Guinness Emerging Markets Equity Income Fund

Investment Commentary – July 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

30/06/2022	1 Yr	3 Yrs	5 Yrs	Launch*
Fund	-4.4	8.1	22.0	37.1
Index	-15.0	6.6	19.1	36.7
Sector	-17.2	2.8	13.1	30.0

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: FUND AND MARKET

Emerging markets sold off in June. The MSCI Emerging Markets Net Total Return Index fell by 3.1% (all performance figures in GBP unless stated otherwise).

The fund underperformed in the period, falling by 4.3%.

For the year to date, the fund remains significantly ahead, down 1.8% versus the benchmark down 8.1%.

Emerging markets fared better than developed markets. The MSCI World Index declined 5.2% and the S&P 500 fell 4.8%.

In the month, value stocks in emerging markets outperformed growth. The value component of the index fell 2.8%, whereas the growth component declined 3.4%.

Asia was the best performing region, declining 1.4%. EMEA (Europe, Middle East and Africa) was next, declining 7.3%. Latin America was the worst performer as commodities fell on recession fears, with the region down 14.0%.

Of the largest countries in the benchmark, the best performer was China (+10.4%), the only country to generate positive returns in sterling terms. India (-3.4%) and Thailand (-5.1%) also performed relatively well.

The worst performing countries were Brazil (-16.2), Korea (-14.1%) and Taiwan (-11.1%).

Unsurprisingly, the strongest performers in the portfolio were all Chinese: Suofeiya Home Collection (+29.2%), Ping An Insurance (+13.9%) and China Medical System (+9.4%).

The weakest performers were technology holdings: Novatek (-24.8%) and Elite Material (-22.4%). Consumer holding LG Household and Health Care (-19.3%) was also weak.

Emerging market currencies fell by 1.1% over the month.

SUMMARY: FUND PERFORMANCE

Past performance does not predict future returns.

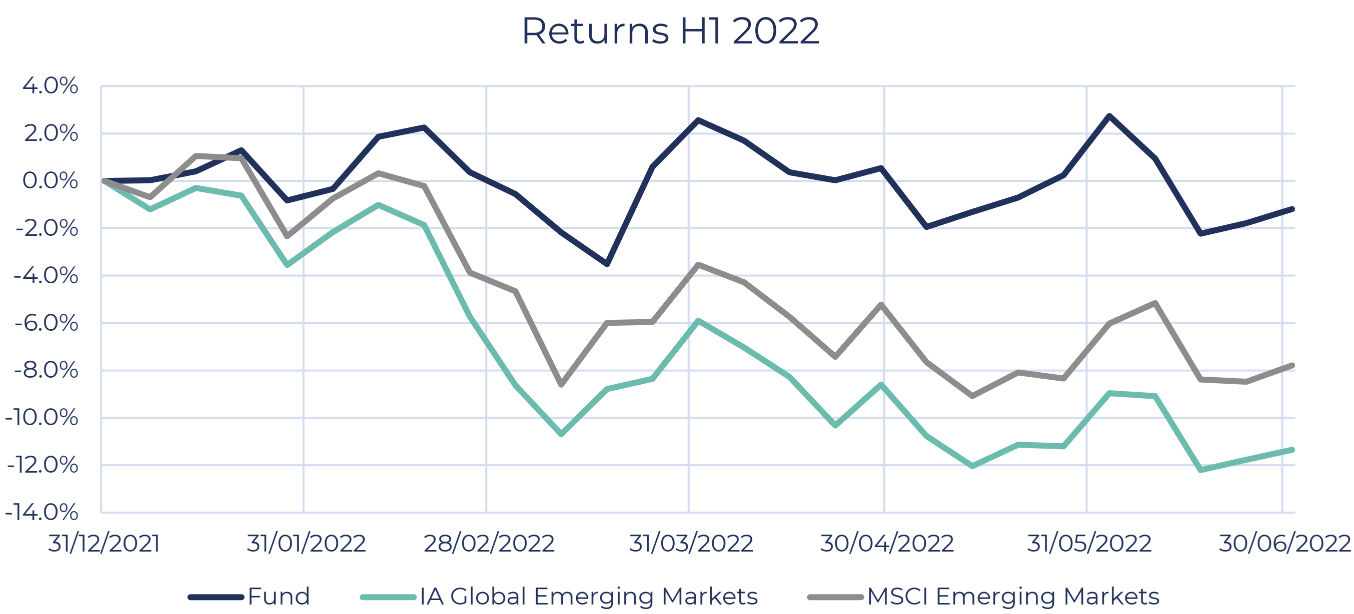
% Return	Q2	YTD	1 Yr	3 Yrs	5 Yrs	Since Launch	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18
Fund	-2.8	-1.8	-4.4	8.1	22.0	37.1	-4.4	20.3	-6.0	4.6	7.8
MSCI Emerging Markets	-4.0	-8.1	-15.0	6.6	19.1	36.7	-15.0	26.0	-0.5	5.0	6.5
MSCI Emerging Markets Value	-3.3	-4.0	-7.4	1.8	13.8	25.3	-7.4	26.6	-13.2	9.0	2.6

