Guinness Global Money Managers Fund

A high conviction equity fund managed by Will Riley and Tim Guinness investing in quoted companies in the asset management sector.

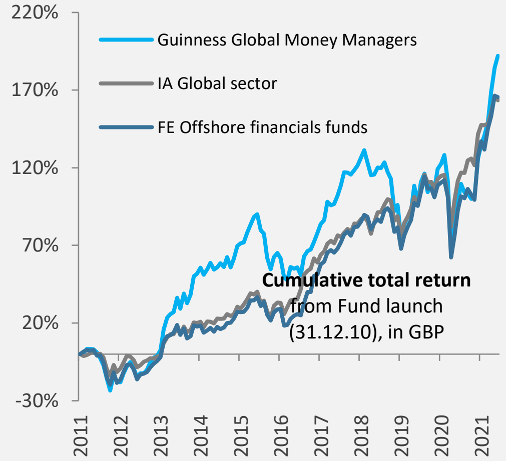
INVESTMENT COMMENTARY – July 2021

Aim

The Fund aims to deliver long-term capital growth by capturing the strong returns that successful asset management companies can deliver to shareholders.

We expect asset managers to outperform the broad market over the long term, primarily due to the ability of successful managers to grow their earnings more rapidly than the broad market.

Performance* (in GBP) — 30.06.2021



Index	**MSCI World Index**
Financials Index	**MSCI World Financials Index**
Fund launch	**31.12.10**

***Simulated Past Performance**
See performance data notes on the last page of this document. 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. Returns for share classes with a different OCF will vary.
Source: Financial Express (Y class, 0.74% OCF), bid to bid, total return.

THOMSON REUTERS
LIPPER FUND AWARDS 2015
SWITZERLAND

2015: BEST FUND OVER 3 YEARS
EQUITY SECTOR BANKS & OTHER FINANCIALS

Asset management sector

In this month's update, we review the asset management sector and our Fund performance in the first half of 2021, and consider the outlook for the rest of the year and beyond.

Performance in H1 2021

The Global Money Managers Fund (class Y) in the six months to 30 June 2021 produced a total return of 29.8% (USD). This compares to the return of the MSCI World Index (net) of 13.0% and the MSCI World Financials Index (net) of 20.7%.

Over the first half of 2021, equities rose as vaccination campaigns against COVID continued to accelerate in most developed economies. Europe had been lagging, but started to catch up with the UK and the US in the second quarter. Emerging economies continued to lag on the vaccination front but cases remained very low in China.

Governments in most developed markets continued to ease COVID-related mobility restrictions and activity levels picked up. Economic data has generally been very strong, especially in the US, which posted an annualised growth rate of 6.4% in the first quarter. Although the eurozone economy contracted by 0.6% in the first quarter, there followed a strong rebound in the second quarter.

The spectre of inflation has become real, and while the Federal Reserve continues to see the current inflation increase as transitory, it has become slightly more hawkish, acknowledging that tapering is being discussed.

At a regional level, the S&P 500 delivered a strong return (+15.3%, in USD) during the period, thanks to the rebound of growth stocks, strong first-quarter earnings growth and the prospect of more fiscal stimulus as Joe Biden reached a bipartisan deal to boost infrastructure spending by $600 billion. European stocks also outperformed (+16.1%, in USD), supported by the reopening of regional economies and strong global goods demand.

Within fixed income markets, investors searched for yield and inflation hedges against a backdrop of low sovereign

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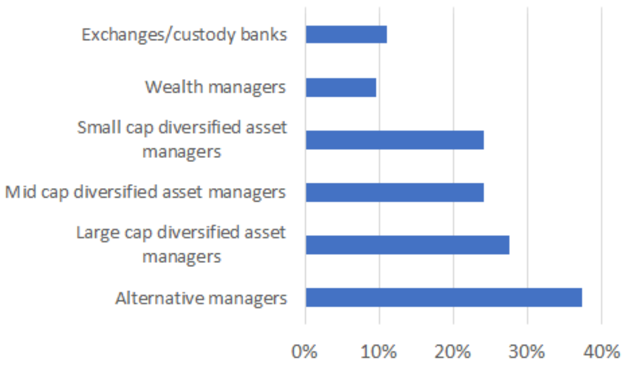
bond yields and higher inflation, turning to spread products such as emerging market debt, US investment grade credit, and US and European high yield, as well as inflation-linked bonds. US and European high yield sectors deliver a positive return, but government bond returns were negative.

