GUINNESS

Best of China

Annual review

2017

Edmund Harriss & Mark Hammonds, CFA
Portfolio managers

Sharukh Malik
Analyst

GUINNESS
ASSET MANAGEMENT

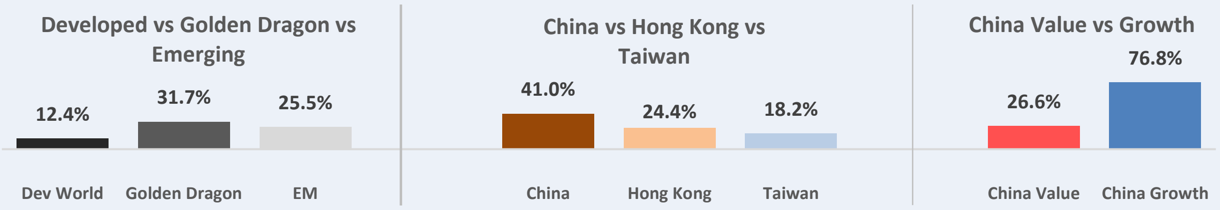
2017

Fund size

Start of year	£0.5m
End of year	£1.4m

What happened in Greater China?

- China's economy continued to grow at 6.8-6.9% per annum. A large driver of this was producer price inflation which has been positive since the end of 2016, allowing industrial profits to recover. As a result the non-performing loan formation rate in the banks slowed as cash flow generation improved.
- Policymakers started to deleverage the financial system. Interest rates in the interbank markets were raised several times over the year; wealth management products were included in the central bank's prudential assessments; total credit growth slowed over the year.
- China's integration with the global financial system continued. MSCI announced it would include Chinese A-shares in its emerging market index. The Bond Connect was also launched in July, allowing foreign investors to access the onshore bond market without setting up onshore accounts.
- The Renminbi appreciated by 6.7% against the dollar. Capital outflows virtually ground to a halt.
- China had its 19th Party Congress at the end of which no candidates to succeed President Xi in 2022 were brought forward. Thus we must conclude it is probable Xi will stay on beyond the 'normal' 10-year term.
- The Belt and Road Initiative was officially launched. The initiative has earmarked $1 trillion to invest in infrastructure across Asia, Europe and Africa to encourage regional growth and improve trade.
- Taiwanese export growth accelerated throughout the year, leading to stronger-than-expected economic growth.
- In Hong Kong the property market continued to boom despite the government introducing new rules aimed at cooling down the market.



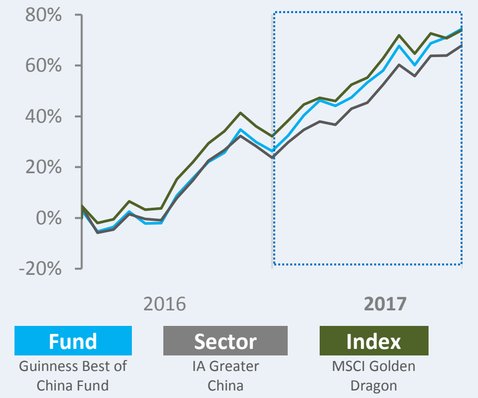
Total return in GBP; MSCI World, MSCI Golden Dragon & MSCI Emerging Markets Index; MSCI China & Hong Kong & Taiwan Index; MSCI China Value & Growth Index.

What happened in the Fund?

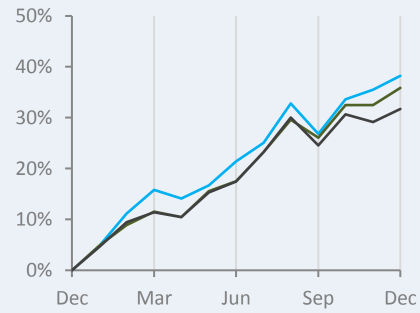
- The Fund rose 38.2% (Z class, total return in GBP terms) compared to the MSCI Golden Dragon Index which rose 31.7%.
- The Fund outperformed despite it only holding 3% in Tencent and 0% in Alibaba (which is not held because it does not yet have the history of consistent cash returns we are looking for). The Best of China Fund is equally weighted with 33 positions, which means each position is typically 3% of the portfolio.
- The Fund's strongest three stocks were Geely (automobile manufacturer), Sino Biopharmacuetical (pharmaceuticals) and New Oriental Education (tutoring).
- The Fund's weakest three stocks were Pax Global (manufacturer of point of sale terminals), Elite Material (manufacturer of printed circuit boards) and CNOOC (oil producer).
- **Purchases:** Qualcomm, Elite Material, China Medical Systems and VTech (bought back later in the year)
- **Sells:** VTech, CNOOC, Belle International (acquired), Pax Global

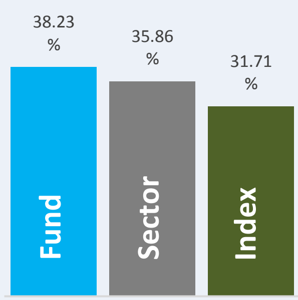
Performance (%)

Cumulative since launch



Calendar year 2017





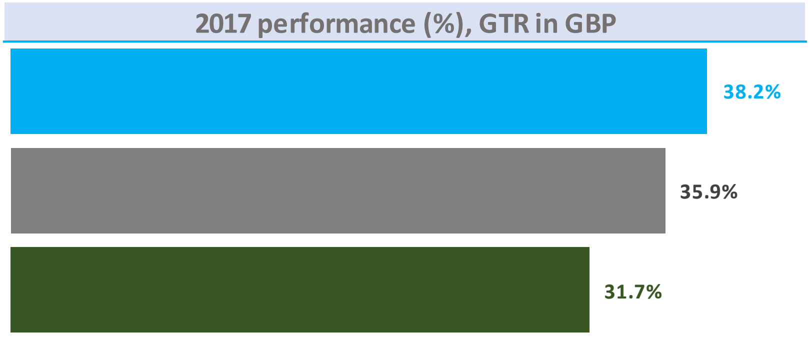
Cumulative % gross total return, in GBP.
Source: Financial Express, Z Class (0.74% OCF)

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuation

2017

Review

In 2017 the Guinness Best of China Fund produced a total return of 38.2%, while the benchmark increased by 31.7%. Therefore, the Fund outperformed by 6.5% in GBP.

