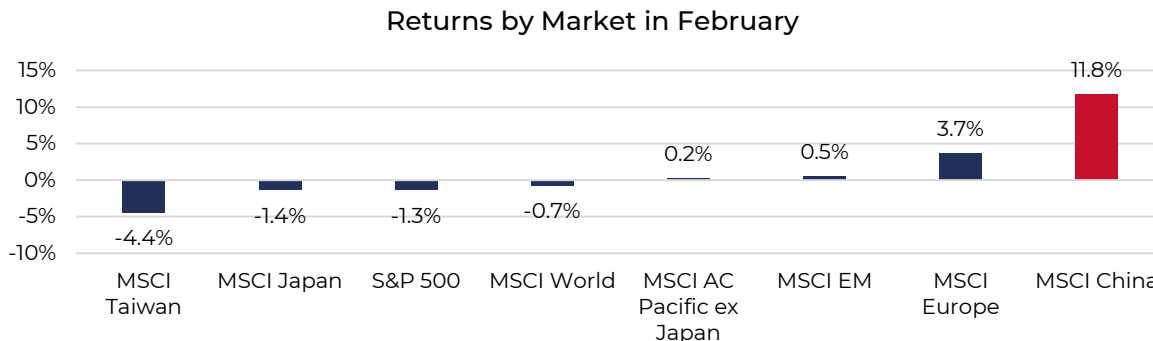


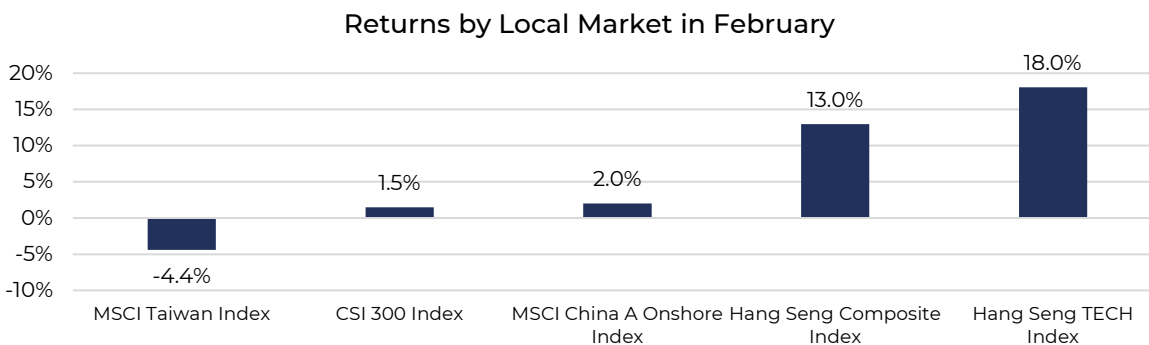
**Market Commentary**

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



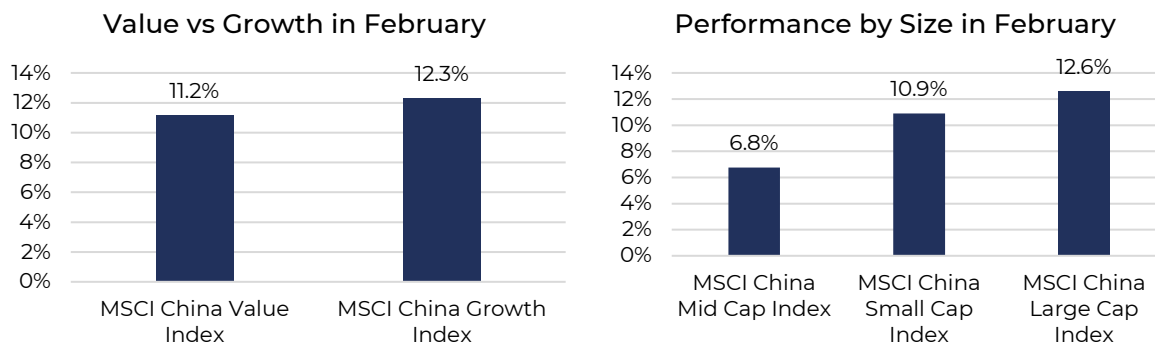
(Data from 01/31/25 to 02/28/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

