Guinness Best of China Fund

INVESTMENT COMMENTARY – July 2018

Launch date	**15.12.15**
Team	**Edmund Harriss** (manager) **Mark Hammonds** (analyst) **Sharukh Malik** (analyst)

Aim

Guinness Best of China Fund is designed to provide investors with exposure to economic expansion and demographic trends in China and Taiwan.

The Fund is managed for capital growth and invests in profitable companies generating persistently high return on capital over the business cycle

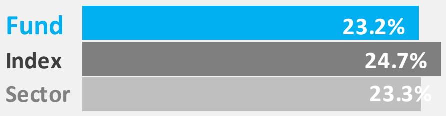
Performance

30.06.18

Fund	Best of China Fund
Index	MSCI Golden Dragon
Sector	IA China/Greater China

	1 year	3 years	From launch
Fund	10.9	-	69.9
Index	13.0	48.9	75.4
Sector	17.3	47.2	70.5

Annualised % gross total return from launch (GBP)



Risk analysis (annualised, weekly, from launch)

	Index	Sector	Fund
Alpha	0.0	0.0	0.5
Beta	1.0	0.9	0.9
Info ratio	0.0	-0.3	-0.1
Max drwdn	-12.9	-16.8	-14.2
Tracking err	0	5	6
Volatility	18.1	17.6	18.0
Sharpe ratio	1.1	1.0	1.1

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, gross total return 0.74% OCF.

Fund & Market

- Following the consistent positive advances in Asian markets in 2017, we saw the return of more volatile conditions in 2018.
- The market moved in four clear phases in the first half of the year: a sharp rise in the so-called 'melt-up' in January, a swift drawdown in early February as volatility returned, choppy sideways trading from March to May, and a further sell-off in June as global trade tensions escalated.
- The fund (Z class in GBP) underperformed in the first six months of the year, returning -2.7% versus the benchmark's +0.8%. The fund's under-performance mainly came in January where markets were extremely strong.
- We believe the underlying earnings growth outlook for our companies in 2018 and 2019 to be positive, but ongoing macro-concerns around trade in particular have compressed valuation multiples.
- China looks very attractive relative to developed markets, offering a combination of strong earnings growth and modest valuations. The portfolio trades at a discount to the market (as measured by the MSCI Golden Dragon index), has double-digit earnings growth forecast and is more diversified than the index.
- Risks are ever-present: trade tensions, geopolitics, and normalising interest rates being perhaps the most salient. However, for the long-term investor, the fundamental themes of manufacturing improvements, lifestyle upgrades and developing services industries are more pertinent – these are the themes that will drive long-term returns.

Events in 2018

- Trade tensions dominated the news headlines for much of the first half of the year, with the announcement of steel and aluminium tariffs by the US. A temporary exemption to Canada and Mexico was granted on the grounds of renegotiating NAFTA provisions.

- Attention then turned squarely towards China. The strident views expressed by President Trump were initially met with a more conciliatory tone by China, and dialogue ensued (leading the US Treasury Secretary at one point to declare that the trade war was "on hold"). But towards the end of the period relations deteriorated as both parties' views seemed to remain some distance apart. The result was the announcement by the US of a 25% tariff to be applied to $34bn of Chinese imports, with another $16bn likely to follow. China retaliated by imposing tariffs of an equivalent size. The US is now planning to put tariffs on $200bn of Chinese imports.

- In July China cut tariffs on imported vehicles from as high as 25% to 15%. Tariffs on a range of consumer goods were also reduced. For example, tariffs on clothes and shoes fell from 15.9% to 7.1% and on washing machines and refrigerators from 20.5% to 8%.

- China continued its deleveraging efforts to reduce excesses and vulnerabilities in the financial system.

- MSCI began including Chinese A-shares in some of its indices, including the Emerging Markets index. As of the end of May, Chinese A-shares were capped at 2.5% of their free float adjusted market capitalisation, which will rise to 5.0% later in the year.