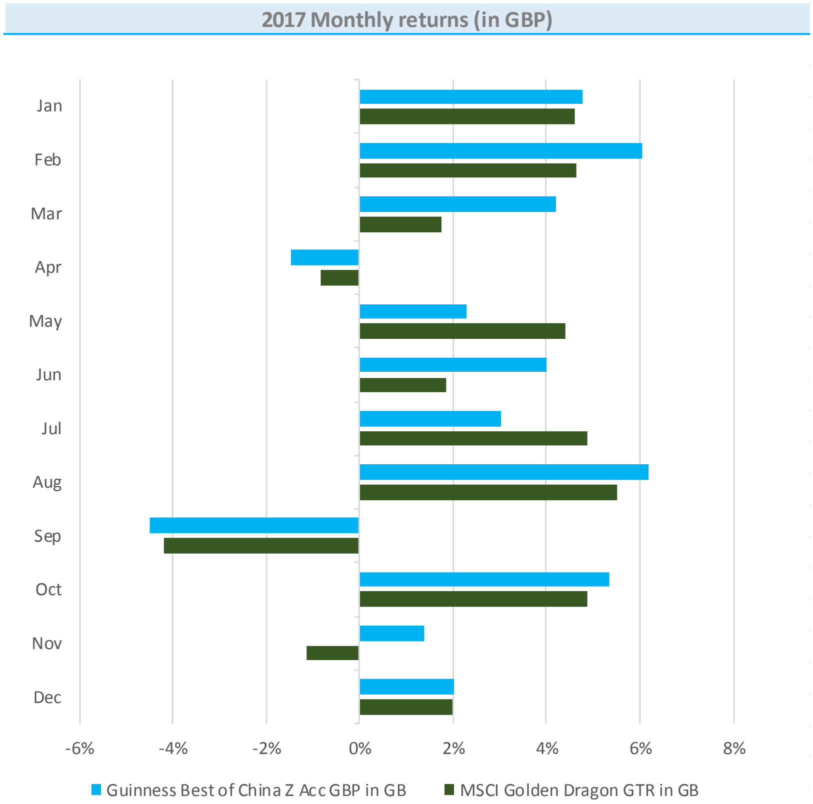


Source: Z class (0.74% OCF) to 31.12.2017, Financial Express

The Fund seeks good quality companies, defined in financial terms as those that have generated real returns on invested capital that have been above the cost of capital for at least eight years. If this criterion is met by the company, it is very likely that its returns will persist. We invest in those companies whose stock prices, in our opinion, undervalue that likely persistence. The portfolio consists of 33 stocks which are equally weighted and rebalanced from time to time.

China was very strong in 2017, with MSCI China rising 40.1%. Hong Kong and Taiwan were also strong, with their MSCI Indices rising by 24.4% and 18.2% respectively. More generally, it was a strong year for Asia with MSCI Asia Pacific ex Japan rising 25.5%. This was compared to the MSCI World Index and S&P 500 which rose 12.4% and 11.2% respectively. The best-performing sectors in China were Real Estate (total return of +83.8%), Information Technology (+75.5%) and Consumer Discretionary (+48.7%).

The Fund generated its outperformance in the first and fourth quarters and slightly lagged in the second and third quarters. In the Fund's strong first quarter, noticeable outperformance came in March from a wide range of companies; New Oriental Education (tutoring), Haier Electronics (white goods), Yangzijiang (shipbuilding), St Shine (contact lens manufacturer) and Catcher Technology (metal casings) were all strong. In May the Fund gave back some of its gains before making them back in June. May's underperformance came from AAC Technologies and Tongda Group. A short seller called into question AAC's reported margins and its related entities, and the share price dropped 28% before trading was suspended. After examining the short seller's allegations, which were refuted by the company's management, we were confident they were wrong. When the shares resumed trading we bought more of the stock to take advantage of the low valuation, a move which was rewarded when the share price increased by more than 50% over the rest of the year. Similarly, short sellers attacked Tongda Group following rumours that the company had lost a contract with one of its major customers. It was later confirmed that Tongda had only lost a contract for a single model with a customer, rather than all contracts with that client. In June, Geely (automobiles), Haitian (manufacturer of plastic injection moulding machines) and AAC were the standout stocks.



Source: Z class (0.74% OCF), Financial Express

In July, underperformance came from Tongda, Qualcomm and Catcher. Qualcomm's earnings disappointed with Apple withholding royalty payments due to its legal dispute. Catcher's share price sold off on speculation that 2018's iPhone models would use different metal casings, leading to uncertainty over Catcher's market share in 2018.

Over the course of the year expectations over the new iPhone were building, which benefited the share price of firms in the iPhone supply chain. When the iPhone was launched in September the reaction was muted and the share prices of these firms sold off, with Catcher, Hon Hai Precision and AAC suffering the most. It is worth noting that over the year these stocks still performed well, up 50.4%, 17.1% and 82.4% respectively.

In November the Fund outperformed primarily because of its Healthcare holdings. Though Healthcare in China was up 1.9% in the month, our two Chinese holdings, China Medical System and Sino Biopharmaceutical, were up 11.1% and 10.3% respectively. In addition, our Taiwanese Healthcare stock, St Shine, was up 16.4% on the news of accelerated sales growth. Qualcomm, which has been beset by legal wrangling with Apple, had seen its stock languish, leaving it vulnerable to a takeover bid. That bid duly arrived in November from Broadcom.

The Fund outperformed the benchmark despite its weightings in Tencent and Alibaba acting as a drag on relative performance. The Fund does hold a position in Tencent which, since the Fund is equally weighted, typically stands at 3.0%. This compares, however, to Tencent's weight in the benchmark of around 10%. Tencent's share price more than doubled in 2017 which benefited the benchmark by about three times more than it did the Fund because of this higher weight. Our policy is to manage the portfolio with equally weighted positions and we will not allow a stock to rise to more than 5% of the portfolio. In this way we seek to reduce stock-specific risk. The Fund's invests in 33 good quality companies which the market undervalues, with a disciplined and repeatable process. We expect performance to come through multiple and diverse holdings, rather than just one or two. Accordingly, the Fund's top five performing stocks were an automobile company, a pharmaceutical company, a tutoring company, Tencent and an insurer.

