Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – July 2021

About the Fund

The Guinness Global Equity Income Fund is designed to provide investors with global exposure to dividend-paying companies.

The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£1498m
Launch date	31.12.10
Historic OCF (Y Class)	0.82%
Current OCF (at fund size)	0.82%
Historic Yield** (Y Class)	2.3%
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens Will van der Weyden

Performance* — 30.06.21

	1 Yr	3 Yrs	5 Yrs	Launch
Fund	19.8	43.9	76.0	213.5
Index	24.4	45.3	93.2	228.3
Sector	21.2	28.0	58.0	141.9

Annualised % total return from launch (GBP)

Fund	11.5%
Index	12.0%
Sector	8.8%

Benchmark index	MSCI World Index
IA sector	Global Equity Income

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: FE, bid to bid, total return. Y Class 0.82% OCF.
***Composite simulated performance. Please refer to 'Performance data notes' on the last page of this document for full details on performance and yield calculation.**
****Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charges. Investors may be subject to tax on the distribution**

Summary

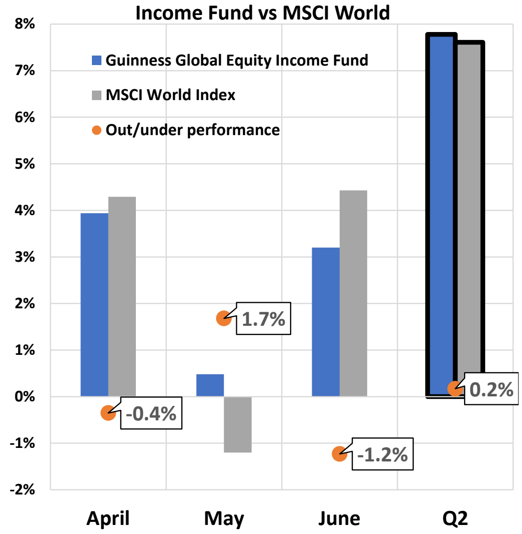
In the second quarter of 2021 the Fund was up 7.78% (in GBP), the MSCI World Index benchmark was up 7.61% (in GBP), and the IA Global Equity Income sector was up 4.78% (average, in GBP).

- The Fund therefore outperformed the Index by 0.17% over the quarter and outperformed its peer group by 3.00%.
- Over the quarter, the Fund ranked 5th out of 57 peer funds in the IA Global Equity Income Sector.

The Fund's investment philosophy – unchanged since launch – seeks companies with persistently high return on capital, at attractive valuations, and with good dividend growth potential. The Fund has a fairly even balance between quality defensive and quality cyclical/growth companies; in turn, the Fund tends to outperform when markets are weaker, whilst also providing reasonable upside when markets are rising.

This is exactly what we saw in the second quarter of 2021:

2021 Performance: Guinness Global Equity Income Fund vs MSCI World



Source: Financial Express. Total Return % in GBP, as of 30th June 2021

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

- Global equity markets gained in April and June amid continued progress on global vaccination efforts, a backdrop of supportive monetary policy, bullish economic data and robust earnings from many large-cap stocks.

- May saw a pause in momentum as there was a rotation into cyclicals and value stocks – as part of the "reopening trade".

- The Fund outperformed the Index, which was dragged lower as higher-weighted IT and Consumer Discretionary sectors saw weaker performance in the month.

In the first half of 2021 the Fund was up 10.93% (in GBP), the MSCI World Index benchmark was up 11.86% (in GBP), and the IA Global Equity Income sector was up 10.00% (average, in GBP).

- The Fund therefore underperformed the Index by 0.93%, but outperformed its peer group by 0.93%, over the first half of the year.

It is pleasing to see that over the longer-term, the Fund has outperformed the IA Global Equity Income sector over 3 years, 5 years, 10 years and since launch.

Cumulative % total return, in GBP, to 30/06/2021	3 months	YTD	1 year	3 years	5 years	10 Years	Launch*
Guinness Global Equity Income	7.78	10.93	19.79	43.96	76.01	194.41	213.58
MSCI World Index	7.61	11.86	24.36	45.31	93.19	219.78	228.34
MSCI AC World Index	7.26	11.12	24.56	43.71	91.39	198.67	204.91
IA Global Equity Income sector average	4.78	10.00	21.15	27.98	58.01	135.28	141.88
IA Global Equity Income sector ranking	5/56	22/56	27/55	4/49	8/41	2/18	1/15
IA Global Equity Income sector quartile	1	2	2	1	1	1	1

Source: Financial Express. Cumulative Total Return % in GBP, as of 30th June 2021
**Fund launched on 31st December 2010*

Over the period since launch at the end of 2010, the Fund ranks 1st out of 15 funds in the IA Global Equity Income sector.

