

# Guinness Global Innovators Fund

Investment Commentary - March 2022



This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions. Past performance does not predict future returns.

## Innovation. Quality. Growth. Conviction.

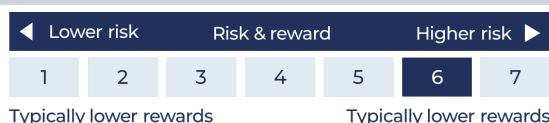
### ABOUT THE FUND

<b>Fund size</b>	£519m
<b>AUM in strategy</b>	£664m
<b>Fund launch date</b>	31.10.2014
<b>Strategy launch date</b>	01.05.2003
<b>Index</b>	MSCI World
<b>Sector</b>	IA Global
<b>Managers</b>	Dr. Ian Mortimer, CFA Matthew Page, CFA
<b>Analysts</b>	Sagar Thanki, CFA Joseph Stephens, CFA Will van der Weyden

#### Aim

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. An equity fund which invests in global equities. The companies invested in will have, in the manager's opinion, innovation at the core of their business. The Fund is actively managed and uses the MSCI World Index as a comparator benchmark only.

### RISK



The risk and reward indicator shows where the fund ranks in terms of its potential risk and return. The fund is ranked as higher risk as its price has shown high fluctuations historically. Historic data may not be a reliable indicator for the future. Past performance does not predict future returns. Data as of 28.02.2022

### PERFORMANCE\*

	1 Yr	3 Yrs	5 Yrs	10 Yrs
<b>Strategy*</b>	7.7	70.3	91.6	360.0
<b>Index</b>	15.4	48.6	63.8	229.8
<b>Sector</b>	6.8	40.7	55.1	168.1

#### Annualised % total return from inception (GBP)

<b>Strategy*</b>	13.2%
<b>Index</b>	10.3%
<b>Sector</b>	9.3%

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations. \*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 0.84% OCF, bid to bid, total return, in GBP.

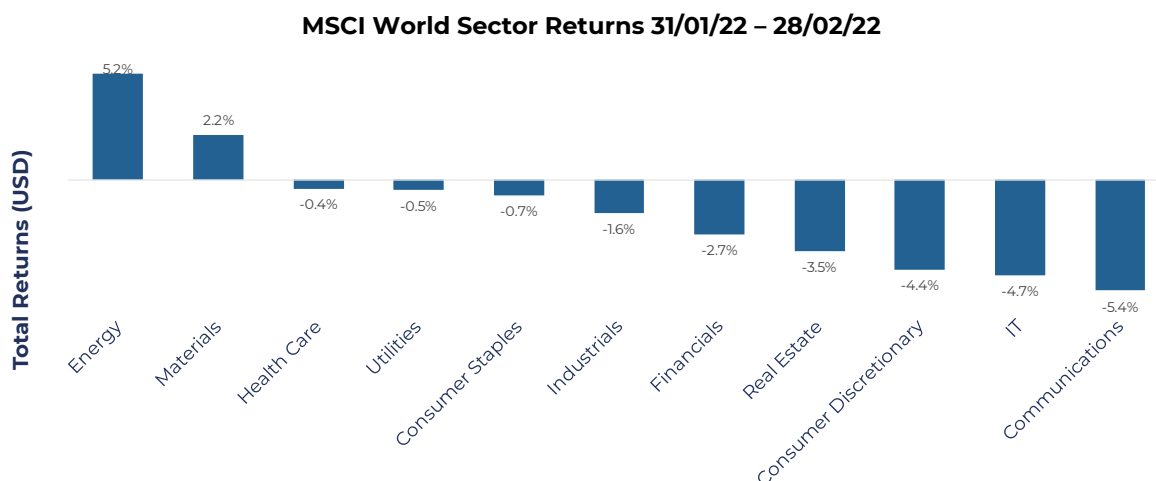
### SUMMARY

In February, global equity markets sold off (MSCI World Index fell -2.54% in GBP) as geopolitical tensions spiked amid Russia's invasion of Ukraine. The move is a drastic escalation of what had been decades of tension, most recently arising from the annexation of the Ukrainian region Crimea by the Russia government in 2014. The invasion has subsequently led to mass sanctions on Russia and related parties across the globe.

The sanctions levied look to stunt Russia's ability to compete on the world stage on varying fronts by limiting access to financing and technology in the long term – not merely in the short term. As a result of Russia's invasion of Ukraine and subsequent sanctions, we have seen:

- **An immediate risk-off scenario in markets:** Equities are down sharply (MSCI World currently down 2.54% GBP over the month), with safe havens such as USD and gold rallying.
- **This also led to value sectors outperforming growth over the month** with Communications, IT, and Consumer Discretionary the worst-performing sectors.
- **Energy stocks continued to rally** with Brent crude oil reaching above \$100 a barrel for the first time since October 2014.
- **European equities were understandably hit hardest** given their closer trading links with Russia, **with European banks the worst-affected industry**
- **Higher energy costs will further fuel inflationary pressures** which central banks are already struggling to get under control. Central banks are put in an even more difficult situation trying to balance inflationary pressures with what now seems likely to be slower economic growth. However, it appears unlikely the Fed will deviate from its plan to raise rates in the coming months.

