Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – May 2021

About the Fund

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

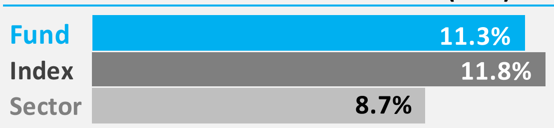
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£1385m
Launch date	31.12.10
Historic OCF (Y Class)	0.82%
Current OCF (at fund size)	0.82%
Historic Yield* (Y Class)	2.4%
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens

Performance* — 30.04.21

	1 Yr	3 Yrs	5 Yrs	Launch
Fund	24.4	42.5	88.3	202.3
Index	32.4	47.8	104.0	218.2
Sector	25.6	27.8	64.2	137.0

Annualised % total return from launch (GBP)



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: Financial Express, 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 performance

In April, the Fund was up 3.94% (in GBP), versus the MSCI World Index benchmark, up 4.29%. The Fund therefore underperformed the Index by 0.58% over the month.

Year-to-date, the Fund is up 6.98% (in GBP), versus the MSCI World Index benchmark, up 8.41%. The Fund has therefore underperformed the Index by 1.43%.

Longer-term, it is pleasing to see that the Fund has outperformed the IA Global Equity Income sector over 3-years, 5-years, 10-years and since launch. The Fund also continues to rank as the top performer versus its peers over the period since launch.

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:

	1yr	3yrs	5yrs	10 yrs	Since Launch*
Fund	24.4%	42.5%	88.3%	192.0%	202.3%
MSCI World Index	32.4%	47.8%	104.0%	189.8%	218.2%
IA Sector average	25.6%	27.8%	64.2%	131.1%	137.0%
Rank vs peers	28/56	9/50	6/41	1/16	1/16
Quartile	2nd	1st	1st	1st	1st

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

Summary: Dividend

So far, in 2021, we have had dividend updates from 24 of our 35 holdings:

- 20 companies announced increases for their 2021 dividend vs 2020.
- 3 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.
    - This follows the Fund seeing 0 cancellations also in 2020.

In April, we had 4 dividend updates with Procter and Gamble, Johnson & Johnson, OTIS and Raytheon Technologies all raising their dividends.

Procter & Gamble raised its dividend by 10%, vs its previous rate. This marks P&G's 65th consecutive increase and is testament to the company's strong balance sheet and cashflow generation. As one of the world's largest consumer goods producers, P&G operates 5 business units: Fabric & Home Care; Baby, Feminine & Family Care; Beauty; Grooming; and Health Care. 22 brands generate greater than $1bn in annual global revenue, and CEO David Taylor recently highlighted that over the last year P&G's industry-leading profit margins have been supported by rising prices and by a shift in demand toward premium products across categories such as skin care, fabric care, and home cleaning.

Johnson & Johnson raised its dividend by 5%. The world's largest provider of health care products and services has had 58 years of dividend increases. Pharmaceuticals make up around 55% of the company's revenues, and with a strong drug pipeline, the unit has been able to continuously deliver strong growth and wide margins. Whilst there are blood-clotting safety questions regarding its COVID-19 vaccine, this has had little impact on business so far and there is upside to concerns alleviating.

OTIS raised its dividend by 20%. 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 competitive advantages have ensured a high client retention rate (~80%). Overall, this contributes to high revenue and cashflow growth, enabling higher dividends.

Raytheon Technologies raised its dividend by 7%. The manufacturer of advanced technology products for the aerospace and defence industry reported stronger-than-expected earnings growth for the quarter and also expanded its share buyback programme. Over the last year defence segments have remained resilient, while Aerospace segments have upside having seen earnings gradually start to recover since the sharp fall in Q2 2020 as air travel all but disappeared.

