Guinness European Equity Income Fund

INVESTMENT COMMENTARY – May 2021

Launch date	**19.12.2013**
Manager	**Nick Edwards**

Aim

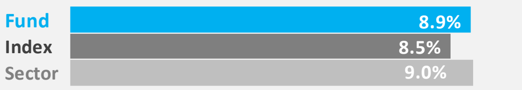
The Guinness European Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Europe ex UK region. The Fund aims to provide long-term capital appreciation and a source of income that has the potential to grow over time.

Performance 30.04.21

Fund	European Equity Income (Z Class, 0.35% OCF)
Index	MSCI Europe ex UK
Sector	IA Europe ex UK

	1 year	3 years	From launch
Fund	39.7	27.7	87.8
Index	33.3	25.5	82.2
Sector	35.5	25.3	88.5

Annualised % total return from launch (GBP)



Risk analysis (annualised, weekly, from launch)

	Index	Sector	Fund
Alpha	0.0	1.5	1.1
Beta	1.0	0.9	0.9
Info ratio	0.0	0.1	0.1
Max drawdown	-25.0	-24.4	-30.3
Tracking error	0	5	5
Volatility	16.1	14.9	16.0
Sharpe ratio	0.3	0.4	0.3

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 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. For further details on fund performance, please refer to the penultimate page of this document.

Source: Financial Express, Z class 0.35%, bid to bid, total return.

Summary performance

In April, the Guinness European Equity Income Fund produced a total return of 4.86% (in GBP) versus the Index return of 4.23% (in GBP). The Fund therefore outperformed its benchmark by 0.63%.

The largest positive contributors to performance over the month of April (in EUR) were **Kering** +13%, **TietoEVRY** +9%, **Amundi** +9%, **Smurfit Kappa** +8% and **Fresenius SE** +7%.

At the other end of the spectrum the biggest detractors from performance were **Epiroc** -7%, **Assa Abloy** -2%, **Roche** -2%, **Salmar** -2% and **Bakkafrost** -1%.

	1 month	YTD	1 Yr	3 Yr	5 Yr	Since Launch
Fund	4.9%	10.3%	39.7%	27.7%	75.5%	87.8%
Index	4.2%	6.8%	33.3%	25.5%	70.7%	82.2%
Sector	4.1%	6.8%	35.5%	25.3%	69.9%	88.5%
Fund vs Sector	0.8%	2.7%	4.2%	2.4%	5.6%	-0.7%

Figure 1: Performance data.
Source: Financial Express 0.35% OCF. Cumulative Total Return in GBP as of 30.04.2021

Month in review

April saw consumer-facing sectors drive performance ahead of reopening despite still very strong manufacturing PMI data, while the European IT sector maintained recent positive form. This backdrop worked to the benefit of our meaningful overweight in Consumer Staples and helped some of our more consumer-facing Industrials.

While we are always on the lookout for high quality ideas which offer a strong risk reward profile alongside attractive levels of dividend income, we believe that the current portfolio has good balance, with all our holdings being well supported by strong long-term structural growth drivers.

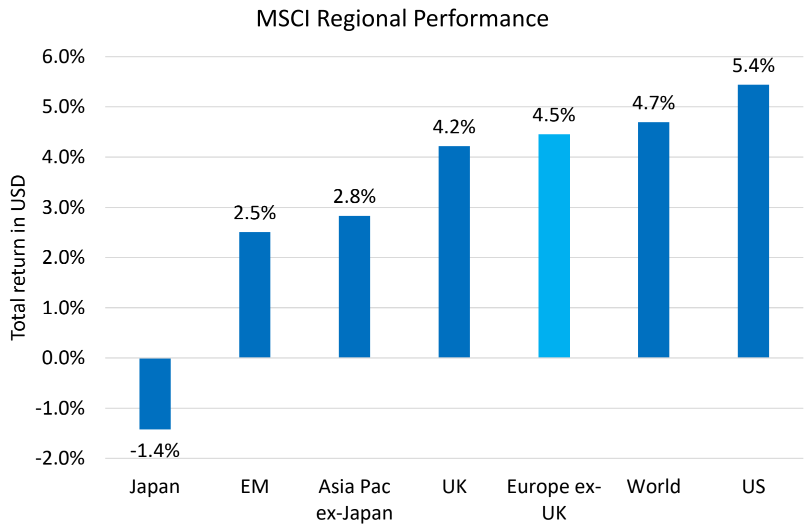


Figure 2: MSCI regional performance in April 2021 in USD. Source Bloomberg data.