## Guinness Global Innovators Fund



Source: Bloomberg, data as of 28/02/2022

### From the fund perspective:

- In the Fund we do not own any Russian or Ukrainian companies, nor do we own any companies domiciled in Eastern Europe (please see geographic allocation on page 5). We also do not own any companies which generate a material portion of revenue from these countries. The Fund's holdings have therefore been relatively protected against some of the intense drawdowns seen elsewhere in the market so far this year.
- We also do not own any banks or Consumer Staples – sectors that have been negatively impacted by sanctions and the prospect of higher commodities prices (input costs).
- Further, as we have seen repeatedly since the launch of the Fund, our focus on high quality and persistently profitable businesses means the underlying companies tend to have competitive moats and pricing power that enables the businesses to remain robust throughout uncertain periods. The businesses held within the fund are also all highly liquid – we can liquidate 100% of the fund in 3 days if necessary.
- More broadly, we do not currently see any immediate material threat to our companies' earnings.
- Looking over the month, the Fund's lack of exposure to the Energy and Materials sectors (which were the best-performing) proved to be a drag on performance whilst our overweight position to growth-orientated sectors, particularly IT, was also a drag. However, the fund's zero exposure to banks and Russian/Ukrainian equities was a positive for the fund over the month.

Whilst markets in the short term look more uncertain, it is pleasing to see that the fund performance over the longer term remains very strong, ranking in the top quartile versus IA Global peers across 3, 5, and 10 years.

Cumulative % total return, in GBP, to 28/02/2022	1 year	3 years	5 years	10 years
Guinness Global Innovators	7.66	70.30	91.62	360.01
MSCI World Index	15.40	48.58	63.83	229.77
IA Global sector average	6.83	40.65	55.14	168.11
IA Global sector ranking	248/448	8/380	21/320	6/215
IA Global sector quartile	3	1	1	1

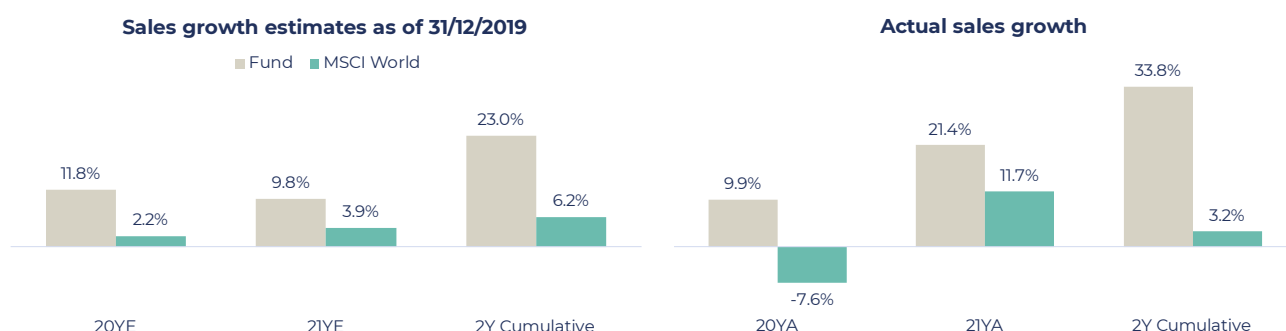
Source: Financial Express

## PORTFOLIO REVIEW

Although the COVID-19 pandemic had become somewhat more contained moving into February, with the UK, for example, removing all COVID-19 restrictions as part of the 'Living with COVID' plan, businesses still faced uncertainty as supply chain constraints persisted, and central banks' rhetoric continued to move towards monetary tightening as part of measures to control decade-high inflation.

And whilst the ongoing situation in Ukraine is an obvious additional threat to equity market stability, we continue to believe the fund's underlying holdings are well positioned moving forward, underpinned by structural shifts in the economy. As outlined in previous commentaries, the COVID-19 pandemic has accelerated many innovations that were filtering their way into everyday lives. This was highlighted well by Microsoft CEO Satya Nadella in the early stages of the pandemic, claiming "We've just seen two years' worth of digital transformation in two months". Within the portfolio, by assessing the forecasted sales growth prior to the pandemic versus actual growth, we can see this thesis held true across the majority of the portfolio.

Indeed, going into the pandemic the average fund holding was expected to grow sales by 11.8% in 2020 and 9.8% in 2021 vs the MSCI World 2.2% and 3.9% respectively.