Similarly, Alibaba, whose share price nearly doubled in 2017, has a weight of c.7% in the benchmark. The Best of China Fund does not hold Alibaba because it has not yet displayed the consistent cash returns we are looking for. We are looking to invest in companies where capital is allocated efficiently over a long period of time.

What were the macro reasons for China's strength in 2017? In 2015 and 2016 many were worried that the Chinese economy was about to collapse due to any of a long list of causes, including an inability to service debt, a breakdown in the shadow banking system, a collapse in property prices or a crash in the Renminbi. Unsurprisingly, the economy is still growing solidly and has not collapsed, leading to a rerating for Chinese stocks. The importance of positive producer price inflation cannot be understated; it has led to a recovery in the operating environment for firms in the Industrials and Materials sectors, which represent significant parts of the economy. The recovery in industrial profits also led to a reduction in the non-performing loan formation rate in the banking system.

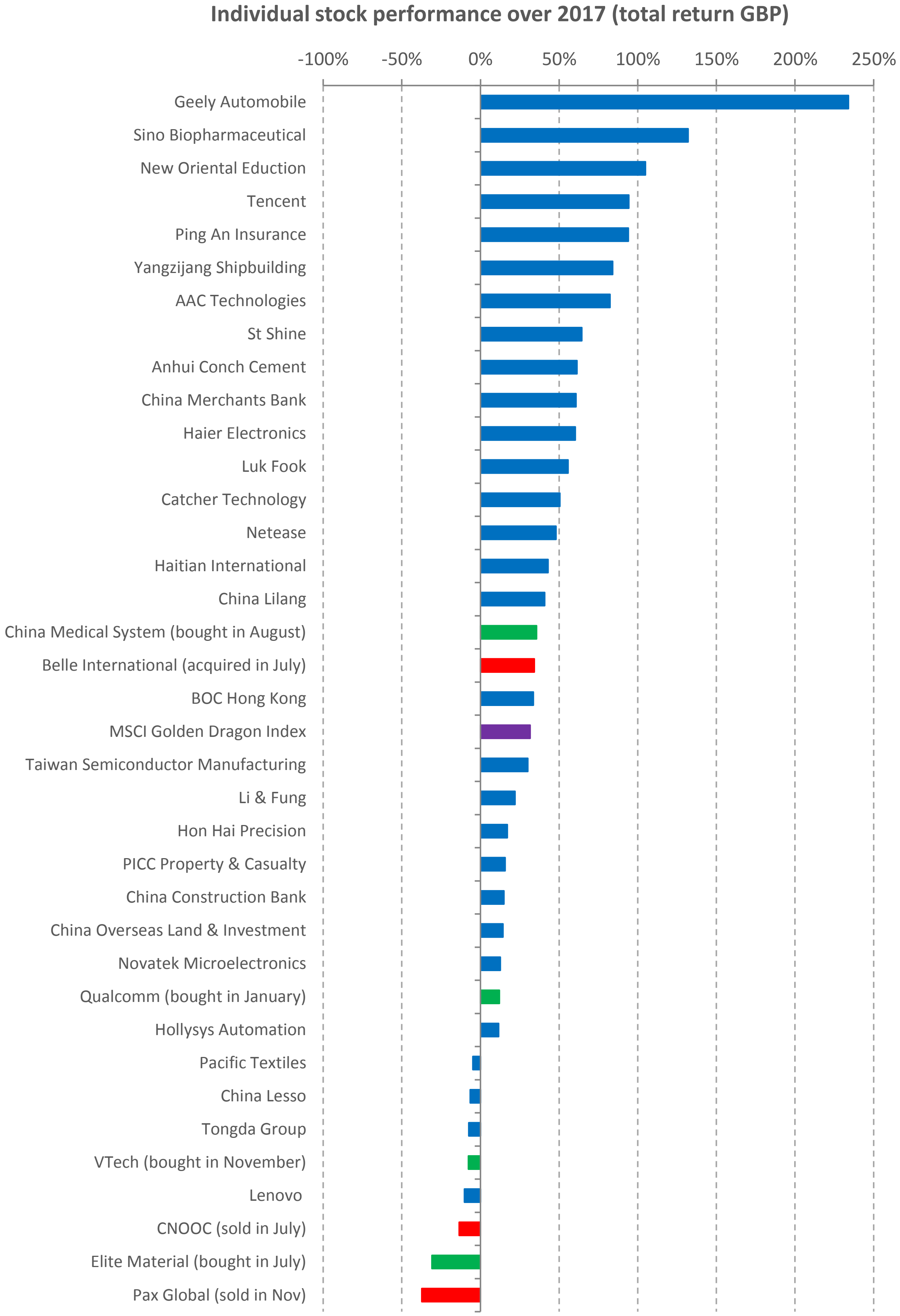
We have long argued that debt servicing capacity, rather than the ratio of debt to GDP, is the most important metric when assessing the burden of debt and gauging financial stability. The recovery in heavy industrial profits and cash flows by 9% in 2016 and by a further 16% in the first 11 months of 2017 has improved matters considerably. According to our analysis of 3,000 listed companies in China the share of debt at risk (where operating profit does not cover annual interest expense) has almost halved from 2015, decreasing from 30% to 17%. Government efforts to slow debt accumulation appear to be having an effect, according to the International Institute of Finance, with the stock of debt to GDP rising only 2% in 2017, compared to an average rise of 17% per annum between 2010 and 2016.

The improvement in the operating environment allowed policymakers to tackle the build-up of leverage in the financial system. Policymakers introduced several new rules to curtail banks' dependence on interbank markets during 2017. Interbank rates were raised several times during the year, penalising banks which relied on the wholesale interbank market, as their cost of funding increased. At the beginning of 2017 off-balance-sheet wealth management products were also included in the central bank's macro prudential assessment. In November regulators released new rules covering the asset management industry, again aiming to curtail the shadow banking industry. As a result of all of these measures, credit growth decelerated throughout the year. In summary, we are very encouraged by the ongoing deleveraging efforts since they reduce the likelihood of a liquidity crisis engulfing the financial system.

