

Guinness Atkinson
China & Hong Kong Fund
 Managers' Update – Review of July 2025

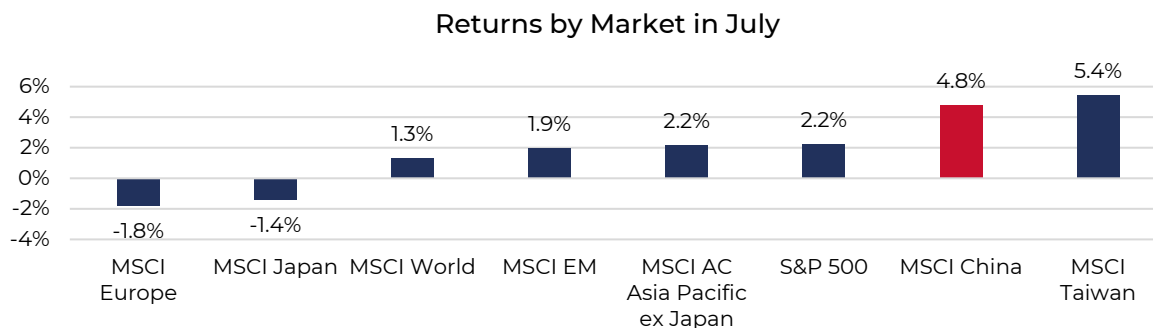


Macro Commentary

- The Politburo met at the end of July. Overall, given that post-tariffs, the economy has performed better than expected, the likelihood of significant stimulus has fallen. In the second quarter, GDP grew by 5.2% in real terms, broken down into 3.9% nominal growth and a GDP deflator of 1.2%.
- In the Politburo's readout, time sensitive statements on fiscal and monetary policy were dropped. Greater support for exporters exposed to the US may be on the way, with an increase in export tax rebates a possibility. The Politburo did not discuss the weak real estate market which was a surprise and likely indicates, for now, no further support for the housing market is on the way.
- For the macro data covering June, positive data points were:
 - Industrial production grew by 6.8%.
 - Exports grew by 5.8%, with a 22% month-on-month jump in exports to the US, following the reduction in US tariffs on Chinese goods.
 - China's foreign exchange reserves grew by \$32bn to \$3.3 trn. Gold reserves now account for 7% of China's total reserves, a jump from 4% in 2022.
- Negative data points were:
 - Only a 0.5% increase in fixed asset investment (FAI) in June, split into a slower 5% rise in manufacturing FAI, a 2% rise in infrastructure FAI and a 13% fall in real estate FAI.
 - New home sales, as measured by floor space, fell by 8%; as measured by value, new homes sales fell by 14%.
 - Retail sales rose by 4.8%, lower than expectations. Products under the scope of the trade-in program continue to outperform.

Market Commentary

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



(Data from 06/30/25 to 07/31/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

In July, the MSCI China Index increased by 4.8% while the MSCI World Index rose by 1.3%.

The government initiated an “anti-involution” policy that primarily aims to cut overcapacity in sectors such as coal, steel, cement, solar and batteries. This should be seen in the context of producer prices falling consistently since Oct-22. So far, there has been a combination of strong words from trade associations to implement this policy, as well as a few instances of concrete measures. In terms of concrete measures, in the coal industry, overproducing mines in eight provinces were told to stop production. In the cement industry, plants in two provinces shut production for up to 20 days. In the solar industry, the larger solar glass companies reduced production by 30%. There is talk about the government setting up buyout funds which would buy up and shutter capacity from smaller firms, as

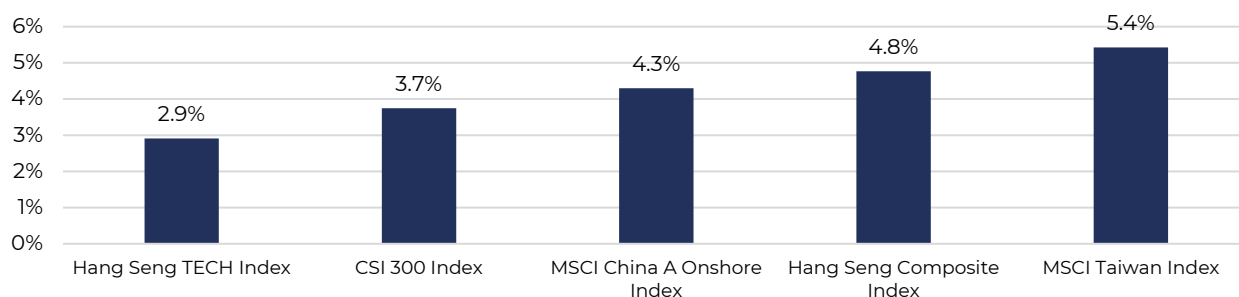
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well as buying and closing older, less efficient capacity from larger firms. Therefore, cyclical companies in the lithium, solar, cement, steel, hog and coal industries were strong in July, on the expectation of less overcapacity and improved pricing power.

The anti-involution push has also expanded more broadly into other sectors. The State Administration for Market Regulation told the food delivery platforms (e.g. Meituan and JD.com) to “rectify” some promotional activities. Both companies have been aggressively subsidizing purchase in a battle over market share. In healthcare, the procurement process for drugs and medical devices is to now take into account product quality in addition to prices, meaning the lowest priced good is now not guaranteed to win bids.

