Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – September 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	£1582m
Launch date	31.12.10
Historic OCF (Y Class)	0.82%
Current OCF (at fund size)	0.81%
Historic Yield** (Y Class)	2.4%
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens Will van der Weyden

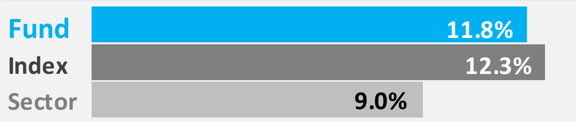
This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions.

Performance* **31.08.21**

Past performance does not predict future returns

	1 Yr	3 Yrs	5 Yrs	Launch
Fund	26.4	41.1	73.3	228.1
Index	26.3	43.5	90.0	243.8
Sector	23.5	26.7	53.0	149.7

Annualised % total return from launch (GBP)



Benchmark index	MSCI World Index
IA sector	Global Equity Income

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 0.81% 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 August the Fund was up 2.89% (in GBP), the MSCI World Index benchmark was up 3.54% (in GBP), and the IA Global Equity Income sector was up 2.71% (average, in GBP).

The Fund therefore underperformed the Index by 0.65% over the month and outperformed its peer group by 0.18%.

Familiar concerns around inflation, the spread of the Covid-19 delta variant and Chinese regulation continued into August, yet strong economic data, dovish comments from the Federal Reserve and the further easing of lockdown restrictions in developed markets overshadowed any negative sentiment, driving gains in global equities over August. Over the month, the Fund's performance relative to the benchmark can be attributed to the following:

- Health Care was the Fund's best performing sector this month. The sector as a whole performed well, but with an allocation similar to that of the benchmark, strong stock selection in names such as Novo Nordisk and Sonic Healthcare led to relative outperformance within the sector.

- Strong stock selection also led to the Fund outperforming the benchmark within Industrials. However, with overexposure to the sector and the sector underperforming the MSCI World, the Fund experienced a negative allocation effect – although not enough to cancel out the strong stock selection. Holdings Eaton Corp, Schneider and Otis performed particularly well.

- Non-cyclical, defensive sectors generally fared poorly during August. Consumer staples was the primary contributor to fund underperformance. High relative exposure to the underperforming sector meant a negative return from allocation, with stock selection and currency effects also contributing negatively to relative performance.

- Having no exposure to Energy and Materials was a positive from an allocation perspective, since these were the only sectors suffering negative total return over the month.

Year to date, the Fund has produced a total return of 16.1% (GBP) against the MSCI World Index return of 17.1% (GBP) and the IA Global Equity Income sector return of 13.6% (GBP).

Longer-term, it is pleasing to see that the Fund has outperformed the IA Global Equity Income sector over 1-year, 3-years, 5-years, 10-years and over the period since launch. The Fund also continues to rank as the top performer versus its peers over 10 years and over the period since launch.

% TR in GBP	3 months	YTD	1yr	3yr	5yr	10 Years	Since Launch*
Fund	8.0	16.1	26.4	41.1	73.4	238.3	228.2
MSCI World Index	9.4	17.1	26.3	43.5	90.0	272.1	243.8
MSCI AC World Index	8.0	15.1	25.2	41.2	85.6	244.2	215.9
Sector Average	5.1	13.6	23.5	26.7	53.0	164.8	149.7
Sector Ranking	10/56	17/56	16/55	5/49	7/43	1/19	1/15
Sector Quartile	1	2	2	1	1	1	1

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

Summary: Dividend

So far, in 2021, we have had dividend updates from 32 of our 35 holdings:

- 28 companies announced growth for their 2021 dividend vs 2020
- 3 companies have announced a flat dividend
- 1 company has announced a modest cut to its dividend
- 0 companies have announced dividend cancellations

- We await the dividend announcements of the 3 remaining companies: Broadcom, Microsoft and VF Corp.

The dividend yield of the Fund, at the end of the month, was 2.40% (net of withholding tax) vs the MSCI World Index 1.67% (gross of withholding tax; historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at 31/08/2021. It does not include any preliminary charges. Investors may be subject to tax on the distribution).

