Guinness Sustainable Global Equity Fund

Investment Commentary - May 2022

ABOUT THE FUND

Launch date	15.12.2020
Fund Size	£13.9M
Benchmark	MSCI World Index
Sector	IA Global
Team	Sagar Thanki CFA Joseph Stephens CFA

Aim

The Fund is a global growth fund designed to provide exposure to high quality growth companies, with sustainable products and practices. The Fund holds a concentrated portfolio of mid-cap companies in any industry and in any region. The Fund is actively managed and uses the MSCI World 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

30/04/2022	YTD	1 Yr	Launch*
Fund	-15.0	1.9	9.2
Index	-6.2	6.4	15.1
Sector	-8.0	0.6	9.3

Source: FE fundinfo, bid to bid, total return. *Launch: 15.12.2020. 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. Returns do not reflect any initial charge; any such charge will also reduce the return.

SUMMARY

In April, the Fund returned -4.96% (in GBP), while the MSCI World Index returned -3.84%. The Fund therefore underperformed the Index by 1.14%.

Year-to-date, the Fund has returned -15.24%, whilst the MSCI World Index has returned -6.18%. The Fund has therefore underperformed the Index by 9.06%.

Value's significant outperformance of growth and quality stocks this year has been a large drag on fund performance as the Ukraine war, Chinese lockdowns, supply chain disruptions, and tighter US monetary policy have shifted sentiment. Although this underperformance is disappointing, it is not dissimilar to what we might expect in this type of environment. Given some of the dramatic sell-offs amongst the more speculative areas of the market (which we do not own), and the Fund's positioning in high-quality businesses underpinned by structural growth, we believe the Fund now presents an attractive buying opportunity. Longer-term, fund performance remains strong, ranking in the 2nd quartile vs ESG peers since launch (i.e. a group of 44 responsible, sustainable and impact funds identified within the IA Global Sector. Further information shown below).

April performance can be attributed to the following:

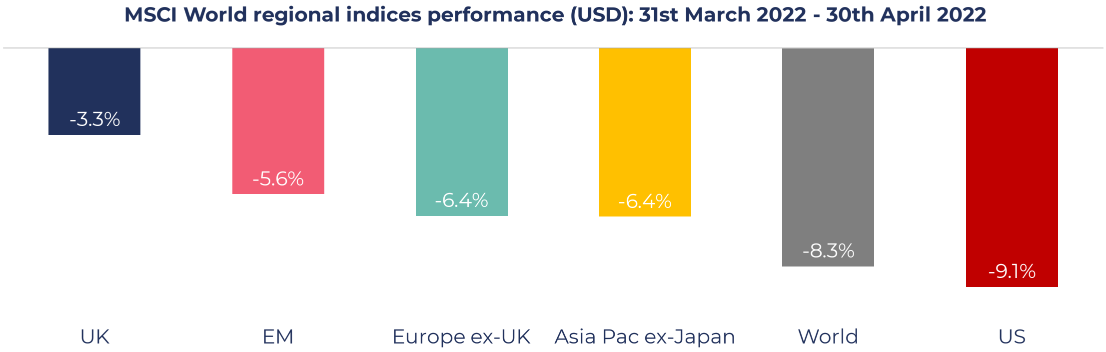
- Whilst the portfolio's overweight exposure to IT was a negative from an asset allocation perspective, strong selection within the sector, particularly to software businesses including Jack Henry and Worldline, offset this.

- Our underweight exposure to more defensive sectors including Consumer Staples, Utilities and Real Estate alongside the Fund's zero exposure to Energy were the largest drags on performance.

- From a market cap perspective, although the Fund benefitted from not owning any mega-cap businesses (such as the Big Tech stocks that sold off during the month), our exposure to mid-caps was a drag on performance.

