Guinness Emerging Markets Equity Income Fund

Investment Commentary – June 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	Edmund Harriss (Manager) Mark Hammonds (Manager) 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

31/05/2022	1 Yr	3 Yrs	5 Yrs	Launch*
Fund	1.3	16.9	30.2	43.2
Index	-9.6	15.8	23.4	41.1
Sector	-11.8	11.8	16.2	34.2

Discrete 12m performance is shown at the end of this commentary. 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 were flat in sterling terms for the month of May. The MSCI Emerging Markets Net Total Return Index rose 0.1% (all performance figures in GBP unless stated otherwise).

The Fund outperformed the benchmark significantly over the month, rising 2.3%.

For the year to date, the Fund is ahead of the benchmark. The Fund is *up* 2.6% while the benchmark has declined 5.2%.

This month, emerging markets again outperformed developed markets (albeit marginally), with the MSCI World Index declining 0.3% and the S&P 500 Index falling 0.2%.

The best-performing region was Latin America, rising 7.8%. Asia was next, up 0.1%. EMEA (Europe, Middle East and Africa) was the worst performer, falling 4.5%. The ordering of regions by returns is the same as for the year to date.

Among the largest countries, the best-performing were Brazil (+8.0%), Mexico (+5.4%) and Taiwan (+3.3%).

The worst-performing countries were Saudi Arabia (-7.5%), India (-6.1%) and Indonesia (-3.6%).

The strongest performers in the portfolio were Banco Davivienda (+15.4%), Catcher (+14.4%) and Hon Hai (+12.1%).

The weakest performers were LG Household & Health Care (-17.6%), Tech Mahindra (-7.9%) and Spar Group (-6.6%).

EVENTS DURING THE MONTH

China cut the benchmark 5-year interest rate by a record 0.15% to 4.45%, which will lower the cost of new mortgages. The 1-year benchmark rate was left unchanged at 3.7%.

New home prices in China's leading cities rose 1% year-on-year in April, but there were 4%-5% declines in Tier 3 & Tier 4 cities.

Covid lockdowns in Shanghai look set to ease in June, but cases are still not under control in Beijing. The absolute number of cases is comparatively low and tensions within the leadership are mounting, led by Premier Li Keqiang, over the economic costs of Xi's zero-Covid policy.

The US dollar weakened by 1.2% in May. Emerging market currencies fell 1.1%.

MACRO

Cost price inflation pressure in the semiconductor industry has been reaffirmed with news that Samsung is discussing price increases up to 20%, with less sophisticated chips likely to increase the most. This follows Taiwan Semiconductor's (TSMC's) announcement of 5%-8% price increases in 2023 that follow a 20% increase last year. These companies are facing rising costs in all areas, including chemicals, gas, wafers, equipment, construction materials and logistics. Tight semiconductor supply gives these businesses significant pricing power against a backdrop of intense industry competition. Samsung's semiconductor revenues overtook those of Intel last year and the company has TSMC in its sights, although Samsung's production yields for the most advanced chips are not yet as good.

India was among the weakest markets over the month. Higher energy prices have been a notable drag for the country (a significant oil importer), as the crude oil price has continued to rise. In response, the Indian government announced a cut to excise duty for petrol and diesel. Export duties on steel products have also been imposed to offset higher embedded energy costs. Inflation has been running relatively hot compared with the rest of the region, with CPI reaching 7.8% in April. Policy rates were raised 40 basis points by the Reserve Bank of India, surprising the market, to an extent pre-empting higher rates from the US Federal Reserve. Nevertheless, the currency weakened by 1.6% over the month.

Comments by policymakers at the Fed indicated that interest rates may follow a less aggressive path than the market had feared. While expectations are for 50 basis point hikes in the upcoming June and July meetings, a 'pause' could occur in September to assess the impact of higher rates on the economy and inflation (instead of the 25 basis point rise the market had been pricing in). Inflation, as measured by the Fed's preferred gauge: personal consumption expenditure (PCE), fell to 6.3% in April from 6.6% in March, which could suggest a peak has been reached. However, it is debatable the extent to which this has been driven by higher interest rates supressing demand and how much has been caused by supply factors. Wage growth is also likely to cause inflation to be stickier, preventing it from falling back more quickly.