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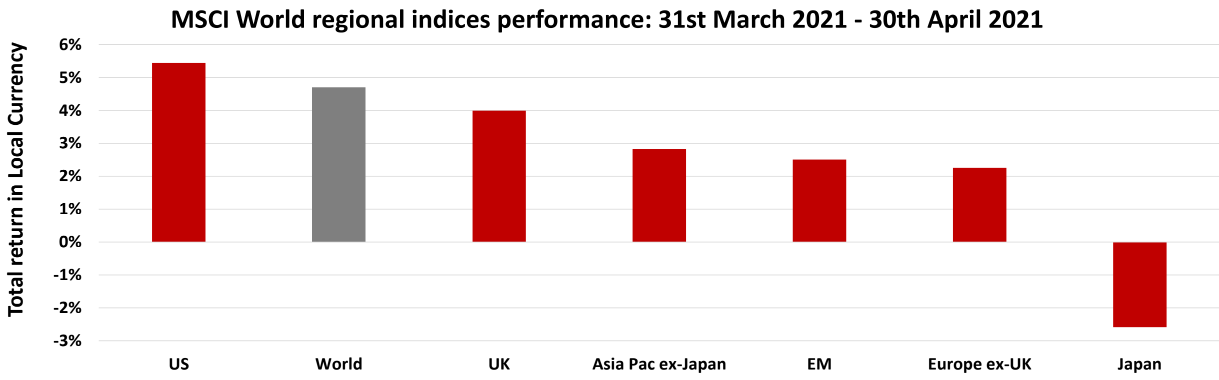
April in Review

Global equity markets gained in April amid a backdrop of supportive monetary policy, bullish economic data, robust earnings from many mega-caps, and continued progress on the global vaccination campaign.

Regionally, the US market led the way, with the S&P 500 Index returning 5.3% (in USD) over the month, while areas such as Europe ex-UK and Japan lagged.



Source: Bloomberg. As of 30th April 2021

The US economy accelerated in Q1 2021, recording an annualized GDP increase of 6.4%. Almost 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 is 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) – climbed to 59.7 in March, which is the highest since 2014. Consumer confidence, while still below its pre-pandemic level, also rose strongly, coinciding with the fact that 70% of the US population has now had at least one shot of a vaccine.

Further, investor sentiment was buoyed by continued policy support. President Biden followed up his $1.9 trillion fiscal stimulus bill with a proposed $2 trillion in infrastructure and manufacturing subsidies. The Federal Reserve (Fed) also confirmed its willingness to run the economy “hot” – or above the long-term inflation target – to support the economic recovery and full employment. It further stated that it expects targets for stable economic growth are still “some time” away and that asset purchases would continue until “substantial further progress is made”.

The bullish rhetoric led to lower bond yields and aided *growth* stocks, which bucked the recent trend, and outperformed their *value* counterpart in April.

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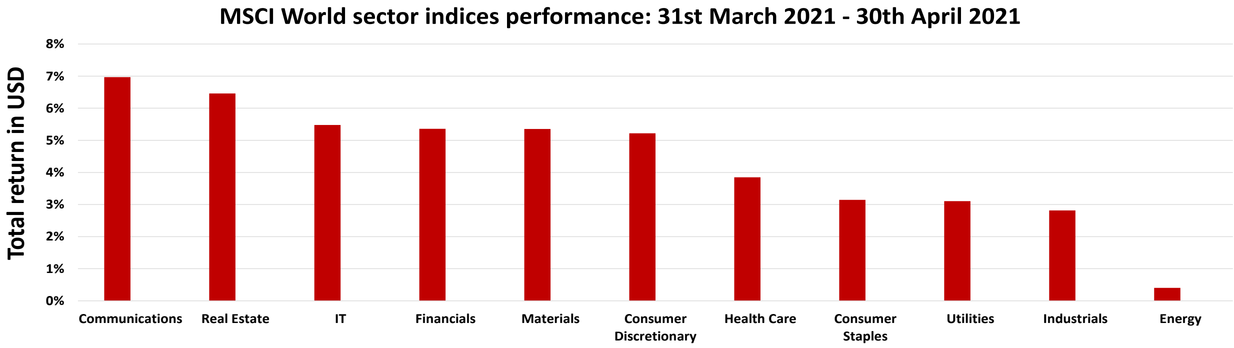

Source: Bloomberg. As of 30th April 2021

All sectors registered gains and the Communications and IT sectors led the way, with several mega-cap tech companies delivering impressive earnings beats. Whilst this boosted the benchmark index, it was a drag on the Fund's relative performance in April given our underweight exposure. Being overweight Industrials and Consumer Staples was also unfavourable in the month, though offset by good stock selection within Industrials: OTIS and Raytheon Technologies performed particularly well, up 13.8% and 7.7% (in USD) respectively, as both reported strong earnings and raised dividends.