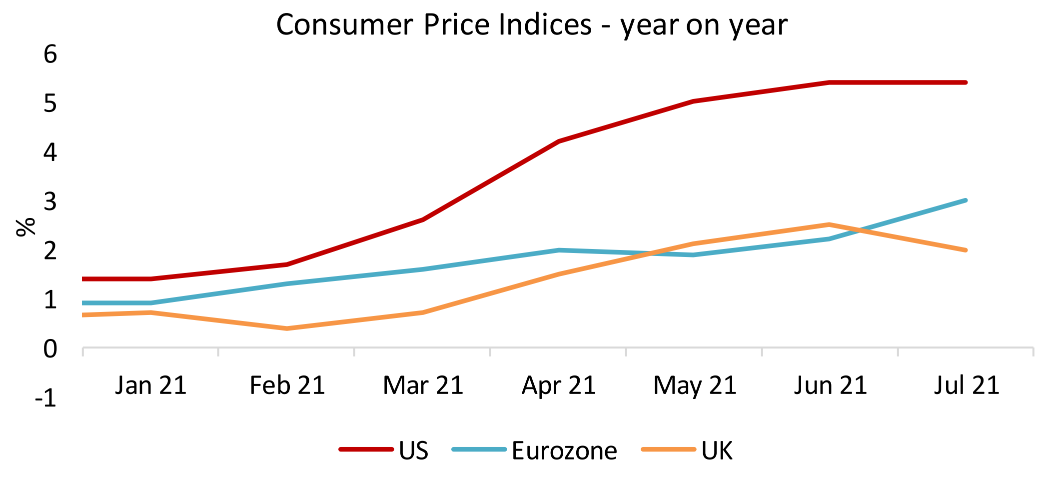
August in Review

Federal Reserve Chair, Jay Powell, quelled concerns of an imminent, more hawkish monetary policy during his speech at the Jackson Hole symposium. Whilst Powell recognised that significant economic progress had been made, particularly with respect to inflation, he voiced concerns over the “turbulent” conditions of the labour market and the threat of a resurgence in the pandemic – especially with the further spread of the Covid-19 delta variant. Hence, any tapering was not likely to be until later in the year. He also stressed that rate hikes and tapering would not occur together – with rate hikes requiring a more stringent test. However, Powell did concede that the July Federal Open Market Committee believed it would be necessary to begin tapering later in the year, implying that further evidence of stable jobs numbers would be required.

The US Consumer Price Index (CPI) was 5.4% year on year for the second month running, remaining at decade highs. However, since CPI was no longer accelerating, this gave some evidence for the transient inflation argument. As was the case in June, this was driven by the secondary car market and energy commodities. Given less attention was the Producer Price Index (PPI) which increased 50bps to 7.8% year on year, with pandemic-induced supply chain constraints driving the increase. Typically a leading indicator for CPI, this increase suggests CPI may not be as transient as hoped, with further CPI inflation to come.

In terms of jobs, US data for August was less than inspiring, creating just 235,000 new jobs in August, nearly half a million below analyst expectations and a sharp deceleration from the 1.1m jobs created in July. And whilst the unemployment rate ticked 20bps lower to 5.2%, these numbers backed Powell’s point of the “turbulent” conditions of the labour market. These numbers, released after Jackson Hole, implicate a later rather than sooner tapering timeline.

Elsewhere, inflation in the Eurozone exceeded expectations with the CPI reaching 3% year on year, its highest level in almost a decade. The increase was driven by the reversal of lockdowns, energy costs, the reversal of the German cut in value added tax, alongside supply chain constraints. This placed pressure on the European Central Bank to slow the pace of bond purchases, although the ECB announced earlier in July they would be willing to tolerate any moderate overshoot to their 2% inflation target. In the UK, where the re-opening of the economy happened sooner than in continental Europe, CPI cooled to the targeted 2% year on year, down 50 bps from the previous month. There is however, an expectation that inflation could tick up again later on in the year, when the temporary VAT cut given to the hospitality sector will be removed.