As mentioned, oil continued its strong upward trend, Brent crude rising 12.5% over the month to end at $119.9/bl. Prices have continued to rise so far in June to around $127, with the opening up in China expected to provide a meaningful contribution to demand. Political pressure in response to Russia's invasion of Ukraine culminated in Europe imposing a partial ban on Russian oil imports.

PORTFOLIO PERFORMANCE

The best-performing stock in May was Banco Davivienda, a Colombian bank. The company reported good results for the first quarter. Loan growth was 12.7% year-on-year, slightly higher than guided due to foreign exchange movements. Loan quality is good, with a decline in the non-performing loan ratio, down 42 basis points in the quarter to 2.93%. Higher operating expenses are a headwind, with inflation and an increase in the minimum wage both factors. The stock was partly lifted by the strength in the Colombian market following the results of the first round of elections at the end of the month. The country was the second-best performer out of all the countries in the index, benefiting from strength in the Colombian peso which rose 5.5% against the dollar during the month.

The weakest stock was LG Household and Health Care. The company reported results for the first quarter that were weaker than expected due to lower demand for cosmetics in the duty-free sales category, stemming from supressed levels of travel. Sales in China were also lower as logistics and distribution was hampered by Covid restrictions. Results in the home and personal care (HPC) and beverage segments were better, although both were impacted by cost pressures.

Further updates came in during the month for portfolio companies:

Catcher Technology results were mixed, with weaker margins offset by an FX gain that meant profit was above market forecasts. The company has been actively buying back shares, which has supported the share price. It is building its business in higher-margin automotive, healthcare and 5G consumer device thermal solutions, but in the near term remains vulnerable to weakness (in component supply/cost) in its Notebook manufacturing business.

Hon Hai Precision reported a 4% revenue increase and 5% profit growth for the first quarter. Management expects second-quarter results to be flat year-on-year because of supply chain disruptions amidst China's lockdowns. News reports suggest Foxconn (Hon Hai) is the assembler chosen for the Apple Car, purported to be launched at the end of 2024 or 2025. However, this has not been confirmed by the company.

NetEase reported results that beat forecasts for both revenues and profits, demonstrating an ability both to maintain momentum from legacy titles and to launch new mobile games that have global success. They have therefore been less exposed to limitations on new games launches in China.

Credicorp increased guidance for 2022, raising expected return on equity to around 17.5%. Guidance is for loan growth of 9-11%, and net interest margin is due to increase to 4.6-4.9%. Provisions levels were unchanged at 0.8-1.1%. Strong take-up of the company's app was reported, with the number of daily users increasing more than 80% over the previous year.

Novatek reported a mixed update, with first quarter results coming in ahead of expectations, while guidance for the second quarter was more muted. Higher costs are feeding through into the supply chain with wafer prices rising. End demand has also weakened, with softness in the Chinese smartphone market causing a decline in OLED DDIC (display driver integrated circuits).

Tech Mahindra reported results that were ahead of expectations for revenues, but margins were weaker. Revenue growth for the fourth quarter in constant currency was 3.4% on an organic basis, with strong growth across both enterprise and telecom segments. Higher staffing costs from a tight labour market combined with lower utilization to pressure margins. Strong net new deal wins leave the work pipeline looking attractive.

OUTLOOK

Consumers globally are starting to feel the effect of higher inflation, with higher energy and food prices squeezing spending power. The experience in the US suggests that consumers are shifting some of their spending away from goods to services, changing spending patterns in the economy. However, as wages have not kept pace, the savings that were built up by some consumers over the course of the pandemic are beginning to be depleted.

Supply chain disruption continues to be a factor contributing to higher prices (and one which makes the job of retailers harder still). China's start-stop approach with respect to Covid restrictions makes the knock-on impact on the supply chain harder to predict. Higher embedded energy costs (both in materials costs and distribution) are also a contributing to inflation (as well as the direct cost increases consumers face when filling up their cars or heating their homes).

