Global Money Managers Fund

Investment Commentary - January 2022

About the Fund

Launch date	31.12.2010
Manager	Will Riley Tim Guinness
Aim	

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

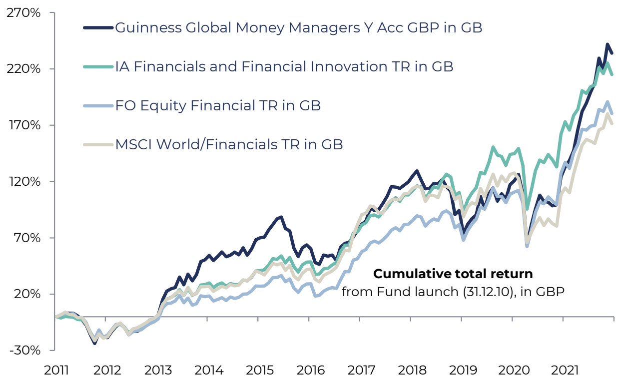
We expect asset managers to outperform the broad market over the long term, primarily due to the ability of successful managers to grow their earnings more rapidly than the broad market.

This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions.

Performance (GBP)

Past performance does not predict future returns

Fund	Guinness Global Money Managers
Index	MSCI World
Sector	IA Financials and Financial Innovation



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.

Asset Management Sector

In this month's update, we review the asset management sector and our Fund performance in 2021 and consider the outlook for 2022 and beyond.

Total return % (in USD)	2021
Guinness Global Money Managers Fund	42.0
MSCI World (net return)	21.8
MSCI World Financials Index (net return)	27.9
IA Global Equity	16.6
IA Financials and Financial Innovation	13.6

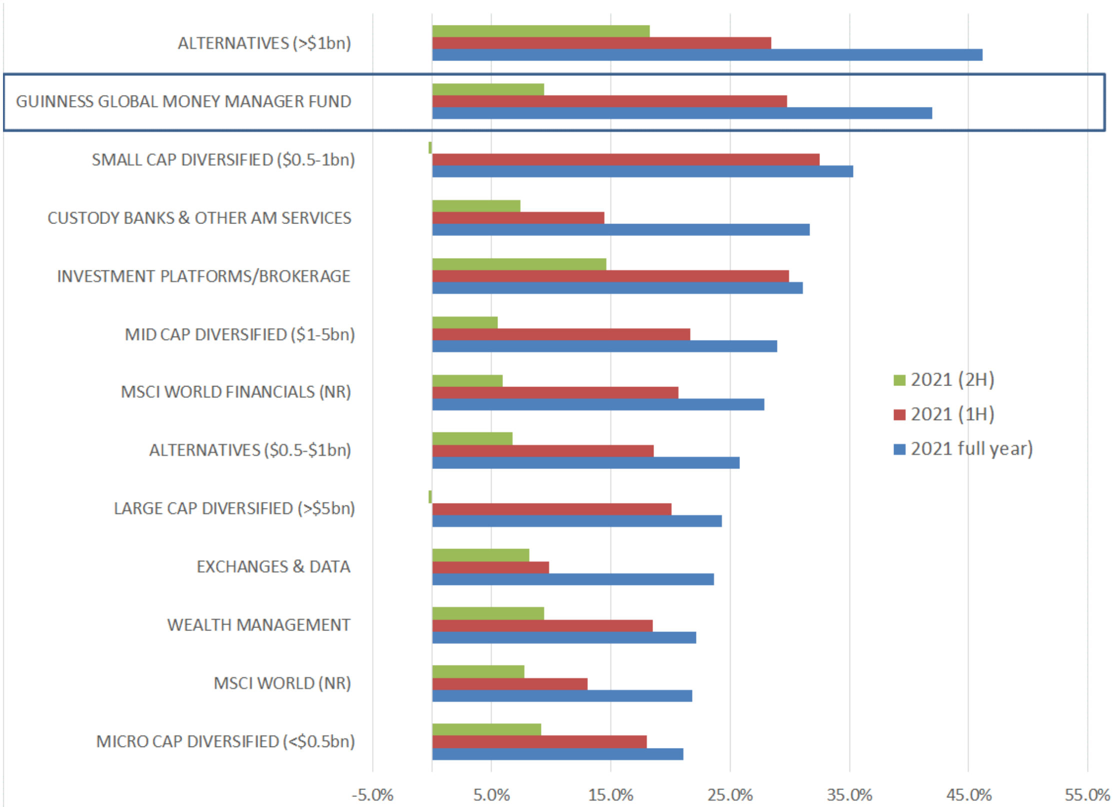
The Global Money Managers Fund (class Y) in the year to 31 December 2021 produced a total return of 42.0% (USD). This compares to the return of the MSCI World Index (net) of 21.8% and the MSCI World Financials Index (net) of 27.9%.