Overall, 16 companies in the Fund announced earnings and sales results in April.

- 15 reported better than expected earnings results; 14 reported better than expected sales results

Company	Date of announcement	Period	Earnings Surprise	Sales Surprise
Aflac	28-Apr	Q1 21	25.9%	6.2%
OTIS Worldwide	26-Apr	Q1 21	14.1%	7.4%
Illinois Tool Works	30-Apr	Q1 21	11.1%	3.0%
Johnson & Johnson	20-Apr	Q1 21	10.4%	1.5%
Arthur J Gallagher	29-Apr	Q1 21	10.2%	11.9%
Microsoft	27-Apr	Q3 21	9.5%	1.6%
Raytheon Technologies	27-Apr	Q1 21	9.4%	-0.5%
Pepsico	15-Apr	Q1 21	8.1%	1.9%
Abbvie	30-Apr	Q1 21	6.3%	1.3%
Procter & Gamble	20-Apr	Q3 21	5.9%	0.8%
Paychex	06-Apr	Q3 21	3.7%	0.3%
Taiwan Semiconductor Manufacturing	15-Apr	Q1 21	2.5%	0.5%
Deutsche Boerse	21-Apr	Q1 21	1.5%	2.0%
CME Group	28-Apr	Q1 21	0.9%	-1.1%
Blackrock	15-Apr	Q1 21	0.8%	2.0%
Abb Ltd	27-Apr	Q1 21	-4.6%	2.2%

Source: Bloomberg

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Portfolio Holdings

Arthur J Gallagher was the best performer in the Fund in April (+16.2% in USD). One of world's largest insurance brokerage and risk management services firm, Arthur J Gallagher posted stronger-than-expected Q1 earnings and revenues. "We're off to an excellent start in 2021," said CEO J. Patrick Gallagher, Jr. "We posted strong total revenue growth, including excellent organic revenue growth and continued growth from our tuck-in M&A strategy. Combined with our expense discipline, we once again delivered fantastic growth in net earnings".

British American Tobacco was the worst performer in April (-3.1% in USD) after news broke that President Biden's administration is considering requiring tobacco companies to lower the nicotine in all cigarettes sold in the US to non-addictive levels. Further, the FDA must respond by 29th April to a citizen's petition to ban menthols. Menthols make up 35% of the 226 billion cigarettes sold annually in the US, and since they are less harsh, they are seen as the gateway for young smokers.

British American Tobacco is most affected (vs peers) by the menthol ban given that it owns Newport, which is the largest menthol brand in the US. Newport has 50% market share in the US menthol market, and makes up around 14% of the company's total revenue.

There is perhaps some déjà vu in that tobacco companies have faced both the above concerns in the past. Scott Gottlieb, ex-FDA commissioner under Donald Trump, pursued both a menthol ban and a reduction of nicotine in cigarettes in 2017; he left in 2019 and both plans were shelved.

<u>Below we outline potential reasons why the policies may not be passed / may have limited impact:</u>

- Congress passed control of tobacco issues to the FDA in 2009 via the Tobacco Control Act, to de-politicise decision making and leave it in the hands of scientists.
    - **Nicotine**
        - Can be reduced if based on scientific evidence. Currently there is lack of scientific evidence at what the non-addictive nicotine levels are.
    - **Menthol**
        - 2009 Tobacco Control Act banned candy, fruit, and spice flavourings in cigarettes due to their potential appeal to children, but it left menthol.
        - The Act allows the FDA to ban menthol only if it is proven that doing so would be a net benefit to public health.
        - Even if policy is passed, there is little evidence of significant reductions in cigarette smoking in markets where menthol is outlawed (e.g. EU, Brazil, Canada, Turkey).

- There will likely be a fierce legal challenge and so it could take many years for any policy to pass. Democrats have a thin Senate majority, and any FDA ruling involves a 9-stage, multi-year process.
    - The next step to pursue a nicotine reduction would be a Notice of Proposed Rulemaking (NPRM) by the FDA. At minimum, there is a mandatory 1–2-year delay between issuing a final rule and policy implementation.

