

Guinness Global Innovators Fund

Innovation | Quality | Growth | Conviction

INVESTMENT COMMENTARY – May 2021

About the Fund

The Fund is a global growth fund designed to provide exposure to companies benefiting from innovations in technology, communication, globalisation or innovative management strategies. The Fund holds a concentrated portfolio of large and medium-sized companies in any industry and in any region.

Fund size	£466m
AUM in strategy	£621m
Fund launch date	31.10.14
Strategy launch date	01.05.03

Managers Dr. Ian Mortimer, CFA
Matthew Page, CFA

Analysts Sagar Thanki
Joseph Stephens

Performance 30.04.21

Cumulative % total return (GBP)	1 year	3 years	5 years	10 years
Strategy*	45.0	68.9	164.2	371.6
Index	32.4	47.8	104.0	210.3
Sector	33.5	44.3	97.3	163.5
Position in sector	65 /427	43 /376	17 /313	7 /199

Annualised % total return from strategy inception (GBP)

Strategy*	13.88%
Index	10.41%
Sector	9.72%

Strategy Guinness Global Innovators*

Index MSCI World Index

Sector IA Global

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. *Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14. Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same team using the same investment process as applied to the UCITS version. Source: Financial Express 0.99% OCF, bid to bid, total return, in GBP.



Summary performance

For the month of April, the Guinness Global Innovators Fund provided a total return of 5.22% (GBP) against the MSCI World Index net total return of 4.29% (GBP). The fund therefore outperformed the benchmark by 0.93% (GBP). Year to date, the fund has produced a total return of 8.68% (GBP) against the MSCI World 8.41% (GBP).

With earnings season now fully underway, and with economic data for Q1 being released from many nations, investors looked to whether the high growth expectations going into 2021 became reality. And indeed, on the whole, the news continued to be positive: the US grew its GDP 6.4% in Q1 driven by strength in consumer spending; global PMIs continued to point to expansionary territory; and stocks, particularly the Big Tech names, released strong earnings reports at the end of the month. In aggregate, equity markets had a robust month led by the US, with growth stocks also returning to vogue as the US 10Y treasury yield retreated somewhat over the month.

For the fund, relative performance was driven by:

- Strength in earnings from holdings including SAP (+14.0% in USD) and Alphabet (+14.1%). Alphabet also benefited from a legal win over Oracle for \$9bn in damages having been accusing of stealing code to create its Android operating system.
- Strong stock selection amongst our Industrial holdings as manufacturing PMIs globally continued to rebound into expansionary territory.

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- Strong stock selection amongst our MedTech holdings, particularly Danaher (+12.8%) and Medtronic (+10.8 %).
- However, weakness in semiconductor stocks following a strong Q1 was a drag on the portfolio, with KLA Corp (-4.6%) and Infineon (-5.6%) being the fund’s worst two performers.

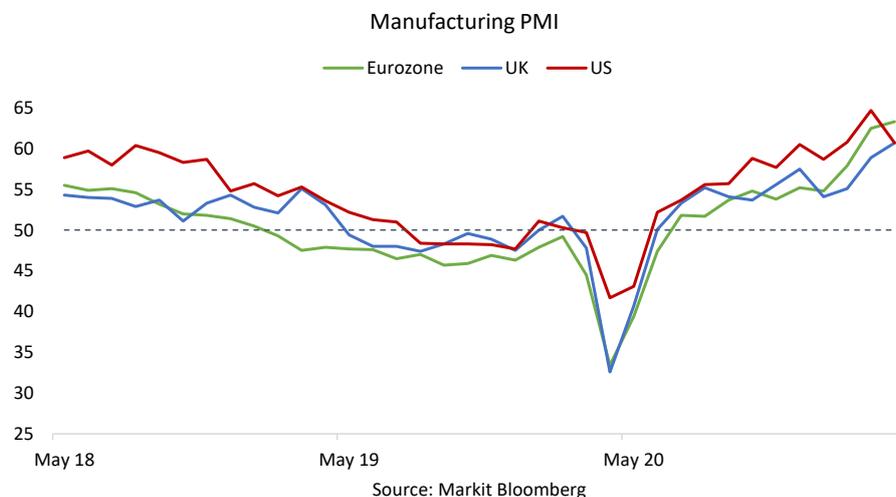
While the fund currently sits in the 2nd quartile YTD versus peers, over all other periods the fund’s performance has been even stronger, sitting in the top quartile versus its IA Global Equity sector peers.