The year of 2021 saw some return to normality following the onset of the COVID-19 pandemic in 2020. The roll-out of vaccines and the easing of lockdowns were accompanied by an economic recovery, disturbed at times by the emergence of new variants. Despite these challenges, global gross domestic product grew, completing the transition from recovery to expansion and eventually surpassing its pre-pandemic peak. The economic recovery has brought with it challenges, including raw material inflation, supply chain friction and labour shortages.

Equity markets responded strongly in most regions, with the S&P 500 Index in the US ending 2021 close to a record high. In addition to the vaccine roll-out, markets were supported by various other positive developments, including healthy corporate earnings and rising consumer demand. In the third quarter, US corporations reported record profits—both in dollar terms and as a share of GDP. That came as consumer spending generally trended higher throughout the year, rebounding from pandemic lows. Global equities, as measured by the MSCI All Country World Index, rose by 18.5%. Developed international stocks lagged the US but were notably stronger than emerging markets, which saw the MSCI Emerging Markets Index fall by 2.5%. In fixed income markets, the 10-year Treasury yield recorded its biggest annual rise since 2013. US bond returns were negative, making Treasuries one of the year's worst-performing major bond markets. The corporate bond market performed a little better than government bonds, but still trailed equities by a significant margin.

Against this backdrop, the money management sector performed well, with nearly all subsectors outpacing the MSCI World:

Money management subsector performance in 2021 (total return in USD)



Source: Bloomberg; Guinness Global Investors

The alternative asset management (including private equity and hedge funds) and small-cap diversified asset managers were outperformers over the year, whilst wealth managers and micro-cap (<$0.5bn market cap) asset managers generally lagged.

It was a strong year for the fund, with overall returns of 42.0%, outperforming all subsectors bar alternative asset managers. A number of the strongest performers in the portfolio were private equity companies (Blackstone +107%; KKR +86%; Ares Management +78%). All three companies benefitted from persistence of private equity inflows in 2021, underpinned by low interest rates, which has incentivised longer-duration investing to achieve targeted returns. Private markets have also outperformed public markets over the last five years, bringing additional interest, plus the promise of diversification for investors. Indeed, the table of organic net fund raising across the global money management space was dominated last year by the private equity sector, outpacing active funds, passives and ETFs. The alternative managers have also enjoyed strategic expansion into the insurance and retail investor sectors, increasing confidence in the next fundraising and deployment cycles.

The fund's one position in the exchanges sector, Nasdaq (+60%), was an outperformer. Nasdaq has done a impressive job of growing its recurring revenues, up by 19% year-on-year, which have helped to reduce the company's reliance on volatile trading revenue. The software-as-a-service division was a particularly good performer.

Amongst our small and mid-cap asset management holdings, our ownership of Liontrust (+73%) was particularly beneficial. Liontrust enjoyed a transformative year. Assets under management were £36bn at 30 September 2021, an increase of 73% versus September 2020. AuM growth has come 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 double its latest interim dividend compared to the equivalent payment twelve months before. Staying in the UK mid-cap space, we saw a significantly weaker return from Jupiter Asset Management (-3%). Jupiter trades cheaply versus peers but has suffered consistent net outflows since the middle of 2020, biased towards UK and European equity strategies.

Within the wealth management sector, our holdings in UK wealth managers (Brewin Dolphin +26%; Rathbones +33%) were slight underperformers, held back by lower exposure to US markets and some pressure on operating margins, as spend on internal infrastructure increased. Elsewhere in the portfolio, however, we saw a positive response to Canadian asset manager, CI Financial (+75%), making a move into the wealth sector. Over the last two years or so, the company has undertaken a major buying spree in the US's RIA industry, establishing a major new US wealth platform.