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- Farmer objection, loss of lower-class jobs, loss of export revenue
    - In 2017-18, tobacco farmers made it clear that they would not be willing to farm genetically modified tobacco. Tobacco is a rotation crop, so it is not possible to limit a GM crop to one of two fields. Converting whole farms is not possible as this GM tobacco may not be exportable to EU, Latin America, Asia, Africa.

- May create an illicit market for higher nicotine cigarettes and menthols.
- Lower nicotine might mean more cigarettes are smoked to achieve same intake.
- Potential faster growth of alternative products, which have higher profit margins.
    - E.g. a pack of heated tobacco sticks costs 2.5x a pack of premium cigarettes.

Portfolio Changes

We made no changes to the portfolio holdings in the month.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Analysts

Joseph Stephens

Sagar Thanki

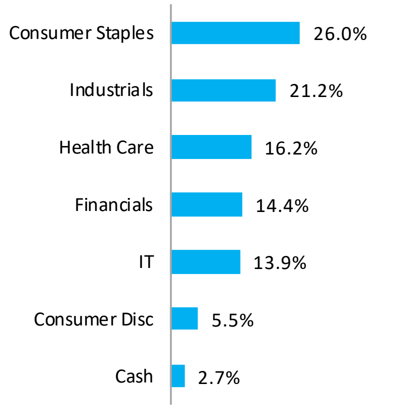
PORTFOLIO

30/04/2021

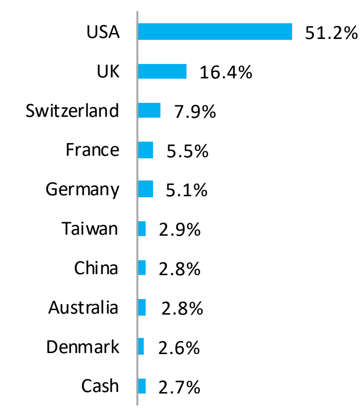
Fund top 10 holdings

BAE Systems	3.2%
Illinois Tool Works	3.2%
Aflac	3.2%
Medtronic	3.1%
Eaton	3.1%
Raytheon Technologies	3.0%
Otis Worldwide	3.0%
ABB	3.0%
Gallagher, Arthur J	2.9%
Blackrock	2.9%
% of Fund in top 10	30.5%
Total number of stocks held	35

Sector analysis



Geographic allocation



PERFORMANCE (see performance notes overleaf)

30/04/2021

Annualised % total return from launch (GBP)

Discrete years % total return (GBP)	Apr '21	Apr '20	Apr '19	Apr '18	Apr '17
Fund (Y class, 0.82% OCF)	24.4	-0.1	14.6	5.9	24.9
MSCI World Index	32.4	-0.8	12.5	6.4	29.8
IA Global Equity Income sector average	25.6	-5.6	7.7	4.0	23.5
IA Global Equity Income sector ranking	29/53	14/53	14/51	13/49	31/42
IA Global Equity Income sector quartile	3rd	2nd	2nd	2nd	3rd

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.82% OCF)	3.9	7.0	24.4	42.5	88.3	202.3
MSCI World Index	4.3	8.4	32.4	47.8	104.0	218.2
IA Global Equity Income sector average	2.7	7.8	25.6	27.8	64.2	137.0

RISK ANALYSIS

30/04/2021

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	1.09	-0.54	-0.26
Beta	0.85	0.77	0.77
Information ratio	-0.10	-0.42	-0.42
Maximum drawdown	-21.78	-22.41	-22.41
R squared	0.88	0.80	0.80
Sharpe ratio	0.58	0.31	0.41
Tracking error	4.95	6.58	6.59
Volatility	13.22	12.48	12.53

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Source: Financial Express, bid to bid, total return. Fund launch date: 31.12.10. Fund Y class (0.82% OCF): Composite simulated performance (see Performance data notes below) based on actual returns of E share class (available from Fund launch), calculated in GBP. 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 (Sterling). 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. The Fund's E class is denominated in USD but for the purposes of this performance data its performance is calculated in GBP. 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.