Investment process summary

We look for companies that have sustained competitive advantages over their peers which we measure using return on capital over a multi-year time horizon. We look for quality companies that have persistently generated a high cash return on capital over the past eight years. This results in a universe of 120 companies from which we seek to buy those where the market is undervaluing their future cash flows. We look for companies that have the ability to grow their earnings over time while doing so efficiently through a high return on capital.

We maintain a concentrated portfolio of 33 positions, all equally weighted. Our portfolio discipline ensures that if we want to buy another position we first have to sell an existing holding. We rebalance the portfolio periodically in order to benefit from market volatility.

The equally weighted nature of the portfolio makes it very different to both the index and other China funds. The MSCI Golden Dragon is skewed towards three large companies: Tencent (weight of 10.1%), Alibaba (7.6%) and TSMC (6.2%). Most China funds have close to 10% in both Tencent and Alibaba, which presents significant downside risk if one of these companies were to suffer an unexpected shock. To put things into context, these concentrations are significantly larger than in other markets; for example, as of the end of June the largest company in MSCI USA was Apple with a 3.9% weight. In MSCI Europe the largest company was Nestle with a 2.7% weight. The concentration risk in China is materially higher than in developed markets and so there is a need for sensible diversification. We acknowledge that Tencent and Alibaba (the latter of which is not held because it does yet have the persistent returns we require) are highly cash-generative companies, but there are risks present with holding 10% in each. For example, what are the implications if the Party believes these tech conglomerates have become too big and need to be reined in?

The equally weighted nature of the Guinness Best of China Fund means each position has a neutral weight of 3.0%. Each position is large enough to contribute meaningfully to the fund but not large enough to pose significant downside risk.

Portfolio positioning and Outlook

Since hitting a high on 26th January, markets have been weaker and more volatile, but we have yet to see substantial negative revisions feeding through into corporate earnings estimates. In fact, earnings expectations remain robust, with solid growth currently forecast for 2018 and 2019. The weakness is therefore a result of multiple contraction – driven more by sentiment – rather than a direct result of deterioration in the underlying fundamentals.

China has looked attractive as a region both on an absolute basis and on a relative basis for some time, and the recent pullback, we think, represents a good buying opportunity. The region trades at a 16% discount to developed markets on a price/earnings basis. This discount (based on forecast earnings) has been wider in the past, but because earnings growth has been a significant driver of the strong rise in China over the past couple of years, it remains attractive from a valuation point of view.

The Guinness Best of China portfolio is even more attractively valued, trading at a further 7% discount to the benchmark on forecast earnings. In aggregate, the portfolio trades on only 12.4x 2018 earnings and 10.7x 2019 earnings, implying 16% earnings growth. Lastly, balance sheets are strong, with the average net debt to equity ratio for non-financials at -23% (i.e. net cash).

