Guinness European Equity Income Fund

Investment Commentary – August 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	19.12.2013
Index	MSCI Europe ex UK
Sector	IA Europe excluding UK
Manager	Nick Edwards

Aim

The Guinness European Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Europe ex UK region. 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 Europe Ex UK Index as a comparator benchmark only.

RISK

Lower risk			Risk & reward			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 value of an investment and the income from it can fall as well as rise as a result of market and currency movement; you may not get back the amount originally invested.

PERFORMANCE

Past performance does not predict future returns

31/07/2022	1 year	3 years	5 years	Launch*
Fund	-5.5	12.8	22.2	80.0
Index	-7.3	12.4	23.0	77.0
Sector	-9.2	12.8	20.6	78.9

Full discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, 0.89% OCF, bid to bid, total return. *Launch date 19.12.13. 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 performance shown has been reduced by the current OCF of 0.89% per annum. Returns for share classes with different OCFs will vary accordingly. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

SUMMARY

In July the Fund rose 4.7% in GBP, underperforming the MSCI Europe ex UK Index (which rose +5.1%) by 0.4%. Over the year to 31st July, the Fund is down -7.0%, and +4.1% ahead of the Index, down -11.1%.

The largest positive contributors to performance over the month of July (in EUR) were **Melexis** +22.1%, **Epiroc** +19.9%, **Schneider Electric** +19.2%, **Konecranes** +17.5% and **ABB** +16.4%.

At the other end of the spectrum the biggest detractors from performance were **Fresenius SE** -13.9%, **Mapfre** -6.4%, **Helvetia Holding** +0.1%, **Danone** +1.0% and **Amundi** +1.3%.

Q2 2022 results are largely out, and as far as your fund is concerned, the picture is encouraging, with portfolio companies displaying strong pricing power evidenced by their ability to pass on rising input prices, notably across our branded consumer goods holdings. Very strong order growth across our IT and Industrial enablers (at odds with the wider softening in Eurozone manufacturing) is clear evidence of growing structural tailwinds driven by the renewed impetus towards energy security and efficiency in Europe on top of the existing climate imperative and the overall need for greater resilience and self-sufficiency. News on **dividends** was light, with only around 15% of this year's pot remaining for collection and just a couple of interim declarations outstanding.

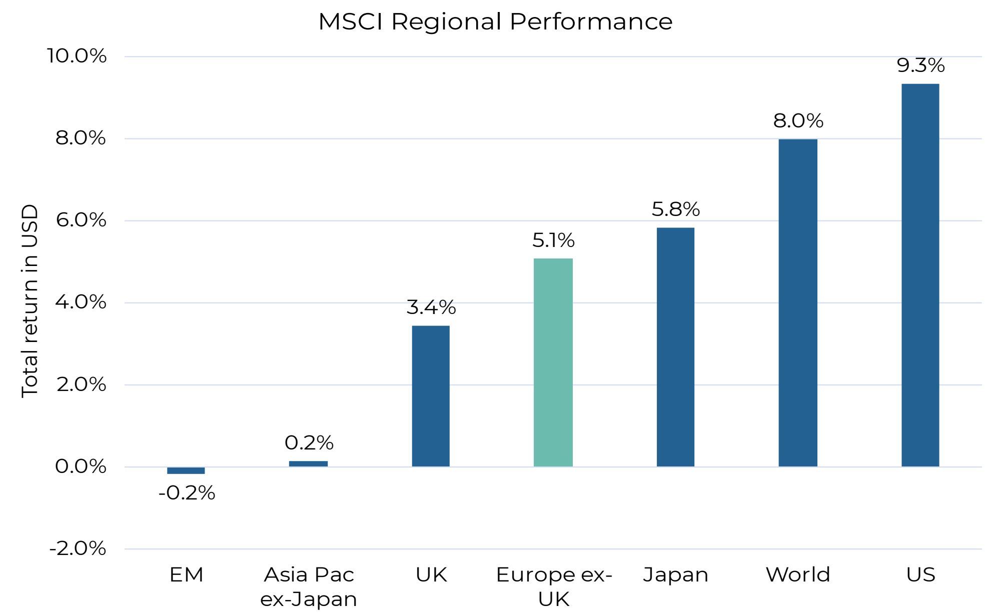
Consumer Brands

All of three of our large-cap Consumer Staples holdings reported robust price growth, driving better-than-expected overall top-line growth (helped by Euro weakness) resulting in upgrades to FY sales guidance.

