Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – November 2020

About the Fund

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

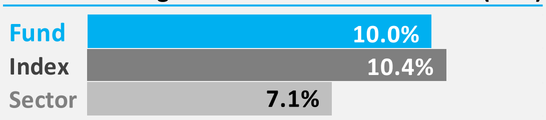
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£1021m
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 — 31.10.20

	1 year	3 years	From launch
Fund	0.2	21.8	154.4
Index	4.5	22.2	164.0
Sector	-5.2	4.1	95.7

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' on the last page of this document for full details.

Summary performance

In October, the Fund was down -4.72% (in GBP), versus the MSCI World Index benchmark, down -3.08%. The Fund therefore underperformed the Index by 1.64% over the month.

No exposure to Utilities, Telecommunications and Banks weighed on Fund performance in the month since these industries were spared from the broad-based market sell-off, which stemmed from rising coronavirus cases and political uncertainty.

Year-to-date, and longer-term, it is pleasing to see that the Fund has outperformed the IA Global Equity Income sector over all the periods outlined in the table below:

	YTD	1yr	3yr	5yr	Since Launch*
Fund	-2.8%	0.2%	21.8%	68.4%	154.4%
MSCI World Index	1.0%	4.5%	22.2%	76.5%	164.0%
IA sector average	-8.1%	-5.2%	4.1%	40.9%	95.7%
Rank vs peers	12/55	14/55	5/50	2/41	1/17
Quartile	1st	1st	1st	1st	1st

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

Since the Fund's launch at the end of 2010, it ranks 1st out of 17 funds in the IA Global Equity Income sector.

Summary: Dividends

Our current expectation is that the 2020 fund distribution will be similar to 2019 – but we note there are some moving parts to this analysis (e.g. foreign exchange rates or portfolio changes).

So far, out of our 35 holdings:

- 27 companies have **grown** their dividend this year
- 6 companies have kept their dividend **flat**
- 1 company **cut** its dividend (Imperial Brands)
- 0 companies **cancelled** their dividend

For the 1 remaining company, Broadcom, we expect a dividend increase to be announced in December – this is when the company typically announces its year-on-year growth in its quarterly dividend.

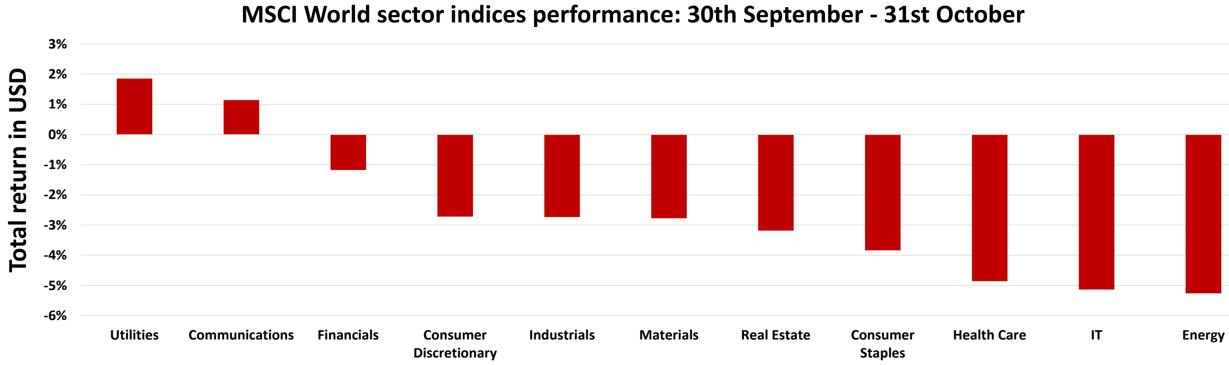
Going into October – and throughout much of 2020 – we cautiously forecasted that VF Corp may maintain a flat dividend this year. Pleasingly, VF Corp in fact declared last month that it will grow its quarterly dividend by 2.1%.

The global clothing manufacturer, whose line-up of high-profile brands includes Vans, The North Face, Timberland and Dickies, is a dividend aristocrat with 48 years of consecutive years of dividend growth. In October, VF Corp reported better than expected earnings and sales figures, and CEO Steve Rendle informed shareholders that "year-to-date results have surpassed internal expectations across all brands, driven by digital and China, two key growth pillars". "Signs of stabilization and strength across all aspects of the business, supports our decision to raise the dividend". In the second quarter, nearly all of VF's retail and wholesale stores across North America, EMEA and APAC (including mainland China) remained open and this has led to management increasing full-year revenue and earnings guidance: fiscal-year 2021 revenue now guided to be at least $9bn vs $8.84bn analyst consensus, and earnings-per-share guided to be at least $1.20 vs. $1.11 analyst consensus (consensus as of 16th October, prior to earnings release. Source: Bloomberg).