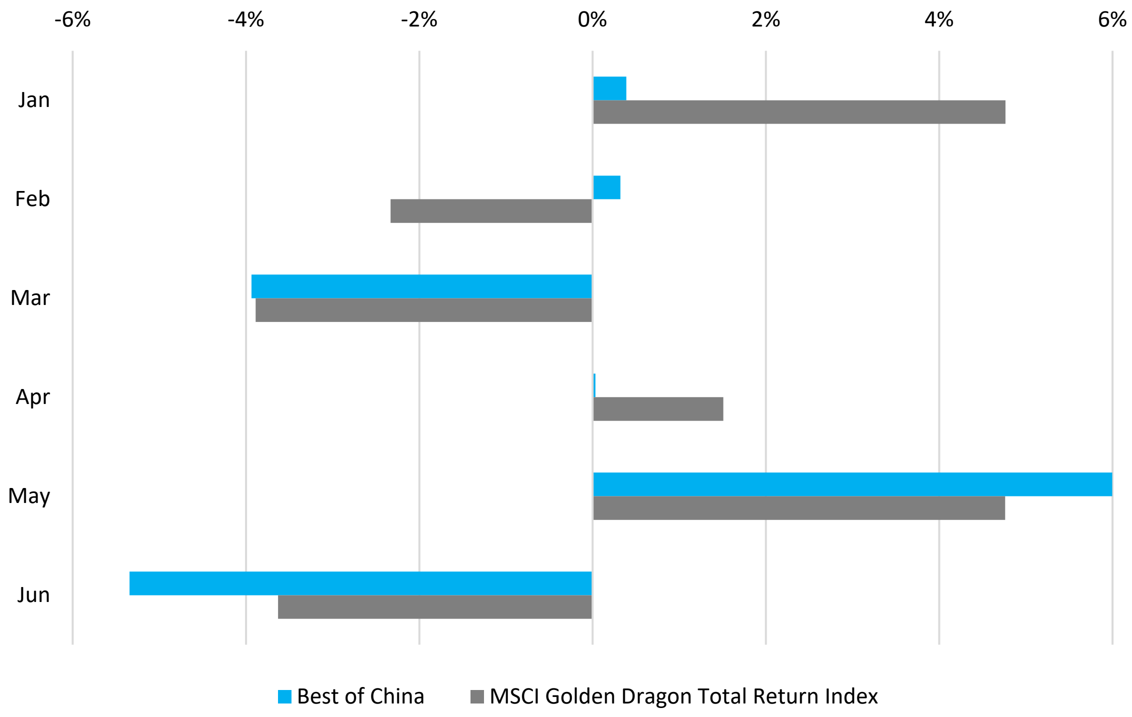
If an individual company had these metrics we think it would be unlikely for it to go unnoticed by investors for long. (Moreover, the portfolio has the added benefit of offering diversification across sectors.)

Investors in China have many risks to consider (although, of course, they are not alone in this respect). Conflicts over trade policies seem unlikely to be resolved in the near term (we write more about this below), the path of interest rate rises in the US could accelerate, and economic data, while robust, is not quite as strong as previously. But many of these factors are short-term in nature. We believe it is the more fundamental themes of manufacturing improvements, lifestyle upgrades and developing services industries that will drive China's growth (and shareholder returns) over the long term.

Performance review

The chart below shows how the fund has performed this year. It underperformed in the first six months of the year, returning -2.7% versus the benchmark's +0.8% (Z share class, total return in GBP). To analyse the fund's performance in detail, we first look at the monthly returns of the fund versus the benchmark, as the following chart shows, to assess whether the fund's behaviour is in line with expectations.

2018 YTD monthly returns (%) in GBP



Source: Bloomberg; Guinness Asset Management

The main period of underperformance was in January, which saw the acceleration of the run-up in markets following positive performance for most of 2017. In China the best performing sectors were Financials (total return of +12.7%), Real Estate (+11.7%) and Energy (+8.8%). The fund was underweight in these sectors by 9.1%, 4.8% and 2.9% respectively. Our investment universe has relatively few Real Estate companies as there are few which meet both our quality criteria and are appropriately capitalised (debt/equity no greater than one). Our universe does not contain any energy companies because they do not show the persistent cash returns that we require. Individually, weaker stocks were Tongda (manufacturer of metal casings for smartphones), AAC Technologies (manufacturer of speakers and haptics in smartphones), Elite Material (produces base materials for printed circuit boards) and Luk Fook (jewellery retailer). Luk Fook was the only case where earnings came out which disappointed the market. Given that the operating conditions for the other laggards did not suddenly change over the past month, we were not concerned by the underperformance of their share prices.

The markets peaked on 26th January before going into a sharp drawdown at the start of February. Our biggest period of outperformance came in February (the weakest month of the first half) when the fund provided downside protection by actually rising when markets were falling.

In April several suppliers for smartphone manufactures in the portfolio were hit by a ‘perfect storm’ of three factors:

1. Concern over slowing iPhone sales
2. Weaker demand from Chinese manufacturers due to elevated inventory levels
3. General concerns over increased trade tensions between the US and Asia

We have since seen improvement in the first two areas: iPhone weakness was not as bad as people feared and Chinese demand looks likely to pick up. Trade tensions, while they have certainly intensified, we feel are less of a concern in this area because of the impracticality of deep upheaval within the technology supply-chain (component production is unlikely to relocate to the US any time soon).