In February, the MSCI China Index was by far the strongest major market, rising 11.8% versus the MSCI World Index which fell by 0.7%. Following the release of Deepseek, investors moved strongly into AI and humanoid related stocks, particularly the large cap companies. Xi Jinping met with several prominent tech leaders, including Jack Ma (the founder of Alibaba) which likely marked his political rehabilitation. We estimate that of the 11.8% rise in the MSCI China Index, 3.8 percentage points (pp) was driven by Alibaba, 3.0pp from Tencent, 1.2pp from Xiaomi, 0.6pp from BYD and 0.4pp from Meituan. In other words, five stocks drove 9.0pp of the 11.8% rise in the index in February. For context, there are 580 stocks in the MSCI China Index.



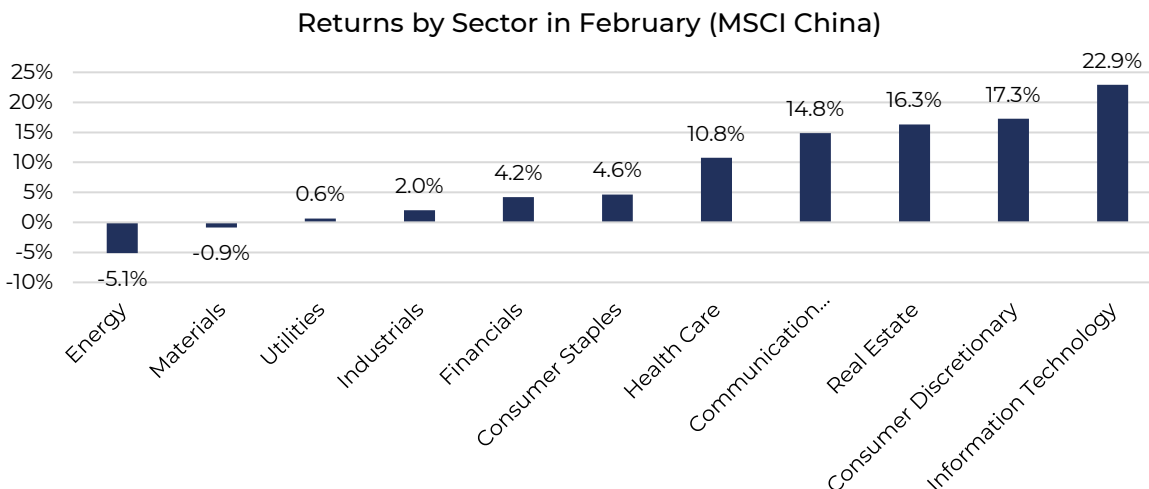
(Data from 01/31/25 to 02/28/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Offshore markets, as measured by the Hang Seng Composite Index, were far stronger as they rose 13.0%. In particular, note the Hang Seng Tech Index rose by 18.0%. Onshore markets, as measured by the MSCI China A Onshore Index, only rose by 2.0%. The large tech names are listed in Hong Kong and so attracted most investor attention.



(Data from 12/31/24 to 01/31/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

Value and growth stocks performed similarly, rising ~11-12%. Large- and mid-caps were strong, rising 12.6% and 10.9% respectively, while small caps noticeably underperformed, rising 6.8%.

