Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – November 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	£1598m
Launch date	31.12.10
Historic OCF (Y Class)	0.82%
Current OCF (at fund size)	0.80%
Historic Yield** (Y Class)	2.4%
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens Will van der Weyden

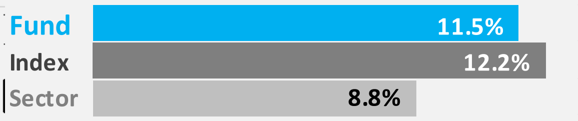
This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions.

Performance* **31.10.21**

Past performance does not predict future returns

	1 Yr	3 Yrs	5 Yrs	Launch
Fund	28.3	47.8	66.2	226.4
Index	32.5	54.0	82.7	249.6
Sector	27.2	32.5	46.0	148.9

Annualised % total return from launch (GBP)



Source: FE, bid to bid, total return. Y Class 0.80% 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

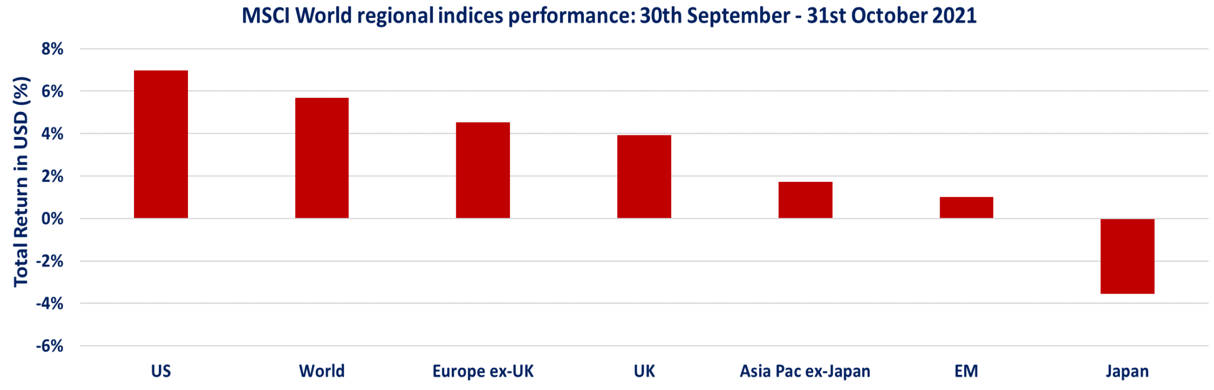
In October the Fund was up 2.68% (in GBP), the MSCI World Index was up 3.94%, and the IA Global Equity Income Sector average return was 1.22%.

The Fund therefore underperformed the Index by 1.26% over the month and outperformed its peer group average by 1.46%.

Global stock performance was broadly positive throughout October, with almost all key regions delivering positive returns. This was a reversal from a difficult September, when stocks fell following a barrage of negative news including increasingly disrupted supply chains, hawkish comments from the Federal Reserve, concerns over an approaching US debt ceiling, higher inflation in developed markets and an energy crisis in Europe. Negative sentiment from these events kept stocks relatively subdued in early October, especially with talk of 'stagflation' in the headlines.

Although many of these headwinds are still in investors' minds, markets regained momentum from the strong start to the Q3 earnings season as over 80% of S&P 500 companies (of the 56% that reported over the month) beat earnings expectations, driving the index to new peaks. The index reported the third-highest (year-over-year) quarterly growth in earnings since Q2 2010, and positively surprised by +10.3%, 190bps above the five-year average.

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.



Source: Bloomberg

In the US, the top-performing region for the month, concerns over the impending debt ceiling were eased as the House of Representatives approved a short-term increase in the government's borrowing limit, potentially averting a default by one of the world's debt safe havens. President Biden also made progress with his infrastructure agenda following weeks of fraught negotiations, announcing a framework agreement for a $1.75 trillion infrastructure package.

