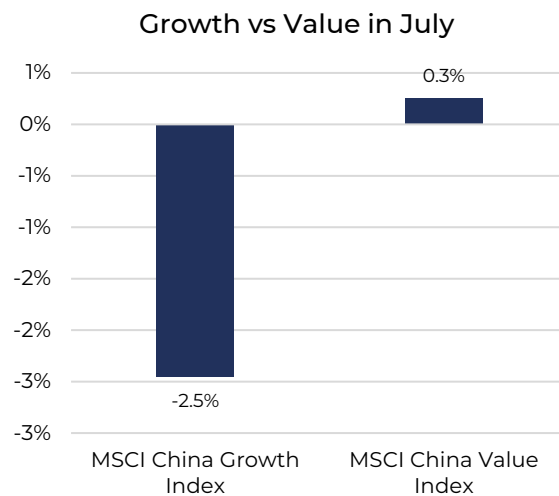
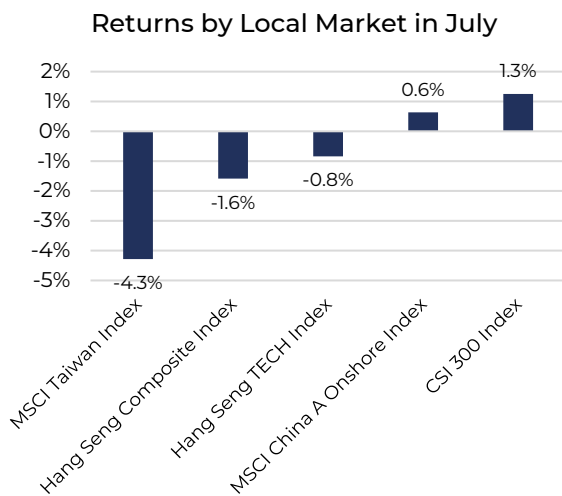
**Market Commentary**

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



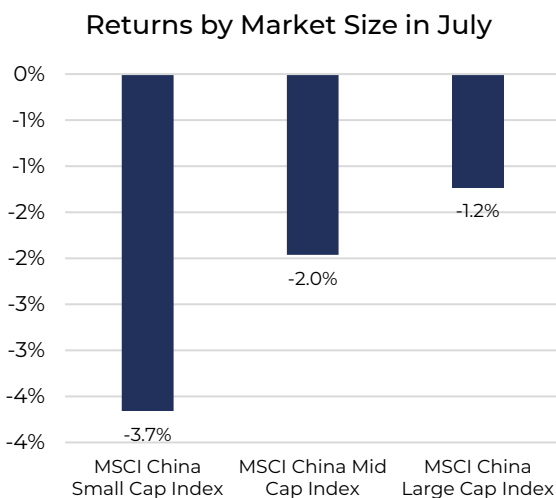
(Data from 06/30/24 to 07/31/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

In July, the MSCI China Index fell by 1.3% and so lagged the MSCI World Index which rose by 1.8%.



(Data from 06/30/24 to 07/31/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Offshore markets underperformed onshore markets, as the Hang Seng Composite Index fell by 1.6% while the MSCI China A Onshore Index rose by 0.6%. Growth stocks underperformed value stocks, as the MSCI China Growth Index fell by 2.5% while the corresponding value index rose by 0.3%.



(Data from 06/30/24 to 07/31/24, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Large caps outperformed in July, falling 1.2% against the small and mid-cap indexes which fell 3.7% and 2.0% respectively.

The best performing sectors in the MSCI China Index were Health Care (total return +4.1%), Financials (+1.6%) and Consumer Discretionary (+0.3%). Within Health Care, biotech names led the strength, rebounding slightly after several months of weakness. In the Financial sector, life insurers were strong on better growth prospects while brokers rallied on potential consolidation of the industry. Within the Consumer Discretionary sector, Alibaba led the bulk of gains for the sector with additional contribution from the EV names Li Auto, Xpeng and Nio. The weakest sectors in the month were Energy (total return -7.1%), Real Estate (-6.4%) and Utilities (-5.1%). Within the Energy sector, oil prices fell on the prospect of

domestic oil production in the US rising if Trump wins the election. Real Estate companies sold off as the sector continues to weaken, with no major stimulus announced by the government. In the Utilities sector, weaker names were Enn Energy, China Resources Power and Huaneng Power.

### **Stock Commentary**

In July, the strongest three stocks in the Fund were Alibaba (total return +9.8%), Hangzhou First Applied Material (+6.3%) and Sino Biopharmaceutical (+5.2%).

Alibaba changed its fee structure for its e-commerce platforms *Taobao* and *Tmall*. The company removed its annual merchant fee and now charges a software service fee worth 0.6% of gross merchandise value (GMV). The removal of the annual fee is likely to attract smaller merchants, who due to their smaller size are likely to receive discounts on the service fee. The new structure should lead to a boost to earnings for Alibaba, yet its overall fee take is likely to remain lower than Pinduoduo, its main competitor.

There was no specific news on Hangzhou First Applied Material or Sino Biopharmaceutical.

In July, the weakest three stocks in the Fund were Weichai Power (total return -16.5%), Shenzhou International (-13.2%) and Geely Automobile (-9.5%).