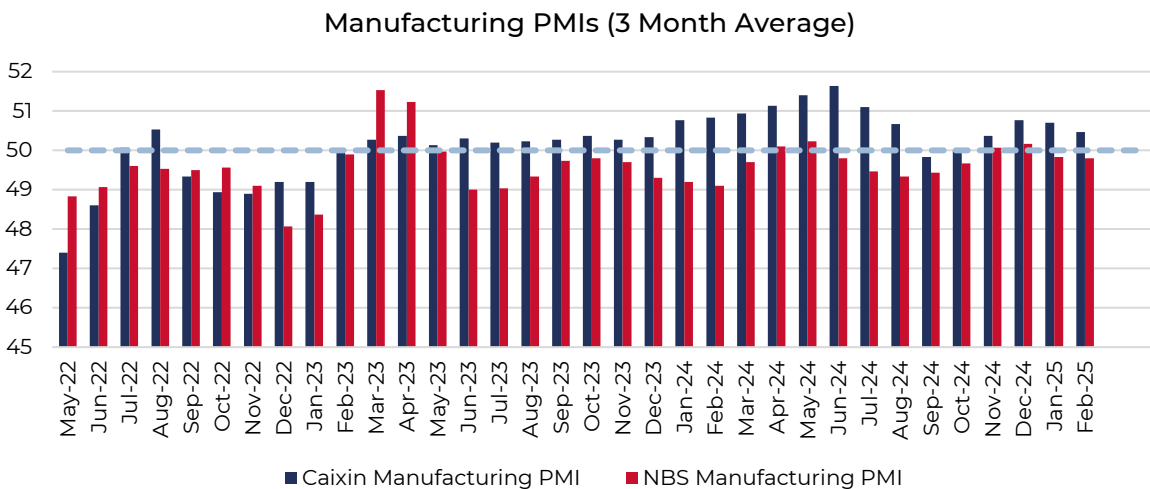


(Data from 12/31/24 to 01/31/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

The best performing sectors were Information Technology (total return +23%), Consumer Discretionary (+17%) and Real Estate (+16%). Within the Information Technology sector, companies perceived to benefit from AI were strong, led by Xiaomi, Lenovo and Sunny Optical. In the Consumer Discretionary sector, Alibaba, BYD, Meituan, Li Auto, Xpeng and Geely were strong. In the Real Estate sector, reports indicated that indebted property developer China Vanke may receive further support from the government. Its largest shareholder, Shenzhen Metro, has lent CNY 2.8bn to Vanke. At least CNY 20bn may be provided from the Shenzhen local government to buy unsold inventory and empty land from Vanke.

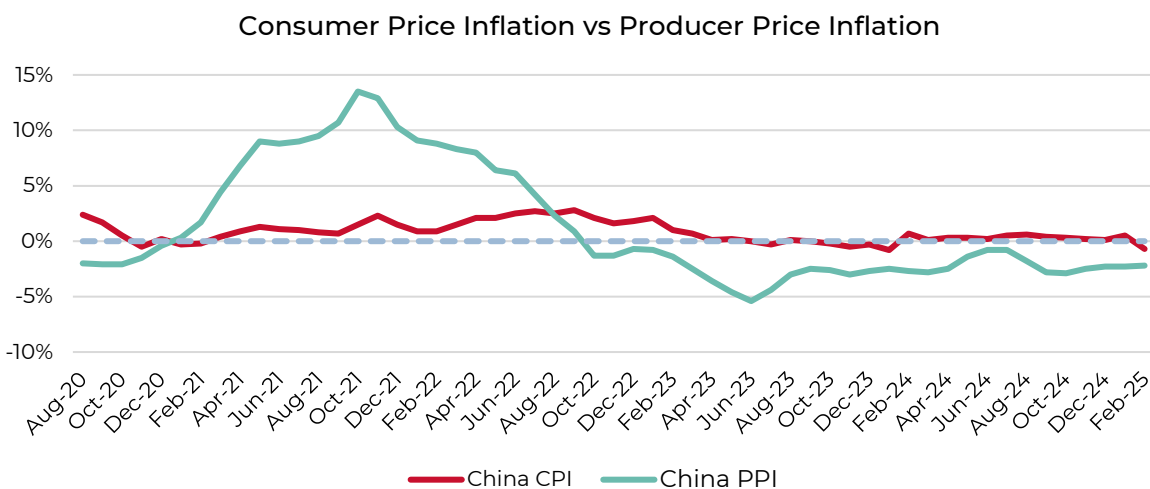
The weakest sectors were Energy (-5%), Materials (-1%) and Utilities (+1%). In the Energy sector, coal names were weak due to lower spot prices. In the Materials sector, weaker names were CMOC, Aluminium Corp and China Hongqiao. Utilities lagged in a strong risk-on environment.