The US and EU agreed a deal to ease tariffs on steel and aluminium, resolving a trade dispute inflicted by the Trump administration. Brussels also signalled that it could extend a relaxation of state aid rules beyond the end of the year, following pressure from business. The energy crisis lasted throughout much of October. Intervention from Russian President Vladimir Putin helped to ease the situation after he ordered state-controlled Gazprom to start filling European storage facilities at the end of the month, causing gas prices to tumble. European gas contracts for delivery in November leapt to over €100 during October, up from €18 just six months ago, before eventually falling to €60-70 at the end of the month. Elsewhere, Jens Weidmann, known for being a lone opposition figure to much of the European Central Bank's unconventional loose monetary policies, unexpectedly stood down as president of the German Bundesbank. Speculation arose that his successor will be less hawkish and allow the continuation of cheap funding.

In the UK, reactions to the Autumn budget were mixed. Improved official forecasts afforded Rishi Sunak an additional £35bn annual windfall on top of the £36bn-a-year in tax increases he had already introduced. Instead of a 4% increase in GDP in 2021, the Office for Budget Responsibility (OBR) now predicts 6.5%. The government pointed to increases in funding for all of Whitehall's departments, while critics highlighted that wage growth will be more than offset by high inflation, tax increases and rising mortgage costs.

Following a torrid third quarter, Asia Pacific managed to return a positive month during October. The region was previously weighed down by weak Chinese performance (MSCI China fell 16% during Q3), with a sustained regulatory offensive affecting stocks early in the quarter and concerns over the ability of property group Evergrande to service its debts causing a sharp sell-off during September. Yet Chinese tech stocks rebounded during October as analysts upgraded forecasts and investors became more confident that peak regulatory risk had passed. Chinese property developer Evergrande, one of the world's largest debt holders, narrowly avoided default by paying creditors the weekend before a 30-day grace period expired. Despite these positive drivers, the region still suffers from energy shortages and weak economic indicators, with energy 'blackouts' hindering manufacturing.

Fund performance in October relative to the benchmark can be attributed to the following:

- Financials was the Fund's best-performing sector. The sector as a whole performed well, but with an allocation similar to that of the benchmark, strong stock selection in names such as CME Group (+14.1% USD), Arthur J Gallagher (+12.8% USD) and Blackrock (+12.5% USD) was the driver of relative outperformance.

- Strong stock selection was also evident within the pharmaceutical industry, with names such as Novo Nordisk (+13.1% USD) and AbbVie (+7.6% USD) delivering returns above the benchmark.

- With the rotation back towards growth stocks, the Fund's slight underexposure to Information Technology presented a small headwind. Good stock selection within Software and Services from names such as Microsoft (+17.63% USD, the Fund's top performer) helped to offset weaker performance from semiconductor companies such as Texas Instruments (-1.86% USD).

- Less cyclical defensive sectors generally underperformed in October. Consumer Staples was the primary contributor to underperformance. High relative exposure to the sector meant a negative return from allocation, with weaker performance from European names in particular (Danone -4.7% USD, Henkel -3.6% USD and Unilever -0.68% USD).

This year the Fund has produced a total return of 15.5% (GBP) against the MSCI World Index return of 19.1% (GBP) and the IA Global Equity Income Sector average return of 16.5% (GBP).

Over the longer term, it is pleasing to see that the Fund has outperformed the IA Global Equity Income Sector average over one, three, five and 10 years and since launch. The Fund also continues to rank as the top performer versus its peers over 10 years and since launch.

Cumulative % total return, in GBP, to 31/10/2021	YTD	1 year	3 years	5 years	10 Years	Launch*
Guinness Global Equity Income	15.5	28.4	47.9	66.3	223.0	226.5
MSCI World Index	19.1	32.5	54.0	82.7	272.1	249.6
MSCI AC World Index	16.5	29.5	51.1	77.0	244.2	219.6
IA Global Equity Income sector average	13.2	27.2	32.5	46.0	154.3	148.9
IA Global Equity Income sector ranking	18/52	21/51	5/46	6/41	1/18	1/14
IA Global Equity Income sector quartile	2	2	1	1	1	1

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

Summary: Dividend

In 2021 we have had dividend updates from 34 of our 35 holdings:

- 30 companies have announced growth in 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 remaining company, Broadcom.