APRIL IN REVIEW

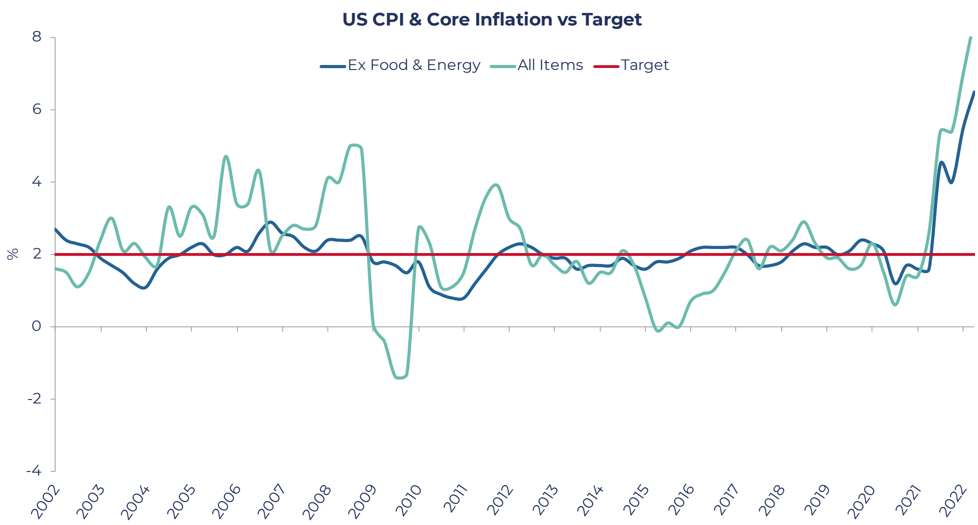
In April, global equity markets continued their Q1 sell-off as the Ukraine war, Chinese lockdowns, supply chain disruptions, and the prospect of substantially tighter US monetary policy all weighed on investor sentiment. The MSCI World Index fell -8.27% (in USD), posting its worst monthly decline since March 2020.



Source: Bloomberg. As of 30th April 2022

The US was the weakest-performing region in April and the end of the month also marked the S&P 500 Index's worst monthly return (-8.72%) since March 2020 (and its worst start to the year since 1939). The tech-heavy Nasdaq Index suffered more, falling 13.24% in April, posting its biggest monthly drop since the Global Financial Crisis in October 2008. Weakness in the market has predominately been driven by fears that the US Federal Reserve (Fed) will have to be more aggressive in its monetary policy to tame record inflation. Several members of the Fed's Board of Governors used speeches in April to articulate their desire to take rates back to neutral as quickly as possible, and the market has now priced 50 basis point hikes at each of the Fed's next three meetings – a path that Fed Chair Jerome Powell hinted was perfectly feasible during a panel discussion at the International Monetary Fund (IMF). Unsurprisingly higher duration assets sold off most; value continued its outperformance vs growth, and defensive sectors outperformed their cyclical counterparts.

Headline US CPI inflation increased 1.2% in March, a sharp pick-up from February. This took the annual rate of inflation to 8.5% from 7.9%, its highest level since December 1981.



Headline US CPI Inflation Breakdown. Source: Bloomberg. As of 30th April 2022

Much of the higher inflation has been caused by higher energy prices and increasing prices of goods. Though this trend has been fairly persistent since the back end of 2021, it has recently been reinforced given the Ukraine invasion and China's continuation of its zero-Covid policy. Whilst the ongoing war has impacted global markets mainly via higher fuel prices, the shutdown of 40% of the world's second-largest economy has exacerbated existing supply chain challenges. Despite monetary and fiscal stimulus plans, the lack of activity in Shanghai and Beijing dampened Chinese (and global) growth expectations; China's 5.5% growth target for 2022 is now looking increasingly difficult to achieve.

The IMF has reduced its forecast for the expansion in the world economy from 4.4% at the start of the year to 3.6%, with the Eurozone area seeing the largest cut in expected growth, from 3.9% to 2.8%, not least due to the region's reliance on Russian gas and oil. Nonetheless, growth globally has stalled, with the US economy contracting by 0.4% in the first quarter, increasing the possibility of prolonged stagflation, i.e. a combination of stagnant growth and rampant inflation.