October in Review

Global equities closed lower in October after markets faced a number of worries: resurging Covid-19 cases, a lack of progress on another US fiscal stimulus, US Presential election uncertainties, and disappointing quarterly earnings releases from several tech heavyweights. The culmination of these worries resulted in the MSCI World Index closing the last week of October with its biggest weekly loss since March, whilst the Cboe Volatility Index (VIX Index) – also known as the 'Fear Gauge' – spiked to its highest level since early April.

All sectors bar Utilities and Communications saw declines last month, and no exposure in either proved a drag on the Fund's performance. Perhaps expectedly, the two sectors performed relatively better given their defensive nature; however, this style bias did not benefit other sectors such as Energy (where we have no holdings), and Consumer Staples and Healthcare (where we are relatively overweight vs the benchmark).



Source: Bloomberg. As of 31st October 2020

Energy was the worst performing sector in October due to a combination of economic growth concerns (impacting oil demand) and supply worries (increased Iranian and Libyan oil production and a risk that OPEC+ supply cuts may not be extended into next year).

Perhaps surprisingly, after leading for most of the year, IT was also amongst the worst performers in October, and an underweight positioning here was beneficial for the Fund. Profit-taking and a rotation into value-orientated names seemed to influence the sell-off, whilst disappointing results from some of the larger-weighted tech companies added to the sector's woes. In the Fund, good stock selection – with Paychex and TSMC performing particularly well – offset some of the broader declines.

The largest contributor to the Fund's underperformance in the month came via our Consumer Staple exposure, in particular:

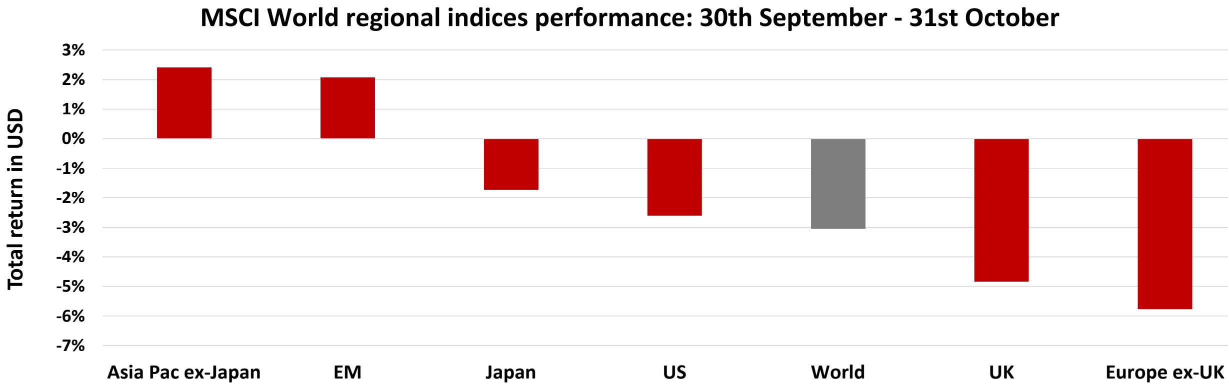
- Our tobacco holdings, British American Tobacco and Imperial Brands, performed poorly in October (-10.5% and -10.2% respectively, in USD) as renewed lockdowns delayed the rollout of the companies' potential alternative-tobacco initiatives, seen as being crucial to combat the long-term trend of falling cigarette sales.

- Danone also performed particularly poorly, down -14.7% in USD, after the global dairy food and water producer announced a large management reorganisation and a proposed shake up of its product portfolio due to falling revenue growth. The company is putting businesses that contribute €500mn ($585mn) up for sale and is shifting to a system of management more focused on geography rather than product groups.

In October, investors reacted disappointingly to the company lowering both its 2020 profit margin forecast (from 16% to 14%) and sales growth target (from 4-5% to 3-5%). The sell-off was also compounded to by news that CFO Cecile Cabanis will not be succeeding Emmanuel Faber as CEO and is planning to leave the company.

After the recent €470mn sale of a stake in Japanese beverage maker Yakult Honsha Co., CEO Faber is set to make even more divestments as Danone assesses which brands will thrive in a post-Covid-19 world amid changing consumer habits. Faber ruled out an exit in any of the company's existing categories, which are dairy and plant-based products, specialized nutrition and bottled water, but said that small brands, which were in vogue five years ago, have become less important. The company will also review factories, logistics, supplies and fleets in order to make them more efficient and to boost the company's profitability.

