Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – September 2020

About the Fund

The Guinness Global Equity Income Fund is designed to provide investors with global exposure to dividend-paying companies.

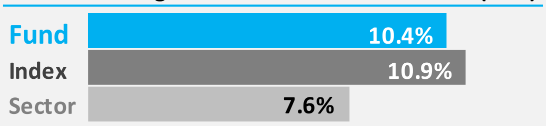
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£988m
Launch date	31.12.10
Historic OCF (Y Class)	0.88%
Current OCF (at fund size)	0.86%
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens

Performance **31.08.20**

	1 year	3 years	From launch
Fund	1.1	24.5	159.6
Index	6.2	27.5	172.4
Sector	-2.6	8.5	102.2

Annualised % gross total return from launch (GBP)



Benchmark index	MSCI World Index
IA sector	Global Equity Income

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.
Source: Financial Express, bid to bid, total return. Y Class 0.88% OCF. Please refer to 'Performance data notes' for full details.

Summary performance

In August the Fund was up 1.22% (in GBP), versus the MSCI World Index benchmark, which was up 4.57%. The Fund therefore underperformed the Index by 3.35% over the month. This can largely be attributed to the Fund's underexposure to US 'Big Tech', whose narrow leadership carried the Index return higher.

This year and over the longer term it is pleasing to see that the Fund has outperformed the IA Global Equity Income Sector average over all the periods outlined in the table below:

	YTD	1yr	3yr	5yr	Since Launch*
Fund	-0.8%	1.1%	24.5%	77.9%	159.6%
MSCI World Index	4.2%	6.2%	27.5%	88.6%	172.4%
IA sector average	-5.0%	-2.6%	8.5%	49.5%	102.2%
Rank vs peers	15/55	16/55	7/50	2/42	1/18
Quartile	2nd	2nd	1st	1st	1st

Source: Financial Express. Cumulative Total Return in GBP as of 31st August 2020. *Launch 31st December 2010

Since the Fund's launch at the end of 2010, it ranks 1st out of 18 funds in the IA Global Equity Income Sector.

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Summary: Dividends

Our expectation remains that the 2020 fund distribution will be similar to that of 2019, although subject to factors such as FX rates or portfolio changes. We will update our view as we carefully monitor the income received. The current situation for our 35 holdings is as follows:

- 9 companies have **paid their full dividend** for the year (or gone ex-dividend)
- 25 companies where we see **high probability** of full payment
- 1 **dividend cut** announced for portfolio holdings to date (Imperial Brands)
- **0 dividend cancellations**

Of the 34 companies that have already paid or we expect to pay their full dividend, 24 have grown their dividend this year and 5 have kept their dividend flat.

Among the remaining 5 we expect to pay in full, we see:

- **High probability** of 2 companies growing their dividend (Microsoft, Broadcom)
- **Good probability** of 2 companies growing their dividend (Illinois Tool Works, Anta Sports)
- **Some uncertainty** with 1 company growing its dividend (VF Corp likely to pay a flat dividend this year)

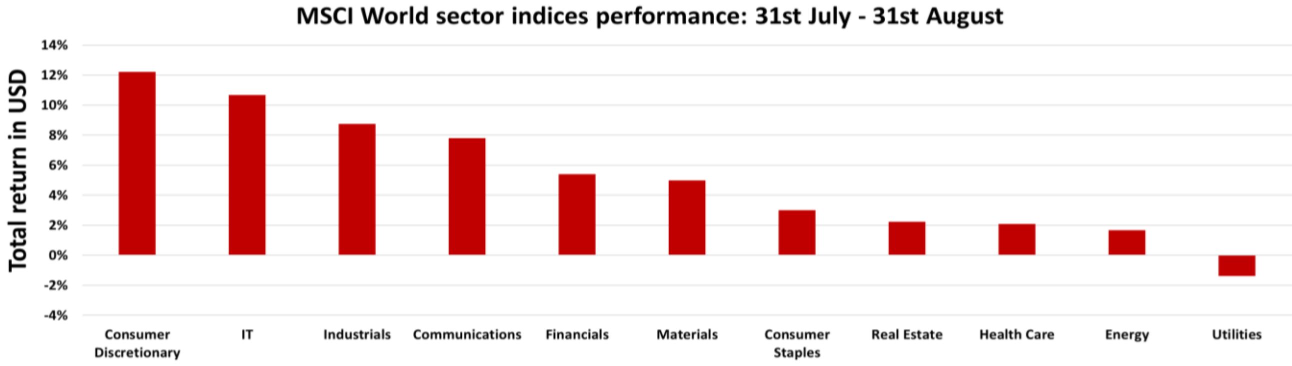
(These 5 stocks have already been paying dividends this year, but typically announce their year-on-year growth in their quarterly dividend later in the year).