Source: Bloomberg / FE fundinfo (inclusive of all annual management fees but excluding any initial charge), gross income reinvested. Fund returns are for Y share class (0.89% OCF); returns for share classes with a different OCF will vary accordingly.

As the left hand column shows, the fund outperformed the index in the second quarter, down 2.8% in GBP terms, compared with the market (middle row) down 4.0%. The fund also outperformed the value index (bottom row), which fell 3.3%.

Therefore, as the following chart shows, the fund (in blue) has extended its lead over the benchmark (grey) and peer group (green) for the year to date:

Past performance does not predict future returns.



Source: FE fundinfo, bid to bid, total return, in GBP.

As a general comment, the fund has delivered more stable performance than the market in a turbulent period.

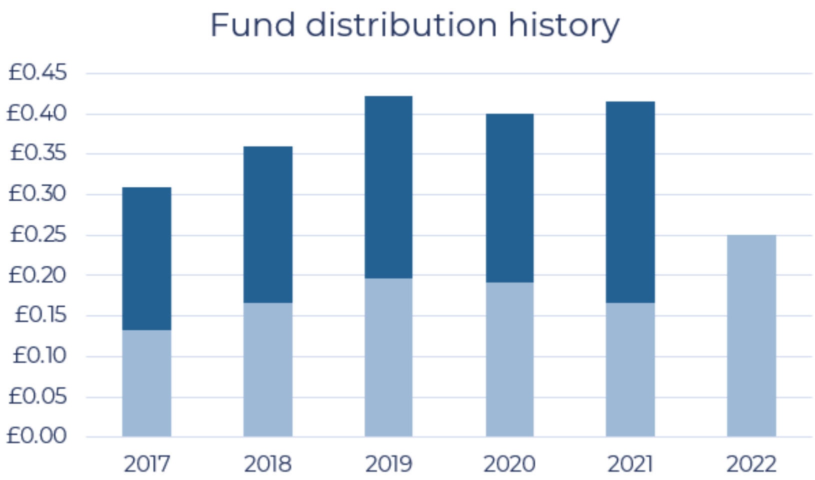
The outperformance in the quarter came from individual stocks, with several Chinese holdings performing well – notably one with real estate exposure. The fund also benefited from a lack of exposure to Materials stocks, and to underweight positions in semiconductor stocks with large benchmark weights.

Since launch at the end of 2016, the fund has returned 37.1%, leading the benchmark which is up 36.7%. The fund is also meaningfully ahead of the value component of the index, which is up 25.3% over that period.

SUMMARY: DIVIDENDS

The fund declared a dividend of GBP 0.2506 (Class Z) immediately following the end of the first half. Including the most recently declared dividend, the fund trades on a trailing yield* of 4.4% (as at 15 July 2022).

The following chart shows the history of the fund's dividend payments since launch:



	2017	2018	2019	2020	2021	2022
H2	£0.1758	£0.1928	£0.2249	£0.2094	£0.2479	
H1	£0.1326	£0.1665	£0.1968	£0.1910	£0.1669	£0.2506

Distribution history for Z share class. Distributions allocated to period income was earned (distribution made in subsequent period). Source: Guinness Global Investors

**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 (data as at 30.06.2022).*

The most recent dividend in sterling terms represents a 50% increase from the same period last year, 31% increase from first half 2020, and a 1% increase from the dividend paid for the second half of 2021.

(Looking at the dividend for the USD share class presents broadly similar numbers: the increase was 40% from first half 2021, 34% increase from first half 2020, and a 4% decrease from second half 2021.)

The large increase from the first half 2021 in part represents a recovery from depressed levels last year.

Caution should be employed, however, before extrapolating results for the second half. Several companies in the portfolio paid a dividend in the first half of 2022 when the equivalent in 2021 was paid in the second half (i.e. dividend payments have been brought forward). This reflects the reverse situation last year, when several companies deferred payments to the second half.