	YTD	1 year	3 years	5 years	10 years
Global Innovators	8.68	45.01	68.89	164.18	371.64
Index	8.41	32.39	47.77	104.01	210.31
Sector	7.56	33.52	44.25	97.34	163.50
Position in sector	141/447	65/427	43/376	17/313	7/199
Quartile	2nd	1st	1st	1st	1st

April in review:

As we moved into April, US President Joe Biden exited his first 100 days in office. However, the central theme of spending big to enable the US to recover post COVID-19 continued. Having already passed the American Rescue Plan in March – a \$1.9tn stimulus package – the president outlined plans for two more packages totalling over \$4tn in order to stimulate the economy. Funding much of the desired expenditure would be raises in taxes – corporate, income and capital gains – and while this will undoubtedly have a negative effect on company profits initially, the net effect, when considering the added growth these packages are designed for, may subsequently be positive. However, with a slim majority in the Senate, these packages may still have to be tempered in order to pass Congress.

Nevertheless, with COVID vaccine rollouts progressing well in many regions, there looks to be a positive tone as we move through 2021: Global manufacturing PMIs, for example, remain in expansionary territory (above 50), rebounding strongly from the trough last year. This was a positive for many of the fund’s industrial holdings including Roper Technologies (+10.8%), ABB (+7.1%), and Schneider Electric (+4.5%).



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Furthermore, there was evidence to show consumer spending is returning to pre-pandemic levels, with US GDP growing by 6.4% in Q1 driven by consumer spending, while company earnings also highlighted the rebound: Mastercard's CEO Michael Miebach noted *"We're encouraged by the return of domestic spending levels to pre-pandemic trends... U.S. retail sales were up 11.8% versus a year ago ex-auto ex-gas. This reflects the impact of fiscal stimulus and the lapping of the start of the pandemic."*

At a corporate level, earnings season for Q1 was fully underway in April, with the majority of fund holdings reporting revenue and earnings that surpassed analyst estimations. Example results include:

Alphabet (+14.1%, in USD):

The company ended the month as the fund's top performer, reporting results in the final week of the month well above estimates. This included advertising revenue growth at 27.5% year-on-year (yoy), cloud revenue up 43% yoy and group operating margins at 29.7%. The company also benefited from a legal victory, in which Oracle was seeking \$9bn in damages for the apparent use of code in the creation of Alphabet's Android operating system.



SAP (+14.0%):

Having seen their share price drop substantially last October as management lowered growth expectations and pushed out key targets by 1-2 years, SAP reported robust results in-line with their pre-announcement which saw a reacceleration in growth for the company's cloud backlog while management lifted guidance for the full year. Having disappointed investors in 2020, this was a welcome relief as the company looks to transition its customers to cloud-based subscription offerings which may see near-term revenue and margins compression as a result of the loss of upfront sales, but would ultimately benefit the company over the longer term.



KLA Corp (-4.6%):

Although KLA ended the quarter as the fund's 2nd worst performer, this was primarily a result of broader weakness across the semiconductor space having experienced a very strong Q1. In fact, over the month, KLA reported results and issued guidance above expectations in a continuation of the bullish commentary that has been seen across the space as end-markets become increasingly anxious about accessing semiconductor chips and as foundries such as TSMC continue to increase the capital expenditure plans to meet the growing demand.



Nvidia (+12.4%):

Although Nvidia did not report results during April, the company was one of the best performers for the fund after announcing its first data centre central processing unit (CPU). Known for its market leadership in graphic processing units (GPU) which were originally designed for video game and graphics rendering but increasing used in high end processing such as those needed to train AI systems, Nvidia's foray into the CPU market takes the company a step closer to being a one-stop shop for data centre chips. Although the new CPU, named Grace after the computing pioneer Grace Hopper, is focused on a niche end-market – supercomputers – it may be a sign of things to come with Intel – the leader in CPUs – falling on the news. The



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announcement comes a few months after Nvidia confirmed it was acquiring ARM – a leader in CPU architecture – from SoftBank, although the acquisition still faces regulatory hurdles.

Changes to the portfolio:

Over the month, we initiated a position in Taiwan Semiconductor Manufacturer (TSMC) and sold our position in Check Point Software. Fundamentally, while we like the characteristics of Check Point and its exposure to Cyber Security, we felt TSMC could provide the portfolio with better upside potential.

