Guinness Emerging Markets Equity Income Fund

Investment Commentary – May 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.

ABOUT THE FUND

Launch date	23.12.2016
Index	MSCI Emerging Markets
Sector	IA Global Emerging Markets
Team	Mark Hammonds Edmund Harriss Sharukh Malik

Aim

The Guinness Emerging Markets Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in Emerging Markets world-wide. The Fund aims to provide long-term capital appreciation and a source of income that has the potential to grow over time. The Fund is actively managed and uses the MSCI Emerging Markets Index as a comparator benchmark only.

RISK

Lower Risk				Higher Risk		
1	2	3	4	5	**6**	7

Typically lower rewards — Typically higher rewards

The risk and reward indicator shows where the Fund ranks in terms of its potential risk and return. The Fund has been classed as 6 because its volatility has been measured as above average to high. Historic data may not be a reliable indicator for the future. The 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.

PERFORMANCE

Past performance does not predict future returns

30/04/2021	1 Yr	3 Yrs	5 Yrs	Launch*
Fund	-1.7	9.6	30.9	40.0
Index	-9.9	11.0	27.3	41.0
Sector	-12.4	8.2	20.3	34.2

Discrete 12m performance is shown below. Source: FE fundinfo, bid to bid, total return. *Launch: 23.12.2016. Investors should note that fees and expenses are charged to the capital of the Fund. This reduces the return on your investment by an amount equivalent to the Ongoing Charges Figure (OCF). The fund performance shown has been reduced by the current OCF of 0.89% per annum. Returns for share classes with a different OCF will vary accordingly. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

SUMMARY

- Emerging markets fell over the course of April. The MSCI Emerging Markets Net Total Return Index fell 1.4% (all performance figures in GBP unless stated otherwise).
- The Fund outperformed over the month, falling by only 0.6%.
- For the year to date, the Fund is ahead of the benchmark. The Fund is *up* 0.4% while the benchmark has declined 5.2%.
- This month, emerging markets outperformed developed markets, with the MSCI World Index declining 4.2% and the S&P 500 Index falling 4.6%.
- The best-performing region was EMEA (Europe, Middle East and Africa), up 1.0%. Asia was next, declining 0.8%. Latin America, after a very strong first quarter, gave up 9.1% during the month.
- Among the largest countries, the best-performing were Saudi Arabia (+10.6%), Indonesia (+8.4%) and India (+2.7%).
- The worst-performing countries were Brazil (-9.9%), South Africa (-8.9%) and Mexico (-7.1%).
- The strongest performers in the portfolio were Jumbo (+13.7%), Netease (+11.0%) and Zhejiang Supor (+10.3%).
- The weakest performers were China Merchants Bank (-18.8%), Credicorp (-15.6%) and B3 (-15.3%).
- The oil price continued to fluctuate, but Brent ended roughly flat over the month.

EVENTS DURING THE MONTH

The conflict in Ukraine continued, despite enormous political and economic pressure on Russia by the West.

A more hawkish stance from the Fed has become apparent, with interest rate expectations increasing as the central bank attempts to battle rising inflation.

Concerns over covid lockdowns in China weakening demand, concurrent disruptions in the supply chain, combined with slowing economic data all continued to cause a deterioration in market sentiment.

US dollar strengthened by 4.7% in April.

Emerging market currencies fell 3.2%, despite a relatively resilient performance in the first quarter.

PORTFOLIO PERFORMANCE

The best-performing stock in April was Jumbo, an eastern European retailer of toys, baby products and stationery based in Greece. The company reported full-year results for 2021 that reflected a strong performance in the post-pandemic recovery. Net profit for the year was up 56% on 2020 and surpassed the figure for 2019. The business has also had a strong start to 2022, with sales up 25% (sales in April were up even higher, +32%). Rising inflation and the accompanying pressure on disposable income is likely to act as a headwind; nevertheless, management guided for sales growth for the year to range between 2% and 5%. Alongside the demand challenges, a key determinant for retailers this year will be ability to source inventory at the right price and in a timely fashion. Jumbo management has a strong track record, which we expect to provide some mitigation of this risk. Management has deferred some capex spending into next year. A desire to maintain the dividend payment and the announcement of a share buyback programme provide us with additional assurance that shareholders' interests are being looked after.