Several dividend increases, however, do reflect a recovery on prior year. For example, Banco Davivienda reinstated its dividend after having paid a stock dividend in the prior year. NetEase's dividend increased by more than 100% after paying an unusually low dividend in the first quarter of 2021. Zhejiang Supor also increased its dividend, by around 50%, although this largely reflects a return to more normal levels after a low payment last year. Tata Consultancy was affected by timing issues, although the dividend did increase from INR 38 in FY21 to INR 43 in FY22 (March year-end).

On the weaker side, several companies saw declines in their dividends. Our Brazilian holdings Porto Seguro and B3 both saw reductions. In the case of the former, the dividend normalised in 2021 after experiencing a boom in 2020. In the case of the latter, the decline similarly represents the absence of a special dividend paid in 2021. Shenzhou International also registered a decline as production in 2021 was impacted by covid restrictions in Vietnam.

MARKET REVIEW

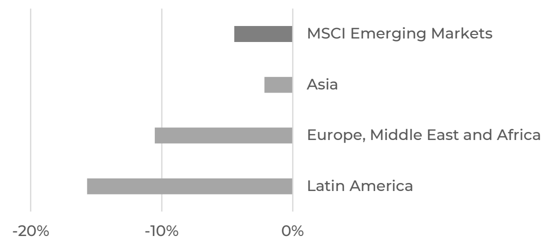
This quarter, emerging markets outperformed developed, although both were weak in absolute terms.

Emerging markets fell 4.0% in GBP in the period, whereas the MSCI World was down 9.1%, marginally ahead of the S&P 500, which was down 9.2%.

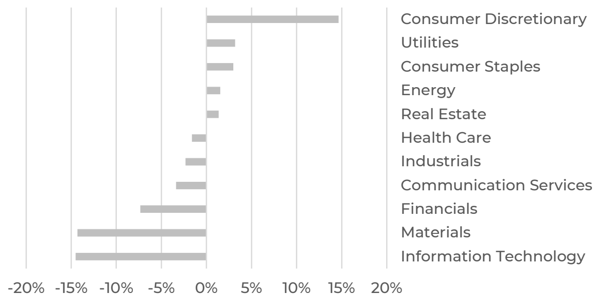
Matching the pattern in the first quarter, value outperformed growth, although the difference in the performance of the two components was less pronounced. The value component was down 3.3% versus down 4.6% for growth.

Looking in more detail at the performance in the quarter, the following charts show the individual regions, sectors and countries within the overall benchmark.