Summary: dividends

So far, in 2021, we have had dividend updates from 30 of our 35 holdings:

- 27 companies announced growth for their 2021 dividend vs 2020 (on average growing 7.6% vs 2020)
- 2 companies have announced a flat dividend vs 2020
- 1 company has announced a modest cut to its dividend vs 2020
- 0 companies have announced dividend cancellations

- We await the dividend announcements of the 5 remaining companies: Broadcom, Illinois Tool Works, Microsoft, Reckitt Benckiser, and VF Corp

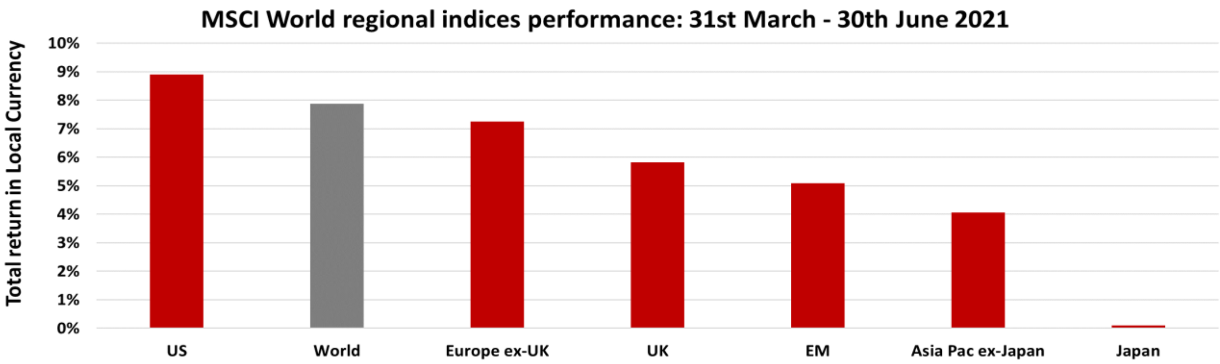
The dividend yield of the Fund, at the end of the quarter, was 2.3% (net of withholding tax) vs the MSCI World Index 1.7% (gross of withholding tax).

The moderate dividend yield – albeit much higher than the Index – is characteristic of the Fund given that our focus is not on simply finding the highest yielding companies, but instead on finding high-quality, cash generative businesses which can consistently grow their dividend stream year-on-year.

Explicitly screening for persistently profitable companies also means that many industries – e.g. regulated sectors such as Utilities, Telecommunications and Banks, and commodity-led sectors such as Energy and Materials – typically do not show up much in our investible universe. These excluded industries often contain companies that exhibit the highest dividend yields, though we believe these same companies have a relatively greater risk of dividend cuts and are less likely to grow their dividend over time.

Quarter Review

Global equity markets rallied strongly in the second quarter, building on first quarter gains, and closing out one of the best first half starts in history. Over Q2, the MSCI World Index rose 7.74% (in USD) and all regions registered gains:



Source: Bloomberg. As of 30th June 2021

The US market delivered the best return last quarter, thanks to the rebound of growth stocks, strong first-quarter earnings growth (47% year-on-year), and the prospect of more fiscal stimulus as Joe Biden reached a bipartisan deal to boost infrastructure spending by $600 billion. Q2 marked the S&P 500 Index's fifth consecutive quarter of gains, and best first-half performance since 1998.

Overall, the economic picture remained rosy too. The US economy accelerated in Q1 2021, recording an annualized GDP increase of 6.4%. A year removed from the Q2 2020 contraction of -31.4%, it is clear that the economy is in the midst of a swift, consumer-driven recovery; this latest reading was the third consecutive quarter of above-trend growth, following strong GDP prints in Q3 2020 (+33.4%) and Q4 2020 (+4.3%).

Aggregate business activity in the US – as measured by the composite purchasing managers' index (PMI) – was also strong moving from 59.7 in March, to a (flash) composite reading of 63.9 in June. A reading above 50 signals expansion.

European stocks followed the US closely, supported by the reopening of regional economies and strong global goods demand. While the spread of the delta variant is a potential concern, as it could slow the full reopening of economies, the increasing number of cases has so far not led to significantly higher hospital admissions. This suggests that the vaccines work against the variant, adding to economic optimism in the region. In contrast, the slow vaccination campaign weighed on the relative performance of the Japanese equity market last quarter, whilst policy-tightening and regulatory concerns weighed on China's relative performance and on Asian indices as a whole.