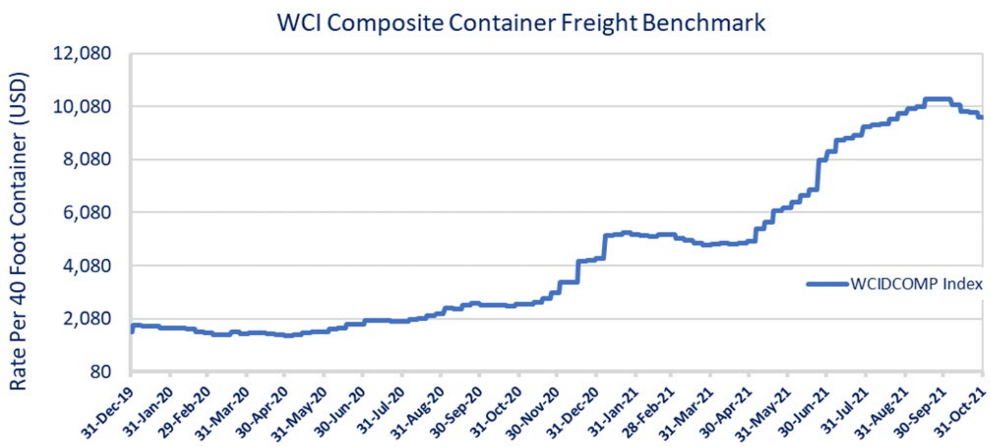
The dividend yield of the Fund at the end of the month, was 2.42% (net of withholding tax) vs the MSCI World Index 1.70% (gross of withholding tax). *Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charges. Investors may be subject to tax on the distribution.

October in Review

There was a level of disconnect between stock performance and economic data during October. While the S&P 500 climbed to new peaks, US GDP growth slowed sharply to a level far below analyst expectations, inflation remained hot and PMIs faltered, leading to talks of global stagflation. Although not the only cause, disruption to global supply chains caused by the pandemic has been a significant contributing factor and has dominated headlines.

Demand has bounced back far quicker than supply, as the unlocking of developed economies has fuelled exceptional levels of consumer spending, causing significant supply bottlenecks. While consumers are returning to normal life, manufacturers, distributors and retailers are continuing to deal with the practical implications of the pandemic and have not been able to supply as much as they did previously.

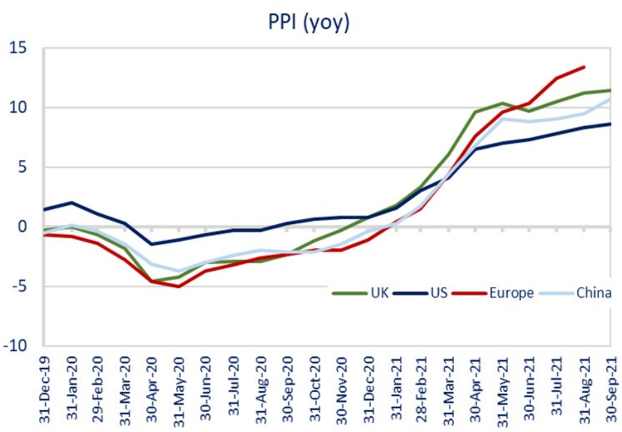
There has been pressure on every link of the supply chain. Restrictions on mobility across borders have meant the movement of goods has slowed down. Factory closures in South-East Asia have been triggered not just by lockdowns stemming from resurgences in Covid-19 cases, but an energy crisis that has created blackouts. Commodities globally have seen significant price increases. The prime example of supply chain stress is in shipping, as logjams emerge in ports across the world, leading not just to longer lead times, but a surge in pricing. The WCI Composite Container Freight benchmark, which measures the average rate at which a container can be shipped, rose to all-time highs and breached $10,000 – up over 500% since the beginning of the pandemic – at one point during October.