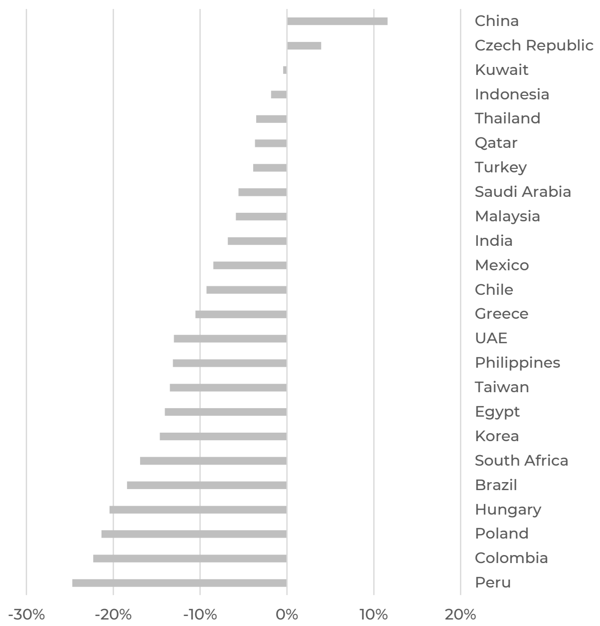
Region



Sector



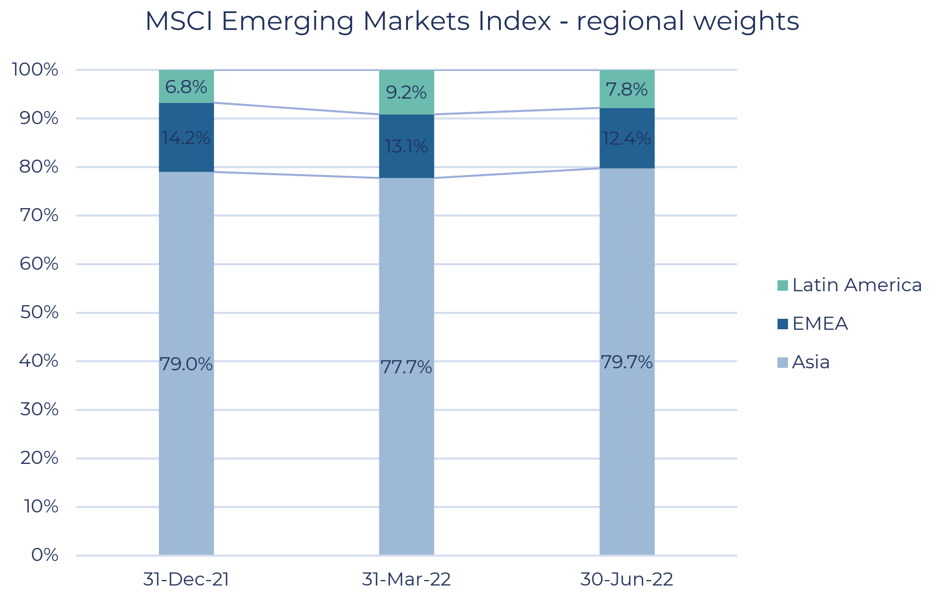
Country



Source: Bloomberg. Total return for MSCI indices shown in GBP.

After a strong outperformance in the first quarter led by a commodity price rally, Latin America staged a reversal in the second quarter as many commodities declined, with the region falling 15.7%. EMEA (Europe, Middle East and Africa) was the next worst performer, down 10.5%. Asia performed the best, down only 2.2%.

The effect of the changes in the benchmark on the regional weightings can be seen in the following chart, which compares the position at the end of last year with that at the end of the past two quarters:



Source: Bloomberg

Following the relative outperformance of Asia, the weighting in the benchmark has recovered and now exceeds the year-end figure at 79.7%. EMEA is still lower for the year, following the removal of Russia from the index. Latin America has increased from 6.8% to 7.8%, although it is down from 9.2% at the end of the first quarter.

On a country basis, among the ten largest countries in the index, China (+11.6%) was the best performer (and the only country to generate positive returns in GBP terms), followed by Indonesia (-1.8%) and Thailand (-3.5%). The weakest country was Brazil (-18.4%), followed by South Africa (-16.9%) and Korea (-14.7%).

In terms of sectors, the strongest performers were Consumer Discretionary (+14.7%), Utilities (+3.2%) and Consumer Staples (+3.0%). Weaker sectors were Information Technology (-14.5%), Materials (-14.3%) and Financials (-7.3%).

PORTFOLIO PERFORMANCE

The top five and bottom five performing stocks over the second quarter were as follows:

Top 5 Performing Stocks – Q2	Q2 return
Suofeiya Home Collection	50.2%
Catcher Technology	19.0%
Zhejiang Supor	18.8%
China Lilang	15.3%
NetEase	12.7%

Bottom 5 Performing Stocks – Q2	Q2 return
LG Household & Health Care	-34.5%
Tech Mahindra	-30.8%
B3 – Brasil Bolsa Balcao	-30.6%
Elite Material	-28.1%
Novatek Microelectronics	-26.5%

Sources: Bloomberg. Total return in GBP. Data from 31.03.2022 to 30.06.2022

Performance over the quarter was fairly well split across the portfolio, with 21 stocks (out of the 36 held) outperforming the index. Of those, 17 stocks generated a positive performance, and nine generated returns in double digits. However, reflecting the continued volatility in the period, of the stocks that fell, seven declined by more than 20%.

The top performing stocks in the portfolio were generally Chinese names operating in consumer sectors. Weaker names included some of our Latin American holdings and companies in the Information Technology sector.

Within the portfolio, the best performing stock was Suofeiya Home Collection. Suofeiya benefitted from a rebound in stocks with exposure to the Chinese property market, as sentiment towards the industry improved. The company is a manufacturer of bespoke furniture, and sells both directly to consumers, as well as through the developer channel. The retail channel has experienced strong growth, and the company has more exposure to state owned property developers that are performing better than their private sector rivals.

Catcher Technology performed well in the second quarter, helped in part by the large cash balance the company has following the sale of its China smartphone business. The cash component, which dominates enterprise value, has helped provide stability in turbulent markets. Management has previously expressed caution over putting the cash to work, seeking to invest only in businesses that will provide sufficient returns on capital. We like this disciplined approach.

Zhejiang Supor, a Chinese consumer holding, was the second of our domestic A-share companies to be in the top five (Suofeiya Home the other), recovering after a weaker performance in the first quarter. The company reported results after the quarter end, which disappointed the market somewhat. Weaker demand has affected both exports and the domestic market stemming from Covid restrictions. However, management's efforts to promote direct sales and a focus on efficiency have both contributed to an improvement in margins.