**Macro Overview**



(Data from 12/31/24 to 02/28/25, source: Bloomberg, Guinness Atkinson calculations)

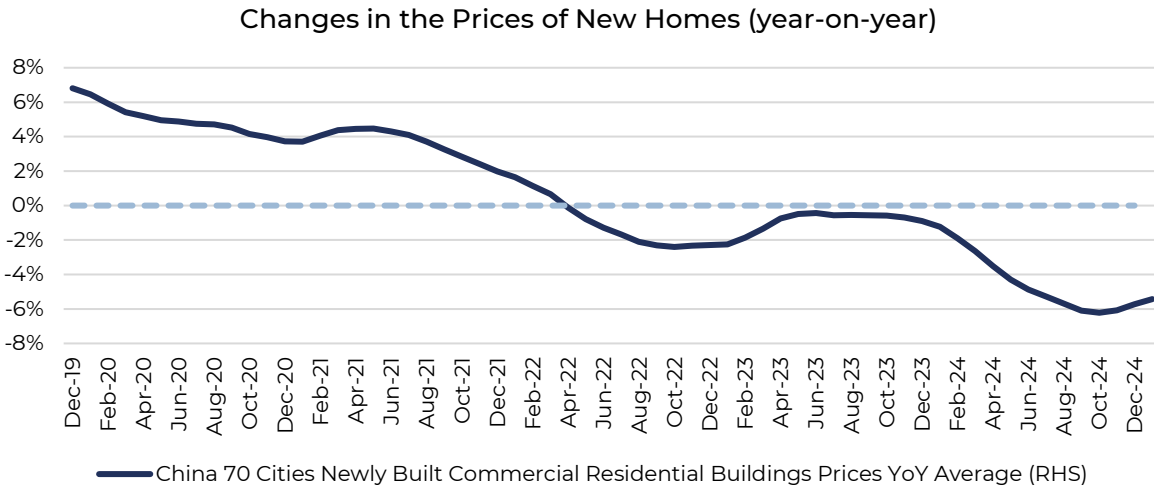
The chart above shows two sets of manufacturing Purchasing Managers Index (PMI). The Caixin PMI is more reflective of private, exporting companies while the NBS manufacturing PMI is more reflective of large, state-owned firms. A number above 50 indicates expanding activity whereas a number below 50 indicates weakening activity. We take a three-month average to smooth the data. The chart shows that both PMIs fell over the summer last year, on the back of no major policy stimulus. The government stepped in with stimulus in September and it is clear there has been a bounce in momentum. The Caixin PMI has remained above 50 since stimulus whereas the NBS measure has fluctuated around the neutral (50) mark.



(Data from 08/31/20 to 02/28/25, source: Bloomberg, Guinness Atkinson calculations)

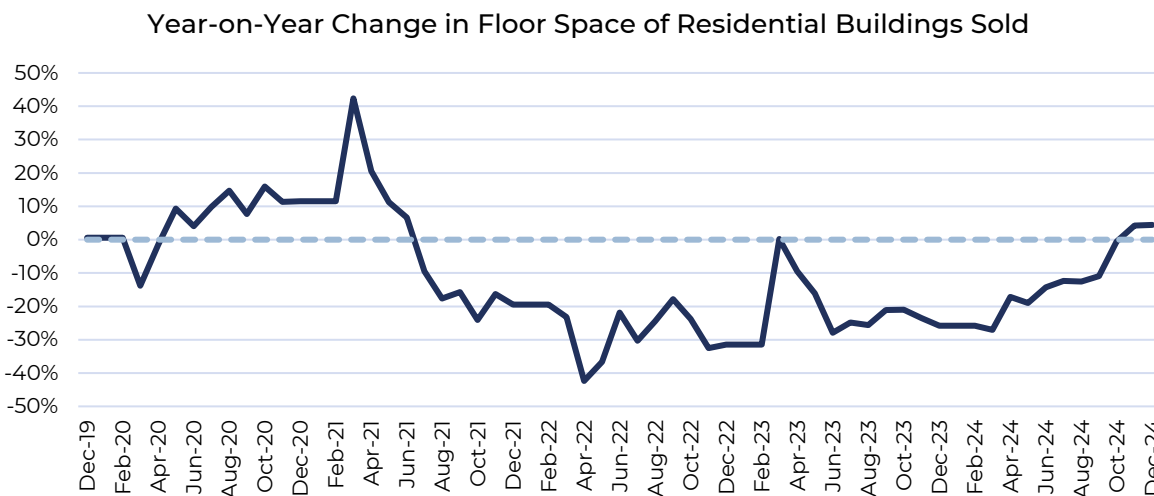
Depending on the measure used, inflation in China has been at, or close to, deflationary levels since the end of 2022. Consumer price inflation (CPI) has been hovering around 0% since mid-2023 while producer price inflation (PPI) has been negative since Nov-22. In our view, producer price deflation reflects the intentional deleveraging of the real estate sector, which has meant a significant drop in demand for heavy industries. This has fed through into the wider economy, as the growth in demand driven by the