In June MSCI announced it would include China A-shares in the MSCI Emerging Market and China Indices in 2018. Initially the A-shares' weighting will be limited to 5% of their market capitalisation and so China's weight in the index will increase by less than 1%, to 29%. Although the initial impact is negligible, this is an important step in integrating China's financial markets with the global economy. The combined market capitalisation of the two domestic exchanges is second behind only the US. In the medium-to-long term we expect the 5% cap to be raised, as was the case in Korea and Taiwan, for which it took six and ten years to reach full inclusion in the benchmark. In the coming years investors will be forced to look again at China; ignoring it as "too difficult" will no longer be an option. Of the 222 new additions into MSCI's benchmark there are 37 companies that meet our quality criteria. Of these, 12 are banks and subject to largely the same drivers (good and bad) as the Hong Kong-listed banks, leaving 25 stocks in Consumer Discretionary, Consumer Staples, Healthcare, Industrials and Technology. There are a few lingering operational matters to resolve before we feel confident about investing in A-shares and we expect progress on this front to continue in 2018.

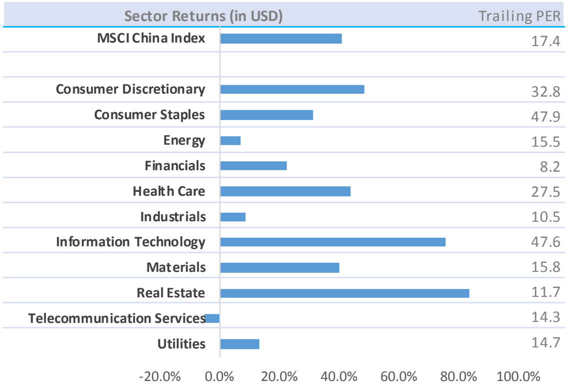
With respect to the Fund, we want to be comfortable that the stronger-than-expected performance is not purely a thematic event but comes from our stock selection. The chart below shows the performance of individual stocks through the year.

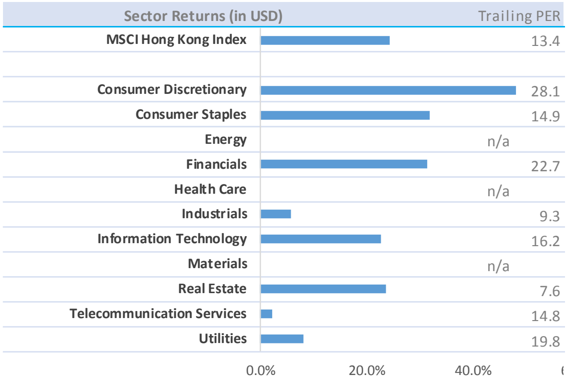
Stocks performance and commentary

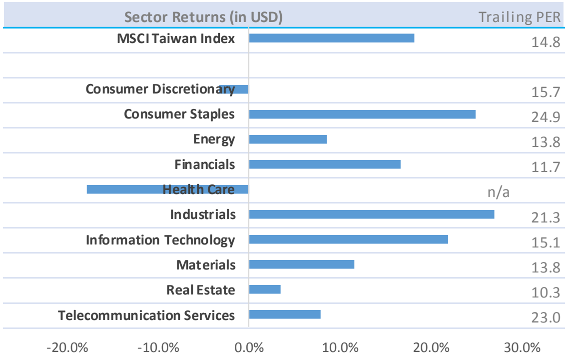


Source: Bloomberg, Guinness Asset Management

The charts below show the three components of the MSCI Golden Dragon Index (MSCI China, MSCI Hong Kong and MSCI Taiwan Indices) and the performance and valuations of their sectors in 2017.







Leaders

We are pleased to see that the Fund's significant outperformers came from a wide range of sectors, with the top five stocks more than doubling.

吉利汽車
GEELY AUTO

Geely is an automobile manufacturer specialising in sedans and SUVs. Sales of its models launched at the end of 2016 have all performed well and for the first time in its history the company sold more than a million vehicles in a year. Geely's parent company acquired Volvo in 2010 and Geely has benefited from the technology acquisition, becoming able to make quality cars which are competitively priced. Along with Volvo, Geely also launched a new luxury brand called Lynk & Co with several new innovations. The brand has a subscription-based buying model whereby cars can be paid for on a month-by-month basis. There is also the capability for car sharing when the car is not in use. The first batch of Lynk & Co cars sold out and there is the potential for it to be one of the first Chinese brands to be competitive in Europe and the US over the next few years.

中國生物製藥有限公司
SINO BIOPHARMACEUTICAL LIMITED

Sino Biopharmaceutical is a leading manufacturer of generic drugs with a focus on hepatitis, cardio-vascular and oncology. At the beginning of the year the market was worried about the company's hepatitis franchise as cheaper second generation drugs were due to enter the market. Sino Biopharmaceutical's hepatitis drugs fared better than expected and at the end of 2017 the company received approval to market its own generic version of the second generation drug. At the same time we believe the company is very likely to receive approval for its generic version of anlotinib (oncology) which has the potential to be a blockbuster drug.

New Oriental Education provides tuition services for students ranging from kindergarten to high school. There is huge demand for these services in China and New Oriental is one of the biggest brands in the business. The company has integrated online learning tools into its classroms such as using remote devices to answer quizzes in class, linked to a database which gives custom recommendations based on each user's answer, and these moves have led to steady improvements in retention rates. New Oriental is in a very exciting space and importantly its cash return on investment of c.11% is likely to remain above the cost of capital as the company grows.