The weakest performer was LG Household and Health Care. The company has struggled with the fallout from the pandemic, with sales of cosmetics to Chinese consumers declining significantly. The company sells in the domestic market and via Korean duty-free sales, and both channels have suffered from weaker demand. We think LG H&H's strategy of positioning its brands at the premium end of the market, while painful in the short term, will help to ensure the company's long-term success.

Tech Mahindra, an Indian IT services company, has faced a more challenging period this year, as margins have come under pressure from rising staff costs. However, the stock was the best performer in the portfolio in 2021, so a period of weaker performance is understandable. The company has a strong position in 5G technology, an area we continue to expect to do well over the long term. Tech Mahindra has maintained its dividend, which we thinks provide a degree of signalling power in managements' confidence over the outlook.

B3, the Brazilian stock exchange, underperformed in a period when Brazil was the weakest among the larger countries. After a weak performance last year, the stock recovered in the first quarter of this year. However, second quarter performance caused this to subsequently unwind. We do like the business model and competitive advantages that dominant financial exchanges can offer. However, this is accompanied by volatility, particularly when the local market is subject to political risk and susceptible to large swings driven by changing commodity prices.

PORTFOLIO CHANGES

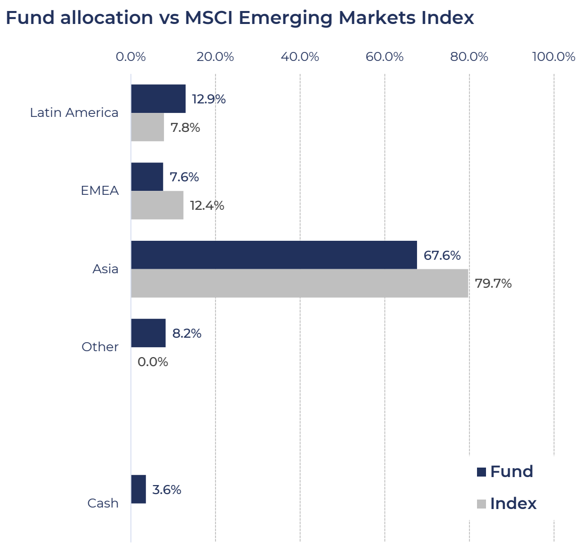
We made no changes to the portfolio during the quarter, other than rebalancing.

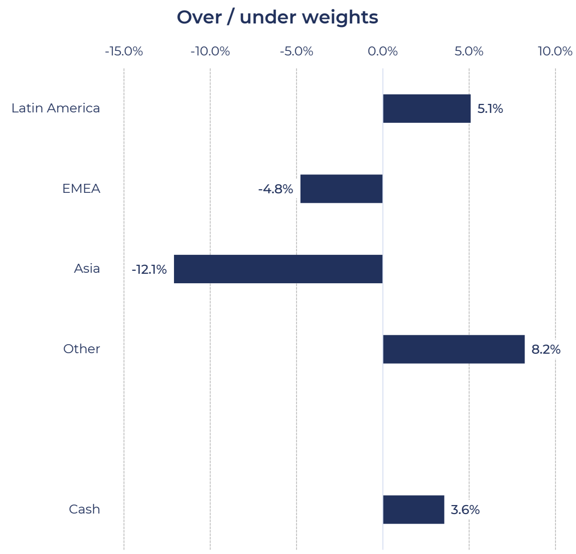
PORTFOLIO POSITIONING

We currently have 68% of the portfolio in Asia, 13% in Latin America, 8% in EMEA, mostly in South Africa, and 8% in 'other' (which is companies listed in the US and UK markets but deriving the majority of their business from emerging markets).

The following chart shows the regional weights relative to the benchmark:

Guinness Emerging Markets Equity Income





Source: Guinness Global Investors. Data as at 30/06/2021.

Relative to the benchmark, our biggest overweight (apart from the 'other' category) is Latin America, and our largest underweight is to Asia.