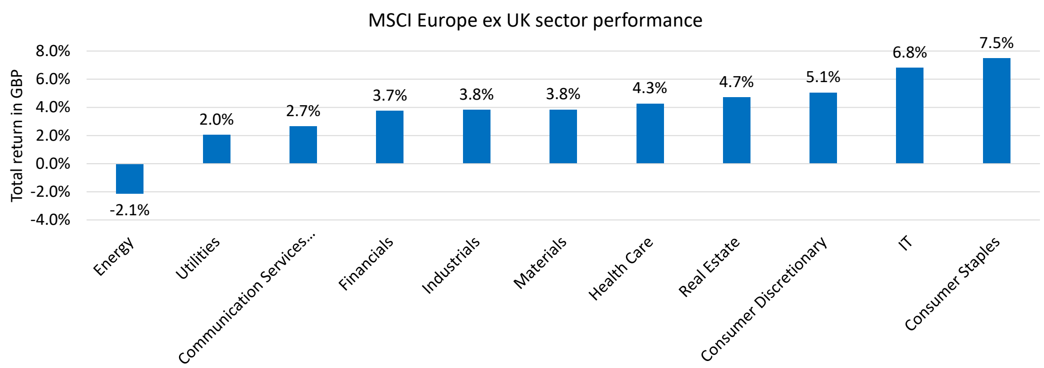


Figure 3: MSCI Europe ex UK sector performance April 2021 in GBP. Source: Bloomberg data

April was also an extraordinary month from the point of view of announcements relevant for our global smart green industrial enablers including ABB, Schneider, Siemens, Epiroc and Assa Abloy. **Joe Biden**'s comment that "trickle down (economics) has never worked" summed up the post pandemic zeitgeist as he announced his $2trn Infrastructure plan focused on building back better "from the middle and the bottom outwards" in a targeted and sustainable way focused on emissions reduction, public infrastructure and sustainable places to live. Consumer spending looks set to be unlocked in the short-term, but the long-term tailwind looks set to remain rather more focused on smart green assets.

In Europe the Recovery Fund proposal deadline was illuminating with **France** proposing to spend 50% of its allocation on the climate transition and 25% on digital vs. the EU requirement for 37% to be spent on green investments and 20% on digital. In **Germany** politics went into overdrive as the CDU backed its candidate for Chancellor Armin Laschet over its sister party the CSU's nomination of Markus Soder who is far more popular with the electorate. The Greens nominated Annalena Baerbock as their first-ever candidate for Chancellor, a 40-year-old LSE legal graduate known for her focus on detail; and the Green party crossed over with the CDU/CSU to lead 26% / 24% for the first time.