TSMC:

TSMC is the world’s largest semiconductor foundry, pioneering the pure-play foundry business, working solely as an independent contractor to chip designers such as Nvidia. Whilst we have been watching TSMC for some time, having previously owned the business in the fund between 2010 and 2016, we now felt, given the lasting acceleration in demand for chips and clear leadership over competitors including Intel (who as noted last month have suffered continued setbacks in their leading-edge foundry business), TSMC could provide ample growth going forward whilst yielding more-than-robust competitive advantages. Whilst we acknowledge the need for TSMC to constantly reinvest in capital expenditure (the company recently announced the intention to spend \$100bn over the next 3 years to expand capacity), we believe, given their track converting investment into market share, TSMC can continue to be the all-out leader in chip fabrication and capitalise on the growing need for semiconductors across end-markets.



Check Point Software:

A long-term holding of the fund, held since launch, Check Point Software is one of the world’s largest pure-play cyber security vendors. With an increasing number of global cyber attacks due to data proliferation, Check Point is well placed to capitalise on the growing need for more sophisticated cyber security software. However, although the company is highly cash generative (free cash flow margins >50%) with 75% of sales recurring, we felt that Check Point’s growth profile was not as strong as other investment opportunities given its relatively smaller exposure to the high growth area of cloud cyber security and given its position in the highly fragmented cyber security market.



We thank you for your continued support.

Portfolio Managers

Dr Ian Mortimer, CFA
Matthew Page, CFA

Analysts

Joseph Stephens
Sagar Thanki

Data sources

Fund performance: *Financial Express, Total return in GBP*

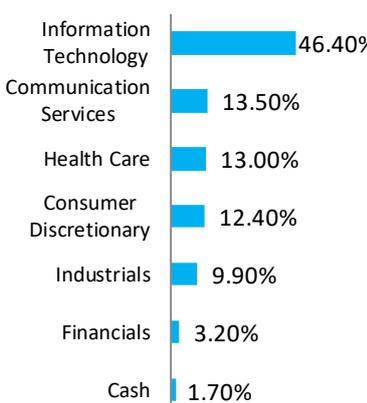
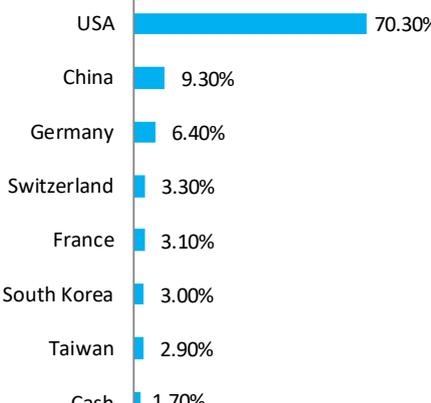
Index and stock data: *Bloomberg*

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Guinness Global Innovators Fund

PORTFOLIO

30/04/2021

Fund top 10 holdings	Sector analysis	Geographic allocation
Facebook 3.8%		
Nvidia Corp 3.7%		
Applied Materials 3.6%		
Roper Industries Inc 3.5%		
Medtronic 3.5%		
Mastercard Inc 3.5%		
Visa 3.5%		
Alphabet 3.4%		
Cisco Systems 3.4%		
SAP AG 3.4%		
% of Fund in top 10 35.3%		
Total number of stocks 30		

30/04/2021

Annualised % total return from strategy inception (GBP)

Guinness Global Innovators strategy*	13.88%
MSCI World Index	10.41%
IA Global sector average	9.72%

Discrete years % total return (GBP)

	Apr '21	Apr '20	Apr '19	Apr '18	Apr '17
Guinness Global Innovators strategy*	45.0	6.1	9.8	12.5	39.1
MSCI World Index	32.4	-0.8	12.5	6.4	29.8
IA Global sector average	33.5	-0.8	8.9	7.9	26.8
IA Global sector ranking	65/427	80/395	196/374	53/330	13/311
IA Global sector quartile	1st	1st	3rd	1st	1st

Cumulative % total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years	10 years
Guinness Global Innovators strategy*	5.2	8.7	45.0	68.9	164.2	371.6
MSCI World Index	4.3	8.4	32.4	47.8	104.0	210.3
IA Global sector average	4.2	7.6	33.5	44.3	97.3	163.5

RISK ANALYSIS

30/04/2021

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	2.03	5.14
Beta	1	0.83	1.05
Information ratio	0	-0.06	0.80
Maximum drawdown	-24.58	-21.61	-22.23
R squared	1	0.86	0.84
Sharpe ratio	0.77	0.83	1.04
Tracking error	0	5.88	6.94
Volatility	15.35	13.80	17.50

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*Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14. Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same investment team using the same investment process as applied to the UCITS version. The past performance of the US mutual fund is not indicative of the future performance of Guinness Global Innovators Fund. 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, in GBP

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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 Innovators 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 Innovators 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.

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) Limited, 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'Île, 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.

GUINNESS

ASSET MANAGEMENT

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