Outlook

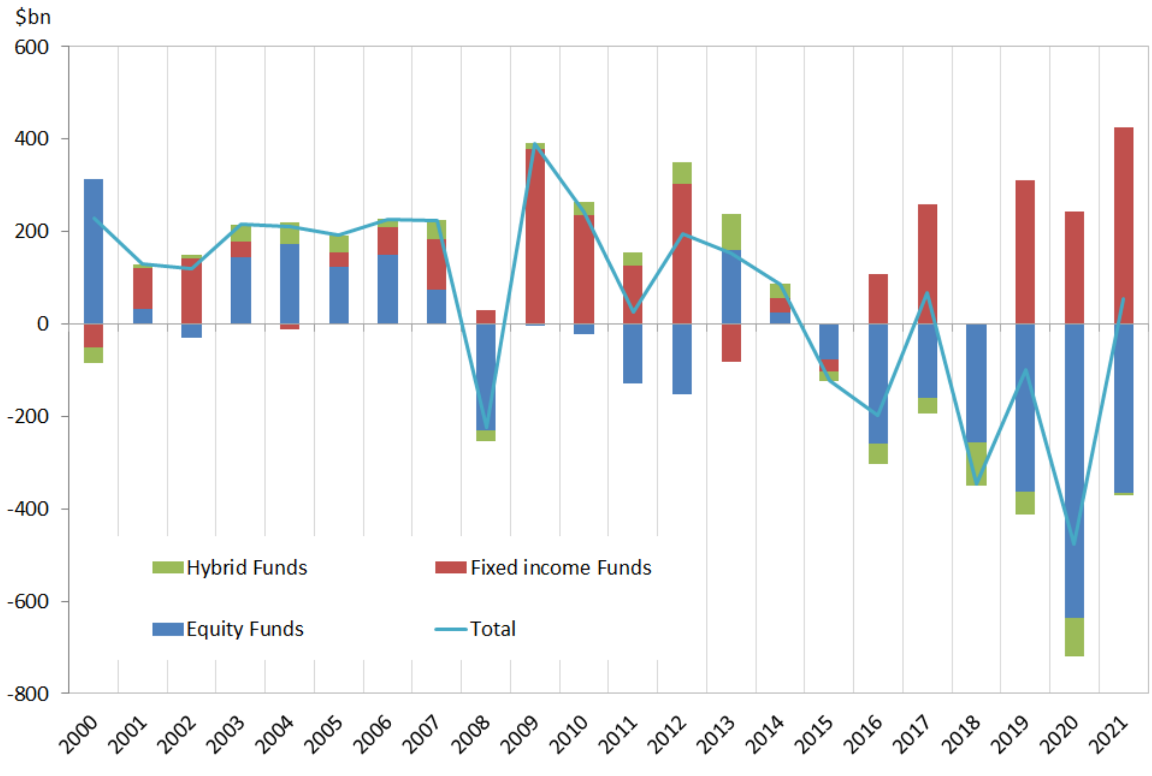
A cyclical lift in markets, fuelled by low interest rates and quantitative easing, created an environment in 2021 where many money management firms achieved record profits. And yet, 2021 was also a year when the pressures of active to passive rotation in equities, plus associated fee pressures were ever present. What is also clear is that the money management sector continues to evolve rapidly. In a recent study by Willis Towers Watson, they note that nearly half of the names on their list of the largest 500 asset managers in 2009 were no longer present on the equivalent list ten years later. Here, we consider some of the key trends currently shaping the sector.

Active to passive rotation

The last decade has seen a significant growth in the use of easily accessible passive products, notably ETFs. Increasingly, the winners in the ETF/passive world are those achieving significant scale at low cost, so maximising their operating leverage.

Despite the growth of ETFs, data for active mutual fund flows in the US for 2021 indicates small net positive flows overall, comprising inflows for the active bond sector, largely offset by outflows from active equity and hybrid funds.