August in Review

To the ancient Greeks, the 'dog days' of summer were those between late July and late August, when Sirius appeared to rise just before the sun. This period, the hottest part of summer in the northern hemisphere, was associated with bringing fevers and disease. Perhaps this is an apt description for August 2020, as many nations experienced a second wave of COVID-19.

Nonetheless, financial markets shrugged off these concerns and continued their ascent. The MSCI World Index jumped 6.7% (Net TR in USD) in the sharpest rally for the month since 1986. The average August move for the gauge over the past 44 years, either up or down, has been half the size.

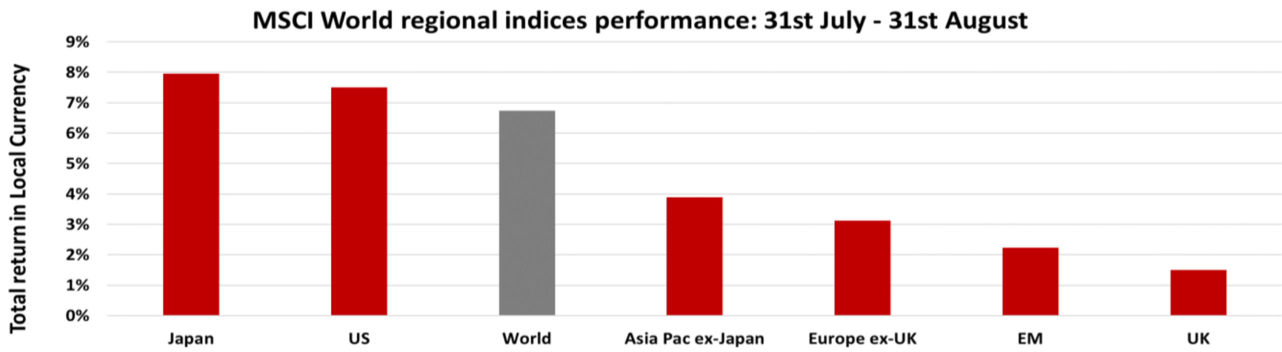
The Fund's underperformance in August (versus the Index) can be attributed in large part to underexposure to US 'Big Tech', which saw a strong rally over the month. The five largest weighted companies in the MSCI World Index (Apple, Microsoft, Amazon, Facebook and Alphabet) accounted for almost 30% of the Index's return in August; the same five companies contributed nearly 50% to the S&P 500 Index's return. This highlights the narrow leadership of the recent market rally and naturally brings its robustness into question. Aided by the mega-caps, the Consumer Discretionary and IT sectors were the best-performing in August, whereas the defensive sectors – including Consumer Staples and Healthcare – lagged. This was a drag on the Fund's active performance, though was partially offset by good stock selection.



Source: Bloomberg. As of 31st August 2020

Zero exposure to Utilities, Energy, Real Estate and Materials benefited the Fund in August as these sectors underperformed in relative terms. Companies within these four sectors tend not to appear in our investible universe due to our focus on companies which have persistently high returns on capital and strong balance sheets. Our stringent quality criteria exclude most companies within the commodity-based and regulated sectors where a business' profitability is often influenced by exogenous factors.

The same criteria also limit our exposure in the universe to Japan, which in a rare occurrence was the best-performing region in August. This was followed by the US, while the UK was the weakest:



Source: Bloomberg. As of 31st August 2020

All regions saw positive performance in August as central banks reiterated their loose monetary policies to support governments' fiscal stimuluses:

- The US Federal Reserve (Fed) announced a shift to average inflation targeting at the Jackson Hole virtual conference, confirming that interest rates will remain supportive for the foreseeable future.
- The European Central Bank (ECB) committed to use the full EUR1.35tn envelope for asset purchases in order to help keep borrowing costs low and stable for sovereign eurozone borrowers.
- The People's Bank of China (PBoC) has paused its easing cycle amid a rebound in activity in Q2 but has left space to support government bond issuance if conditions deteriorate.