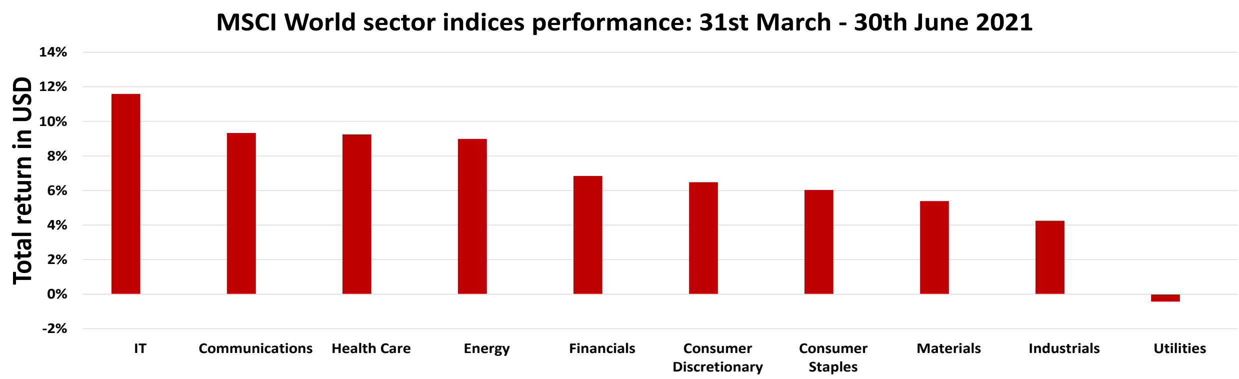
From a regional perspective, being underweight US in the Fund was a small detractor over the quarter, whilst having no positions in Japan benefitted performance. Given the index compositions, US outperformance correlated with *growth* outperforming *value*, and this was particularly prominent in the second half of the quarter.

Source: Bloomberg. As of 30th June 2021

Growth equities revival was led by strong earnings releases from mega-cap technology companies, reversing some of the year-to-date underperformance versus *value*. Large cap companies generally outperformed their small-cap counterparts during the quarter, also breaking from recent trends.

The turning point came in May with the release of the Federal Open Market Committee's April minutes, which signalled a shift in language from the March minutes, stating that "if the economy continued to make rapid progress toward the committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases". This reassured investors, and eased some worries, that the Fed will not be hasty in their actions in the face of higher inflation, which is currently deemed to be transitory.

Market participants consequently began to re-rate 'higher duration' equites, resulting in the outperformance of growth stocks. IT and Communication Services were subsequently the best performing sectors in Q2, and whilst this boosted the benchmark index, it was a drag on the Fund's relative performance in the quarter given our underweight exposure.