Net inflows/outflows in US mutual funds 2000 - 2021

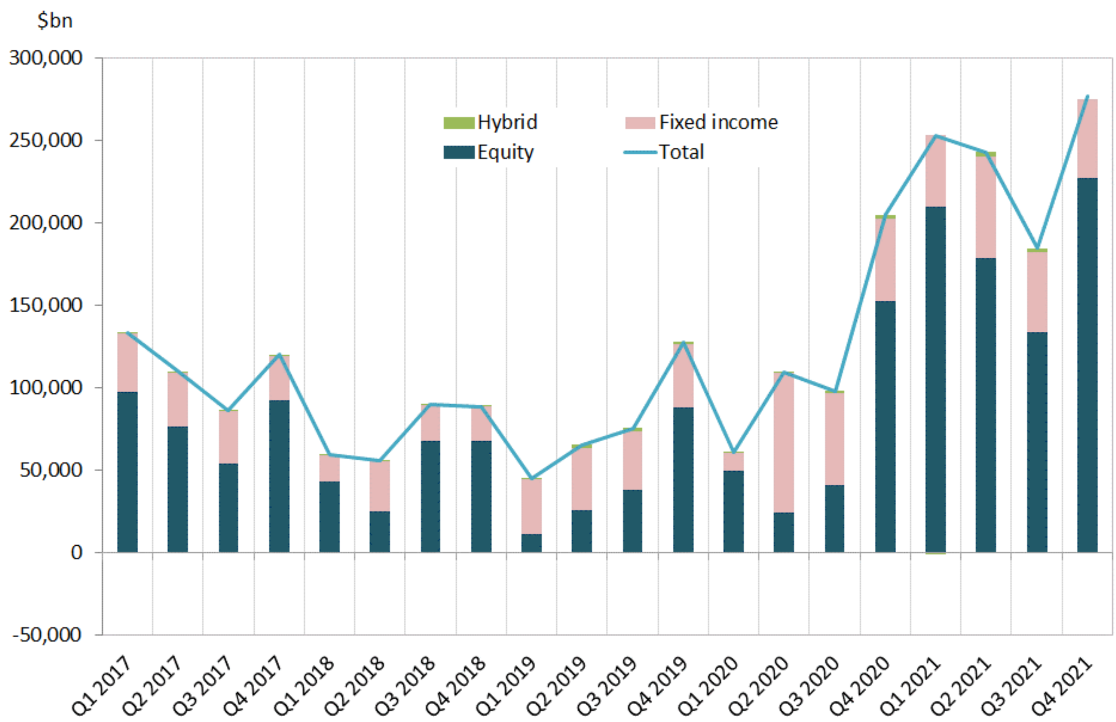


Source: ICI; Bloomberg; Guinness Global Investors

Within the active equity fund sector, outflows have been dominated by 'domestic' equities, skewed towards US large-caps. Flows out of non-US equity funds have been far more modest, with some regions (e.g. emerging markets) seeing net equity inflows.

Data from the US ETF industry shows 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 four quarters, matching aggregate inflows for the previous ten quarters:

Net inflows/outflows in US ETFs 2017 - 2021



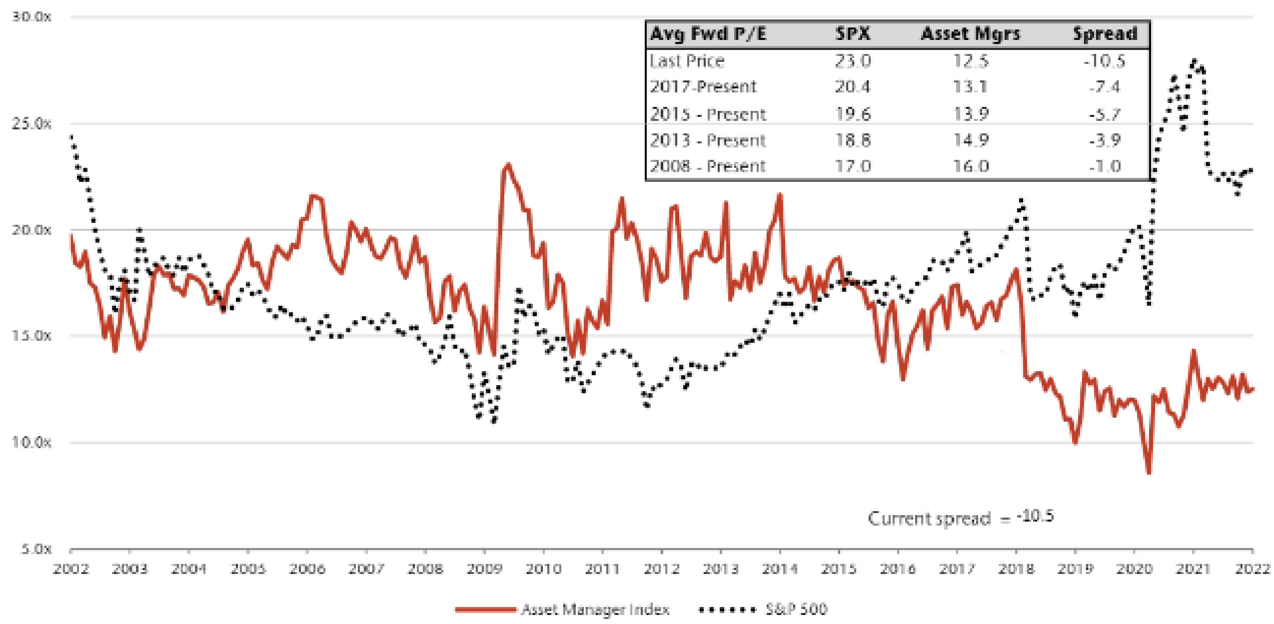
Source: ICI; Guinness Global Investors

As we have said for some time 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. This is particularly true in the US domestic equity sector, where funds that are failing to outperform their benchmarks are being substituted for a lower cost passive option.

The pressure on active managers to outperform their benchmarks remains constant. As investors in the sector, we must continue, therefore, to seek out effective, outperforming, active management in the companies we own. These are managers who can successfully offer products that outperform their benchmarks, will likely have a high active share (if compared to benchmarks), and have a high tracking error. And these firms must be able to demonstrate performance quality and investment process quality (isolating skill from luck). There are some examples of very large active managers who are still successful in this regard, but the hunting ground is more likely to be sub $100bn in AuM.

The extent to which we own traditional active managers in the fund is also, of course, a function of valuation. Despite a good year in 2021, the valuations of traditional US asset managers continue to look undemanding. For much of the period between 2005 and 2015, traditional asset managers traded at a forward P/E premium to the S&P 500. Since 2015, the S&P 500 has moved to a premium, reflecting the challenges which active traditional managers now have in attracting assets versus the passive competition. Notwithstanding those challenges, the forward P/E spread to the S&P 500 has widened to 10.5 (23.0x vs 12.5x), which is at the high end versus history.