VALUE vs GROWTH

Since the turn of the year, there has been a significant divergence in performance between growth and value. The MSCI World Value Index has outperformed the MSCI World Growth Index by 7.9% in USD, and the MSCI World by 3.5%. In the context of war in Europe, high inflationary pressures, disrupted supply chains and hawkish monetary policy, investors have sought the sanctuary of value-tilted names.

Source: Bloomberg, Guinness Global Investors

Growth-focused sectors such as Information Technology, to which the Fund has an overweight position, typically trade from higher multiples, and de-rated over the period. Yet even within the Technology sector, there has been a clear correlation between performance and level of valuation. This can be observed in the chart below, which compares the median 1-year-forward Price-to-Earnings ratio of each performance decile within the Nasdaq 100, a predominantly tech-focused index.

NASDAQ 100 Constituents, Performance Decile vs Median 1 yr Forward Price to Earnings Year-to-date

Source: Bloomberg, Guinness Global Investors

'Speculative' growth stocks are typified by high-multiples and are typically 'high-duration' in nature, with a significant portion of their cash flows forecast to materialise long into the future. Consequently, these companies are typically more sensitive to changes in interest rates, which make up an important element of the discount rate in which to measure the present values of future cash flows. As seen in the chart above, over a period in which 'risk-off' sentiment becomes prevalent, these stocks tend to underperform.

Over the course of the pandemic, a number of 'stay-at-home' speculative stocks were bid up to high valuations as demand accelerated for their products. During this period, the market often failed to distinguish accurately between stocks for which a permanent change in customer behaviour and habits would create superior cashflows for the underlying business, and those for which the tailwinds were temporary.

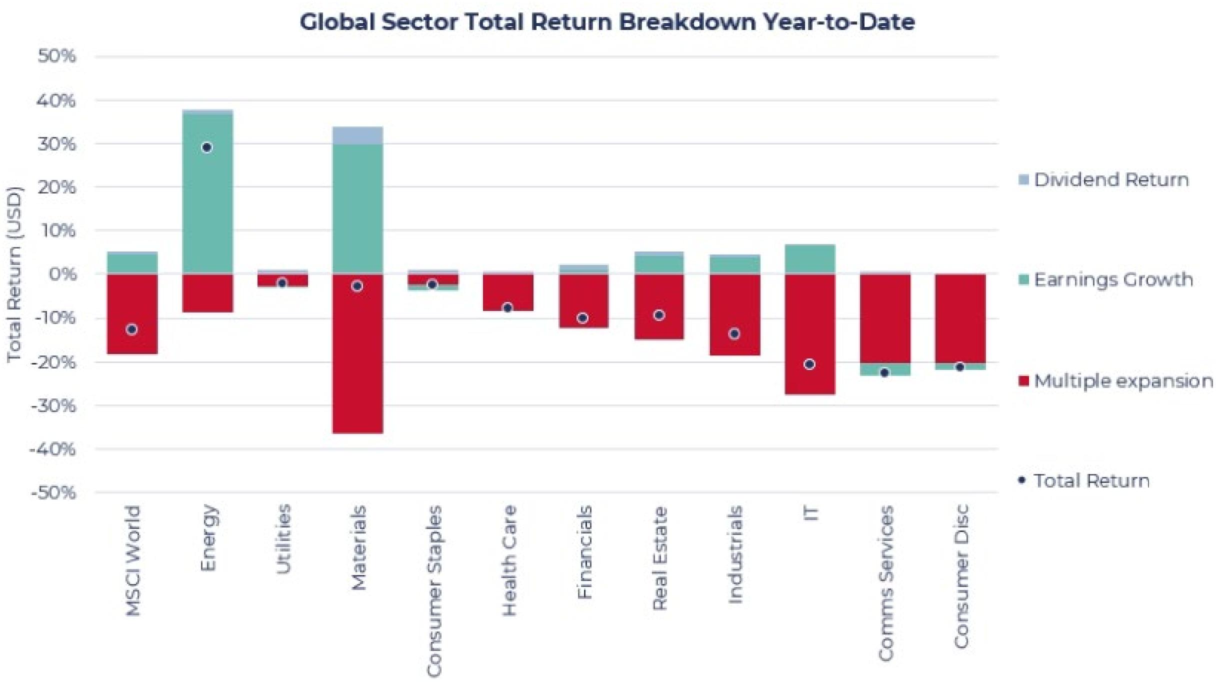
Stocks held in the Fund play instead to long-term, secular growth themes, such as Health & Wellbeing, Productivity & Connectivity, and Resource Efficiency. Whilst the pandemic may have been a catalyst for demand in products and services within these segments and therefore proved a boon for related stocks, these revenues are 'stickier' and more-long term in nature. As a result, the Fund has largely been isolated from the temporary behavioural changes that many speculative stocks at first benefitted from, but are now paying for.