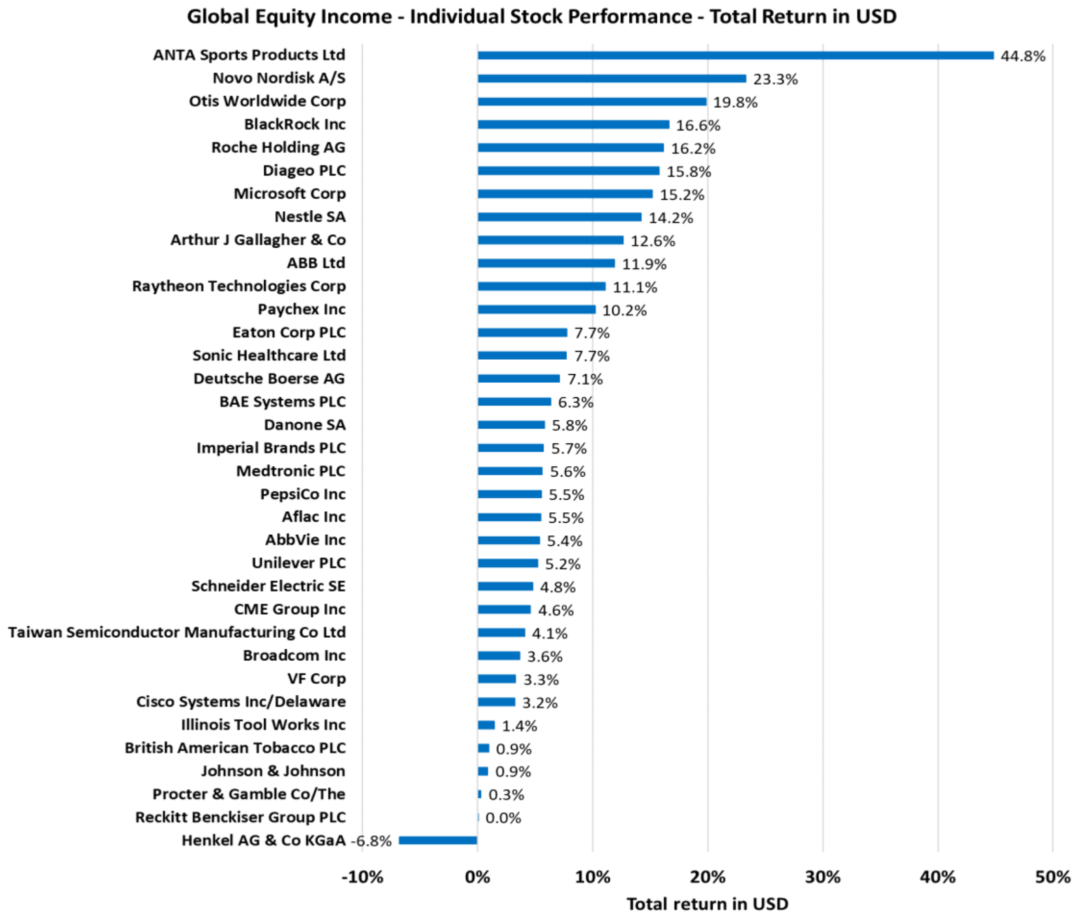


Source: Bloomberg. As of 30th June 2021

Being overweight Industrials and Consumer Staples was also unfavourable in the quarter, though offset by particularly good stock selection within Industrials. Positive stock selection in the Consumer Discretionary and Financials sectors aided relative performance too.

Our largest overweight in the Fund is to the Consumer Staples sector, with approximately 28% of holdings. Whilst this proved a drag on performance in the second quarter, we believe that most developed global markets have now likely passed through the 'recovery phase' of the economic cycle, where companies that see the fastest recovery in their earnings outperform. We believe we are now entering the 'growth' phase of the cycle where fundamentals will drive returns, i.e. companies that offer steady compounding earnings and reasonable valuation will be rewarded. We continue to see many high-quality Consumer Staples companies trading at valuations around their 5- or 10-year average, which we do not necessarily see in other sectors.

Stock Selection



Source: Bloomberg. As of 30th June 2021

ANTA Sports was the best performer in the quarter (+44.8% in USD) as Chinese retail sales continued to benefit from the opening up of the economy. The leading Chinese sportswear brand has ~15% domestic market and generates revenue through the manufacture of sporting goods, including footwear, apparel, and accessories. ANTA is poised for greater market share in China as it seeks to woo affluent shoppers with pricier athletic gear and expands on the 15% of sales generated from online channels. This includes their namesake products under the ANTA brand and other popular brands such as Fila and Descente, as well as Salomon and Arc'teryx – both owned by Amer Sports, who ANTA acquired in 2019.

The business benefits from a number of structural growth themes including the rise of disposable incomes, especially for Chinese consumers in tier 2 cities, as well as Government initiatives such as the "Healthy China 2030" plan and the new 3-child policy (which was revised from 2-children in May 2021). This gives ANTA's multi-brand portfolio a high revenue growth runway, combined with peer-leading margins (due to high pricing power and strong operational management).

Novo Nordisk also performed well (+23.3% in USD) in the quarter. The Danish pharmaceutical company is a leader in the $20bn global insulin market – with 50% market share – and has maintained a concentrated, yet market leading, portfolio of drugs targeting diabetes and obesity. In April, the company received a boost after gaining US FDA approval for its weight loss injection, namely Wegovy, which will be made available to obese adults. In four late-stage clinical trials, most patients taking Wegovy, alongside interventions like diet and exercise, lost at least 5% of their body weight, with an average reduction of about 15%. This news came alongside encouraging quarterly earnings results which showed better-than-expected earnings and sales growth. Novo Nordisk's strong pipeline of patent-protected drugs and intellectual intangibles give it a wide moat and provide a high barrier to entry for competitors. Hence gross and operating margins are very high, and the company has a very strong balance sheet with very little debt.