Against this backdrop, the money management sector performed strongly. The alternative asset management (including private equity and hedge funds) and large-cap diversified asset management sectors were particularly strong in the period, whilst wealth managers and stock exchanges lagged.

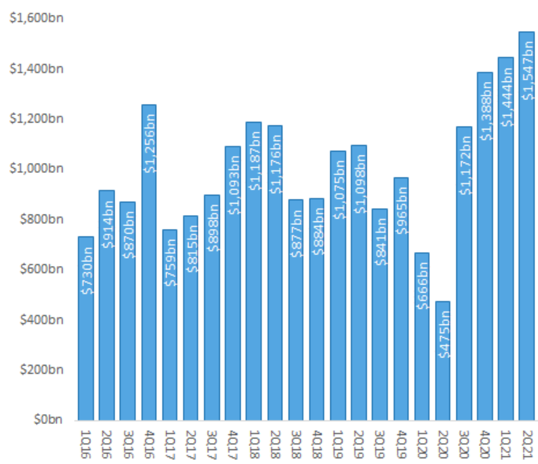
Median total return for money management sectors, 1H 2021 (% in USD)



Source: Bloomberg; Guinness Asset Management. Guinness' sector definitions

Within the fund, the asset raising environment for alternative managers (Blackstone +53.3%; KKR +47.1%; Ares +37.4%) has been particularly strong, helped by low interest rates and robust structural demand for illiquid alternatives. The rebound in global stock markets has improved the outlook for realisations, whilst M&A activity has reached a five-year high:

Global M&A announcements (2016-21)



Source: Goldman Sachs

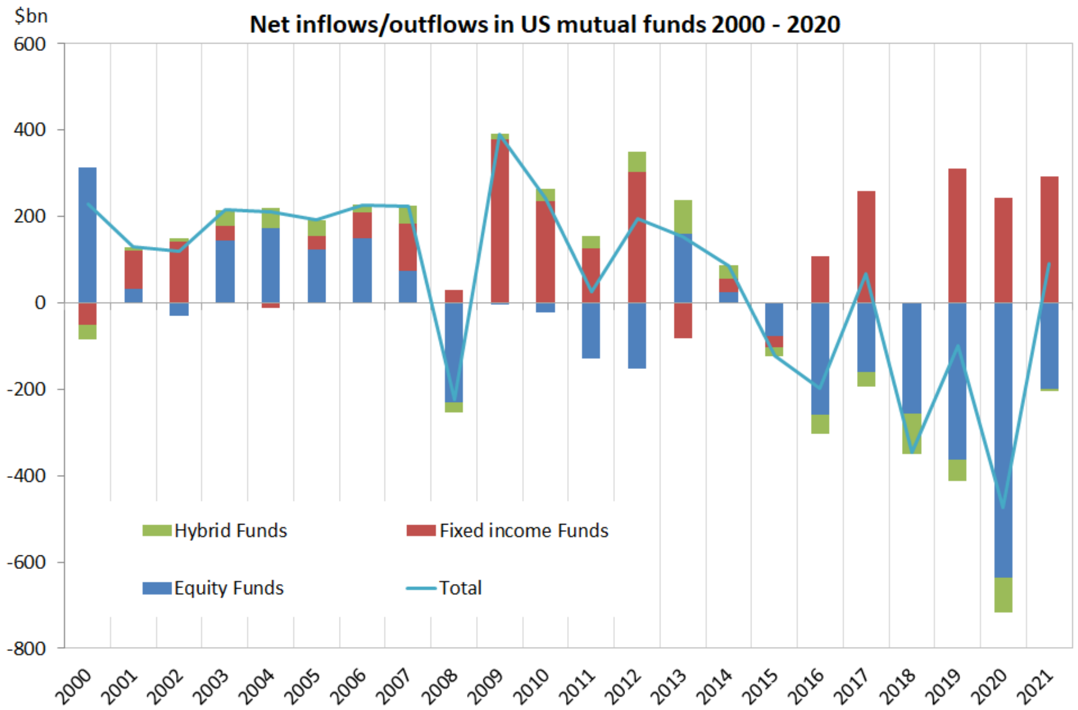
In North America, Canadian asset manager CI Financial performed well (+51.0%), in part thanks to a positive market reception to CI's strategic shift into wealth management. Over the last eighteen months or so, the company has undertaken a major buying spree in the US's RIA industry, establishing a major new US wealth platform. Following completion of the most recent deal at the end of June 2021, CI is expected to have USD$68bn in US wealth assets, bringing total AuM to around USD$250bn.