A FOCUS ON GROWTH IN A LOWER-GROWTH ENVIRONMENT

While analysts have continued to upgrade earnings expectations for the MSCI World Index, valuations have been compressed as a consequence of the higher interest rate environment, driving the majority of equity underperformance. For example, as can be seen below, the MSCI World Index has seen its 1-year forward price-to-earnings multiple compressed by 16.0% since the start of the year, whilst earnings have been upgraded (modestly) by 2.7%.

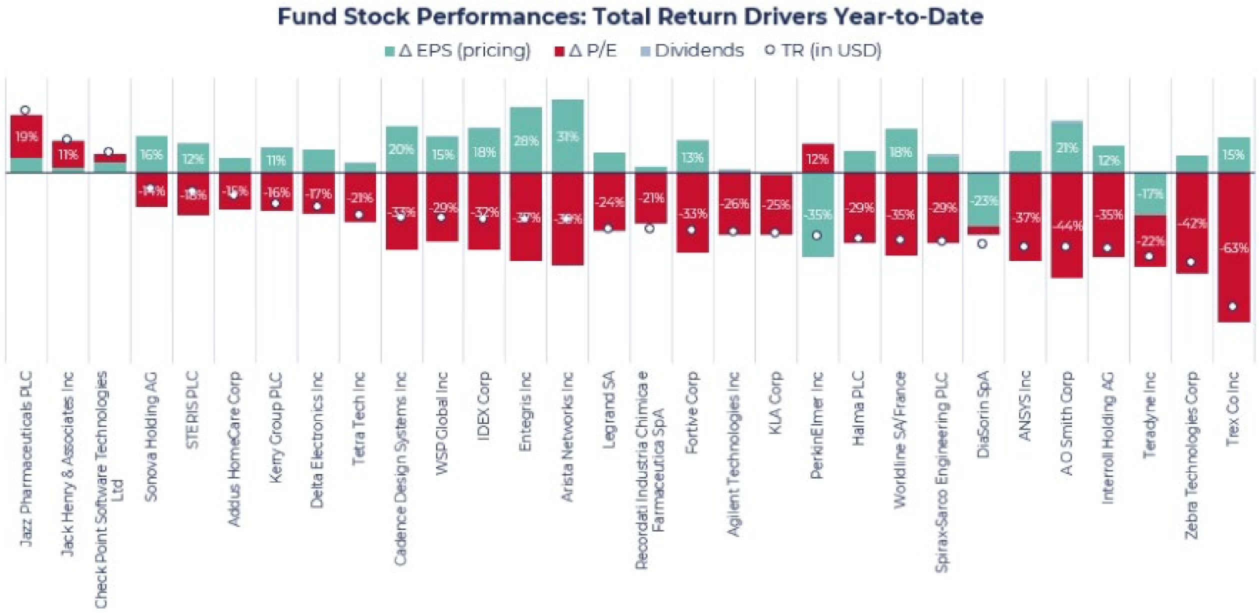
Source: Bloomberg, Guinness Global Investors

Broadly, this trend can be seen across individual sectors with multiple contraction driving sector returns.



Source: Bloomberg, Guinness Global Investors

Looking at Fund constituents, a similar picture emerges, with valuation compression driving many weak stock performances. However, we can observe that offsetting much of that has been robust earnings growth: in fact, looking at the individual stocks below, the only stocks with earnings downgrades have been PerkinElmer and Diasorin, which are coming off peaks from Covid-related diagnostics sales, and Teradyne which, as noted in last month's update, pushed out a large customer order until next year.