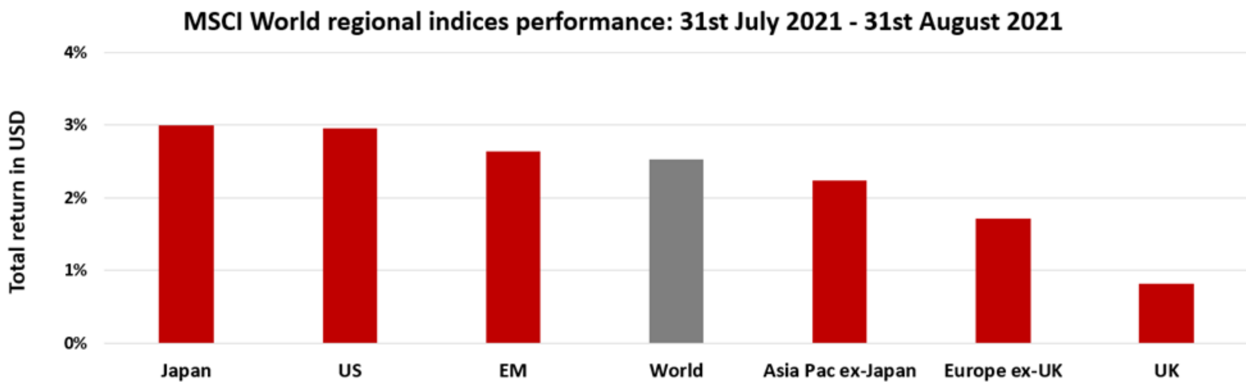


Source: Bloomberg. As of 31st July 2021

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.

Composite PMIs remained in expansionary territory across the US (55.4), Europe (59.0), and UK (54.8), despite all coming off slightly since July (59.9, 60.2 and 59.2 respectively). These falls were driven predominantly by Service PMIs, although all three regions also experienced Manufacturing falls too. Covid-19 continues to be the major concern, with Services worried by further lockdowns and slower manufacturing production growth driven by supply chain issues, alongside raw material shortages. Data from the UK and Israel highlighted a significant drop in efficacy of the vaccine after just 6-months, driving some of this concern. PMIs in China were significantly worse, with the Composite PMI falling into contractionary territory. This was predominantly driven by the Services PMI, which fell from 54.9 in July to 46.7 in August. Manufacturing PMI also fell from 50.3 to 49.2. These numbers followed a recent outbreak of Covid-19 in the region, which saw the worst surge of infections since the beginning of the pandemic, placing recovery under pressure.

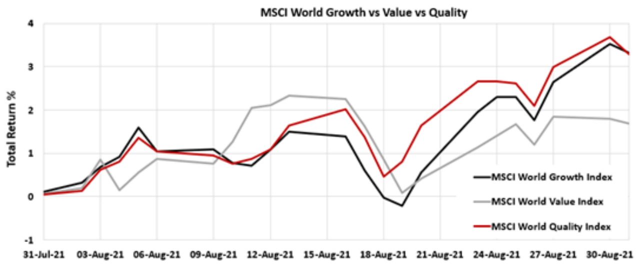
Overall, global equity markets performed strongly in August, buoyed by strong economic data, alongside the supportive comments from the Fed and the unlocking of economies. With the US being the Fed's home market, it is unsurprising to see the region among the top performers. Also in the US, the Senate passed an infrastructure bill containing $550 billion of new spending. Together, this overshadowed any concerns over the withdrawal from Afghanistan and Hurricane Ida. European equities, whilst lagging the MSCI World Index, also performed well, supported by a positive earnings season and continued economic recovery. In Japan, the top performing region globally, GDP increased 1.3% quarter on quarter, topping analyst expectations. Despite being one of the first major economies to remove the majority of restrictions following a successful vaccine rollout, the UK lagged the broader market. Small caps performed well during the month, with the FTSE 250 returning 5.3%, whereas the FTSE 100 delivered just 2.06% total return GBP. However, Sterling weakness reduced this to just 0.98% when measured in USD. The Fund benefitted from not owning any Chinese stocks, where negative economic signals and a heightened level of regulatory activity took place over the month. The Shanghai Shenzhen CSI 300 delivered just 0.14% total return.