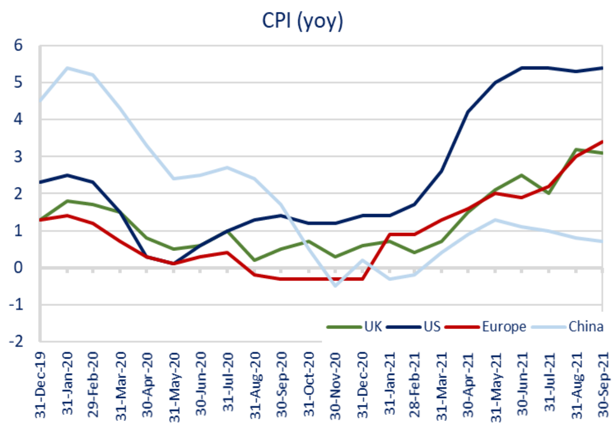


Source: Bloomberg

At the beginning of November, approximately $25bn worth of goods were waiting in approximately 80 container ships off the coast of California. With 90% of global trade shipped by ocean freight, clogged up ports have highlighted the fragility of global supply chains. They have also had a knock-on effect on warehouse space, exacerbated further by worker shortages. A truck driver shortage in both the UK and US has led to a search for more drivers abroad. Industrial vacancy rates, a measure of warehouse space, have hit historic lows of 3.6% in the US, although this rate is far lower in markets close to ports.

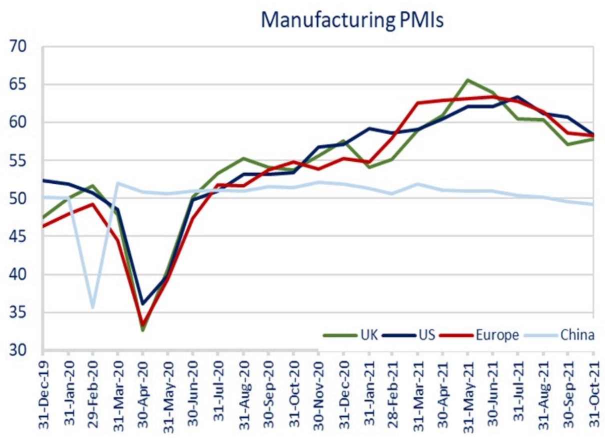
The consequences of these disruptions have filtered through to corporate earnings and growth data. Apple told investors that the global shortage of semiconductors lost it $6bn in profits. Amazon reported that "insufficient staffing levels" led to inventory being inefficiently re-routed, leading to an increase in costs. The earnings season trend has seen rising costs leading to margin compression, with the top line helping to offset weaker earnings through strong demand and price increases. The Fund's focus on quality has meant companies held typically have more pricing power and stronger balance sheets, giving them more levers to pull when navigating the stresses of the supply chain. For example, PepsiCo managed to avoid a significant portion of increased commodity costs through a robust six to nine-month hedging program. P&G noted that commodity cost increases and transportation costs delivered a 4% headwind to gross margins, but its quality brand image, global reach and cost edge stemming from scale economies (1% tailwind to gross margin from cost efficiencies), gives the firm an element of pricing power not afforded by smaller competitors, and revenue was able to grow +5.3%.