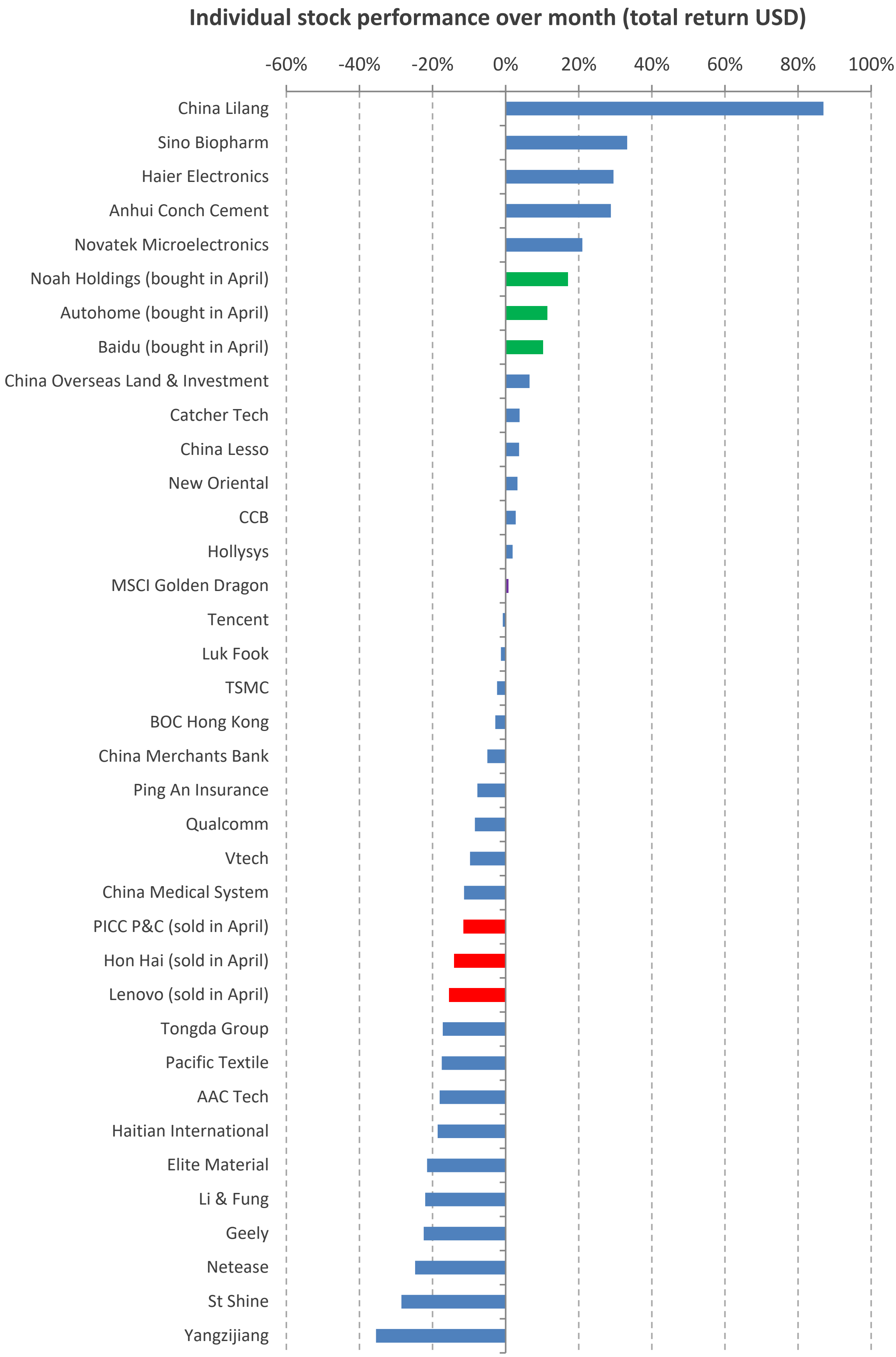
What is interesting is that we have seen this pattern before: we saw similar weakness in technology names in April 2016, again primarily because of concern over iPhone sales slowing. But selling out would have been a mistake – the Information Technology sector performed very well on a relative basis for most of the rest of 2016 and 2017. The smartphone component manufacturers benefit from a trend of continuing upgrades in smartphone specifications. We can benefit from the market sometimes being more pessimistic on the sector as a whole, as we can top up our holdings. Meanwhile, the companies continue to generate strong returns on capital. At present, the Information Technology names are some of the most attractively valued stocks in the portfolio. The fund's lack of exposure to energy companies (which, being cyclical, don't tend to feature heavily in our universe), also negatively affected our relative performance.