Otis too had a strong quarter (+19.8% in USD). The world's largest manufacturer (by revenue) of elevators and escalators has an installed base of greater than 2 million elevators under service. 45% of revenue is from new equipment installations, whilst 55% is recurring maintenance revenues. Servicing the installed base has 3x higher profits and the large installed base can also be leveraged for margin improvement with new cloud-based software (Otis ONE) which allows remote monitoring and predictive maintenance of lifts and escalators. Competitive advantages have ensured a high client retention rate (~80%) and a return on capital consistently above 20%. Overall, this contributes to high revenue and cashflow growth, enabling higher dividends; in the quarter, Otis raised its year-on-year dividend per share by 20%.

Henkel (-6.8% in USD) was the worst performer in the quarter. Henkel manufactures chemical products, used in various industries: laundry and homecare (Persil, All, Pril); cosmetics and toiletries (Schwarzkopf, Dial, Syoss); adhesives (Loctite, Pritt, UniBond). Henkel's business is centred in Europe, with a growing presence in developing economies. The company has a diversified revenue stream with Adhesive Technologies accounting for around 45% of sales, Laundry and Homecare makes up around 35%, and Beauty Care accounts for about 20%. Recent underperformance comes after sell-side analysts cut estimates to reflect higher input cost pressures. In particular the higher oil price weighs on Henkel, and there is caution whether inflation can be passed onto end markets given competition in all three business units.

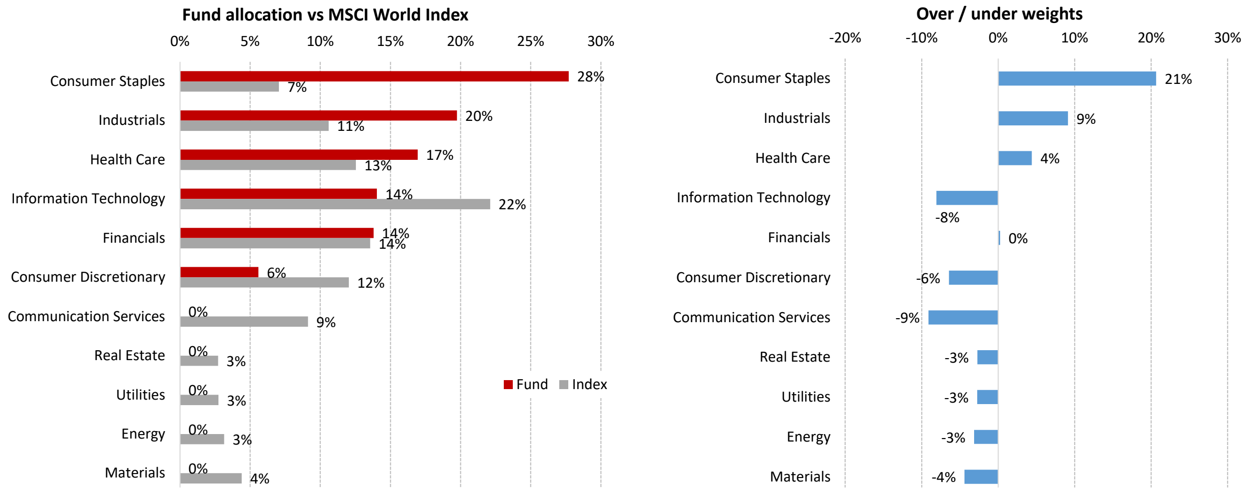
Changes to the Portfolio

We made no changes to the portfolio in the quarter.

Portfolio Positioning

We continue to maintain a fairly even balance between quality defensive and quality cyclical/growth companies. We have approximately 45% in quality defensive companies (e.g. Consumer Staples and Healthcare companies) and around 55% in quality cyclical or growth-oriented companies (e.g. Industrials, Financials, Consumer Discretionary, Information Technology, etc.) Within Financials, however, we do not own any Banks, which helps to dampen the cyclicality of our Financials.