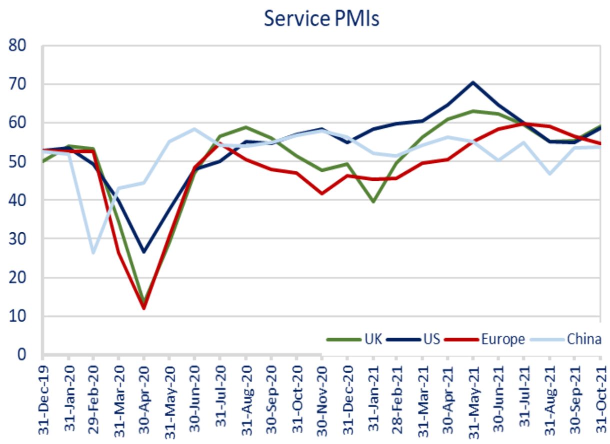




Source: Bloomberg

Input cost inflation from supply chain disruption can be seen in the Producers Price Index (PPI), which remains at elevated levels globally. As companies continue to pass these costs onto the consumer wherever possible, inflation has filtered through to the Consumer Price Index (CPI) in most regions. In the US, the Federal Reserve indicated during its minutes from the previous FOMC meeting its strongest indication to date that tapering would begin in November. Despite CPI ticking up by 10bps over September, the Fed continues to reaffirm its view that inflation is transitory – a view echoed by the European Central Bank (ECB). ECB President Christine Lagarde pushed back on investor expectations that the bank could raise rates next year to quell rising prices, although markets still expect a 0.1% rise by September 2022. The Bank of England was far more hawkish, with Governor Andrew Bailey indicating that the BoE could raise rates by the end of the year, sparking a sell-off in government debt. With inflation front of mind, we are confident that the companies in the portfolio are well placed from a pricing power perspective and the defensive nature of the portfolio – which has outperformed in all market corrections since launch in 2010 – gives us confidence heading into seemingly more volatile markets.

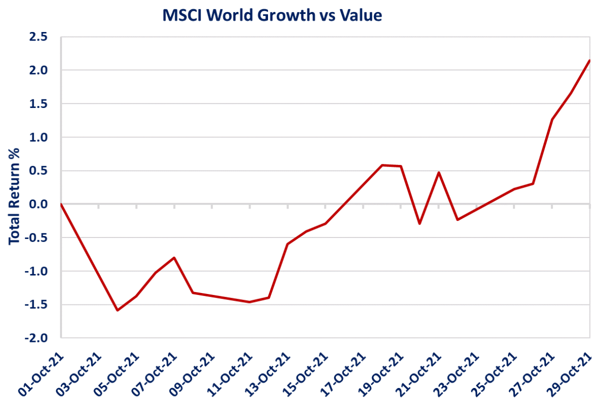


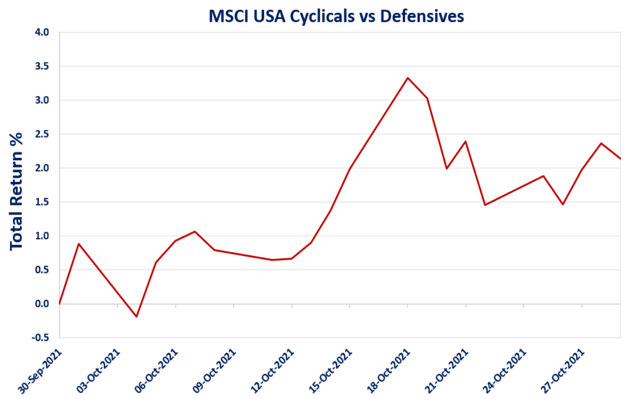


Source: Bloomberg

Amid the prominent effects of supply chain disruption and cost inflation, we saw manufacturing PMIs fall in the US, Europe and China during October. Even in the UK, which saw a slight improvement in PMIs, measures of output and delivery times both pointed to a slower recovery. However, both manufacturing and service PMIs remain expansionary (above 50) in the US, Europe and UK. In China, PMIs are contractionary (below 50), as the economy continues to battle against a property sector downturn and blackouts due to energy shortages.

US economic growth disappointed analyst expectations, with Gross Domestic Product growth at just 2.0% (quarter over quarter, seasonally adjusted at annual rates) in the third quarter, below analyst expectations of 3.2%. This is a sharp drop from Q2, where US government stimulus payments helped to underpin higher spending, leading to GDP growth of 6.7%. The deceleration was driven in part by a slowdown in consumer activity exacerbated by supply chain bottlenecks. Despite this, there is evidence to suggest that economic momentum is once again building, as retail sales topped expectations in September, and flights, restaurant dining and hotel stays turned higher. In Europe, the economic recovery accelerated by 10bps, with GDP growth of 2.2% in the three months to September. The region is now just 0.5% below pre-pandemic peaks. Growth was not consistent across the region, with France and Italy the core drivers (+3.0% and +2.6% Q3 growth respectively). Germany, however, slowed 10bps to 1.8%, its economy having large exposure to manufacturing and therefore outsized exposure to supply chain disruption, particularly in the car industry.