Nestlé saw Q2 organic sales growth of +8.7% YoY of which 7.7% is from price, driven by buoyant demand in Pet, Nutrition and confectionary, notably KitKat, alongside overall improving market share trends.

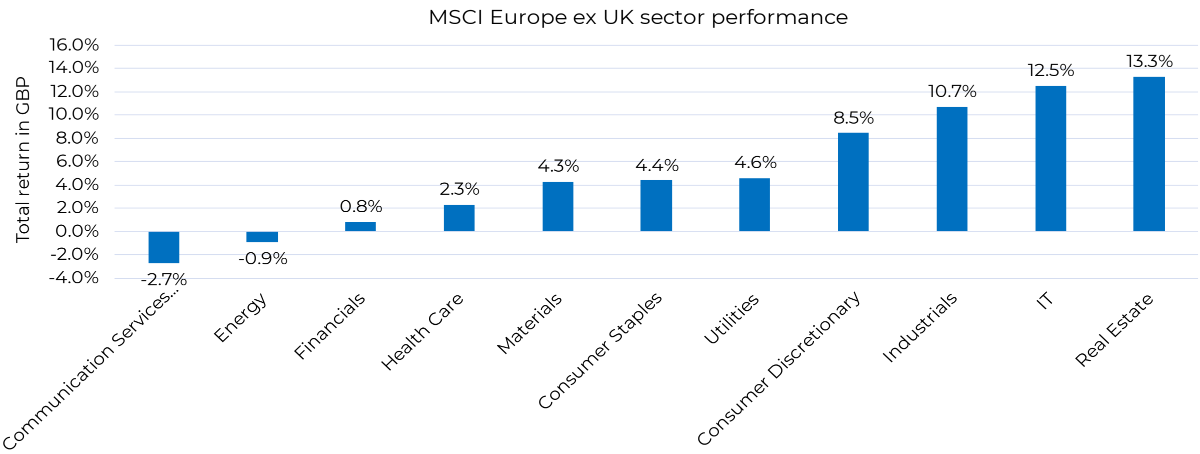
	mtd	ytd	1yr	3yr	5yr
Guinness European Equity Income	**4.70%**	**-6.99%**	**-5.46%**	**12.84%**	**22.22%**
MSCI Europe Midcap Index	5.98%	-14.57%	-13.03%	11.09%	21.8%
MSCI Europe Growth Index	8.27%	-12.12%	-7.32%	18.35%	41.6%
MSCI Europe Euro Index	4.68%	-12.18%	-8.89%	6.13%	15.9%
MSCI Europe Value Index	1.32%	-2.57%	1.97%	5.32%	8.7%
MSCI Europe High Dividend	1.55%	1.60%	5.87%	13.24%	28.8%
MSCI UK net total return Index	3.53%	5.25%	12.75%	10.24%	21.6%
MSCI Europe ex UK	5.14%	-11.06%	-7.33%	11.57%	22.6%
Out/underperformance	-0.44%	4.07%	1.87%	1.27%	-0.38%

Danone reported 7.7% top-line growth of which 6.8% is from price growth, with no sign of consumers trading down, and upgraded FY sales growth guidance to 5-6% from 3-5%. **Unilever** saw the highest price growth at 9.8% driving slightly lower underlying sales growth of 8.1% due to its high exposure to more price sensitive emerging markets, but also notable strength in both India and the US. Unilever also raised sales guidance to above the 4-5% - 6.5% range. Evidently demand for affordable but premium brands that make you look or feel great remains very robust for middle to upper end consumers. A similar dynamic was evident at **Universal Music** which reported 17% Q2 sales growth, supported by strong demand for music at customers like Spotify, Meta and Tiktok, the overall affordability of music streaming and the still very long runway for streaming growth, with global smartphone streaming penetration around 10%. Universal, with its fixed-cost back catalogue covering ~33% of global music IP, is in an enviable position. The company also surprised to the upside, increasing the October 2022 interim dividend by 20% to €0.24, with obvious potential for future specials / buybacks given the balance sheet direction of travel towards net cash. As input cost increases abate, there is also a good chance that our Staples holdings will find themselves in a position to resume dividend growth stalled by the pandemic and recent events.