Tencent has multiple sources of earnings through WeChat, video games and mobile payments. The WeChat platform is now part of daily life in China. It started off as essentially a clone of Whatsapp, but over the past few years it has morphed into its own ecosystem. Users have the ability to order a taxi through the app, use the Moments feature (similar to Facebook's feed) and pay for their shopping using WeChat Pay. Tencent does derive advertising revenue on WeChat but has been cautious on showing too many adverts. Revenue per user lags behind peers in the US and we believe that in the long term there is enormous potential for this to grow. Tencent's video games continue to be highly cash generative and the company's return on capital has remained above 20% for over ten years.

Ping An Insurance Group is a financial conglomerate with interests in insurance, banking and asset management. Average purchase of life insurance is relatively low in China compared to developed markets due to lower household incomes. As households become wealthier we expect usage of life insurance to increase. One of Ping An's competitive advantages is the investments it is making, most of which one would associate with leading tech companies, aimed at improving the efficiency of the business and improving the user experience. For example, Ping An's facial recognition technology is used online in insurance policy applications to lower identity fraud, reducing the application time significantly. Ping An's *Jin Guan Jia* app has 120m users and is the world's most used insurance app. We see Ping An entrenching its competitive advantage and make use of the cross-selling opportunities available across its various business lines.

Laggards

Weaker performers were Lenovo and Tongda Group.

Lenovo is well known for its PCs and laptops, which continue to be very cash generative for the business. But the problem, as last year, is still the smartphone and data centres segments, which remain loss making. We look for these segments to contribute on both a revenue and earnings basis. On a positive note Lenovo has moved out of the lower end of the smartphone market in China which should stem the segment's losses. Shipment volumes are growing in Latin America, Europe and India which is also encouraging. However, the data centre business remains sluggish, with little improvement over the year. In 2018 we expect to see an improvement in the smartphone business, especially in emerging markets.

Tongda Group is a manufacturer of metal casings for smartphones, electrical appliances and notebooks. After a very strong 2016, Tongda's share price was weak in 2017 but we are happy to continue holding the business. In May the company carried out a placement potentially breaching the terms of a loan facility, triggering a sell-off. Soon afterwards there were rumours that Tongda lost a contract to manufacture the casings for one of its bigger smartphone clients, and the share price continued to fall. First half results were weaker than expected due to a write-off in receivables and inventory related to two customers, as well as an increase in R&D expenses. Given that the write-off was a one-off event, and that the increase in R&D expenses was in an area where the company has already made progress, we were happy to top up on the position. The benefit of an equally weighted portfolio is that it adds to positions when they become cheaper. We are confident that Tongda's earnings will recover in 2018 and this will be reflected in its share price.

Portfolio activity in 2017

This year we made four changes to the portfolio. New additions were Qualcomm, Elite Material, China Medical System and VTech.

Qualcomm owns key technology used in modems in about half of the smartphones sold worldwide. Its business is immensely profitable since it charges its fees based on a percentage of the overall price of each smartphone sold. As smartphones have become more expensive over the last decade Qualcomm's business model has boomed. At the same time regulators and customers have been complaining, arguing Qualcomm abuses its market position. In January Apple sued Qualcomm, arguing smartphones are now much more than just mobile phones and that Qualcomm was riding unfairly on the premium prices being charged by Apple with which Qualcomm had nothing to do. The legal challenges to Qualcomm's pricing model led to the stock falling 18% in just over a week in January and we thought at this price the market was pricing in returns which were unduly pessimistic. In September Broadcom made a bid for Qualcomm, taking advantage of what we think is an undervalued company. The bid was rejected but it is likely that Broadcom will continue to try to acquire Qualcomm, whether through a higher bid or through a proxy bid.

台光電子材料股份有限公司
Elite Material Co., Ltd.

Elite Material produces printed circuit boards used in smartphones, servers and vehicles. It is the world's largest producer of halogen-free laminates, which are increasingly being adopted due to their environmentally friendly nature. We think that spending on servers is likely to continue growing at a rapid pace as cloud storage continues to boom. Additionally consumers are becoming more data hungry, whether it is through using their mobile phone to watch high quality videos or through streaming on their PCs. As the 5G buildout is likely to begin soon, these trends will only accelerate, placing greater demand on data and therefore the servers behind them. Though Elite is predominantly known for its expertise in smartphones it has been quickly growing its networking division. We bought Elite in July and since then the stock sold off sharply with sales growth reversing from double-digit growth to a low single-digit contraction in sales. While we did anticipate sales to slow, we did not think growth would decelerate as quickly as it did. As the Best of China Fund is equally weighted, we bought more of Elite to take advantage of the lower price, lowering the average cost of the position. We remain confident in Elite's prospects in 2018 and beyond.

China Medical System (CMS) is the largest contract sales organisation in China. It provides outsourced sales services for pharmaceutical companies with its customers predominantly being smaller Western pharmaceutical companies who do not have a sales team in China. CMS generates a high cash return on investment as it is a capital-light business. We like the fact that the management of the business has been in place for decades. We like their strategy, which is to sell drugs where there is relatively less competition, reducing the chance of price competition in the market. The healthcare market was disrupted by various new tenders throughout the year and the uncertainty over the implications over the two-invoice system, meaning that CMS was trading at a price which we thought undervalued the business.

VTech's brand of toys is well known throughout the US and Europe. It also makes telephones and provides outsourced manufacturing services. We initially sold the position for Qualcomm back in January. At the time VTech had just completed its merger with Leapfrog which makes technology-based toys aimed at educating children. Whilst the merger led to acquired growth, we were still sceptical over the organic growth of the toys business and felt that Qualcomm was the better option. The decision to buy back into VTech was related to its valuation. One of VTech's customers, Toys"R"Us, declared bankruptcy in the US in September and this led to concern over VTech's exposure and the outlook for its 2017 sales. We felt that this fear was overplayed given that any sales lost from Toys"R"Us would be replaced by other online channels; customers would still find their way to buy VTech's products. Overall it seemed to us that the prospects for organic growth were higher than they were just a year earlier, with strong performance in Asia certainly a factor.