Near-zero interest rates in the US have had a depreciating effect on the US dollar, which has seen a steady decline since its March highs. The weaker dollar versus a basket of foreign currencies boosts US stocks by attracting foreign investors and export demand. This is not beneficial, however, to foreigndomiciled multinational companies which translate their dollar earnings into local currency at a less favourable exchange rate. This particularly affects the FTSE 100 Index given that the largest UK companies collectively derive over 70% of their earnings from overseas. Alongside sector biases towards Financial and Energy stocks, and continued uncertainty over Brexit negotiations, the UK fared as the worst-performing region in August – a trend also seen for much of this year.

Japan, on the other hand, was the best-performing region in August after being the worst in July. The traditionally risk-averse nation has seen relatively better virus data compared to developed market peers, and this has meant far fewer infections and deaths without the implementation of a strict lockdown. Further, Japanese stocks received a vote of confidence as Warren Buffet invested a combined $6bn into five Japanese trading houses, and markets also responded positively to news that Yoshihide Suga was considering succeeding prime minister Shinzo Abe, who unexpectedly retired due to health reasons. Suga – the current chief cabinet secretary – is known to be supportive of Abe's monetary and fiscal stimulus measures.

Supportive central banks, combined with optimism regarding COVID-19 vaccine trials, have provided equity markets with another leg to push upwards from, despite mixed economic data releases. For example, in the US, the flash purchasing managers' indices (PMIs) for both manufacturing and services beat expectations by a wide margin, with readings of 53.6 and 54.8 respectively. However, employment growth seemed to slow in July and the unemployment rate remained elevated at 10.1%. Mixed data releases have added to the uncertainty that investors face, and this is further amplified with polls currently predicting a tightly contested US presidential election in November. Despite the uncertainty, we believe that the Fund's focus on investing in companies with strong, persistent cashflow generation stands it in good stead to weather the different economic and political winds and continue to provide long-term capital appreciation alongside a steady stream of income.

Portfolio Holdings

Medtronic was the best performer in August (+11.4% in USD) after its quarterly results beat analysts' earnings and sales estimates. The company beat consensus across all segments, but most significantly in its high-margin cardiac and vascular group (37% of sales). The world's largest pure-play medical device maker has been benefiting from a surge in demand for ventilators and a pick-up in elective surgeries following the easing of COVID-19 restrictions.

"We reported solid improvement from last quarter, and our results reflect a faster than expected recovery from the depths of the pandemic we saw back in April," said Geoff Martha, Medtronic CEO. "Procedure volumes began to recover around the world, and we're leveraging our pipeline of innovative products to drive share gains in a number of key businesses."

Medtronic, which is a member of the S&P 500 Dividend Aristocrats Index, has increased its annual dividend payment for the past 43 consecutive years, and did so again for its next dividend, to be paid in October 2020 (7% growth announced vs last year).

BAE Systems also performed well (+10.8% in USD). The largest defence contractor in Europe reported semi-annual results at the start of August indicating that half-year profits dropped 11%, but a rosier 2H outlook meant that sales are still expected to increase by 5% for the full year, and earnings are expected to decline 1-5%

compared to last year. The maker of Typhoon fighter jets, combat vehicles, warfare ships and Astute-class nuclear-powered attack submarines said its defence business, which accounts for 90% of group revenues, was close to being back to pre-pandemic levels.

Pleasingly for investors, CEO Charles Woodburn said: “We expect our defence business to respond positively and deliver a second-half earnings performance very much in line with our original expectations for 2020. Reflecting this outlook we're resuming dividends.” BAE Systems announced it would pay 13.8 pence per share, deferred from April, plus an interim dividend of 9.4 pence per share, making it an outlier at a time when many other British companies have axed or cut their payouts.

Cisco (down -10.4% in USD) was the worst performer in the month as quarterly results showed that the uncertainty from pandemic disruptions extended to enterprises' IT-purchasing decisions. Cisco is a leading maker of networking equipment (routers, switches, servers and software) and relative to peers, Cisco's enterprise and small and medium-business (SMB) exposure is high, accounting for about 50% of sales. This end-market focus makes the company’s revenues particularly sensitive to economic conditions.