In June, trade concerns intensified: the US confirmed a 25% tariff on $34bn of Chinese imports, with a further $16bn likely to follow; President Trump announced a review of automobile imports, questioning whether they were a threat to national security; and it was announced that further restrictions on Chinese overseas investment and use of intellectual property are to be investigated. Haitian International, which manufactures plastic injection moulding machines, saw its shares sell off as its products are affected by the 25% tariff. Interestingly there is the potential for tariffs to also impact its European and American competitors. Engel, an Austrian rival, makes some of its machines in China and so will see the cost of these exports to the US rise. Milacron Holdings, a US company, may face paying more for its components it imports from China.

While trade tensions are undeniably unsettling to investors, they have not yet become a significant problem from an economic point of view (as the lack of substantial negative revisions to earnings demonstrates). What has disturbed sentiment the most is the threat of further tariffs on China – potentially affecting another $200bn of imports (presumably accompanied by retaliatory measures by the Chinese) – and a broadening of the conflict to involving the EU and other US trading partners. Our position is that a full-blown trade war is unlikely; we think a negotiated agreement is the probable outcome. We saw signs that the US and China are willing to strike a deal: the overturning of sanctions on ZTE, when the consequences of the ban were realised, being a prime example. However, we do not expect any immediate signs of progress – President Trump still has to 'act tough' ahead of mid-term elections in the autumn. We think behind-the-scenes negotiations are far more likely.

As this noise (which again in its current state is predicted to have a minimal effect on growth) rumbles on, we think it is wise to remember some of the long-term structural trends that have been taking place (and which prompted trade tensions to erupt in the first place). China has been transforming its economy, moving from simple product manufacturing into higher value-added and more technologically advanced manufacturing. In China and elsewhere in Asia, supply chains have become deeply embedded in the region, and many of the products that are produced – integrated circuits, electrical components, consumer electronics goods – are unlikely to be produced elsewhere. The broad long-term trends that have secured Asia's development over the past 30 years are likely to continue.

The 33 names in the portfolio are our best ideas in the region and while we don't expect them to move independently of one another, we want to avoid over-exposure to themes that could cause weakness in a significant section of the portfolio. So when analysing our performance, we want to ensure that it is not the direct result of thematic exposure, but rather that it comes from stock selection. The chart below shows the performance of individual stocks through the first half of the year:



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In the top five performers, there is a mix of industries: retail, healthcare, consumer appliances, cement and integrated circuit design. Among the weaker names we also have a mix of industries: shipbuilding, contact lenses, mobile games, automobiles and product sourcing.

Portfolio review

Leaders

China Lilang was the stand-out performer over the first half of the year, returning more than 80% in GBP terms. The company is a clothing retailer based in China, focussed on casual menswear in the young adult segment. Lilang's main brand LILANZ has recovered after a difficult period in 2016, with same store sales accelerating over the second half of 2017 and continuing into 2018. The company also reported very strong year-on-year sales growth in both its autumn and winter trade fairs.