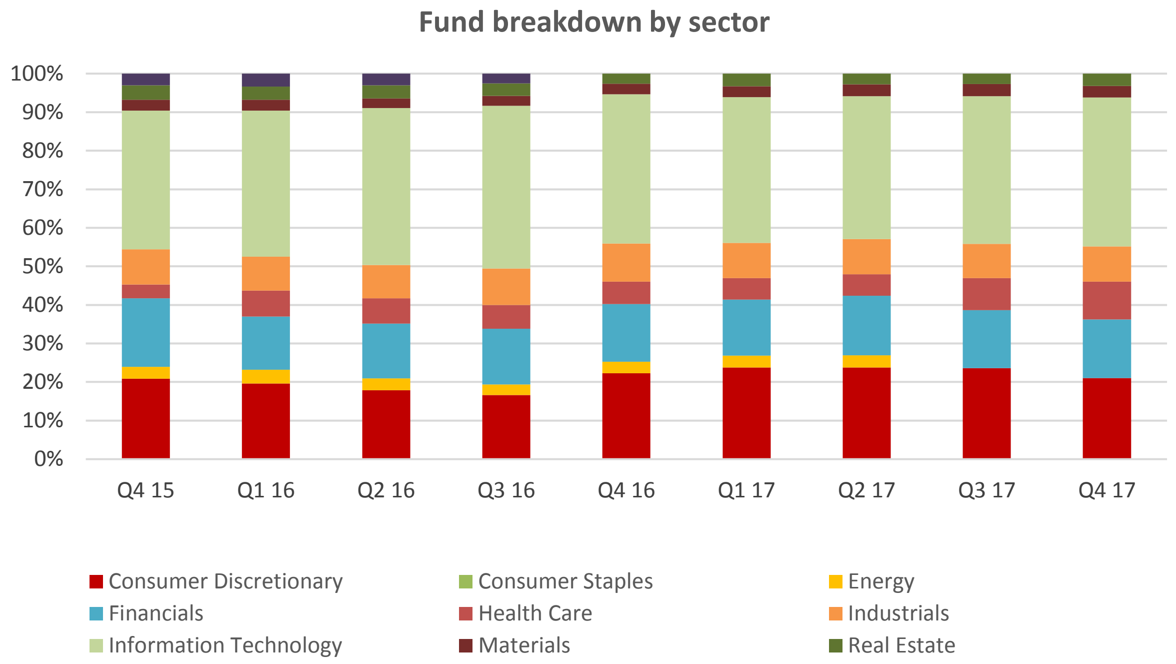
Four positions were sold from the portfolio. As highlighted above, VTech was sold in January and bought back later in the year. The other three positions were CNOOC, Belle International and Pax Global.

CNOOC is one of China's largest oil producers. When we initially bought the stock it had the consistent return on capital we were looking for, but with the oil price falling from its peak in 2014 the returns of the business dipped below the cost of capital. When the returns of a business fade in this way, we do not automatically sell the stock if we think the timing could be better. In CNOOC's case we held the stock with the expectation that it would be sold when the oil price recovered from its lows, and sold in mid-2017 when this happened.

We bought Belle International at the launch of the Fund in 2015. Belle had two businesses – a larger, struggling retailer of shoes and a smaller, growing manufacturer and distributor of sports shoes and apparel. 2016 was a weaker year for the company as the growth of the smaller part of the business was not enough to offset the decline in earnings from the larger. In 2017 Belle was acquired by a private equity firm at a 30% premium to the market and the deal closed in August.

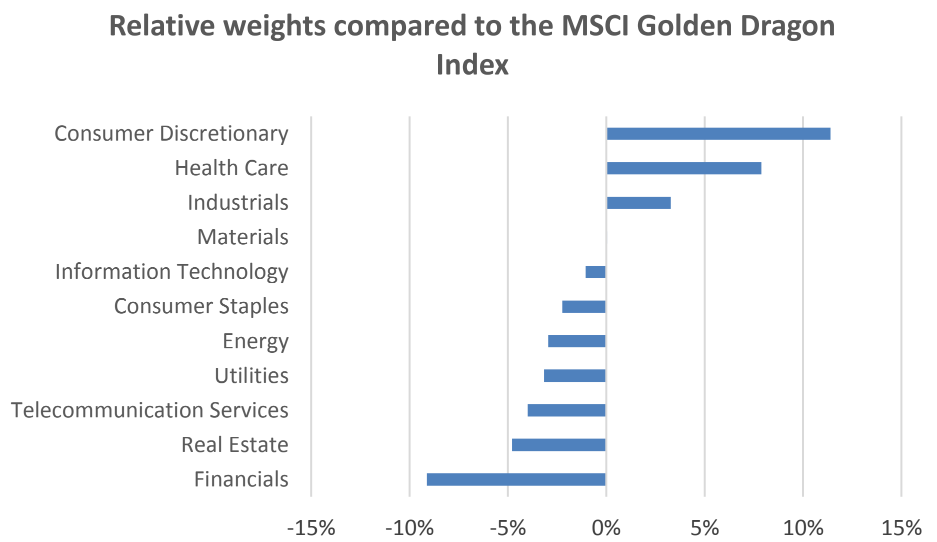
Pax Global is a manufacturer of point-of-sale terminals with sales coming predominantly from China and Latin America. Pax's sales in China grew rapidly in 2014 but fell off in 2015 and the stock price corrected after a strong run. We bought the stock in May 2016 after the share price had halved from its peak, expecting high single-digit growth at an undemanding valuation. We did not foresee the rapid change in the competitive environment coming from Alibaba and Tencent's payment platforms. In China mobile payments have become very popular, to the extent that now even street vendors have terminals to accept Alibaba's Alipay or Tencent's WeChat Pay. We were aware of the greater use of mobile payments and we were sanguine about this because Pax manufactured terminals which could accept QR codes (which are used to make these mobile payments). We did not foresee Alibaba and Tencent subsidising terminals to micro merchants to encourage greater use of their respective platforms, thereby undercutting Pax. Sales in China fell in 2016 and 2017 and after an unexpected profit warning at the end of 2017 we decided to sell the stock.