Regionally, resurging Covid-19 cases in late October led to renewed lockdowns in Germany, France and the UK, whilst in the US, the 7-day moving average for virus cases sits at an all-time high. As it has been for most of this year, higher infection numbers cast doubts on the prevalence of a sustained economic recovery, and highlight the need for a medical solution (therapeutics or a vaccine) for a full economic recovery. It comes as no surprise then that locked-down Europe, and the UK, were the worst performing regions in October:



Source: Bloomberg. As of 31st October 2020

In the UK, the perennial issue of Brexit also re-emerged last month with the European Council meeting mid-month passing without a deal being struck; this was previously seen as a key deadline for any trade pact, though talks are set to continue as both sides seek to agree a trade deal before the year end.

Asia Pac ex-Japan and EM, dominated by mainland China, were the best performing regions in the month. Success in controlling the virus has allowed economic recovery to gather pace; in China, third-quarter GDP growth printed at 4.9% year on year and the region is set to be the only major one to see positive aggregate economic growth over 2020 relative to 2019. Chinese imports have also recovered with the latest data for September showing 13.2% growth year on year.

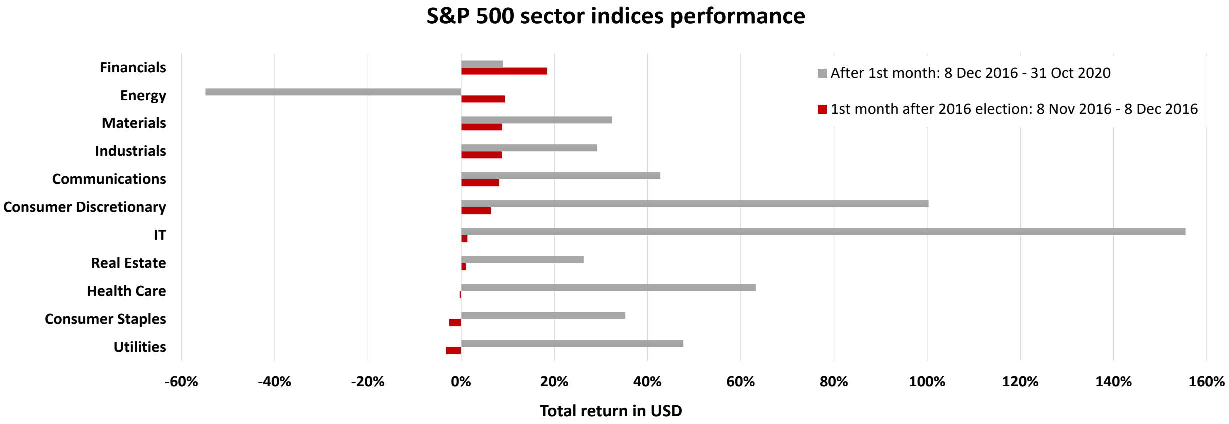
We have one holding domiciled in China: Anta Sports, which was our best performing stock in October (+6.4% in USD). The company generates revenue through the manufacture of sporting goods, including footwear, apparel and accessories. ANTA is poised for greater market share in China as it seeks to woo affluent shoppers with pricier athletic gear. This includes their namesake products under the ANTA brand and other popular brands such as Fila and Descente, as well as Salomon and Arc'teryx – both owned by Amer Sports, who ANTA acquired. ANTA's sales growth is likely to accelerate due to the Amer acquisition; the move to acquire a European company gives ANTA Sports scale to expand geographically, as well as launch new products in China.

Finally, turning to the US, equity markets here also saw declines in October, and this was caused by increasing virus cases in many states and the impasse between House Democrats and Senate Republicans on a new fiscal stimulus package. As the optimism over stimulus waxed and waned, contributing to stock market movements, the unpredictability of the 3rd November Presidential Election added to the wider sense of uncertainty.

US Presidential Election 2020

We have now finally seen the outcome of the US Presidential Election, but we reiterate that we continue to run the Guinness Global Equity Income Fund in the same manner as always and note we have not made any politically-influenced adjustments or changes to the portfolio holdings.