MSCI regional index total returns breakdown for July 2022 in USD. Europe ex UK in light green. Source: Bloomberg

At the top end our (Discretionary) holdings **Kering** and **Mercedes-Benz** also demonstrated excellent pricing power supported by a resilient consumer and top-line growth by reopening in China. Kering reporting 16% comparable sales growth, led by Saint Laurent +34% and Other Houses +29% offsetting ongoing softer sales growth at Gucci +8%. Mercedes-Benz raised sales growth guidance to over 7.5% supported nearly entirely by the large price mix opportunity towards its higher-margin luxury and electric brands. Both companies, with their large net cash balance sheets, look well positioned to continue to return excess capital to shareholders.



MSCI Europe ex UK index sector returns for July 2022. Source: Bloomberg

Financials

Deutsche Börse took the prize for headline revenue growth +15% at a high 57% margin as cyclical tailwinds (+6ppts of sales growth) of rising interest rates and volatility added to strong secular growth +8% and M&A led growth +1% (against a FY forecast for 5% growth respectively). The former (cyclical) seen in +22% YoY growth in Trading and Clearing revenue and the latter (Structural growth) in +32% Data & Analytics revenue growth. **Euronext**'s headline results were less obviously exciting, but the potential is clear. The shares trading on a ~30% discount to main European peers (LSE and Deutsche Börse) on ~14x earnings; but with aggregate equity market cap of ~€6.6trn across its regional exchanges being some 2x LSE and 3x Deutsche Börse. Since the start of the year Euronext has hosted 41 IPOs vs 19 for LSE and 3 on for Deutsche Börse. The argument is clearly not level, given LSE's strength in high-margin data and Deutsche Börse in interest rate derivatives, but is worthwhile and highlights strong long-term potential, as does management's capital allocation track record after refusing to overpay for BME vs SIX.

Amundi did well, reporting net inflows against a difficult backdrop of outflows in Europe, supported by €8.9bn of inflows from its JV with State Bank of India. We were also pleased to see the "We are Amundi" share capital increase for employees well subscribed. Amundi continues to look attractive given the combination of its dominant market position, low valuation and strong long-term opportunities both regionally (SBoI and Bank of China JVs) and across European ETF and multi-asset niches. **AXA** pleased markets with underlying H1 earnings growth of 11% and a new €1bn share buyback against a position of excess capital, and an improving revenue mix characterised by the ongoing shift towards higher margin and higher quality technical and fee-based business. An earnings multiple of just 7.6x (and 7.7% DY) continues to look anomalous relative to ROE of 15.8% particularly in light of the continued improvements to both the quality of earnings and solvency ratios.

Healthcare

At **Roche** Diagnostics division sales growth of +11% continued to lead group revenue growth at +5% vs Pharma at +3%. In a move that speaks to the heightened importance of diagnostics in a world of personalised medicine (2% of cost but 66% of clinical decision making), the head of the Diagnostics division Thomas Schinecker will take over as group CEO from Severin Schwan (who becomes Chairman). Irrespective of the fortunes of drug trials, Roche's dominant position here along with strengths in big data and genetics should keep it at the forefront of industry developments. **Recordati** managed to generate 9% organic sales growth YoY in spite of its ~6% sales exposure to Russia and Ukraine, and remains well placed with its industry-leading rare diseases franchise and unique specialty and primary care pharma portfolio focused on an aging demographic. On the other hand,

Fresenius SE remained the thorn in our side with sentiment at listed and 32% owned Fresenius Medical Care impacted by a US court ruling centred around pricing, alongside labour shortages and wage inflation. Albeit somewhat offset by solid revenue developments at core divisions Kabi and Helios, which specialise in clinical nutrition & infusion therapy and hospital care respectively. The business trades on just 8x earnings and there remains a strong chance of rerating with Michael Sen who engineered the restructuring at Siemens working away in the background on portfolio optimisation.

Industrials

The strong backdrop for our Industrial enablers was neatly summarised by **Schneider Electric** (OSG +10.3%) management:

"Demand for our synergetic portfolio integrating digitization for efficiency and electrification for decarbonization is boosted by the acceleration of the energy transition in a context of tensions and inflated prices in energy, as well as by the priority set by most companies and societies on digitization, sustainability and reshoring."