Source: Bloomberg. As of 31st August 2021

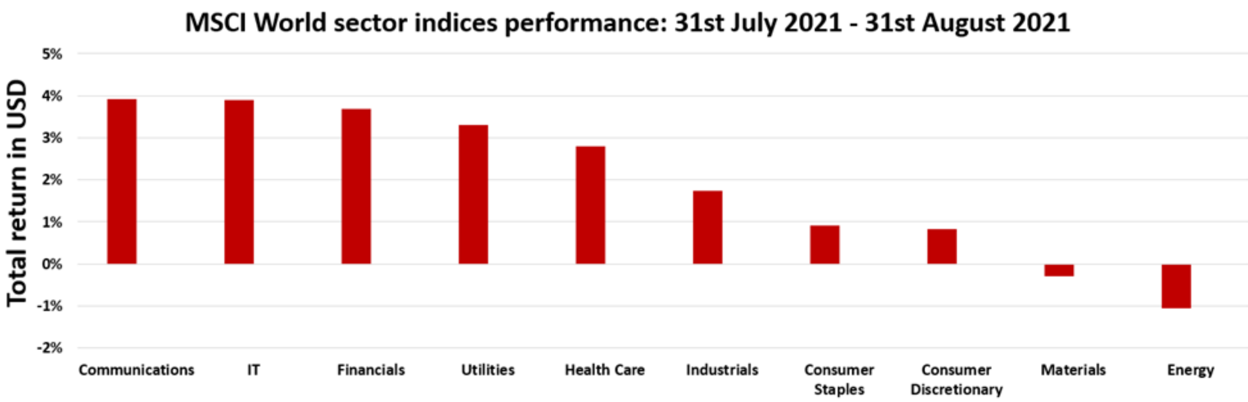
In the Fund, rather than trying to predict the future and how investor sentiment will react to that case, we instead focus on holding high-quality businesses that can weather most economic scenarios successfully and take a long-term view. We currently have a fairly even balance between quality defensive (Consumer Staples and Healthcare) and quality cyclical/growth companies (Industrials, Financials, Consumer Discretionary, Information Technology). Within Financials, however, we do not own any Banks. The Fund also has zero weighting to Energy, Utilities, Materials, Real Estate and Communications.

As has been the case since mid-May, the MSCI World Growth Index outperformed the MSCI World Value Index year-to-date. In August, MSCI World Growth Index closed the gap with the MSCI World Value Index year-to-date, overtaking the Index in the later stages of the month. Further, overlapping both styles to some extent, we find that the quality factor has outperformed overall in 2021 so far and seen relatively less volatility:



Source: Bloomberg. As of 31st August 2021

Looking at performance by sector in August, communications, IT and Financials led, closely followed by Utilities and Health care, whilst Energy and Materials were the two worst performers.



Source: Bloomberg. As of 31st August 2021

No exposure to the Energy and Banking sectors benefitted the Fund, though most of the Fund's performance was attributed to strong stock selection particularly within the Industrial and Healthcare sectors. No exposure to communications and utilities was a headwind to the fund, relative to the MSCI World.

Portfolio Holdings

BlackRock

BlackRock was the fund's best performer in August **(8.78%, USD)**, outpacing the total return of the sector (MSCI World Financials 3.69% USD) and of the broader MCSI World Index (2.52% USD). Whilst there was relatively little news flow relating directly to the firm, the overall strength in equities and a weakened US Dollar acted as tailwinds to performance, leading to positive market sentiment. With equity strength comes AUM growth (52% of AUM is in equities), and subsequently greater revenues from fees. Additionally, significant exposure to overseas clients (one-third of revenues are from outside North America) means any Dollar weakness translates positively when converting earnings back into their reporting currency (US Dollar). With investors pouring money into ETF's across the industry at record pace ($705bn in the first seven months of 2021 compared to $767bn for the whole of 2020), BlackRock's market leading position as an ETF provider through their iShares platform leaves them positioned for strong future growth. The asset manager believes the $3tn ETF market AUM will expand to $15tn by 2025. Unlike many peers, BlackRock has been able to generate organic growth at a high and stable level (4.6%, 2016-2020 CAGR), with equity ETF's being the core growth driver, despite their comparably low fees. Despite being the world's largest asset manager with $9.5 trillion in AUM (+31% to Q2 2020), BlackRock continues to demonstrate its ability to grow, adding $81 billion in net inflows over Q2. We continue to like BlackRock because of its organic growth drivers (market-leading ETF platform in iShares and strong investor appetite for ETF products, shift towards passive investing, the opening of BlackRock's products to individual Chinese investors), their focus on institutional clients (where revenue streams are sticky and stable), their global scale, the diversity of product mix (active and passive strategies across equities, fixed income and alternatives), a strong brand reputation (reasonable fees and quality products) alongside a strong balance sheet, make BlackRock a quality choice with strong growth levers.