new pillar industries is not yet large enough to offset the weakness driven by the decline in demand from a contracting real estate market.



(Data from 12/31/19 to 02/28/25, source: Bloomberg, Guinness Atkinson calculations)

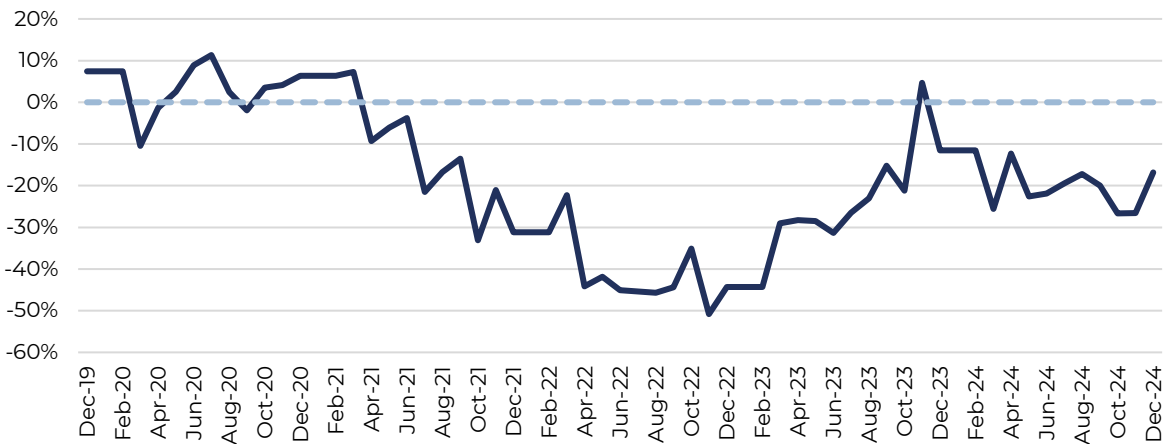
Due to the deleveraging push from the government, the prices of new homes has been falling since 2022. Given government stimulus last year, lowering mortgage rates and deposit ratios, there are incremental signs that possibly the decline in home prices has been halted. But we will need to see more data to see if this lasts.



(Data from 12/31/19 to 12/31/24, source: Bloomberg, Guinness Atkinson calculations)

There has been a clear positive improvement in the volumes of residential buildings sold. The chart shows the year-on-year percentage change in floor space sold, and while floor space sold has been declining since 2021, the decline has clearly narrowed since Mar-24. For the first time since 2021, floor space sold actually increased in Dec-24.

Floor Space of Houses Newly Started (year-on-year % change)



(Data from 12/31/19 to 12/31/24, source: Bloomberg, Guinness Atkinson calculations)

Floor space of houses newly started has been mostly falling since 2021 and while the decline now is not as high as in 2022, it is still down ~20% year over year. It is likely new home starts remain weak as housing inventory in tier 1 and 2 cities remains elevated relative to history.

**Outlook**

China’s market recovery, the stirring of ‘animal spirits’ began with the policy pivot back in September last year when the significant impact on consumers by the property slow down appeared to be recognized. Since then, there has been a further drip feed of policy support measures although they have fallen short of the massive stimulus that was hoped for. Perhaps this is a good thing because past efforts have seen both hoarding and substantial wastage of handouts. The government is certainly taking a more measured, or cautious approach.