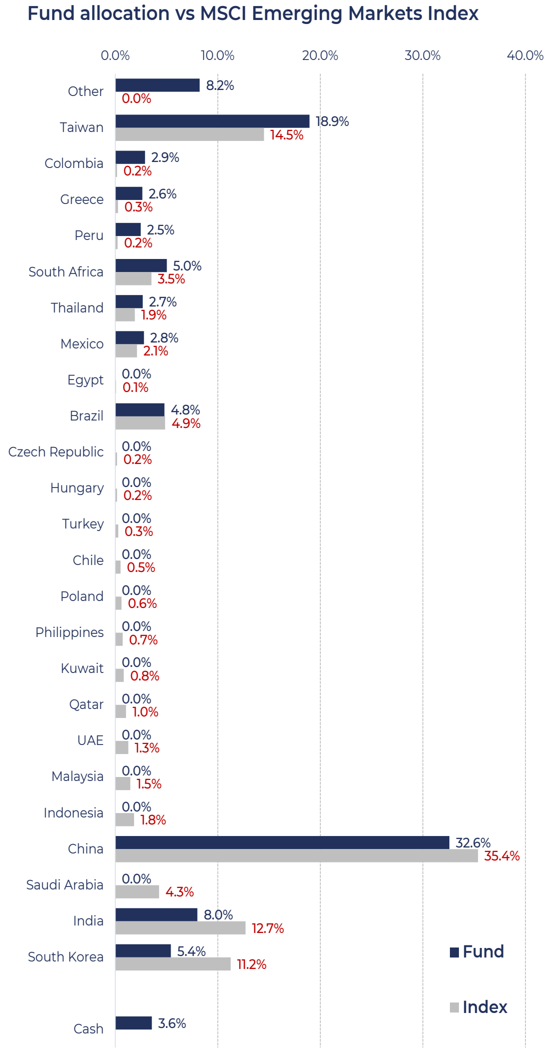
Part of the reason for the overweight in Latin America has been the decline of the region's weight in the index over the long term (and as we mentioned above, the weights can also be volatile over the short term). At the end of 2019, Latin America accounted for 11.4% of the benchmark compared with 7.8% at the end of the second quarter. Much of the loss has been to the benefit of Asia over that time frame, which has increased from 73.6% to 79.7%.

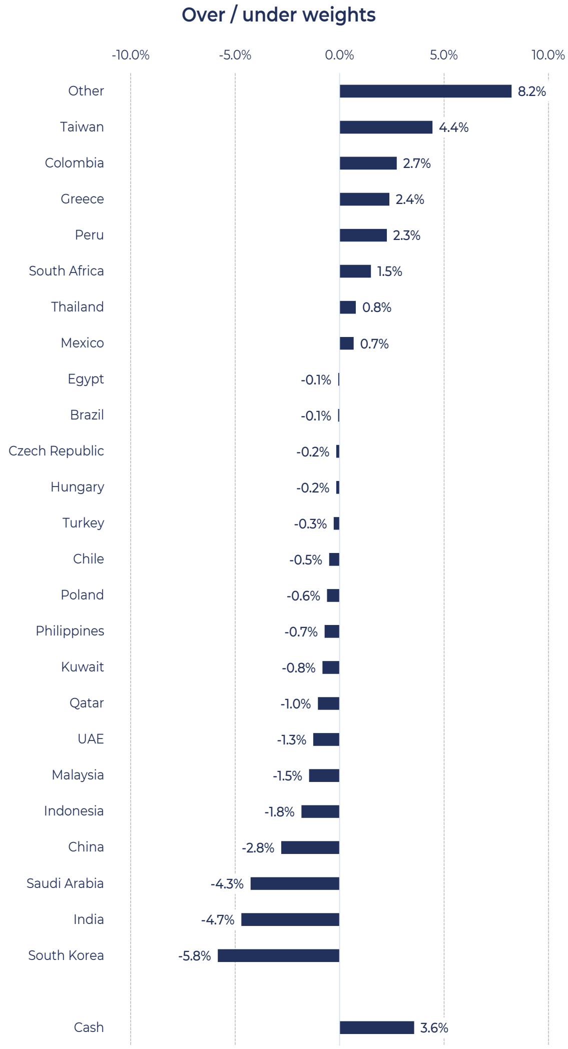
One of the companies included in the 'other' category generates a significant proportion of its revenues from Asia, and so could be reallocated, which would reduce the underweight by about 3 percentage points.

Our approach, and one of the ways we differ from peers, is to put together the portfolio on a bottom-up basis, rather than by making top-down judgements. Therefore, the allocations should be viewed more as being a result of our individual stock selection decisions.

Next we show country weights relative to the benchmark:

Guinness Emerging Markets Equity Income





Source: Guinness Global Investors. Data as at 30/06/2021.