Source: Bloomberg

During the month, following a difficult start, the MSCI World Growth Index outperformed the MSCI World Value Index, making the performance of the two indices equal for 2021 so far. In managing the Fund, rather than trying to predict future investor sentiment, 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 Communication Services.

Portfolio Holdings

Microsoft was the Fund's best performer in October **(+17.63%, USD)**, outpacing the total return of the sector (MSCI World Information Technology Index +7.55% USD) and of the broader MCSI World Index (+3.94% USD). This strong performance meant Microsoft once again became the most valuable listed company in the world, reaching $2.5 trillion for the first time and overtaking Apple, following the iPhone maker's slightly disappointing quarterly earnings release. While the stock rose consistently throughout the month, a strong re-rating at the end of the month followed the company's Q3 earnings release, where revenue hit 22% year-on-year growth – the highest growth rate since 2014. Much of this growth was driven by the Cloud Computing division, growing 36% year-on-year, supported by robust Azure growth (50% year-on-year). Microsoft was also able to boost operating margins 200bps to 44.7%, aided by the growth of its high-margin cloud business and offsetting any supply chain impact. We continue to view Microsoft as a very attractive investment opportunity. Not only has the company a financial history characterised by long-term growth, high margins and exceptional cash generation, but it has an equally strong outlook. Microsoft is highly diversified across regions and segments and has high exposure to a number of growth products (Q1 year-on-year growth: Azure +50%, Dynamics 365 +48%, PowerBI apps +202% and Linkedin +48%). As Cloud continues to grow as a proportion of sales, we continue to see plenty of headroom for margin expansion.

CME Group was the Fund's second-best performer during October **(+14.05 USD)**. News early in the month that its average daily volume increased 14% year-on-year in the third quarter (to 17.8 million contracts) and +11% in September (to 18.8 million contracts) initiated a steady upward trend in the share price throughout the month. The group, through its exchanges, provides futures and options contracts based on interest rates, equity indices, currencies, energy, metals and more. CME Group is therefore a beneficiary of volatility in the market, particularly when there is uncertainty surrounding interest rates, its largest area of revenue. Volatility in the markets in October, particularly with relation to supply chain risks driving commodity prices, alongside an energy crisis, drove stock performance. Later in the month the firm announced the potential release of a new 20-year Treasury Bond futures contract in response to customer demand. Prototypes were presented to investors in mid-October. CME Group continues to offer an attractive investment thesis. The company continues to adapt to market needs through product development, its 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, its ESG-focused futures contracts provide another growth avenue, highlighting the company's ability to consistently keep itself aligned with investor requirements. Alongside top-line growth opportunities, CME Group has proven itself successful at growing the bottom line through cutting expenses, with operating costs falling more than 10% from a year ago. Finally, it possesses a sizeable economic moat, holding a dominant position in many of the contracts it offers in an industry with sizeable barriers to entry. This can be seen in its 95% share of US interest rate futures trades. We continue to like the CME Group investment story and see the Fed's expected interest rate hikes in FY22 as potential catalysts for the stock.

DANONE
ONE PLANET. ONE HEALTH

Danone was the biggest detractor from the Fund's performance for the month **(-4.84% USD)**. The global market leader in dairy products suffered a difficult October after forecasting that inflation in milk, packaging and transportation would be "at least the same level as 2021, and maybe even higher" in 2022. In a call with analysts, Danone's Chief Financial Officer stated that cost inflation will reach 9% in the second half, up from 7% in the first. The firm has not been immune to the world's supply chain crises such as in the US where scarcity in trucking has increased both prices and difficulty of getting products to North American factories. Despite giving a negative outlook around cost pressures, Danone still delivered a slight beat to consensus on its 3Q21 sales release (+3.8% vs +3.6%), but also reiterated its guidance for the full year – a return to profitable growth. The company also delivered +4.1% year-on-year growth in Essential Dairy & Plant-based, its largest segment. While inflationary pressures will offer a headwind, the firm will look to offset any negative effect on operating margin through price increases and efficiency measures. Danone's intangible asset of being a quality brand has afforded it a level of pricing power, shown in its most recent results where although volume was down -0.8%, this was more than compensated for by pricing, which give a +4.6% tailwind to overall revenue growth. We continue to like the Danone investment thesis. Its brand asset and scale across manufacturing and the wider supply chain are the key elements of its competitive edge. Its strategic shift towards a healthy brands pureplay offers further pricing power potential, alongside allowing it to ride a secular trend in consumer tastes. In addition, Danone's broad exposure to emerging markets, particularly China, where a premiumisation trend is taking place due to the rising middle class, will serve the firm well into the future.