Portfolio Position



Source: Bloomberg, Guinness Asset Management

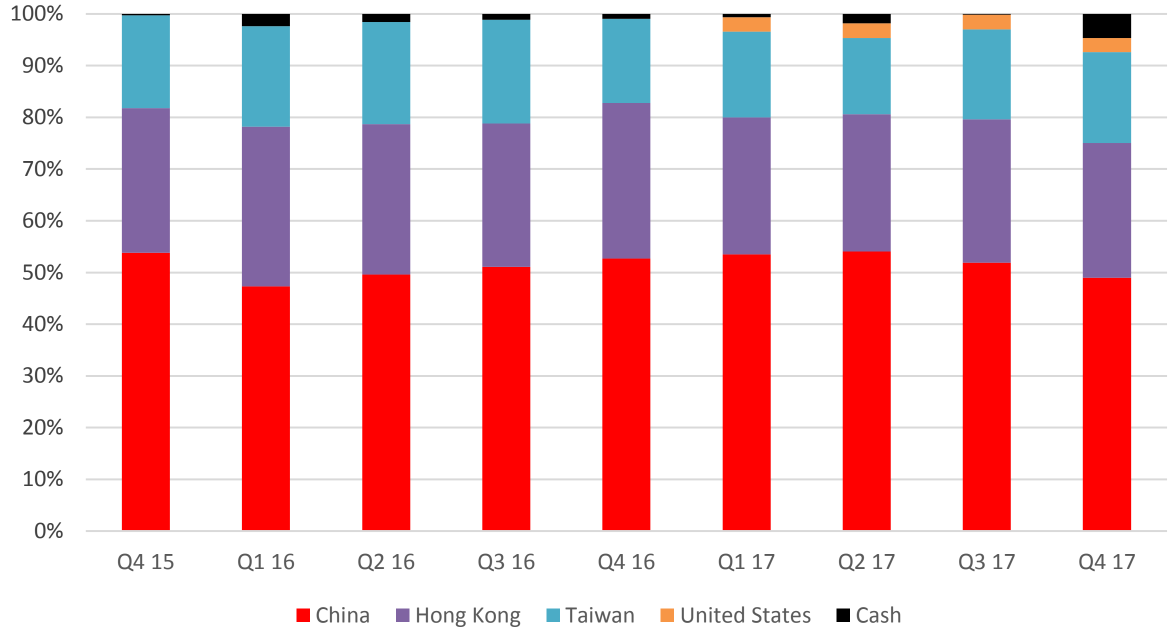
The Fund's largest exposures are to the Information Technology, Consumer Discretionary, Financials and Healthcare. There is very little exposure to Energy and Materials because their cyclical nature makes it less likely they can produce persistently higher returns on invested capital. The Fund does not hold any Utilities stocks, tend not to make it into our quality universe since returns tend to be capped by regulators.



Source: Bloomberg, Guinness Asset Management

We reiterate that our investment process is stock-specific and not driven from the top down or by benchmark considerations. But for interest, against our benchmark we overweight 11.4% in the Consumer Discretionary sector where we find many good quality companies at attractive prices. With the addition of China Medical Systems, the Fund is now 7.9% overweight in the Healthcare sector. The Fund is 9.1% underweight in Financials and 4.8% underweight in Real Estate.

Fund breakdown by domicile



Source: Bloomberg, Guinness Asset Management

Outlook

2017 was the year where attitudes towards China began to turn more positive, and we expect this to continue in 2018. We believe that in China the risks from high levels of debt have receded. Based on our analysis of 3,000 A-share companies, half of debt is held by firms in the Industrials and Materials sectors. With positive producer price inflation and continued cuts in capacity in steel and coal, higher prices have generated higher cash flows for firms in these sectors to service their debt. We expect this story to continue to play out in 2018. In our opinion the biggest risk comes from a fall in property values which we think is unlikely. Policymakers have spent a year introducing numerous rules to cool the property market and these have worked. If property prices, for whatever reason, were to fall suddenly then these measures could be unwound to support prices. We also expect policymakers' deleveraging efforts, specifically within the shadow banking system, to continue in 2018 which should reduce further the chance of a liquidity crisis turning into an economic crisis.

For more information

Read more on the Fund

Visit our website for more information on the Fund and to register for regular email updates on its performance and portfolio.

Keeping you updated

Detailed portfolio and performance analysis

White papers

Our thoughts on a range of topics including: the importance of dividends; whether to meet company management; concentrated portfolio; the effectiveness of economic modelling.

To sign up for updates or search the archive, visit guinnessfunds.com

or contact our sales team

Contact our sales team

Our sales team are on hand to explain the Fund and its investment process in more detail and answer any queries you might have.

	**Deborah Kay** **Head of Sales and Marketing**	+44 (0)20 7222 2037 deborah.kay@guinnessfunds.com
	**Charlie Riddell** **Sales Manager**	+44 (0)20 7222 3473 charlie.riddell@guinnessfunds.com
	**Flurry Wright** **Sales Manager**	+44 (0)20 7222 3714 flurry.wright@guinnessfunds.com
	**Padraig Staunton** **IFA Sales Manager**	+44 (0)20 7042 6525 padraig.staunton@guinnessfunds.com
	**Alex Hall** **IFA Sales Manager**	+44 (0)20 7042 6525 alex.hall@guinnessfunds.com

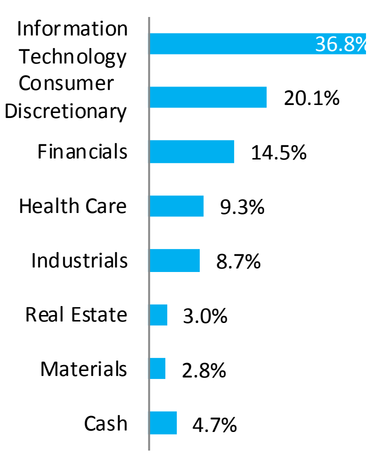
PORTFOLIO

31/12/2017

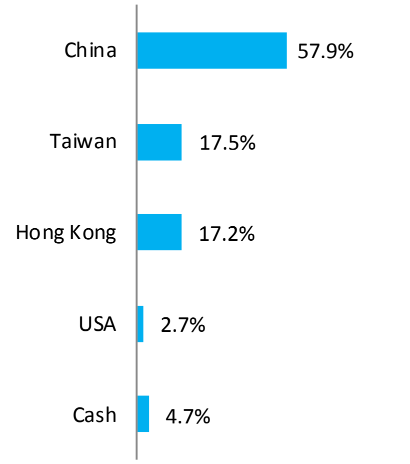
Fund top 10 holdings

Sino Biopharmaceutical	3.2%
St. Shine Optical Co	3.1%
Geely Automobile Holdin	3.1%
China Medical System	3.1%
Elite Material	3.1%
China Overseas Land	3.0%
Haitian International Hol	3.0%
Netease.com	3.0%
China Construction Bank	3.0%
Pacific Textiles	2.9%
% of Fund in top 10	30.5%
Total number of stocks	33