Forward P/E ratio of traditional US asset managers vs S&P 500

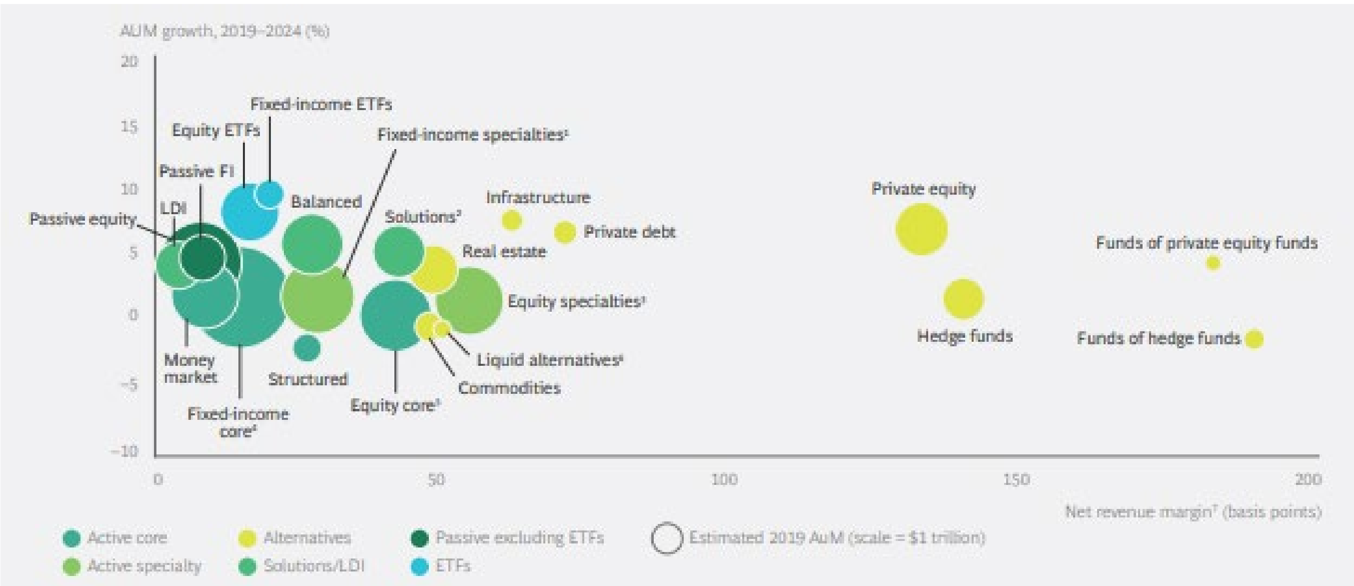


Source: Jefferies; Guinness Global Investors

Private markets

Private markets continued to be among the fastest growing asset classes in 2021, with alternative asset managers reaping the benefits. The key driver of this growth has been investor demand for exceptional performance and uncorrelated returns. In particular, the institutional channel continues to see a shift to illiquid alternatives (e.g. private equity, real estate, private debt, infrastructure) which is benefitting the largest alternative firms like Blackstone, Ares and Apollo. Alternative asset managers face less threat from passives than large low active-share traditional managers, and therefore sit well placed to continue to grow assets as investors seek differentiated returns.

Average fee rates for alternatives vs other asset classes

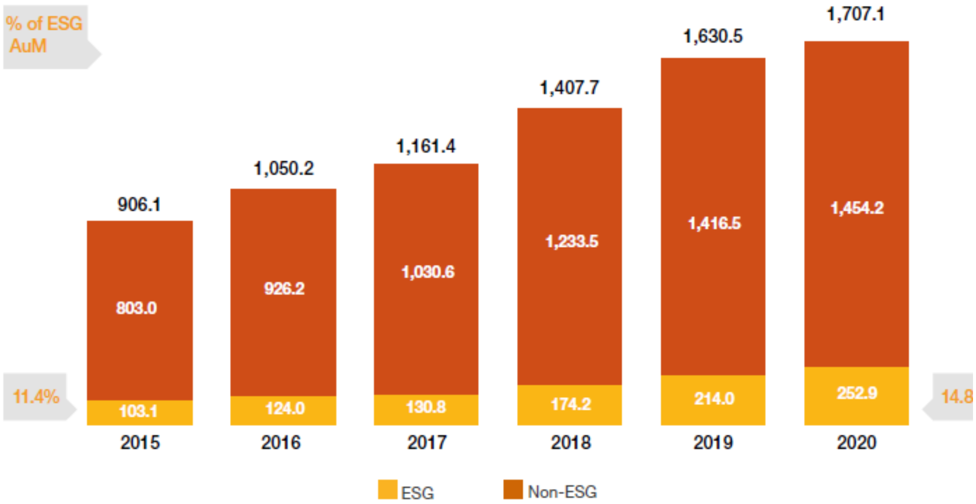


Source: BCG; Guinness Global Investors

We expect one of the key drivers of AuM growth (CAGR of 10%+) in private markets over the next few years to be an increasing allocation from underrepresented segments of the market. In particular, a number of the larger private equity firms are developing new structures and delivery models designed to open access to retail wealth investors. This is being achieved by technology-driven platforms improving distribution, new products that provide increased liquidity and diversification, plus regulators creating new retail investment structures.

The shift to ESG will also be a key growth theme. Europe has led the charge, with private ESG assets more than doubling from 2015 to 2020 (20% CAGR). We expect growth in this segment from 2020 to 2025 to accelerate to around 30%pa, leading to around EUR1trn of European private market assets by 2025.