Thank you for your continued support.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Analysts

Joseph Stephens

Sagar Thanki

Will van der Weyden

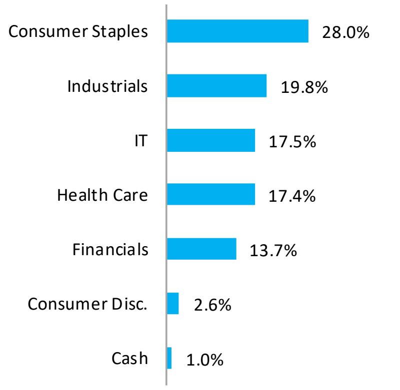
PORTFOLIO

31/10/2021

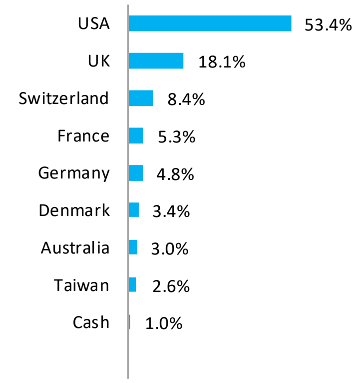
Fund top 10 holdings

Novo Nordisk	3.4%
British American Tobacco	3.4%
Microsoft	3.4%
Diageo	3.3%
Paychex Inc	3.2%
BAE Systems	3.2%
Eaton	3.1%
Abbvie	3.1%
Gallagher, Arthur J	3.0%
Sonic Healthcare	3.0%
% of Fund in top 10	32.1%
Total number of stocks held	35

Sector analysis



Geographic allocation



PERFORMANCE

31/10/2021

Past performance is not a guide to future returns

Annualised % total return from launch (GBP)

Fund (Y class, 0.81% OCF)	11.5%
MSCI World Index	12.2%
IA Global Equity Income sector average	8.8%

Discrete years % total return (GBP)	**Oct '21**	**Oct '20**	**Oct '19**	**Oct '18**	**Oct '17**
Fund (Y class, 0.80% OCF)	28.3	0.2	15.0	5.8	6.3
MSCI World Index	32.5	4.5	11.3	5.1	12.9
IA Global Equity Income sector average	27.2	-5.2	9.8	-0.1	10.3
IA Global Equity Income sector ranking	22/52	13/51	8/47	8/45	34/42
IA Global Equity Income sector quartile	2nd	2nd	1st	1st	4th

Cumulative % total return (GBP)	**1 month**	**Year-to-date**	**1 year**	**3 years**	**5 years**	**From launch**
Fund (Y class, 0.80% OCF)	2.7	15.5	28.3	47.8	66.2	226.4
MSCI World Index	3.9	19.1	32.5	54.0	82.7	249.6
IA Global Equity Income sector average	1.2	13.2	27.2	32.5	46.0	148.9

RISK ANALYSIS

31/10/2021

Annualised, weekly, from launch on 31.12.10, in GBP	**Index**	**Sector**	**Fund**
Alpha	0.00	-0.44	0.98
Beta	1.00	0.77	0.86
Information ratio	0.00	-0.47	-0.13
Maximum drawdown	-24.58	-22.41	-21.78
R squared	1.00	0.80	0.89
Sharpe ratio	0.61	0.43	0.61
Tracking error	0.00	6.51	4.77
Volatility	14.31	12.30	13.02

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

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.