In the UK market, Liontrust (+46.2%) was the strongest performer, with the company enjoying a transformative year. Assets under management were £30.9bn at 31 March 2021, an increase of 92% versus March 2020. AuM growth came via a mix of organic net inflows and some well-judged acquisitions, including the purchase of Neptune Investments and Architas' UK investment business. Stronger financials allowed Liontrust to increase its dividend by over 40%.

Jupiter Asset Management (+5.4%) and Vontobel (+1.1%) delivered weaker returns. Jupiter has improved its outflow rate in recent quarters, though net flows for 2021 are still expected to be negative. Recent outflows have been biased towards UK and European equity strategies. Vontobel announced reasonable results and strategic progress during the period, though have kept their dividend flat, a disappointment to the market which expected some uplift.

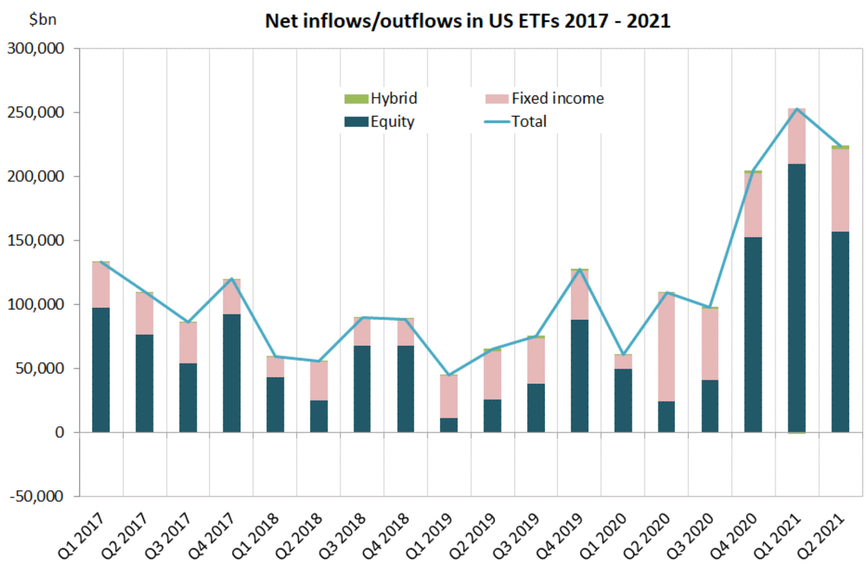
Outlook

Within the asset management sector, data for US mutual fund flows (which we treat as a proxy for global flows) indicated record outflows from active equity funds in 2020. The picture for active bond & income funds was better, with a second successive year of strong positive flows. The first half of 2021 has seen net positive flows overall, comprising inflows for the active bond sector, partially offset by outflows from active equity funds.



Source: ICI; Bloomberg; Guinness Asset Management

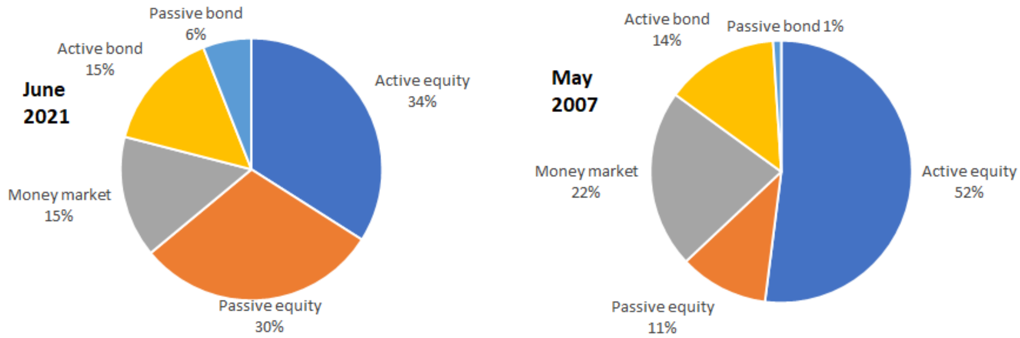
Data from the US ETF industry shows a contrasting picture, with inflows across equity ETFs, bond & income ETFs and hybrid ETFs in every quarter since the start of 2017. There has been a notable ramp-up in equity ETF net inflows over the most recent three quarters, surpassing aggregate inflows for the previous eleven quarters:



Source: ICI; Guinness Asset Management

It is interesting to consider what these trends in mutual fund and ETF flows have done to the shape of the asset management industry overall:

Assets under management mix by asset class: June 2021 vs May 2007



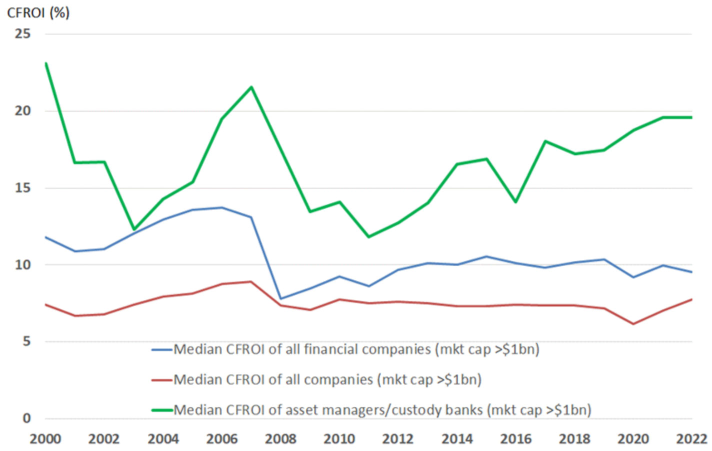
Source: Credit Suisse; Guinness Asset Management

Since just before the 2008/09 financial crisis, the global allocation to equities has remained fairly consistent, at 64% today versus 63% then. Passive (including ETFs) equities have increased their market share within the overall allocation to equities from around 17% to around 47%. The declining interest rate environment has resulted in a smaller allocation to money market funds, ceding market share to fixed income. And whilst passive bond instruments have seen their share rise significantly (1% to 6%), this has not been at the expense of active bond funds, which have a slightly higher allocation (15%) today than in 2007 (14%).

As we have said for some years now, the secular shift from active equities to passive/ETF equities will continue to be a headwind for larger low active share traditional managers, whose products lack sufficient differentiation.

Despite these challenges, which have also brought fee compression in the equity sector, return on capital for the money management sector remains significantly higher for the broad market and the wider financial sector. Indeed, rising markets, consolidation and product innovation have driven return on capital (which we measure using Credit Suisse HOLT's metric of cashflow return on investment or 'CFROI') higher today than at any point since 2008:

CFROI of AM sector vs broader financials & global equities



Source: Credit Suisse HOLT; Guinness Asset Management

To recap our views on secular trends in the sector, we believe that the most successful money management investments over the coming years will be companies that deliver a quality product to their clients, whether active traditional management, alternatives or passive; companies that provide helpful asset allocation services; well-run wealth managers; and well-run support services. Combining these themes with our stock selection process, which allows us to identify the equities of managers whose products are succeeding, leads us to the following portfolio (at 30 June 2021):

	Theme	Example holdings	Weighting (%)
1	High active share	LIONTRUST, POLAR CAPITAL	22.4%
2	Alternatives	KKR, Blackstone	13.4%
3	Growth of ETFs/passive distribution	BLACKROCK, Invesco	7.9%
4	Wealth management	Rathbones Look forward	13.7%
5	Traditional value	ALLIANCEBERNSTEIN, FRANKLIN TEMPLETON	19.3%
6	Support services	Nasdaq	7.8%
7	Asset management consolidators	AMG	3.9%
8	Secular shift in Europe to equities	VONTOBEL, AZIMUT	9.8%
9	Other (incl cash)		2.0%

At 30 June 2021, the P/E ratio of the Fund was 14.1x 2021 earnings. This sits at a significant discount to the broad market, with the MSCI World trading on a 2021 P/E ratio of 20.6x earnings.

Fund P/E ratios versus the MSCI World (30.06.21)

	'20	'21	'22
Fund P/E	19.3	14.1	13.2
MSCI World P/E	37.0	20.6	18.8
Premium (+)/ Discount (-)	-48%	-32%	-30%

Source: Bloomberg; Guinness Asset Management.

The Fund remains positioned to capitalise on the increasing value of successful companies in the sector.