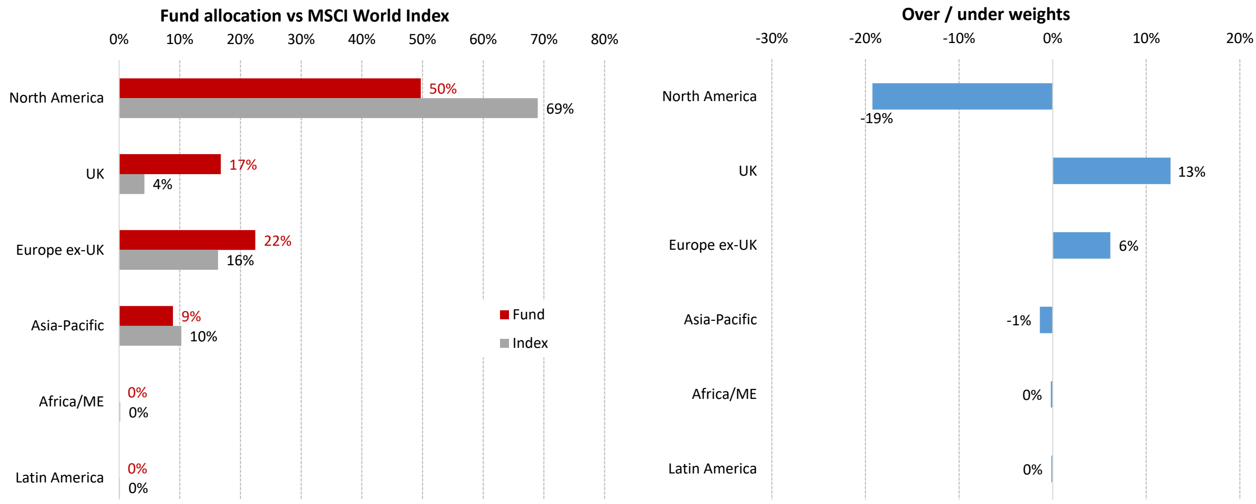
The Fund also has zero weighting to Energy, Utilities, Materials, Real Estate and Communications. The largest overweight is to Consumer Staples.



Sector breakdown of the fund versus MSCI World Index.
Source: Guinness Asset Management, Bloomberg. Data as of 30th June 2021

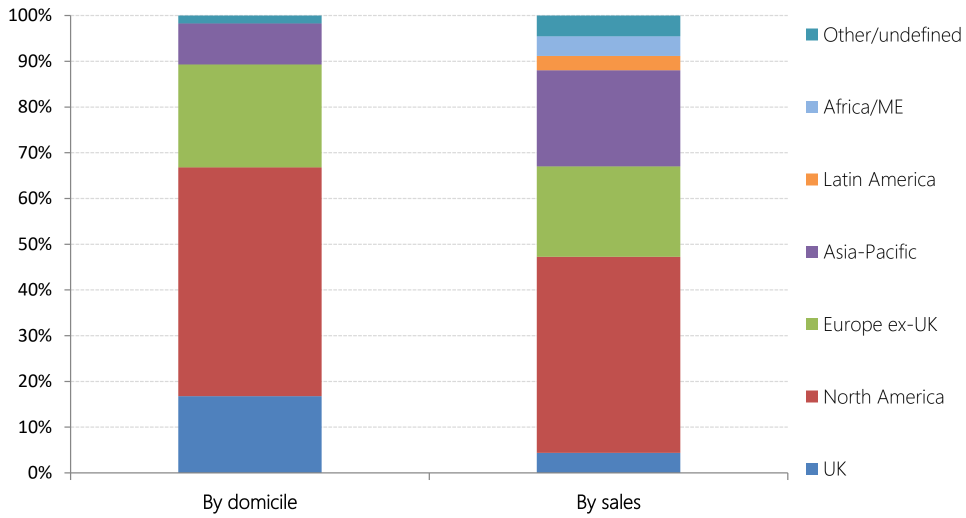
In terms of geographic exposure (chart below), the largest difference between the Fund and the benchmark is our exposure to the US (as measured by country of domicile). The Fund at quarter end had c.50% weighting to North America which compares to the index at c.69%. The largest geographic overweight remains Europe ex-UK and the UK.

We are diversified around the world with 50% in the US, 39% in Europe and 9% in Asia-Pacific. Within the Asia-Pacific region we have one company listed in Hong Kong (Anta Sports), one company listed in Taiwan (Taiwan Semiconductor) and one company listed in Australia (Sonic Healthcare).