Sino Biopharmaceutical specialises in generic drugs with a particular focus on hepatitis and cardio-vascular products. For 2016 and much of 2017 the market was worried that the company's core, its hepatitis franchise, was going to face more competition from a cheap new product. The reality was different – Sino Biopharm received approval for a generic version of the new drug which is priced very competitively. In addition, the company received approval for a new product to treat non-small cell lung cancer which has the potential to become a blockbuster drug.

Haier Electronics sells washing machines and water heaters, operates stores selling Haier and third-party branded goods and provides logistics services for online deliveries. There are many reasons to like the business. In China many households still use older, cheaper top-loaded washing machines which may be replaced as household incomes rise. A subsidiary, Goodaymart Logistics, is the primary logistics service provider for large home appliances merchants on Tmall.com. The logistics industry is notoriously competitive in China and so it is good to see the logistics business is profitable.

Anhui Conch is a large cement producer with significant market share. Like most of the industry, in the last few years Anhui Conch has been very disciplined when increasing capacity, preferring to maintain margins over growth. As a result, Anhui Conch's gross profit per tonne is above historical averages and is likely to remain so for the foreseeable future. Anhui Conch is not the most exciting business but has the characteristics we are looking for: 1) consistent cash return on investment above the likely cost of capital; 2) the potential for earnings growth; and 3) undervaluation, in our opinion.

Novatek Microelectronics is a designer of integrated circuits used primarily in flat-screen displays, in a variety of applications including TVs, tablets, smartphones and cars. The company has recently benefited from greater adoption of its chips within TFT panels. Sales have begun to pick up and gross margins have also improved from a year ago. Novatek is projected to return to earnings growth this year.

Laggards

After returning more than 80% in GBP terms last year, it is not surprising that Yangzijiang Shipbuilding would give up some of the gains this year. The stock suffered in the first half after reporting lacklustre results for the fourth quarter of 2017. Provisions on new orders resulting from foreign exchange movements and higher steel costs led to reduced gross margins. However, management reported good recent contract wins and indicated that they will be discerning in selecting future contracts in the depressed pricing environment – something we like to hear. After going through a pronounced cyclical downturn, conditions in the shipbuilding industry look set to improve. As older, lower specification ships are scrapped, new orders are likely to come through. Tougher regulations from an environmental perspective to reduce emissions will also be a tailwind, accelerating the rate at which older vessels are scrapped. Yangzijiang's designs are well placed to benefit – the company has been focusing on advanced hull designs that are more fuel efficient than those used previously. The stock is certainly one of the more volatile within our universe, and we have added to it at these lower levels to bring it back to neutral weight in the portfolio.

St.Shine Optical Co., Ltd.

St Shine has also been faced with higher costs, resulting in lower gross margin levels and prompting analysts to reduce their earnings expectations for the stock. Lower margins are partly a result of higher labour costs, but they are also a result of depreciation as the company expands its capacity. St Shine is forecast to achieve strong revenue growth in 2018 from its new US direct-to-consumer customer, Hubble. The effect will be to decrease exposure to Japan, which currently accounts for more than half the company's revenues.

Netease develops games for mobile and PCs and is the second largest developer in China. The start to the year has been tough with revenues from a major game, *Onmyoji*, falling sharply. While Netease has released *battle-royale* style games that have done well, they have not become popular enough to offset weakness in more established games. In addition, the company has expanded into cross-border e-commerce through Yanxuan and Kaola. Yanxuan sells unbranded versions of mass-market and luxury goods while Kaola sells a range of high-quality international goods. Both websites are doing well and though are loss-making for now, have the potential to become very cash-generative given the size of the e-commerce market in China. Netease continues to generate an overall cash return on investment that is well above the likely cost of capital and we have been adding to the position through its recent weakness.