European private markets AuM: ESG vs non-ESG (EUR bn)

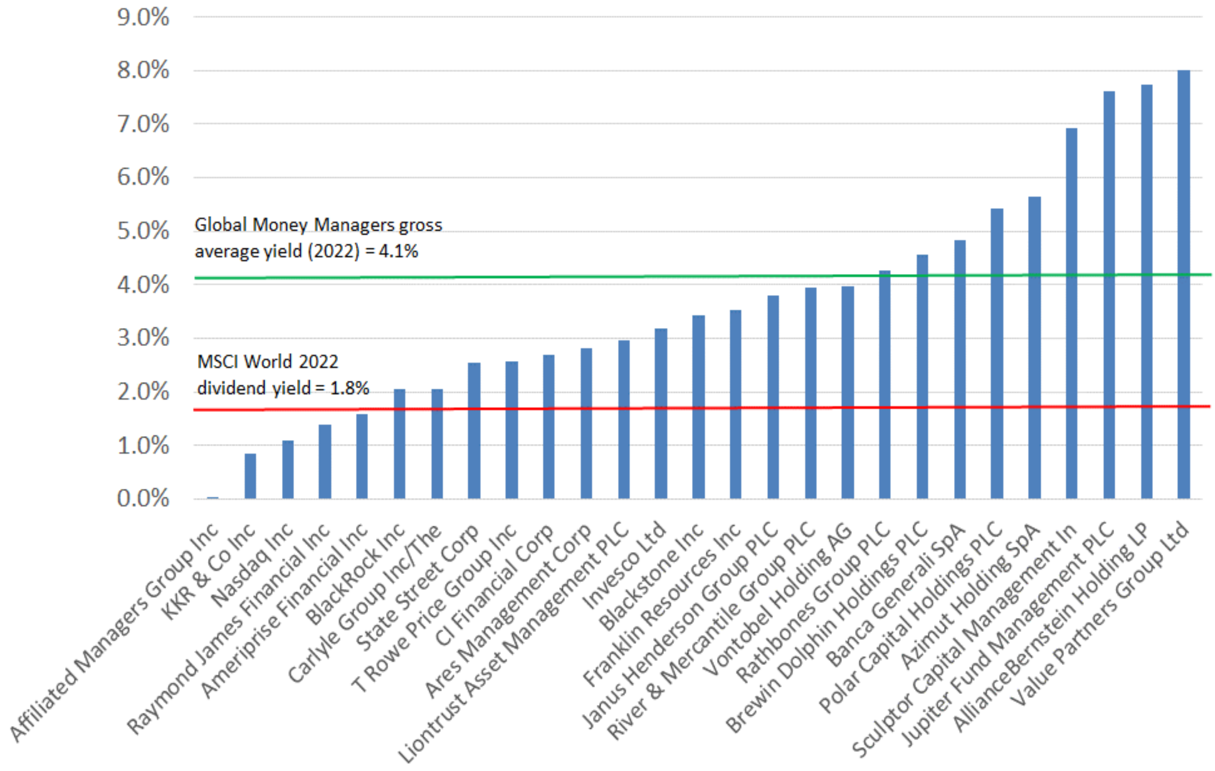


Source: PwC; Preqin

Dividends and valuation

We continue to focus on the dividend being generated by companies in our portfolio. Companies in this sector tend to generate significant excess cash, and usually, Boards are willing to return the cash to shareholders in the form of dividends. At 31 December 2021, the portfolio currently shows an average gross dividend yield for 2022 of 4.1% (n.b. this is rolled up in the fund rather than paid out), well ahead of the MSCI World at 1.8%. The portfolio dividends estimated for 2022 are, on average, around 9% higher than 2021 dividends.

Guinness Global Money Managed Fund: estimated 2022 dividend yield (%) by position



Source: Bloomberg; Guinness Global Investors

It is important to consider the sustainability of the portfolio's yield: dividend harvesting is of little use if it represents a return of capital rather than a return on capital. At 31 December 2021, the median dividend cover (defined as the ratio of estimated 2019 net earnings to dividends paid to ordinary shareholders) of the fund stood at around 2.2x (up from 1.9x at the end of Dec 2019), with all companies owned achieving at least 1x cover. We take comfort then that the 'affordability' of portfolio's dividend remains good.

At 31 December 2021, the P/E ratio of the Fund was 14.6x 2021 earnings. This sits at a significant discount to the broad market, with the MSCI World trading on a 2021 P/E ratio of 23.2x.

	2021	2022
Fund P/E	14.6	13.5
MSCI World P/E	23.2	19.3
Premium (+) / Discount (-)	-37%	-30%

In the longer term we expect asset managers as a sector (and therefore the Fund) to outperform the broad market, due primarily to the ability of successful asset management companies to grow their earnings more rapidly than the broad market.