Fortunately, Cisco's strong balance sheet provides a buffer against a lingering demand shock caused by the coronavirus. The business has $27.1 billion in gross cash and $11.1 billion net, allowing it comfortably to fund operations and service and pay down debt whilst maintaining its dividend.

Portfolio Changes

We made no changes to the portfolio holdings in the month.

We thank you for your continued support.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Analysts

Joseph Stephens

Sagar Thanki

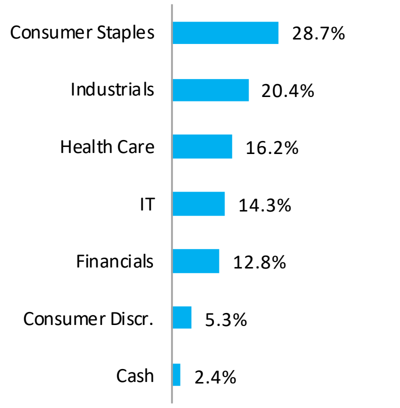
PORTFOLIO

31/08/2020

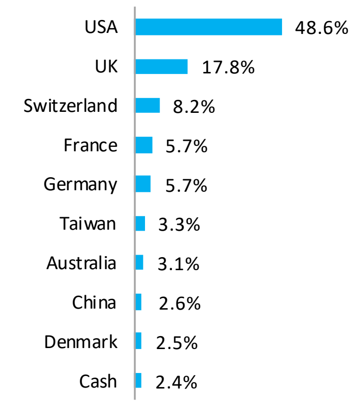
Fund top 10 holdings

Taiwan Semiconductor	3.3%
BAE Systems	3.2%
Unilever	3.1%
Eaton	3.1%
Microsoft	3.1%
Sonic Healthcare	3.1%
Diageo	3.0%
Schneider Electric	3.0%
ABB	3.0%
Procter & Gamble	3.0%
% of Fund in top 10	31.1%
Total number of stocks held	35

Sector analysis



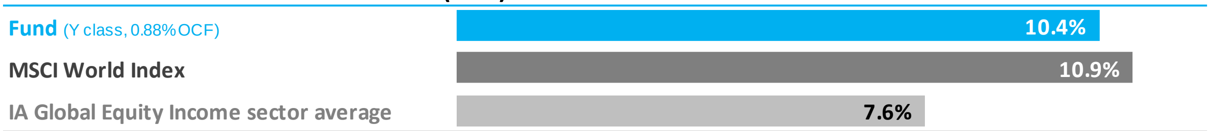
Geographic allocation



PERFORMANCE (see performance notes overleaf)

31/08/2020

Annualised % total return from launch (GBP)



Discrete years % total return (GBP)	Aug '20	Aug '19	Aug '18	Aug '17	Aug '16
Fund (Y class, 0.88% OCF)	1.1	10.4	11.6	10.1	29.7
MSCI World Index	6.2	7.0	12.1	18.1	25.3
IA Global Equity Income sector average	-2.6	5.4	5.8	14.1	20.6

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.88% OCF)	1.2	-0.8	1.1	24.5	77.9	159.6
MSCI World Index	4.6	4.2	6.2	27.5	88.6	172.4
IA Global Equity Income sector average	2.2	-5.0	-2.6	8.5	49.5	102.2

RISK ANALYSIS

31/08/2020

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0.00	-0.54	1.02
Beta	1.00	0.77	0.86
Information ratio	0.00	-0.42	-0.09
Maximum drawdown	-24.58	-22.41	-21.78
R squared	1.00	0.80	0.90
Sharpe ratio	0.51	0.31	0.53
Tracking error	0.00	6.58	4.70
Volatility	14.51	12.48	13.11

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.
Source: Financial Express, bid to bid, total return. Fund launch date: 31.12.10. Fund Y class (0.88% OCF): Composite simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP. 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.

Performance data notes

1) The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's Y class was launched on 11.03.15. The performance shown is a composite simulation for Y class performance being based on the actual performance of the Fund's E class, which has an OCF of 1.24%, and has existed since the Fund's launch. The Fund's E class is denominated in USD but for the purposes of this performance data its performance is calculated in GBP.

Important information

Issued by Guinness Asset Management Limited, authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about Guinness Global 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 Global 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. 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 from the website www.guinnessfunds.com , or free of charge from:

- the Manager: Link Fund Administrators (Ireland) Ltd, 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.

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.