Geely is an automobile manufacturer specialising in sedans and SUVs. Geely was the best performer in the fund in 2016 and 2017, returning 621.2% over the two years. The automobile market in China is still growing but the growth rate has slowed down from a peak of more than 50% growth in December 2017 to just above 20% growth in June 2018. Still, Geely's retail sales are growing much faster than those of the industry. For the first six months of the year Geely announced it is expecting net profit to increase by around 50%, so we see the recent weakness as an opportunity to add to the position.

Li & Fung was another stock to give up some of its gains made over the latter part of 2017. The company has struggled from a weak environment for some its main customers, US retailers, which have been closing stores to reduce their footprint and correspondingly reducing stock levels. Trade tensions have added an extra dimension of uncertainty, though there is scope for the company to benefit as higher tariffs prompt businesses to make changes to their existing supply chains; for example, US customers may look to source goods outside China (but still within Asia) in order to avoid import tariffs. Li & Fung is taking steps to improve efficiency by investing in its digital sourcing platform. The company also paid a special dividend in the first half after selling its furniture, beauty and sweaters businesses through which it sold goods as a principal. The divestment has the effect of simplifying the business and strengthening the company's capital structure.

Portfolio changes

Three switches were made in April. For some time we had been keeping an eye on companies in the fund which were struggling to grow their earnings. The Best of China Fund aims to invest in companies which can grow their earnings and we saw the opportunity to switch into companies which can better serve this aim.

The first switch was to sell Lenovo for Autohome. Lenovo had been in the portfolio since launch and had disappointed. Despite its seemingly low valuation we decided a recovery was unlikely. Although Lenovo's PC business remains very cash-generative, it is facing more competition and recently lost its number one spot to HP. The underperforming areas have been the smartphone and data centre segments. It is very hard to generate persistent profits in smartphones and we had little confidence that Lenovo could turn losses in its smartphone segment to a profit, let alone a persistent profit. The data centre business may possibly be turning around but it is still ultimately generating a loss.

Autohome is an automotive classified advertising business which has a dominant market share in China. On average, 10.1 million people used its app daily in the first quarter of 2018. Its revenue comes from adverts and from the fees it charges to dealers to list on the website. It benefits from the network effect as it is now the go-to destination to buy and sell cars online. The business also benefits from its controlling shareholder, Ping An Insurance, which can sell car insurance on every transaction. Autohome has persistently generated a cash return on investment above 20% since it listed, which is amongst the highest in our quality universe.

The second switch was to sell Hon Hai for Baidu. Hon Hai is a contract manufacturer with most of its revenues coming from assembling the iPhone. The portfolio has a fair amount of exposure to smartphones and on a relative basis the prospects for Hon Hai look less appealing. It is relatively less efficient when looking at cash flow return on investment and we believe there are better alternatives in our quality universe.

Baidu's search engine is dominant in China with a market share of over 75%. In the past Baidu has been guilty of unsuccessfully throwing money at new businesses without realising a positive return. As a result, its cash return on investment has fallen from 30% in the 2007-2012 period to 12% in 2017. We believe, however, that the business is a better allocator of capital today than it was in the past; For example, it recently sold its share in the food delivery business Ele.me. Food delivery is a rapidly growing industry in China but at the moment competition is fierce as incumbents try to win market share. We have seen instances where companies are discounting so much that one can order dinner for only 1RMB, or £0.12. It is unsurprising that profits are non-existent in this sector so we view the exit as a positive move. Baidu's investments in artificial intelligence could also prove to be lucrative. Its operating system DuerOS (akin to Amazon's Alexa or Google's Assistant) is being developed so it can be used on any hardware from any manufacturer. Over the next decade, as consumer electronics become more connected, Baidu's OS could become an integral part of each household in the same way its search function has become an integral part of everyday life. Baidu's autonomous vehicle network Apollo is in development and in our view is being backed by the government. Though it is still very early days, the Apollo network could become a key part of China's digital infrastructure in the future.