In the long run, we believe that company fundamentals matter more and investing based on politics only goes so far:



Source: Bloomberg. Ranked by 1st month S&P 500 performance. TR in USD. As of 31st October 2020

In 2016, Donald Trump's campaign emphasised deregulation and protecting US manufacturing, so it was no surprise that in the month following the election, the best-performing US sectors were Financials (+18.4% TR in USD) and Energy (+9.4%), two of the most highly regulated sectors. The next-best performing sectors were Materials and Industrials – symbols of traditional American manufacturing – which returned 8.8% and 8.7% respectively. Regardless of political affiliation, it seems difficult to deny that President Trump did indeed attempt to follow through on those campaign promises. Energy and Financials have both seen meaningful deregulation, and much of the tensions with China are directly tied to the President's efforts to support domestic manufacturing.

Yet if you look past the knee-jerk market reactions, it is clear with hindsight that the underlying fundamentals of those sectors have negated any benefit from the administration's policy support. Since the initial gains, Energy and Financials have been the worst performing sectors, and all four of those initial market leaders have underperformed the S&P 500 (+59.7% TR in USD, between 8 Dec 16 – 31 Oct 2020). Rather than a political statement on the policies, this is a clear example of why investors are better served staying focused on fundamentals and limiting the influence of politics in their portfolios.

We thank you for your continued support, and look forward to updating you on the potential implication of the election outcome on markets and the Fund in our next monthly commentary.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Analysts

Joseph Stephens

Sagar Thanki

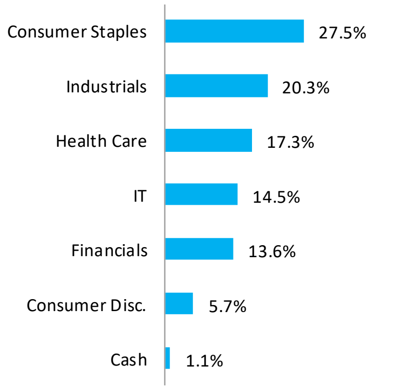
PORTFOLIO

31/10/2020

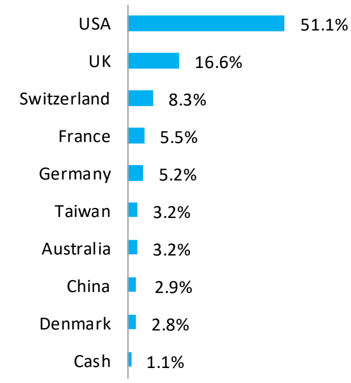
Fund top 10 holdings

Taiwan Semiconductor	3.2%
Sonic Healthcare	3.2%
Eaton	3.2%
Blackrock	3.1%
Unilever	3.0%
Schneider Electric	3.0%
Procter & Gamble	3.0%
Diageo	3.0%
Illinois Tool Works	2.9%
Broadcom	2.9%
% of Fund in top 10	30.6%
Total number of stocks held	35

Sector analysis



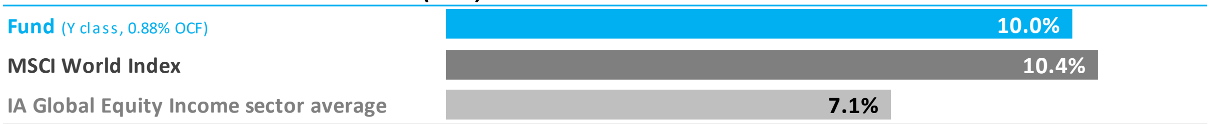
Geographic allocation



PERFORMANCE (see performance notes overleaf)

31/10/2020

Annualised % total return from launch (GBP)



Discrete years % total return (GBP)	Oct '20	Oct '19	Oct '18	Oct '17	Oct '16
Fund (Y class, 0.88% OCF)	0.2	15.0	5.8	6.3	30.0
MSCI World Index	4.5	11.3	5.1	12.9	28.0
IA Global Equity Income sector average	-5.2	9.8	-0.1	10.3	22.8

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.88% OCF)	-4.7	-2.8	0.2	21.8	68.4	154.4
MSCI World Index	-3.1	1.0	4.5	22.2	76.5	164.0
IA Global Equity Income sector average	-3.3	-8.1	-5.2	4.1	40.9	95.7

RISK ANALYSIS

31/10/2020

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0.00	-0.54	0.97
Beta	1.00	0.77	0.86
Information ratio	0.00	-0.42	-0.08
Maximum drawdown	-24.58	-22.41	-21.78
R squared	1.00	0.80	0.89
Sharpe ratio	0.47	0.31	0.48
Tracking error	0.00	6.58	4.73
Volatility	14.54	12.48	13.22

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 (see Performance data notes below) 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.