Weichai Power manufactures engines for heavy duty trucks (HDTs). The stock sold off as the chair of the parent company, Shandong Heavy Group, may retire from that position. He is likely to remain as chair of Weichai for the next few years as he just agreed to be chair for another three years. HDT sales in the domestic market came in weaker than expected, though this may well be down to customers waiting for subsidy rules to be finalized as the government incentivizes upgrades of older vehicles. In its pre-announcement for its interim results, Weichai expects second quarter profits to increase by 40-80%.

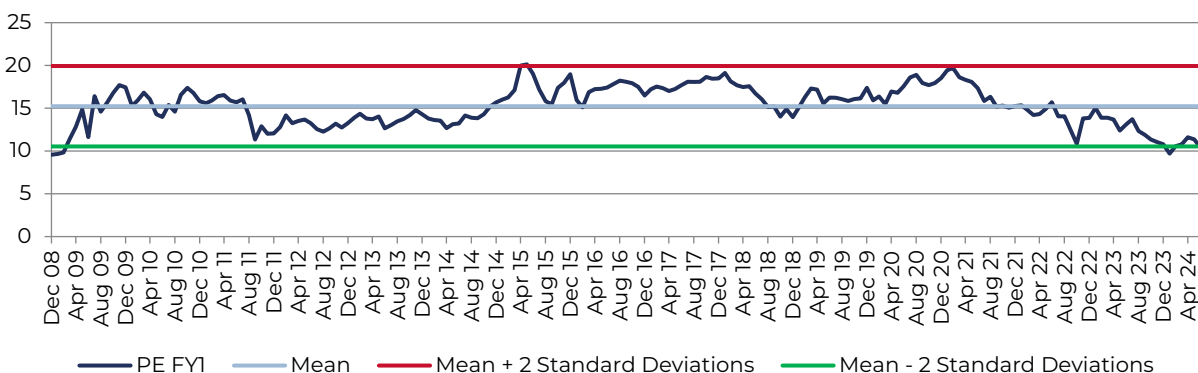
Shenzhou is a garment manufacturer supplying the likes of Nike and Uniqlo. Based on the monthly sales data for its competitors, it seems apparel manufacturers are seeing solid growth across the board. Shenzhou's factories are now running at 100% capacity which may give the business some additional pricing power.

Geely is one of China's best known automobile manufacturers. In the first quarter, revenue increased by 56% with a 48% increase in volume and a 6% increase in average selling prices. Gross margins fell slightly due to intense competition but losses in the premium EV brand *Zeekr* fell, leading to net profits more than doubling. Management increased its annual volume target by 5% to 2 million cars. In such an intense competitive environment, we regard an increase in volume targets as a positive sign. On capital management, Geely says capex has peaked and so as volumes increase, utilization rates across its plants are likely to increase, leading to margin improvement.

### **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, the Fund's holdings in aggregate are expected to grow net income by 19% in 2024 and 12% in 2025. On a valuation basis, the Fund is trading on a forward year price earnings ratio of 10.0x. 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 07/31/24, source: Bloomberg, Guinness Atkinson calculations. Calculations assume an equally weighted portfolio)

Edmund Harriss (portfolio manager)

Sharukh Malik (portfolio manager)

## Performance

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

- Underweight to the Communication Services sector, driven the Fund's 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's share price underperformed in July which detracted from the index's performance more than from the Fund's performance.
- Underweight to the Energy, Materials and Utilities sectors, where the Fund has no exposure. All three sectors underperformed.

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

- 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.
- Stock selection in the Financial sector, driven by Hong Kong Exchanges & Clearing and the underweight to the large state owned enterprise (SOE) banks. As a reminder, the Fund does not

hold any of the large SOE banks which have been significant outperformers as a value play. We do not own these large SOE banks as they do not give exposure to the long-term structural growth themes in China.

- Stock selection in the Consumer Discretionary sector, driven by the Fund's structural underweight to Alibaba, and Fund holdings Shenzhou International Group, Geely Automobile and Suofeiya Home Collection.

As of 07/31/2024	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	-11.03%	-24.19%	-17.66%	-6.28%	-1.33%
Hang Seng Composite Index TR	4.00%	-10.77%	-10.51%	-3.83%	0.51%
MSCI China Net Total Return Index	3.35%	-12.36%	-13.83%	-4.41%	0.47%

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.***

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

One cannot invest directly in an Index.

Basis points (BPS) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

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 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

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).

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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.

CapEx can tell you how much a company invests in existing and new fixed assets to maintain or grow its business. It's any type of expense that a company capitalizes or shows on its balance sheet as an investment rather than on its income statement as an expenditure.

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.

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 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.

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 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.

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 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.

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

M2 is the U.S. Federal Reserve's estimate of the total money supply including all of the cash people have on hand plus all of the money deposited in checking accounts, savings accounts, and other short-term saving vehicles such as certificates of deposit (CDs). Retirement account balances and time deposits above \$100,000 are omitted from M2.

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.

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

Top Fund Holdings as of 7/31/2024:

1. Tencent Holdings Ltd	5.01%
2. Geely Automobile Holdings Ltd	3.78%
3. NetEase Inc	3.68%
4. Midea Group Co Ltd	3.55%
5. Zhejiang Supor Cookware - A Shares	3.54%
6. NARI Technology Co Ltd	3.52%
7. Sany Heavy Industry Co	3.52%
8. China Merchants Bank Co Ltd - H Shares	3.51%
9. Hong Kong Exchanges & CL	3.44%
10. Inner Mongolia Yili - A Shares	3.40%

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

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