Healthcare - Novo Nordisk, Sonic Healthcare, AbbVie & Roche Holdings.

Healthcare names performed strongly during the month. For the second month running, **Novo Nordisk** ranked in the top performers, delivering 8.99% total return. The Danish pharma group is the leading global insulin provider and maintains a concentrated portfolio of drugs primarily targeting diabetes and obesity (85% of revenues), as well as possessing a biopharma segment (15%). In early August, the stock climbed in excess of 5% following a positive Q2 earnings release that not only beat estimates, but saw management increase guidance to 10-13% top line growth (from 6-10%). The firm's strong growth outlook is being driven by their GLP-1 therapies across diabetes and obesity, particularly from their recent launch of the popular obesity treatment Wegovy, alongside a rapidly expanding US market (in excess of 20% growth, with Novo Nordisk taking 28% of the N. American market). Paired with a strong pipeline and healthy balance sheet, Novo Nordisk remains a quality name with a bright future.

Sonic Healthcare also performed well over August, as the spread of delta variant supported the firm's Covid-testing business. Whilst the 149% surge in reported profits was predominantly testing related, non-Covid related business units also grew 4% organically from pre-pandemic levels. The firm is also looking to other Covid-related opportunities, such as vaccines and travel testing, to shore up the gains made during the pandemic. **AbbVie** won a ruling during the month which upholds four patents on cancer drug Imbruvica (9.4% of 2020 revenues), helping to block generic versions of the medicine until 2036. **Roche** also performed well, with successful results emanating from their Phase III trial of Polivy + Rituxan-CHP, showing meaningful improvement in Progression Free Survival.

Consumer Staples – Henkel (-3.63% USD), Unilever (-2.65% USD) & Diageo (-1.89% USD).

With growth outperforming value over August, many Consumer Staples names inevitably took a back seat. Of the names we hold within the sector, Henkel, Unilever and Diageo were the largest detractors. Shares in **Henkel** (producer of home and personal care products, alongside adhesives) slid following their first half results, where they warned that supply-chain issues and raw material costs may negatively impact the bottom line for the second half of the year. Despite reducing EBIT margin guidance to 13.5%-14.5% (from 14.0%-15.0%), the firm increased their full year sales guidance to 6%-8% growth (from 4%-6%), with revenues already back above pre-pandemic levels. We see supply constraints as transient in nature, and remain confident that the firms scale, brand strength and portfolio optimisation strategy will support the share price into the long term.

Unilever also suffered a tough month, with backlash against their ice cream brand, Ben & Jerry's. The brand, which unique to Unilever, has an autonomous and independent board from their parent, announced a boycott of Israel, spurring a number of US pension funds and states to dump the stock. Whilst the saga gives Unilever management a headache over the short term, the firm is significantly diversified across strong brands and growing regions (58% of sales are from emerging markets), and we are comfortable that the firm will be able to overcome this investor backlash.

Diageo's share price also came under pressure during the month, with liquor makers becoming new targets of China's regulatory offensive. Diageo remains a preferred name in the sector, as the firm continues to gain share in their largest US market. Furthermore, the UK is negotiating a trade deal with India which includes a reduction in import tariffs on alcohol (currently at 150%). With India being the firms second-largest market, Diageo is thus well positioned to benefit should tariffs be reduced. Strong results in early August, which included 17% organic operating profit growth and North American sales growth of 20%, highlight the strength in the investment case.

CME Group

CME Group was the Fund's bottom performer during August **(-4.91% USD)**. The group, through their exchanges, provides futures and options contracts based on interest rates, equity indices, currencies, energy, metals and more. The firm posted results in line with consensus late on in July, but since then, the stock price has declined slowly. Whilst volumes and profits were up for the reported quarter (average daily volumes grew 5% year-on-year during Q2), led by volume increases in interest rate products, agricultural products and metal products, revenues remained flat. This was a result of negative growth in 'Average Rate Per Contract'. This should not be overly concerning, as this was partially down to fees relating to CME's new micro-contract products, which are typically cheaper. With 80% of revenues stemming from transaction fees, CME tends to perform best in volatile, high-interest environments when there is more incentive to hedge and speculate. The second quarter saw increased volumes, particularly in interest rate products, due to market expectations of changes in the Fed's monetary policy. Some of these expectations came off slightly during August, matching the stocks decline. The exchange operator also suffered a 3.8% drop following rumours of a potential merger with another Chicago-based exchange operator and owner of the VIX index, Cboe Global Markets. Whilst both companies emerged with statements vehemently denying the merger talks, CME's stock never fully recovered, and stayed at a depressed level. Whilst August was a difficult month, CME Group continues to offer an attractive investment thesis. The firm continues to adapt to market needs through product development, their new suite of micro contracts in Gold and Bitcoin being prime examples.