Central banks globally are responding to tackle inflation, moving to increase rates more quickly than planned. However, given that supply factors have been such a significant contributor to inflation, it may take time before higher rates have a widespread cooling impact. (Although they have already caused activity in the housing sector to decline.)

On a more positive note, as mentioned last month, China still has the ability and capacity to provide economic stimulus. The ‘hole’ that will be left in second-quarter GDP stemming from the lockdowns potentially provides an impetus to act in the second half of the year. Much will depend on whether the authorities can bring the current Covid outbreaks under control; a huge challenge given the ease at which the Omicron variant can be transmitted.

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

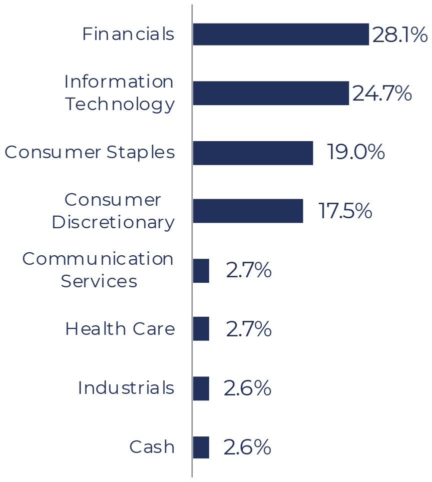
Mark Hammonds

PORTFOLIO

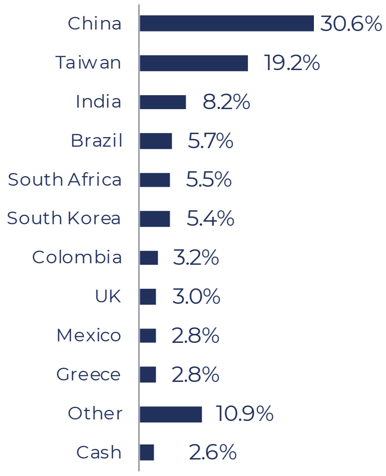
Fund top 10 holdings

Banco Davivienda	3.2%
B3 SA - Brasil Bolsa Balcao	3.0%
British American Tobacco	3.0%
Bajaj Auto	2.9%
Catcher Technology	2.9%
China Merchants Bank	2.8%
Coca-Cola Femsa	2.8%
Jumbo	2.8%
Zhejiang Supor	2.8%
Hanon Systems	2.8%
% of Fund in top 10	29.0%
Total number of stocks	36

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Annualised % total return from launch (GBP)	31/05/2022
Fund (Y class, 0.89% OCF)	6.8%
MSCI Emerging Markets Index	6.5%
IA Global Emerging Markets sector average	5.6%

Discrete years % total return (GBP)	May '22	May '21	May '20	May '19	May '18
Fund (Y class, 0.89% OCF)	1.3	23.8	-6.7	-2.1	13.7
MSCI Emerging Markets Index	-9.6	31.3	-2.5	-3.6	10.6
IA Global Emerging Markets sector average	-11.8	33.6	-5.1	-2.7	6.8

Cumulative % total return (GBP)	YTD	1 Yr	3 Yrs	5 Yrs	Launch
Fund (Y class, 0.89% OCF)	2.6	1.3	16.9	30.2	43.2
MSCI Emerging Markets Index	-5.2	-9.6	15.8	23.4	41.1
IA Global Emerging Markets sector average	-8.6	-11.8	11.8	16.2	34.2

RISK ANALYSIS **31/05/2022**

Annualised, weekly, from launch on 23.12.16, in GBP	Index	Sector	Fund
Alpha	0.00	-0.43	1.80
Beta	1.00	0.92	0.81
Information ratio	0.00	-0.23	0.10
Maximum drawdown	-22.63	-25.14	-23.22
R squared	1.00	0.94	0.76
Sharpe ratio	0.14	0.08	0.20
Tracking error	0.00	3.64	7.32
Volatility	15.00	14.20	13.94

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