Source: Bloomberg, Guinness Global Investors

Comparing the Fund with the MSCI World Index, since the start of the year, the MSCI World Index has seen earnings upgraded by 2.7% with its multiple contracting by 16.0%. The average Fund holding has seen earnings upgraded by 7.7% but the multiple has contracted by 23.1%. Hence it is evident that whilst this higher interest rate environment is having a greater negative impact on holdings' valuations, our focus on stocks underpinned by structural growth trends have shown more permanent earnings growth.

We thank you for your continued support.

Portfolio Managers

Joseph Stephens, CFA

Sagar Thanki, CFA

PERFORMANCE vs ESG PEER FUNDS

Total return in GBP	YTD	Rank (Quartile)	1-Year	Rank (Quartile)	Since Launch	Rank (Quartile)	2021	Rank (Quartile)
Guinness Sustainable Global Equity	-15.0%		1.9%		9.2%		27.8%	
MSCI World	-6.2%		6.4%		15.1%		22.9%	
Avg. ESG peer fund*	-12.3%	n/a	-1.9%	18/44 (2nd)	5.7%	18/44 (2nd)	17.0%	2/44 (1st)

**A custom-made group of 44 similar peer funds (i.e. responsible, sustainable and impact funds identified within the IA Global Sector). Source: FE fundinfo, Bloomberg, Guinness Global Investors. Data as of 30.04.2022*

PORTFOLIO

Fund top 10 holdings

Entegris Inc	3.6%
Legrand SA	3.6%
Fortive Corp	3.5%
Teradyne Inc	3.5%
Jazz Pharmaceuticals	3.4%
Addus HomeCare	3.4%
Cadence Design Syste	3.4%
Jack Henry & Associate	3.4%
Delta Electronics Inc	3.4%
Spirax-Sarco Engineer	3.4%
% of Fund in top 10	34.6%
Total number of stocks	30

Sector analysis

Information Technology	40.0%
Industrials	29.9%
Health Care	26.2%
Consumer Staples	3.3%
Cash	0.5%

Geographic allocation

USA	59.8%
France	6.9%
UK	6.7%
Switzerland	6.7%
Italy	6.3%
Taiwan	3.4%
Ireland	3.3%
Canada	3.3%
Israel	3.1%
Cash	0.5%

PERFORMANCE

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

Annualised % total return from strategy inception (GBP)

Guinness Sustainable Global Equity (0.89% OCF)	6.6%
MSCI World Index	10.8%
IA Global sector average	6.7%

Discrete years % total return (GBP)	Apr '22	Apr '21	Apr '20	Apr '19	Apr '18
Guinness Sustainable Global Equity (0.89% OCF)	1.9	-	-	-	-
MSCI World Index	6.4	-	-	-	-
IA Global sector average	0.6	-	-		-

Cumulative % total return (GBP)	YTD	1 year	3 years	5 years	10 years
Guinness Sustainable Global Equity (0.89% OCF)	-15.0	1.9	-	-	-
MSCI World Index	-6.2	6.4	-	-	-
IA Global sector average	-8.0	0.6	-		-

RISK ANALYSIS

Annualised, weekly, since launch, in GBP	Index	Sector	Fund
Alpha	0.00	-2.73	-4.96
Beta	1.00	0.85	1.16
Information ratio	0.00	-0.85	-0.46
Maximum drawdown	-9.68	-12.22	-17.04
R squared	1.00	0.84	0.75
Sharpe ratio	0.59	0.22	0.18
Tracking error	0.00	4.89	8.36
Volatility	12.12	11.30	16.26

Fund returns are for share classes with a current Ongoing Charges Figure (OCF) stated above; returns for share classes with a different OCF will vary accordingly. Source: FE fundinfo bid to bid, total return (0.89% OCF). Fund launch date: 15.12.2020.

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 Guinness Sustainable Global Equity 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 Sustainable Global Equity 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.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.