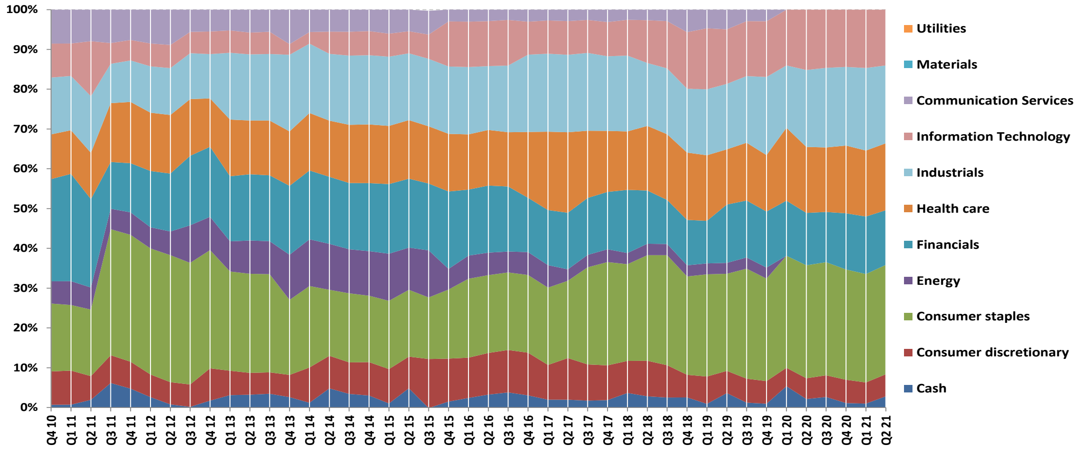
Regional breakdown of the fund versus MSCI World Index.
Source: Guinness Asset Management, Bloomberg. Data as of 30th June 2021

With regards to our UK exposure, we would note two main points, referring to the chart below; (i) the Fund has a lower exposure to the UK when considered in revenues (c.4%) versus by domicile (c.18%). This is because we have favoured UK domiciled companies with a more global exposure (such as Unilever and Imperial Brands); and (ii) there is a larger exposure to Asia-Pacific by revenues (c.20%) than the equivalent statistic as measured by domicile (c.9%).

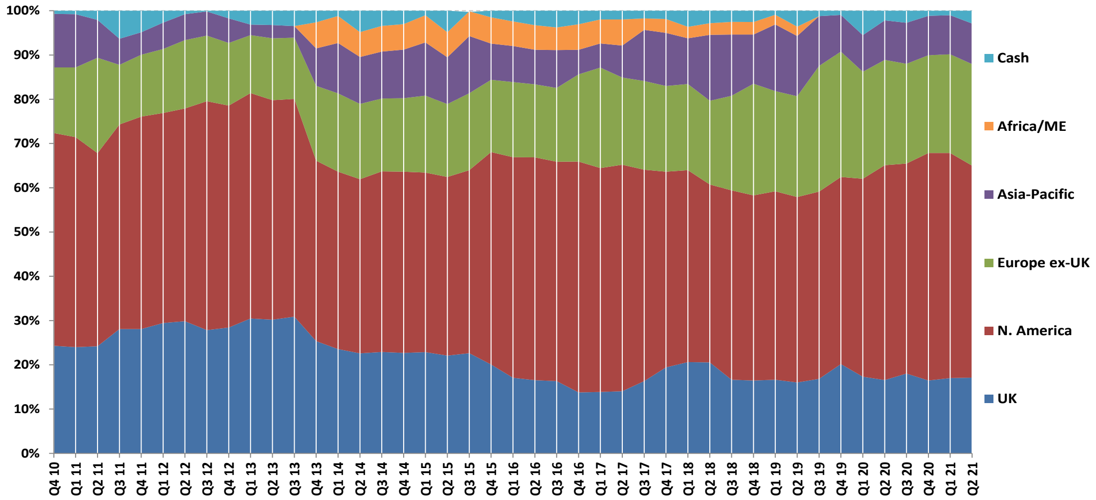


Geographic breakdown of the fund.
Source: Guinness Asset Management, Bloomberg. Data as of 30th June 2021

The below two charts show how the exposure of the fund has evolved since we launched the strategy back in 2010.



Sector breakdown of the fund since launch.
Source: Guinness Asset Management. Data as of 30th June 2021



Geographic breakdown of the fund since launch.
Source: Guinness Asset Management. Data as of 30th June 2021

Outlook

The four key tenets to our approach are: quality, value, dividend, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will. Based on the measures, holistically, the high-conviction fund has companies which are on average better quality at better value versus the index. We are pleased to report that the portfolio continues to deliver on all four of these measures relative to the benchmark MSCI World Index.

Portfolio metrics versus index.