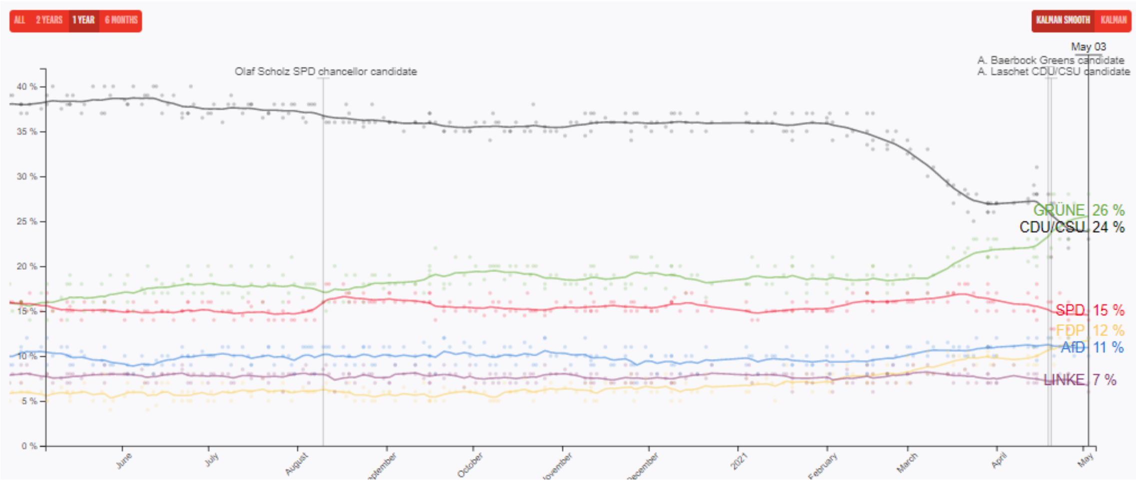


Figure 4: Politico Poll of Polls: German voting intentions for September

What if they win? If the **Greens** are in the driving seat expect even higher levels of spending and more green jobs as the emissions reduction scheduled ratchets up to 70% by 2030 vs. the existing 55%, while Germany's exit of lignite would also be accelerated. That China (30% of global emissions vs. Germany at 2%) is trying to do a similar thing at the same time suggests significant demand for smart green enablers.

April also saw the **German constitutional court** demand changes to Germany's climate law, saying it "irreversibly offloads major emission reduction burdens on to periods after 2030". So even if the Greens are not leading the coalition government there is a good chance yet that demand will become more front-end loaded. As if that were not enough the **EU carbon price** crossed €50/t for the first time and **ESG ETF flows** exceed flows into overall European ETFs.

The **Macron Le Pen dual** (where Marine has already replaced her Frexit and Eurexit policies with a Europe of Nations approach) ahead of the French election in 2022 may be the red herring for Europe bears to miss out on what looks likely to be a constructive period ahead for Europe, as it finds itself in a position to supply what the world increasingly wants, and at the same time capitalise on its recent demonstration of unity to make more progress towards integration and agility at the political level.

At the stock level, news flow over the month largely relating to Q1 results was encouraging.

- **Kering** results highlighted a company simultaneously well positioned for reopening and one that uses technology well, leaving it placed to take market share; with organic sales growth of +26% YoY driven by normalisation in Asia +83%, and the continued trend to online +108% along with a return to form from at Gucci +25% and YSL +24%. New global logistics hubs should also feed into improved cash returns through better working capital management.
- **Unilever** reported robust underlying sales growth of +6% supported by price increases and strength in Asia and NA. A new €3bn share buyback and news that smaller personal care brands have been earmarked for sale both suggest a renewed focus on returns post consolidation of list and domicile in London.
- **Smurfit Kappa** reported volume growth of 7% YoY along with price increases and reminded us of quite how many high return project opportunities it has driven by the trends towards sustainable packaging and e-commerce.

- **Nestle** continued portfolio optimisation towards premium and healthy with final sale of lower margin North America Waters division and reinvestment in vitamin supplements leader The Bountiful Company. Organic sales growth of +7.7% YoY and e-commerce +40% YoY at once highlighting the strength of Pet and Coffee and vindication of management's focus on personalised health and subscription models.
- **Amundi** reported strong numbers with AUM +15% YoY characterised by inflows of longer-term assets, positive developments at Sabadel, its JVs in China and India and at Amundi Technology. While the Lyxor ETF acquisition looks set to add a new leg to near-term growth.
- **Thales** joined the roster of "complex" industrials looking to optimise returns via divestment of non-core or lower margin divisions, with news that the rail signalling division has been earmarked for sale.
- **Capgemini** reported bookings +27% YoY, and looks well positioned for an upturn in industrial automation, and trends towards cloud, edge, big data and AI while still trading at a large discount to close US peers like Accenture.
- **Epiroc** consolidated recent share gains on strong numbers (orders +22% YoY), but the medium to long-term outlook for this highly cash generative productivity enabler to the mining industry – itself undergoing a huge step change in demand and investment – continues to strengthen.
- **Assa Abloy** similarly consolidated recent share price gains but looks fundamentally well placed as the global market leader in electronic locking systems and secure digital access keys, which should see resurgent demand as consumer activity around hotels, car hire and passports rebounds.
- **ABB** results showed the turnaround driving stronger margins than expected along with news of the launch of a new family of cobots and plans for the E-mobility division (EV charging) to be spun out with ABB maintaining majority ownership.
- While at **Euronext** we have just taken up our rights funding the transformational acquisition of Borsa Italiana from LSE, putting Euronext at the centre of the European exchange landscape and giving it critical mass in bond trading and custody.