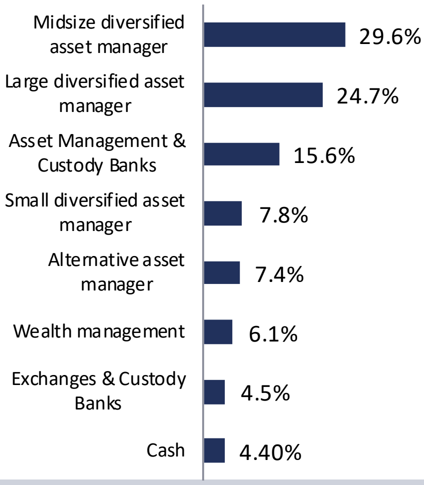
The Fund remains positioned to capitalise on the increasing value of successful companies in the sector.

Portfolio

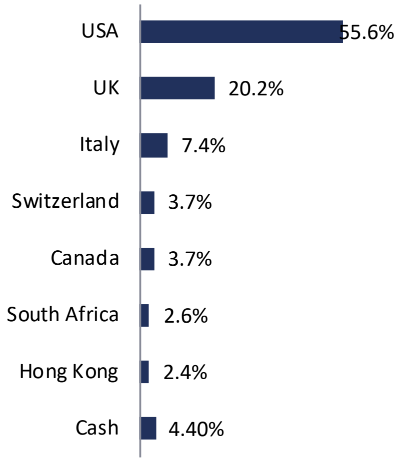
Fund top 10 holdings

Nasdaq	4.7%
Raymond James Financial	4.3%
Carlyle Group	4.2%
Blackstone Group	4.0%
KKR	4.0%
Blackrock	3.9%
CI Financial	3.9%
Azimut Holding	3.9%
Ameriprise Financial	3.9%
Banca Generali	3.8%
% of Fund in top 10	40.6%
Total number of stocks in Fund	31

Sector analysis



Geographic allocation



Performance

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

Guinness Global Money Managers Fund	11.65%
MSCI World Index	12.97%
MSCI World Financials Index	10.32%
Financial Express - Financial Sector average	8.59%

Cumulative % total return (Y Class, in GBP)	**1 M**	**YTD**	**1 Yr**	**3 Yrs**	**Launch**
Guinness Global Money Managers Fund	0.0	43.3	43.3	92.0	236.5
MSCI World Index	1.9	22.9	22.9	69.5	260.9
MSCI World Financials Index	1.9	29.1	29.1	46.6	176.5
Financial Express - Financial Sector average	0.4	11.8	11.8	56.9	147.9

Discrete years (Y Class, in GBP)	**Dec '21**	**Dec '20**	**Dec '19**	**Dec '18**	**Dec '17**
Guinness Global Money Managers Fund	43.3	5.5	27.0	-22.7	23.4
MSCI World Index	22.9	12.3	22.7	-3.0	11.8
MSCI World Financials Index	29.1	-5.8	20.7	-11.8	12.1
Financial Express - Financial Sector average	11.8	18.7	18.2	-8.9	16.0

RISK ANALYSIS **31/12/2021**

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	-3.24	-2.18
Beta	1	1.11	1.19
Information ratio	0	-0.29	-0.07
Maximum drawdown	-24.58	-33.10	-36.61
R squared	1	0.79	0.77
Sharpe ratio	0.61	0.34	0.42
Tracking error	0	8.44	9.54
Volatility	14.30	17.96	19.27

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. Source: FE fundinfo bid to bid, total return (0.74% OCF)

Important Information

Issued by Guinness Global investors which is a trading name of Guinness Asset Management Limited which is authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about equities and equity markets invested in by the Guinness Global Money Managers 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 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 in English from www.guinnessgi.com or free of charge from:- the Manager: Link Fund Manager Solutions (Ireland) Ltd (LFMSI), 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.

LFMSI, as UCITS Man Co, has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive.

Investor Rights
A summary of investor rights in English is available here:https://www.linkgroup.eu/policy-statements/irish-management-company/

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
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Singapore
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Telephone calls will be recorded and monitored.