The weakest stock was China Merchants Bank, which fell following the arrest of its former president by the country's anti-corruption body. Details are scarce, but we do not think this will have an impact on the fundamental operations of the bank, which now generates a return on equity of 17%. Results from the first quarter were good, with net interest margin expansion delivering operating profit growth (before credit costs) of 9% and net profit growth of 13% year-on-year. There was, however, a deterioration in asset quality from real estate and credit card loans. Management made a point of providing detailed disclosure on property exposure. Total real estate exposure is 5.5% of total assets, of which domestic real estate loans account for 70%; the non-performing loan ratio for this segment is 2.6% compared to a 0.94% non-performing loan ratio for the overall loan book.

OTHER PORTFOLIO NEWS

Further updates came in during the month for portfolio companies:

Zhejiang Supor reported results for 2021. Total revenue grew by 16.1% year-on-year and net profit grew at a slower 5.3%. A sign of recovery emerged in the fourth quarter with much stronger online sales. Part of the explanation for lower margins is increased spending on advertising as an investment in growing the online channel. Some pressure from raw materials will be offset by price hikes. Guidance for 2022 remains unchanged of growth in both top and bottom line in the teens on a percentage basis.

Shenzhou International reported results for the second half of 2021. Production disruptions in Vietnam were the main contributor to weakness in performance. On the cost-side higher raw materials prices were faced, along with expenses due to relocating production. Guidance for 2022 is for 15% volume growth for the full year. Much will depend on the ongoing status of Covid restrictions in both China and Vietnam.

Chinese dairy company Inner Mongolia Yili reported first quarter sales up 13% and profit up 24%, and it was a similar picture for the full year 2021. The dividend was increased by 17%. The 14% sales growth in 2021 growth was the combination of 8% volume growth, 4% product mix and 2% price hike. First quarter results included margin improvement at both gross and net profit levels.

OUTLOOK

Markets have faced a challenging start to 2022, but it was noticeable in April that emerging markets significantly outperformed developed markets in the sell-off. As US inflation has risen, the more hawkish response coming from the Federal Reserve has prompted a wave of selling in equities markets, with growth stocks at the speculative end of the spectrum among the worst affected. The Fed is in a tricky position, seeking to raise rates to bring inflation under control, without engineering a recession or endangering equity markets. This is clearly a lot to ask!

Emerging markets are clearly facing their own big challenges: China's economic slowdown principal among them. The authorities' reliance on a zero-covid policy has not fully protected manufacturing operations from the impact of the pandemic, and the distribution of goods has been hampered by port shutdowns and shipping delays. The policy is now starting to have an impact on demand as well.

Nevertheless, China has the ability and the resources to stimulate demand. Compared with many countries in the West, China's fiscal support during the earlier part of the pandemic was much smaller, leaving open the potential for further fiscal stimulus as required. China is also more able to coordinate a fiscal response effectively, with policy tools available to target support to where it's needed. A challenge for China's policy makers will come if the US consumer starts to falter at the same time. With inflation running high, there is already evidence of a slowdown in consumer spending. The coming months will provide more of a picture as to the extent of this. In this scenario, there is also scope to stimulate domestic demand that could, to a degree, offset weaker external demand.

Given the uncertainties that exist in markets today, we think it is sensible to focus on the underlying fundamentals of our investee companies. We look for companies that generate attractive returns on capital in cash terms, paying a sustainable dividend, with opportunities to reinvest and grow over time. Market valuations of these companies can fluctuate over time, but their ability to make progress each year depends more on their business model and management than it does on their stock price.