		Fund	MSCI World Index
Quality	Average 10 year Cashflow Return on Investment	18%	8%
	Weighted median net debt / equity	64%	72%
Value	PE (2021e)	19.0	20.6
	FCF Yield (LTM)	6.0%	5.6%
Dividend	Dividend Yield (LTM)	2.3% (net)	1.7% (gross)
	Weighted average payout ratio	54%	57%
Conviction	Number of stocks	35	1650
	Active share	90%	-

Source: Guinness Asset Management, Credit Suisse HOLT, Bloomberg. Data as of 30th June 2021
Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charges. Investors may be subject to tax on the distribution

The Fund at quarter end was trading on 19.0x 2021 expected price to earnings; a discount of 7.9% to the broad market. The Fund also has a 35% higher dividend yield vs the MSCI World Index.

The outlook continues to be positive with a strong economic recovery underway in the US and Europe, supported by accommodative central bank policies and fiscal support. Inflation continues to be top of mind but currently we agree with central banks that higher levels of inflation are likely to be transitory as supply chains, labour and demand return to an equilibrium over the next 12 months. Should inflation persist for longer, then high-quality equities will be an attractive haven with their combination of pricing power, strong balance sheets, and reasonable valuations.

We thank you for your continued support.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Analysts

Joseph Stephens

Sagar Thanki

Will van der Weyden

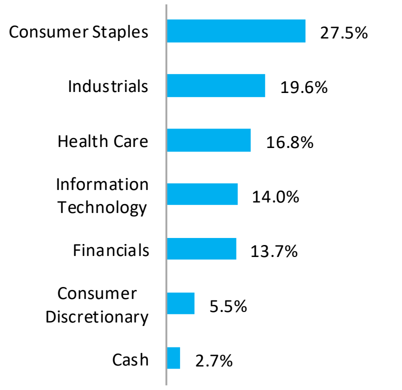
PORTFOLIO

30/06/2021

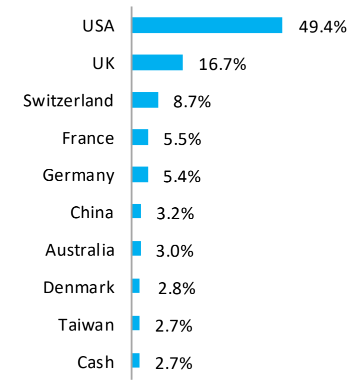
Fund top 10 holdings

Anta Sports Products	3.2%
Imperial Brands	3.2%
Sonic Healthcare	3.0%
Roche Holding	3.0%
Eaton	3.0%
Paychex Inc	3.0%
Otis Worldwide	2.9%
Microsoft	2.9%
ABB	2.9%
Deutsche Boerse	2.9%
% of Fund in top 10	29.9%
Total number of stocks held	35

Sector analysis



Geographic allocation



PERFORMANCE* (see performance notes overleaf)

30/06/2021

Annualised % total return from launch (GBP)

Discrete years % total return (GBP)	Jun '21	Jun '20	Jun '19	Jun '18	Jun '17
Fund (Y class, 0.82% OCF)	19.8	5.7	13.7	5.3	16.1
MSCI World Index	24.4	5.9	10.3	9.3	21.6
IA Global Equity Income sector average	21.2	-2.6	8.4	3.6	19.2

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.82% OCF)	3.2	10.9	19.8	43.9	76.0	213.5
MSCI World Index	4.4	11.9	24.4	45.3	93.2	228.3
IA Global Equity Income sector average	1.8	10.0	21.2	28.0	58.0	141.9

RISK ANALYSIS

30/06/2021

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	1.17	-0.54	-0.24
Beta	0.85	0.77	0.77
Information ratio	-0.09	-0.42	-0.42
Maximum drawdown	-21.78	-22.41	-22.41
R squared	0.88	0.80	0.80
Sharpe ratio	0.60	0.31	0.42
Tracking error	4.97	6.58	6.56
Volatility	13.15	12.48	12.46

*Composite simulated performance (see Performance data notes below) based on actual returns of E share class (available from Fund launch), calculated in GBP.

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. Fund launch date: 31.12.10. Fund Y class (0.82% OCF): Fund returns are for share classes with a current Ongoing Charges Figure (OCF) stated above; returns for share classes with a different OCF will vary accordingly.

Performance data notes

1) The performance numbers displayed on the previous page are calculated in GBP. Please note: The Fund's Y class was launched on 11.03.15. The performance shown is a composite simulation for Y class performance being based on the actual performance of the Fund's E class, which has an OCF of 1.24%, and has existed since the Fund's launch. Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at month end. It does not include any preliminary charges. Investors may be subject to tax on the distribution.

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 Global Equity Income 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 Global Equity Income 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 Administrators (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.

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.