This year China shocked the world with the launch of a new AI engine, DeepSeek, built on open architecture and available to everyone. Its importance can be gauged by references to comments made by the CEOs of Meta and Microsoft reported in Barron’s at the end of January :

“I think there’s a number of novel things that [DeepSeek] did that I think we’re still digesting. And there are a number of things that they have advances that we will hope to implement in our systems,” Meta CEO Mark Zuckerberg

“Microsoft CEO Satya Nadella said DeepSeek had some “real innovations” that would become broadly used.”

In other words, two of the leading AI integrators have responded to the arrival of DeepSeek with a plan is to take these ‘advances’ and ‘innovations’ and copy them. Up to now, the narrative has been that it’s the Chinese doing the copying. This has therefore refocused attention on what China is doing in these core industries on which they have been focused for the past twenty years. A cool appraisal shows that steadily, they have achieved technical and market dominance, or are well on the way to doing so, in all of them – 5G, new energy equipment, batteries, EVs, advanced materials, industrial automation, semiconductors and now AI.

This now raises several other questions because for the last few years as China has embarked on regulatory and property market crackdowns, Chinese assets have been treated as 'uninvestable' and so no need to think about them. However, not only has China emerged from the property market collapse without either a financial collapse or a recession but it appears to much further along the road to a transition into higher value-added activities. These new industries are ones in which China is more advanced, and it has the academic research as well as physical assets in place; they are also approaching a scale that provides a genuine alternative source of economic growth to replace the moribund property sector.

At the recent political gathering in China, we heard a reaffirmation of the 'around' 5% economic growth target and an inflation target of 2%. There is also a commitment to make consumption, rather than investment, the top priority. All will be challenging to achieve but taken in the round – the ambition, the willingness to try, the knowledge skills and capital available and finally, the still cheap valuations are things that should pique investor interest.

Edmund Harriss (portfolio manager)

Sharukh Malik (portfolio manager)

### **Performance**

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

- Stock selection in the Industrials sector, driven by Shenzhen Inovance Technology and Sany Heavy Industry.
- The underweight to the Financials sector, along with stock selection driven by Hong Kong Exchanges & Clearing and AIA Group.

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

- The structural underweight to Tencent and Alibaba. The Fund is run on an equally weighted basis and so each position has a neutral weight of 3.3%. As of the end of February, Tencent and Alibaba's weight in the MSCI China Index were 17% and 11% respectively, making them the largest two stocks by far in that index. Both outperformed in the month and so the Fund benefited from less of their outperformance than the index.
- Stock selection in the Consumer Discretionary sector, driven by BYD and Meituan (neither held).
- Stock selection in the Information Technology sector, driven by Xiaomi (not held).

Ultimately, the Fund's underweight to these large stocks explains most of its underperformance versus the index.

As of 02/28/2025	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	8.16%	13.53%	-9.30%	-3.66%	0.65%
Hang Seng Composite Index TR	13.49%	43.95%	2.99%	2.16%	3.32%
MSCI China Net Total Return Index	12.79%	39.02%	0.04%	-0.31%	2.55%

As of 12/31/2024	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	0.07%	-13.24%	-6.94%	0.25%
Hang Seng Composite Index TR	22.10%	-2.57%	-1.60%	2.41%
MSCI China Net Total Return Index	19.42%	-6.10%	-3.44%	1.88%

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.**

One cannot invest directly in an Index.

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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 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.

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.

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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".

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.

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. ADRs). With 250 constituents, the index covers about 85% of this 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 331 constituents, the index covers approximately 15% of the free float adjusted market capitalization in China.

The MSCI China Small Cap Index measures the performance of the small cap segment of the China market. With 227 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the China equity universe.

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 2/28/2025:

1. Geely Automobile Holdings Ltd	5.08%
2. Tencent Holdings Ltd	4.70%
3. Shenzhen Inovance Technology Co Ltd	3.88%
4. Hong Kong Exchanges & CL	3.69%
5. JD.com Inc	3.53%
6. China Overseas Land & Investments Ltd	3.50%
7. Weichai Power Co Ltd - H Shares	3.49%
8. AIA Group Ltd	3.47%
9. Shandong Himile Mechanical Science & Technology Co Ltd	3.45%
10. Shenzhen H&T Intelligent Control Co. Ltd	3.44%

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

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