We thank you for your continued support.

Nick Edwards (Portfolio Manager)

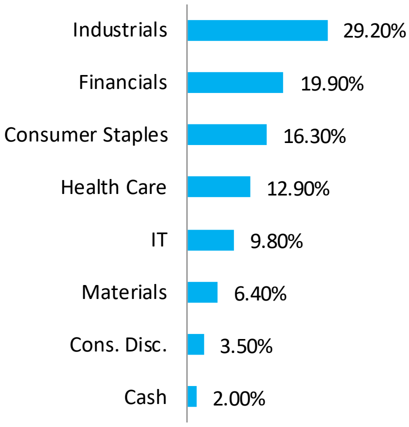
PORTFOLIO

30/04/2021

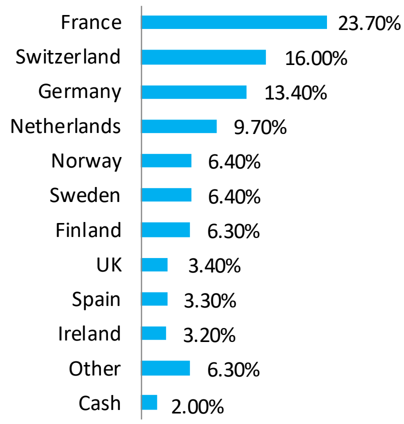
Fund top 10 holdings

AXA	3.5%
Kering SA	3.5%
Fresenius SE & Co KGaA	3.5%
Deutsche Post	3.4%
Amundi	3.4%
Capgemini SE	3.4%
Unilever	3.4%
Aalberts	3.4%
Thales SA	3.3%
Mapfre	3.3%
% of Fund in top 10	34.1%
Total number of stocks	31

Sector analysis



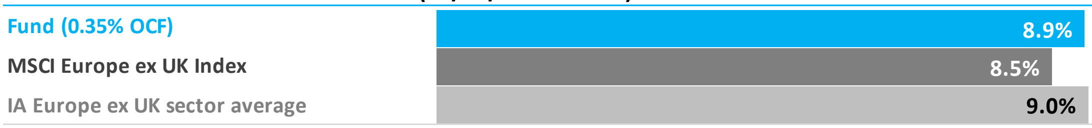
Geographic allocation



PERFORMANCE

30/04/2021

Annualised % total return from launch (19/12/2013 in GBP)



Discrete years % total return (GBP)	Apr '21	Apr '20	Apr '19	Apr '18	Apr '17
Fund (0.35% OCF)	39.7	-13.6	5.9	2.1	34.6
MSCI Europe ex UK Index	33.3	-7.9	2.3	6.3	27.9
IA Europe ex UK sector average	35.5	-7.2	-0.3	7.5	26.1
Fund vs sector	4.1	-6.4	6.2	-5.4	8.6

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (0.35% OCF)	4.9	10.3	39.7	27.7	75.5	87.8
MSCI Europe ex UK Index	4.2	6.8	33.3	25.5	70.7	82.2
IA Europe ex UK sector average	4.1	6.8	35.5	25.3	69.9	88.5

RISK ANALYSIS

30/04/2021

Annualised, weekly, from launch on 19.12.13, in GBP	Index	Sector	Fund
Alpha	0.00	1.48	1.06
Beta	1.00	0.87	0.94
Information ratio	0.00	0.09	0.11
Maximum drawdown	-25.02	-24.43	-30.29
R squared	1.00	0.89	0.90
Sharpe ratio	0.30	0.36	0.34
Tracking error	0.00	5.40	5.14
Volatility	16.10	14.92	16.03

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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: Financial Express, bid to bid, total return (0.35% OCF). Fund launch date: 19.12.2013.

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 equities and equity markets invested in by the Guinness European 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 European 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. The Fund invests only in stocks of companies that are traded on European stock exchanges or that do at least half of their business in Asia; it is therefore susceptible to the performance of that region, and can be volatile. 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, 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.

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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.