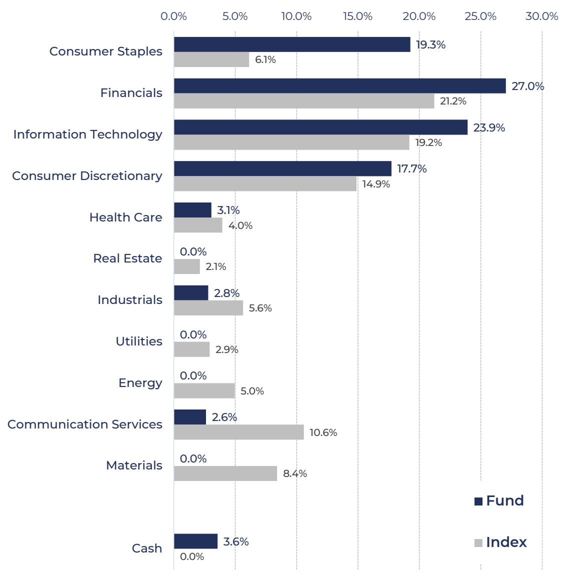
Our largest overweights are in ‘Other’ (which is our off-benchmark stocks), Taiwan and then Columbia, Greece, Peru – in all cases relatively small proportions of the benchmark, but where we hold one position in each, putting us 2.3 to 2.7% overweight.

Our largest underweights are to South Korea and India, where we struggle to find large numbers of quality companies available at reasonable valuations; Saudi Arabia where we have no exposure; and China, where we don’t hold the internet stocks—Tencent and Alibaba, in particular—that represent a significant proportion of the index.

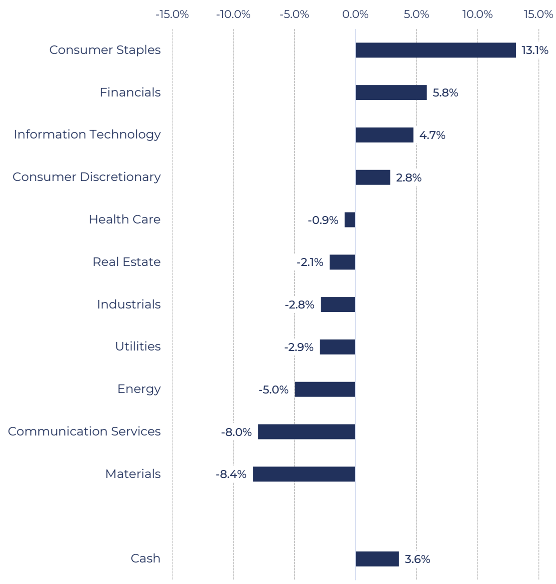
Finally, the following table shows sector weights relative to the benchmark:

Guinness Emerging Markets Equity Income

Fund allocation vs MSCI Emerging Markets Index



Over / under weights



Source: Guinness Global Investors. Data as at 30/06/2021.

Our main overweights are to the consumer sectors, Financials and Information Technology.

We are underweight Materials, Energy, and Utilities, where we have no holdings, and also to Communication Services.

RECENT RESULTS

A few company updates have been released recently; more are expected as earnings season gets underway.

An update from Suofeiya Home indicates that second quarter sales are tracking ahead of expectations. The developer channel (excluding struggling developer Evergrande) is flat year-on-year. The company conducted a price hike in March, so has been able to pass on some of the rising costs of raw materials.

Spar reported results for the first half of financial year 2022, with sales growth in the core wholesale business of 4.6%. The contribution from price increases is around 5%, indicating slight volume declines. EBIT in the division, on the other hand, was much stronger, up 8.1% in the first half (compared with -10% in second half 2021 and +3.6% first half 2021). Management is increasing promotional spending and marketing and upgrades to stores; however, there are signs that the market has become more competitive as consumers' budgets are squeezed. Trading in Ireland and Switzerland continues to be strong, but the Polish business is taking time to kick into gear.

Recent reports indicate that the US is likely to pursue a policy reducing nicotine levels in cigarettes. The proposal was first made in 2017, so has been on the agenda for some time. The effect on British American Tobacco, which generates a little over half of EBIT from the US, will depend on the speed at which the plan is implemented (we expect it to take many years). This comes, of course, in the context of tobacco companies globally undertaking a transition away from conventional tobacco towards next-generation products.

OUTLOOK

As developed market central bankers move to address inflation, hiking rates and ending quantitative easing programmes, their emerging market counterparts find themselves facing varying degrees of inflationary pressure. China, the largest component of the index, is not experiencing inflation to anywhere near the degree that developed markets are experiencing. Elsewhere in emerging markets, some countries have faced more inflationary pressure, particularly from higher energy and food prices, forcing central banks to respond. Where central banks are in the midst of a rate hiking cycle, this has helped to prevent large interest rate differentials from emerging. While emerging market currencies did weaken against the dollar in the first half, they generally weakened less than sterling and no more than the euro.