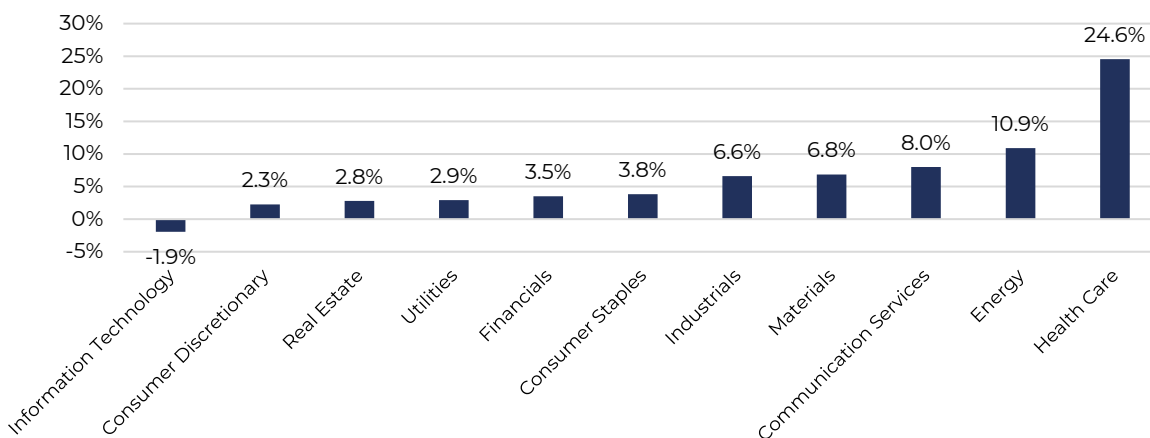
Returns by Local Market in July



(Data from 06/30/25 to 07/31/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

In July, offshore and onshore markets behaved similarly. Offshore markets, as measured by the Hang Seng Composite Index, rose by 4.8% while onshore markets, as measured by the MSCI China A Onshore Index, rose by 4.3%.

Returns by Sector (MSCI China)



(Data from 06/30/25 to 07/31/25, returns in USD, source: Bloomberg, Guinness Atkinson calculations)

The best performing sectors in the second quarter were Health Care (+24.6%), Energy (+10.9%) and Communication Services (+8.0%). In the Health Care sector, more companies are out-licensing earlier stage drugs to global pharmaceutical companies, allowing them to commercialize these products. Energy names benefited from the anti-involution push. The strength in Communication Services was driven by Tencent which is expected to post another solid set of results.

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The weakest sectors were Information Technology (-1.9%), Consumer Discretionary (+2.3%) and Real Estate (+2.8%). In the Information Technology sector, the main source of weakness was from Xiaomi which gave back some of its gains after a very strong rally. Within the Consumer Discretionary sector, the biggest contributors to weakness were BYD, Meituan, JD.com and Pop Mart.

Outlook

The key upcoming event is whether the US will extend its trade truce with China, as the current agreement expires on August 12th. Trump has urged China to increase soybean purchases, a priority for parts of his agricultural voter base. In the semiconductor sector, export licenses for Nvidia and AMD (Advanced Micro Devices, Inc.) chips to China are reportedly being approved, but in a surprise move, both companies must pay 15% of their China revenues to the US government — suggesting budgetary concerns may now be taking precedence over national security.

Chinese companies will start reporting their next set of results in the middle of August. In the Fund, Hongfa Technology reported revenue and earnings per share (EPS) growth of 16% and 13% in the second quarter. It is a manufacturer of relays which are used to control circuits. Sales of its high voltage direct current relays (HVDCs), which are a critical component in EVs (electric vehicles), surged by 54% in the second quarter as Hongfa benefited from rising demand for Xiaomi and Huawei cars. In response to tariff risk, the company's new German factory is now in operation while a new plant in Indonesia should be running by Jun-26.

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:

- Stock selection in the Health Care sector, driven by Sino Biopharmaceutical (SBP). SBP spent \$1bn on acquiring LaNova which is a private biotech firm. In Nov-24, LaNova out-licensed a cancer drug to Merck, with an up-front payment of \$588m and milestone payments potentially worth \$2.7bn. In May-23, LaNova also out-licensed a cancer drug to AstraZeneca.
- Stock selection in the Information Technology sector, driven by Xiaomi (not held) and Hangzhou First Applied Material. First Applied Material benefited from the anti-involution policy and a potential increase in selling prices.

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

- Underweight to Tencent which is the largest stock in the index with a 17% weight. The Fund is run on an equally weighted basis and so each position has a neutral weight of 3.3%. As Tencent outperformed in, the Fund benefited from less of its outperformance than the index.
- Underweight to Energy where the Fund has no exposure. The sector did well due to the anti-involution policy and hopes for higher domestic energy prices.
- Underweight to Financials, as insurance names were strong. The Fund holds one position in the space (Ping An Insurance Group).

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As of 07/31/2025	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	16.33%	30.84%	-2.06%	-3.76%	1.84%
MSCI China Net Total Return Index	22.97%	42.09%	8.20%	-1.85%	3.77%

As of 06/30/2025	YTD	1 Year	3 Year	5 Year	10 Year
China & Hong Kong Fund (ICHKX)	11.70%	21.70%	-6.39%	-2.96%	0.36%
MSCI China Net Total Return Index	17.33%	33.78%	3.06%	-0.99%	2.11%

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

Expense Ratio: 1.94%

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.

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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.

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.

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.

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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" and is designed for international investors. It 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 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.

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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

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 7/31/2025:

1. Sino Biopharmaceutical Ltd	6.13%
2. Tencent Holdings Ltd	4.79%
3. NetEase Inc ADR	4.19%
4. Geely Automobile Holdings Ltd	4.13%
5. Hong Kong Exchanges & CL	3.87%
6. Shenzhen H&T Intelligent Control Co, Ltd	3.83%
7. AIA Group Ltd	3.75%
8. TravelSky Technology Ltd	3.71%
9. Weichai Power Co Ltd	3.69%
10. Ping An Insurance Group Co of China Ltd - H Shares	3.58%

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

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