Source: Bloomberg, data as of 28/02/2022

However, with the pandemic accelerating many of the innovations that fund holdings are enabling or exposed to, the average fund holding resultingly grew *faster* than was initially forecasted. Fund holdings grew their sales on average by 9.9% in 2020 – a slight decrease vs estimates but remained firmly positive – and 21.4% in 2021. This resulted in a cumulative growth over the 2-year period of 33.8% vs the estimated 23.0% - a 10.8% *increase*. In contrast, however, the MSCI World experienced a large *contraction* (7.6%) in growth in 2020, and whilst it did rebound in 2021, the 2-year cumulative growth was only 3.2% vs the estimated 6.2% - a 3.0% *reduction*.

Moving forward, we foresee these shifts in technology and broader innovations continuing to change the way in which consumers and businesses operate and as such as believe investing in business exposed to innovative themes, such as Clean Energy or Cloud Computing, puts the fund in good stead.

With the evolution of the Russia/Ukraine conflict still uncertain, we continue to monitor the portfolio and its holdings closely whilst maintaining our approach of looking for high quality, innovative, growth businesses.

We thank you for your continued support.

### Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

## Guinness Global Innovators Fund

### DISCRETE 12-MONTH PERFORMANCE

Discrete years %	Feb-22	Feb-21	Feb-20	Feb-19	Feb-18	Feb-17	Feb-16	Feb-15	Feb-14	Feb-13
Guinness Global Innovators Y GBP Acc	7.7	34.3	17.8	-4.7	18.1	35.4	-3.5	22.2	25.8	19.5
MSCI World TR	15.4	18.2	9.0	4.0	6.0	35.8	-1.3	17.0	10.2	16.5

Source FE fundinfo to 28.02.22 in GBP \*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.

## Guinness Global Innovators Fund

### Portfolio

Fund top 10 holdings (%)	Sector analysis (%)	Geographic allocation (%)
Apple 4.1%	IT 54.0%	USA 76.2%
KLA-Tencor 3.7%	Health Care 12.7%	Germany 6.2%
Mastercard Inc 3.6%	Industrials 9.8%	Taiwan 3.6%
Microsoft 3.6%	Communication Serv. 9.3%	Switzerland 3.3%
Taiwan Semiconductor AI 3.6%	Consumer Disc. 9.0%	France 3.3%
Intercontinental Exchang 3.6%	Financials 3.6%	South Korea 3.2%
Bristol-Myers Squibb Co 3.6%	Cash 1.5%	China 2.7%
Amphenol Corp 3.5%		Cash 1.5%
Applied Materials 3.4%		
Nike 3.4%		
% of Fund in top 10 36.1%		
Total number of stocks 30		

### Performance\*

Past performance does not predict future returns. We are now following new requirements from the European Securities and Markets Authority (ESMA) which came into force on 2nd February 2022 relating to information on past performance. These mean that we can only illustrate fund performance information with 12-month minimum periods, with the exception of year-to-date performance, which can be shown to quarter-end.

**Annualised % total return from strategy inception (GBP) 28/02/2022**

Guinness Global Innovators strategy*	13.2%
MSCI World Index	10.3%
IA Global sector average	9.3%

Discrete years % total return (GBP)	Feb '22	Feb '21	Feb '20	Feb '19	Feb '18
Guinness Global Innovators Fund	7.7	34.3	17.7	-4.7	18.1
MSCI World Index	15.4	18.2	8.9	4.0	6.0
IA Global sector average	6.8	23.1	6.9	1.7	8.5
IA Global sector ranking	248/448	62/417	16/380	321/349	30/321
IA Global sector quartile	3rd	1st	1st	4th	1st
Cumulative % total return (GBP)	1 Yr	3 Yrs	5 Yrs	Launch*	
Guinness Global Innovators strategy	7.7	70.3	91.6	931.1	
MSCI World Index	15.4	48.6	63.8	529.8	
IA Global sector average	6.8	40.7	55.1	430.1	

RISK ANALYSIS				28/02/2022
Annualised, weekly, 5 years, in GBP	Index	Sector	Fund	
Alpha	0	0.39	2.95	
Beta	1	0.84	1.07	
Information ratio	0	-0.20	0.46	
Maximum drawdown	-24.58	-21.61	-22.25	
R squared	1	0.85	0.83	
Sharpe ratio	0.43	0.38	0.58	
Tracking error	0	5.86	7.17	
Volatility	14.85	13.50	17.37	

\*Simulated past performance. Performance prior to the launch of the Guinness Global Innovators Fund (31.10.14) reflects the Guinness Atkinson Global Innovators Fund (IWIRX), a US mutual fund with the same investment process since 01.05.2003.

Source: FE fundinfo, bid to bid, total return. Fund Y GBP class (0.84% 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.

## IMPORTANT INFORMATION

**Issued by Guinness Global Investors.** Guinness Global Investors is a trading name of Guinness Asset Management Limited which is 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 in English from [www.guinnessgi.com](http://www.guinnessgi.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](http://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