Micro-futures, aimed at smaller, sophisticated, active traders, allow customers to customise their trades and hedging strategies. Alongside these micro-contracts, their ESG focused futures contracts provide another growth avenue, highlighting the firm's ability to consistently keep themselves aligned with investor requirements. Alongside top-line growth opportunities, the firm has proven themselves to be successful at growing the bottom line through cutting expenses, with operating costs falling more than 7% from a year ago. We continue to like the CME Group investment story, and see the Fed's expected tapering of assets and interest hikes as potential catalysts for the stock.

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

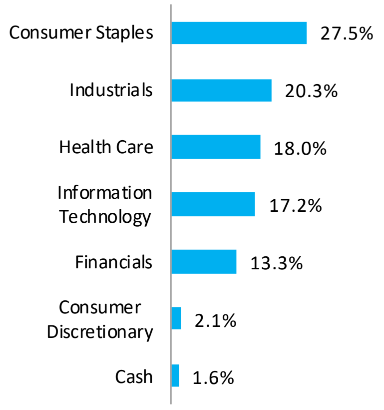
PORTFOLIO

31/08/2021

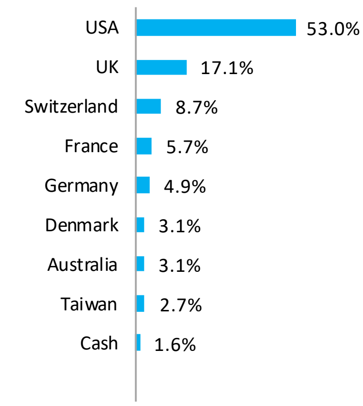
Fund top 10 holdings

Diageo	3.2%
Abbvie	3.2%
Eaton	3.2%
Otis Worldwide	3.2%
Novo Nordisk	3.1%
Sonic Healthcare	3.1%
Microsoft	3.1%
Roche Holding	3.0%
ABB	3.0%
Paychex Inc	3.0%
% of Fund in top 10	31.3%
Total number of stocks held	35

Sector analysis



Geographic allocation



PERFORMANCE* (see performance notes overleaf)

31/08/2021

Past performance is not a guide to future returns

Annualised % total return from launch (GBP)

Fund (Y class, 0.82% OCF)	11.8%
MSCI World Index	12.3%
IA Global Equity Income sector average	9.0%

Discrete years % total return (GBP)	**Aug '21**	**Aug '20**	**Aug '19**	**Aug '18**	**Aug '17**
Fund (Y class, 0.82% OCF)	26.4	1.1	10.4	11.6	10.1
MSCI World Index	26.3	6.2	7.0	12.1	18.1
IA Global Equity Income sector average	23.5	-2.6	5.4	5.8	14.1

Cumulative % total return (GBP)	**1 month**	**Year-to-date**	**1 year**	**3 years**	**5 years**	**From launch**
Fund (Y class, 0.82% OCF)	2.9	16.1	26.4	41.1	73.3	228.1
MSCI World Index	3.5	17.1	26.3	43.5	90.0	243.8
IA Global Equity Income sector average	2.7	13.6	23.5	26.7	53.0	149.7

RISK ANALYSIS

31/08/2021

Annualised, weekly, from launch on 31.12.10, in GBP	**Index**	**Sector**	**Fund**
Alpha	0.00	-0.32	1.19
Beta	1.00	0.77	0.86
Information ratio	0.00	-0.45	-0.09
Maximum drawdown	-24.58	-22.41	-21.78
R squared	1.00	0.80	0.89
Sharpe ratio	0.60	0.44	0.63
Tracking error	0.00	6.55	4.78
Volatility	14.40	12.38	13.09

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

Source: Financial Express, bid to bid, total return. Fund launch date: 31.12.10. Fund Y class (0.81% 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.

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.

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 in English from www.guinnessfunds.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

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.