The third switch was to sell PICC for Noah. PICC is an insurer which has a very high return on equity relative to our quality universe. The problem is that the property and casualty insurance industry is becoming more competitive and we question whether the business can maintain its returns over the next few years. The insurance regulator further added to our concerns when it increased the maximum discount insurers are allowed to offer in several regions, potentially leading to lower margins for the business. Noah is a wealth and asset manager targeting high-net-worth individuals. It distributes onshore and offshore products across China. As Chinese financial markets mature, investors are becoming more accustomed to the idea of diversified asset allocation, so in addition to equity offerings Noah also gives investors access to fixed income, private equity and fund-of-funds products denominated in RMB and USD. The recent improvement in rules around the asset management industry, which brings it closer to global standards, should serve Noah well since it already positions and operates itself as a sophisticated asset manager.

Edmund Harriss (portfolio manager)
Mark Hammonds (analyst)
Sharukh Malik (analyst)

Data sources

Fund performance: *Financial Express, gross total return*

Index and stock data: *Bloomberg*

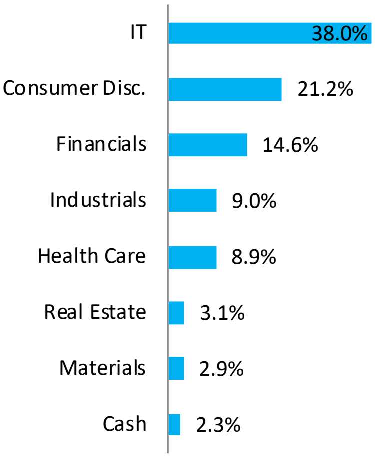
PORTFOLIO

30/06/2018

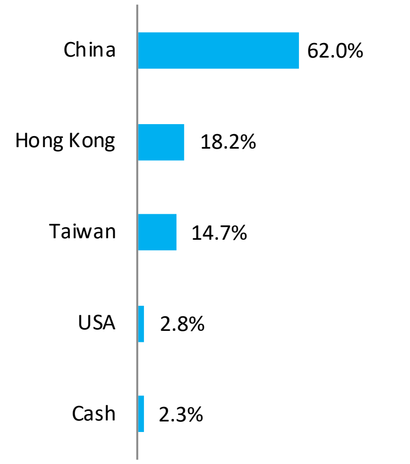
Fund top 10 holdings

AAC Technologies	3.3%
Sino Biopharmaceutical	3.2%
St. Shine Optical Co	3.1%
China Lesso Group	3.1%
Luk Fook Holdings	3.1%
Geely Automobile Holdin	3.1%
Haier Electronics	3.1%
Tencent Holdings	3.1%
China Merchants Bank	3.1%
China Overseas Land	3.1%
% of Fund in top 10	31.3%
Total number of stocks	33

Sector analysis



Geographic allocation



PERFORMANCE

30/06/2018

Annualised % gross total return from launch (GBP)

Discrete years % gross total return (GBP)	Jun '14	Jun '15	Jun '16	Jun '17	Jun '18
Fund	-	-	-	41.0	10.9
MSCI Golden Dragon Index	4.5	25.7	-2.2	34.7	13.0
IA China/Greater China sector average	4.0	27.8	-6.9	34.8	17.3

Cumulative % gross total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund	-5.3	-2.7	10.9	-	-	69.9
MSCI Golden Dragon Index	-3.6	0.8	13.0	48.9	95.5	75.4
IA China/Greater China sector average	-4.0	1.4	17.3	47.2	95.5	70.5

RISK ANALYSIS

30/06/2018

Annualised, weekly, from launch on 15.12.15, in GBP	Index	Sector	Fund
Alpha	0.00	0.02	0.50
Beta	1.00	0.94	0.94
Information ratio	0.00	-0.27	-0.14
Maximum drawdown	-12.88	-16.84	-14.20
R squared	1.00	0.94	0.90
Sharpe ratio	1.10	1.04	1.05
Tracking error	0.00	4.53	5.81
Volatility	18.10	17.63	17.95

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, gross total return (0.74% OCF). Fund launch date: 15.12.2015.

Important information

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.

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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

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Telephone calls will be recorded and monitored.