At the end of June, the portfolio traded on 10.2x 2022 earnings and 9.3x 2023 earnings, both representing discounts from the benchmark, which traded at 11.3x 2022 earnings and 10.4x 2023 earnings (discounts of 10% and 11% respectively). Both portfolio and benchmark are also at a significant discount to the equivalent multiples for the MSCI World Index (developed markets).

We are generally seeing relatively robust earnings forecasts for the portfolio. More cyclical areas of the benchmark have more volatile earnings expectations, but the fund has little exposure to these areas – we think it far more important to focus on predictability and consistency of earnings.

Combined with attractive valuations and good earnings growth forecasts, the fund provides an attractive source of income. The trailing yield for the fund, including the most recent distribution, exceeds 4% at time of writing.

We believe this combination of factors will contribute to the components of total shareholder return, supporting attractive returns to investors over the long term.

Portfolio managers

Edmund Harriss

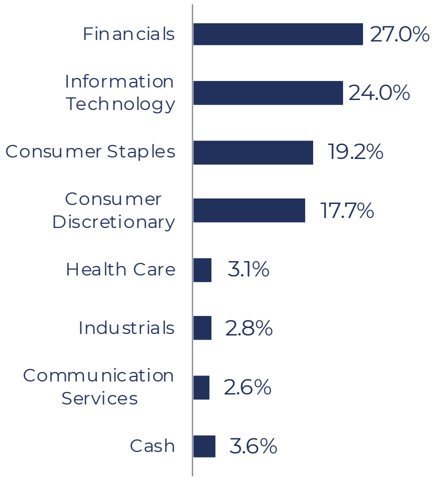
Mark Hammonds

PORTFOLIO

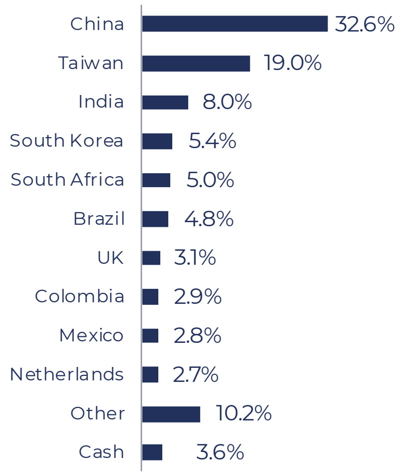
Fund top 10 holdings

Suofeiya Home Collection	3.4%
China Merchants Bank	3.2%
China Medical System	3.1%
British American Tobacco	3.1%
Ping An Insurance	3.0%
Catcher Technology	3.0%
Largan Precision	3.0%
Zhejiang Supor	3.0%
Banco Davivienda	2.9%
Bajaj Auto	2.9%
% of Fund in top 10	30.5%
Total number of stocks	36

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Annualised % total return from launch (GBP)	30/06/2022
Fund (Y class, 0.89% OCF)	5.9%
MSCI Emerging Markets Index	5.8%
IA Global Emerging Markets sector average	4.9%

Discrete years % total return (GBP)	Jun '22	Jun '21	Jun '20	Jun '19	Jun '18
Fund (Y class, 0.89% OCF)	-4.4	20.3	-6.0	4.6	7.8
MSCI Emerging Markets Index	-15.0	26.0	-0.5	5.0	6.5
IA Global Emerging Markets sector average	-17.2	27.8	-2.9	6.2	3.7

Cumulative % total return (GBP)	YTD	1 Yr	3 Yrs	5 Yrs	Launch
Fund (Y class, 0.89% OCF)	-1.8	-4.4	8.1	22.0	37.1
MSCI Emerging Markets Index	-8.1	-15.0	6.6	19.1	36.7
IA Global Emerging Markets sector average	-11.4	-17.2	2.8	13.1	30.0

RISK ANALYSIS 30/06/2022

Annualised, weekly, from launch on 23.12.16, in GBP	Index	Sector	Fund
Alpha	0.00	-0.51	1.41
Beta	1.00	0.92	0.81
Information ratio	0.00	-0.25	0.05
Maximum drawdown	-22.63	-25.14	-23.22
R squared	1.00	0.94	0.76
Sharpe ratio	0.13	0.07	0.16
Tracking error	0.00	3.65	7.36
Volatility	15.01	14.22	13.98

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

GUINNESS GLOBAL INVESTORS

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