Portfolio managers

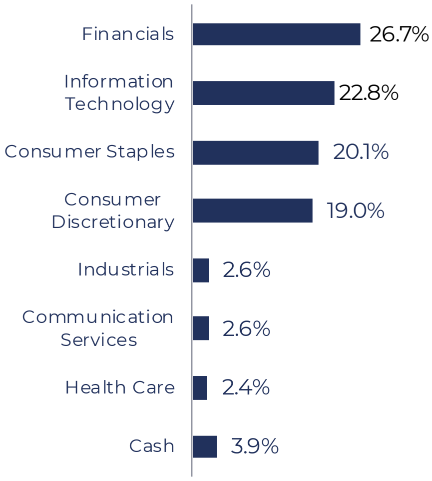
Edmund Harriss

Mark Hammonds

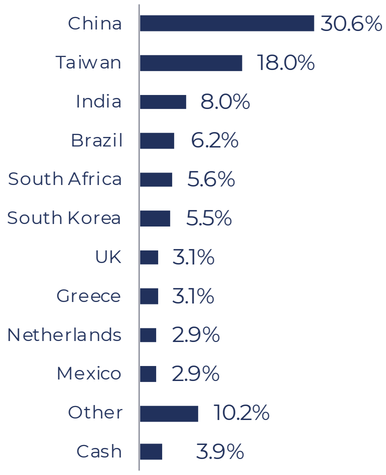
PORTFOLIO

Fund top 10 holdings	
B3 SA - Brasil Bolsa Balcao	3.4%
British American Tobacco	3.1%
Bajaj Auto	3.1%
Zhejiang Supor	3.1%
Jumbo	3.1%
ICBC	2.9%
UNILEVER NV	2.9%
Shenzhou International	2.9%
Inner Mongolia Yili Industri	2.9%
Coca-Cola Femsa	2.9%
% of Fund in top 10	30.3%
Total number of stocks	36

Sector analysis



Geographic allocation



PERFORMANCE

PERFORMANCE Past performance does not predict future returns **30/04/2022**

Annualised % total return from launch (GBP)

Fund (Y class, 0.89% OCF)

MSCI Emerging Markets Index

IA Global Emerging Markets sector average

Discrete years % total return (GBP)	Apr '22	Apr '21	Apr '20	Apr '19	Apr '18
Fund (Y class, 0.89% OCF)	-1.7	29.9	-14.2	2.4	16.6
MSCI Emerging Markets Index	-9.9	35.5	-9.1	0.3	14.3
IA Global Emerging Markets sector average	-12.4	37.9	-10.3	0.1	11.0

Cumulative % total return (GBP)	YTD	1 Yr	3 Yrs	5 Yrs	Launch
Fund (Y class, 0.89% OCF)	0.4	-1.7	9.6	30.9	40.0
MSCI Emerging Markets Index	-5.2	-9.9	11.0	27.3	41.0
IA Global Emerging Markets sector average	-8.6	-12.4	8.2	20.3	34.2

RISK ANALYSIS **30/04/2022**

Annualised, weekly, from launch on 23.12.16, in GBP	Index	Sector	Fund
Alpha	0.00	-0.46	1.36
Beta	1.00	0.92	0.82
Information ratio	0.00	-0.25	0.02
Maximum drawdown	-22.63	-25.14	-23.22
R squared	1.00	0.94	0.77
Sharpe ratio	0.18	0.13	0.21
Tracking error	0.00	3.66	7.29
Volatility	15.04	14.24	13.99

Source: FE fundinfo. Bid to bid, total return. Fund launch date: 23.12.2016.

IMPORTANT INFORMATION

Issued by Guinness Global investors which 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 equities and equity markets invested in by the Guinness Emerging Markets 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 Emerging Markets 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. The Fund invests only in stocks of companies that are traded on Emerging Markets stock exchanges or that do at least half of their business in the region; it is therefore susceptible to the performance of that region, and can be volatile. 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.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. 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