Will Riley & Tim Guinness
July 2021

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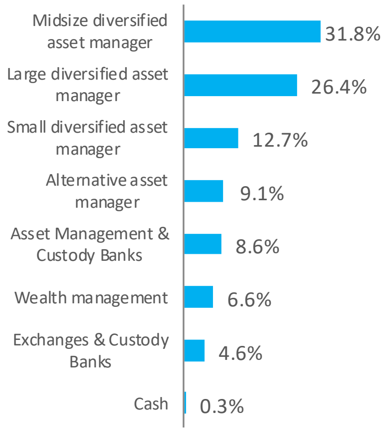
PORTFOLIO

30/06/2021

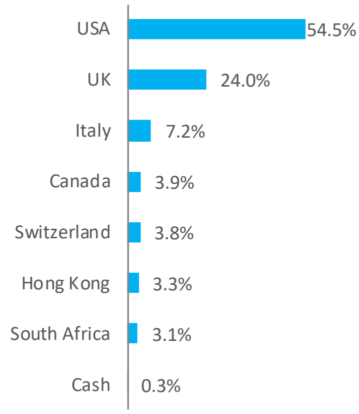
Fund top 10 holdings

Blackstone Group	4.7%
KKR	4.6%
Nasdaq	4.6%
T Rowe Price	4.6%
Liontrust Asset Management	4.5%
Ares Management	4.4%
Blackrock	4.1%
AllianceBernstein	4.1%
CI Financial	3.9%
Polar Capital	3.8%
% of Fund in top 10	43.4%
Total number of stocks in Fund	31

Sector analysis



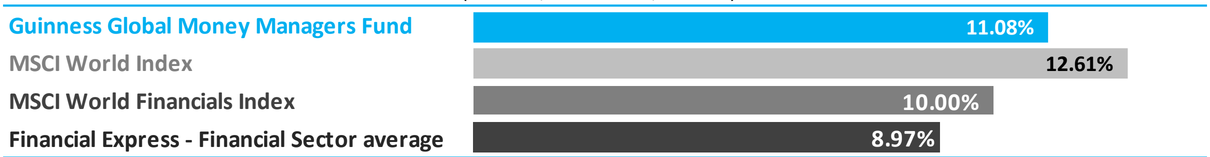
Geographic allocation



PERFORMANCE (see Performance Data notes below)

30/06/2021

Annualised % total return from launch (Y Class, 0.74% OCF, in GBP)



Cumulative % total return (Y Class, in GBP)	1 month	Year-to-date	1 year	3 years	From launch
Guinness Global Money Managers Fund	3.3	28.4	43.9	37.2	201.6
MSCI World Index	4.4	11.9	24.4	45.3	228.3
MSCI World Financials Index	-0.6	19.4	36.3	24.5	155.9
Financial Express - Financial Sector average	-0.2	11.1	25.2	43.2	146.4

Discrete years (Y Class, in GBP)	Jun '21	Jun '20	Jun '19	Jun '18	Jun '17
Guinness Global Money Managers Fund	43.9	-0.6	-4.0	5.3	38.2
MSCI World Index	24.4	5.9	10.3	9.3	21.6
MSCI World Financials Index	36.3	-13.5	5.6	2.8	38.9
Financial Express - Financial Sector average	25.2	6.0	7.9	5.7	33.2

RISK ANALYSIS

30/06/2021

Y Class, in GBP, annualised, weekly, from launch on 31.12.10, relative to the MSCI World Index	MSCI World	MSCI World Financials	Fund
Alpha	0	-3.16	-2.25
Beta	1	1.12	1.19
Information ratio	0	-0.27	-0.09
Maximum drawdown	-24.58	-33.10	-36.61
R squared	1	0.80	0.78
Sharpe ratio	0.58	0.32	0.38
Tracking error	0	8.42	9.61
Volatility	14.49	18.26	19.53

Simulated past performance for the since launch performance which is based on actual returns of E share class (available from Fund launch), calculated in GBP. See Performance data notes on the next page.
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. Fund Y class 0.74% OCF. Returns for share classes with a different OCF will vary accordingly.
Source: Financial Express, bid to bid, gross total return. Fund launch date: 31.12.10.

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Performance data notes

The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's Y class was launched on 15/02/2012. The since launch performance shown is a simulation for Y class performance being based on the actual performance of the Fund's E class, which has the same annual management charge as the Y class, and has existed since the Fund's launch. The Fund's E class is denominated in USD but for the purposes of this performance data its performance is calculated in GBP. Hence the Fund's E Share class is used here to illustrate the performance of a GBP-based clean-fee (RDR-compliant) share class since the Fund's launch on 31.12.10.

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 recent developments in the asset management sector invested in by the Guinness Global Money Managers Fund. It may also provide information about the Fund’s portfolio, including recent activity and performance. It contains facts relating to investment 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 Global Money Managers 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. The Fund invests only in companies involved in asset management and other related industries; it is therefore susceptible to the performance of that one sector, and can be volatile. Details on the risk factors are included in the Fund’s documentation, available on our website.

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, 18 Smith Square, London SW1P 3HZ.

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

This is an advertising document. 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.

Telephone calls will be recorded and monitored.