Sector analysis



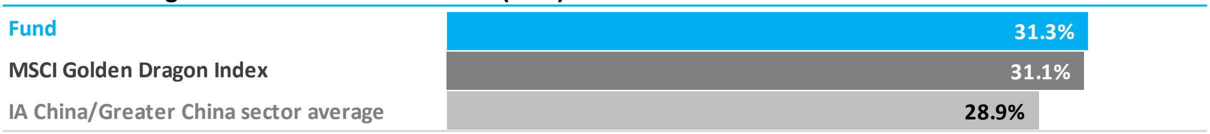
Geographic allocation



PERFORMANCE

31/12/2017

Annualised % gross total return from launch (GBP)



Discrete years % gross total return (GBP)	Dec '13	Dec '14	Dec '15	Dec '16	Dec '17
Fund	-	-	-	22.7	38.2
MSCI Golden Dragon Index	5.3	14.8	-1.7	26.2	31.7
IA China/Greater China sector average	9.4	9.2	0.9	18.5	35.9

Cumulative % gross total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund	2.0	38.2	38.2	-	-	74.6
MSCI Golden Dragon Index	2.0	31.7	31.7	63.3	97.2	74.1
IA China/Greater China sector average	2.6	35.9	35.9	62.4	93.9	68.0

RISK ANALYSIS

31/12/2017

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0.00	0.00	5.06
Beta	1.00	1.00	1.02
Information ratio	0.00	0.00	0.99
Maximum drawdown	-15.47	-19.53	-17.00
R squared	1.00	1.00	0.92
Sharpe ratio	0.64	0.25	0.49
Tracking error	0.00	0.00	5.08
Volatility	18.14	18.02	18.30

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations.

Source: Financial Express, bid to bid, total return (Z class, 0.74% OCF). Fund launch date: 15.12.2015.

Guinness Asset Management

Guinness Asset Management provides a range of long-only actively managed funds to individual and institutional investors. Founded in 2003, Guinness is independent and is wholly owned by its employees.

We believe in in-house research, intelligent screening for prioritisation of research and well-designed investment processes. We manage concentrated, high conviction portfolios, with low turnover and no benchmark constraints. Since our establishment we have developed a variety of specialisms in global growth and dividend funds, global sector funds and Asian regional and country funds. The Guinness equity funds sit within an Irish-listed OEIC. They are managed alongside a range of similar SEC-registered funds offered to US investors by our US sister company, Guinness Atkinson Asset Management Inc. We also offer an Enterprise Investment Scheme (EIS service) investing in Sustainable Infrastructure and an AIM EIS investing in AIM-listed companies.

Our Products

Global & Developed Markets	Equity Income	Global Equity Income European Equity Income UK Equity Income
	Growth	Global Innovators Global Equity US Equity Global Money Managers
Asia & Emerging Markets	Equity Income	Asian Equity Income Emerging Markets Equity Income
	Growth	Best of Asia Best of China
Energy	Growth	Global Energy Alternative Energy
Tax efficient services for UK investors	Tax	EIS Service AIM EIS Service Best of AIM Service Sustainable Infrastructure Service
Segregated mandates	Segregated Mandates in the strategies above	

Contact us

Tel	Email	Web

Issued by Guinness Asset Management Limited, authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about Guinness Best of China Fund. It may provide information about the Fund's portfolio, including recent activity and performance. It contains facts relating to the equity markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report.

This document is provided for information only and all the information contained in it is believed to be reliable but may be inaccurate or incomplete; any opinions stated are honestly held at the time of writing, but are not guaranteed. The contents of the document should not therefore be relied upon. It should not be taken as a recommendation to make an investment in the Fund or to buy or sell individual securities, nor does it constitute an offer for sale.

Risk
The Guinness Best of China Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. The value of an investment and the income from it can fall as well as rise as a result of market and currency movement, and you may not get back the amount originally invested. Details on the risk factors are included in the Fund's documentation, available on our website. Shareholders should note that all or part of the fees and expenses will be charged to the capital of the Fund. This will have the effect of lowering the capital value of your investment.

Documentation
The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available from the website www.guinnessfunds.com , or free of charge from:-

- the Manager Link Fund Manager Solutions (Ireland) Ltd, 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland; or,
- the Promoter and Investment Manager: Guinness Asset Management Ltd, 14 Queen Anne's Gate, London SW1H 9AA.

Residency
In countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful, the Fund should not be distributed to resident Retail Clients.
NOTE: THIS INVESTMENT IS NOT FOR SALE TO U.S. PERSONS.

Structure & regulation
The Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and authorised and supervised by the Central Bank of Ireland, which operates under EU legislation. If you are in any doubt about the suitability of investing in this Fund, please consult your investment or other professional adviser.

Switzerland
The prospectus and KIID for Switzerland, the articles of association, and the annual and semi-annual reports can be obtained free of charge from the representative in Switzerland, Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva, Switzerland, Tel. +41 22 705 11 77, www.carnegie-fund-services.ch. The paying agent is Banque Cantonale de Genève, 17 Quai de l'Ile, 1204 Geneva, Switzerland.

Singapore

The Fund is not authorised or recognised by the Monetary Authority of Singapore ("MAS") and shares are not allowed to be offered to the retail public. The Fund is registered with the MAS as a Restricted Foreign Scheme. Shares of the Fund may only be offered to institutional and accredited investors (as defined in the Securities and Futures Act (Cap.289)) ('SFA') and this material is limited to the investors in those categories

Telephone calls will be recorded and monitored.

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