Epiroc backed up the comments reporting its best quarter ever for electrification orders, while **ABB** reported order growth of +20% YoY and a +37% increase in the backlog, driven by notable strength at Process Automation (orders +25%) as a whole new capex cycle unfolds across energy and materials industries; and an inflationary backdrop only adds to the attractions of automation and robotics. **Konecranes** also reported a 20% uplift in orders, underscoring higher sales growth ahead supported by increased activity and potential new revenue streams in areas such as offshore wind and nuclear. **Assa Abloy** managed to recover all costs, with pricing +10%. While defence communications market leader **Thales** reported orders +46%, alongside a halving of its pension deficit to €1.4bn thanks to higher interest rates and progress with the share buyback (with 15% of the 3.5% of shares outstanding by 2024 completed).

Meanwhile **Smurfit Kappa**, the leading supplier of innovative and sustainable packaging and e-commerce enabler to European and US FMCG industries, raised its interim dividend by 8% and highlighted the strong positives of a capable and focused, decentralised and incentivised management team on long-term shareholder returns:

"As significant shareholders in the business, which all the management team are, we treat capital as our own with some EUR 7.3 billion deployed since 2012. That process has contributed to a 460 basis point increase in EBITDA margin and a 730 basis point increase in return on capital employed."

Information Technology

In the IT sector it was a very similar picture for our digital and industrial enablers. **Capgemini** reported H1 bookings +22% and cited "broad-based structural demand for digital transformation solutions" notably across Intelligent Industry (eR&D) and Cloud & Data; alongside market share gains. On 16x 2023e earnings the ~40% discount to Accenture's 25x PE multiple continues to look anomalous.

Melexis, a new position for the fund on May 27th, surprised strongly to the upside, reporting the highest revenue growth among auto focused analog semiconductor peers. With strong orders and no impacts to customer demand, alongside Q2 sales and EBIT rising 31% and 47% respectively driven primarily by current, magnetic latch and temperature sensors; supported by access to supply with parent company-controlled X-Fab's new plant at Corbeil outside Paris ramping up. Demand is outpacing supply by around 20% as the shift to electric vehicles gets underway (and is still young at just ~10% of new auto sales). Terms of trade are for Melexis are clearly improving:

"Ever-increasing electrification and the growing number of comfort and safety applications have led to a significant acceleration of analog IC demand in the automotive industry… Long-term agreements with both our

customers and our suppliers will improve transparency and visibility in the supply chain in the coming years"

The October interim dividend of €1.3 was in line with expectations, while FY sales guidance was raised to +28%-+30% vs. +18%-23% previously, with management citing long-term confidence in the automotive trend and Melexis' position within that trend, supported by continued increases in electronic content, suggesting a long-run revenue CAGR in excess of 10%.

Thank you for your continued support.

Portfolio Manager

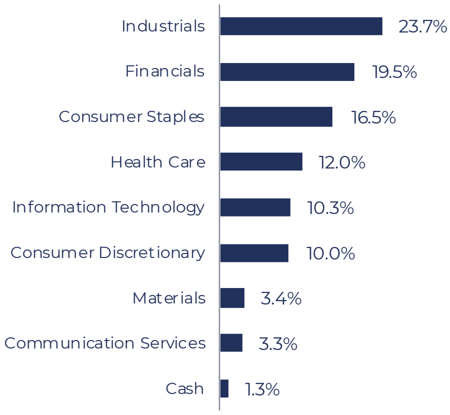
Nick Edwards

PORTFOLIO

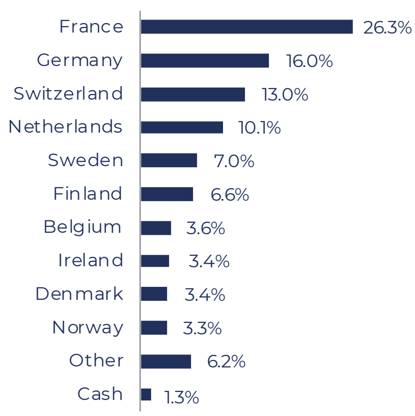
Fund top 10 holdings

MELEXIS NV	3.6%
Epiroc AB	3.6%
Deutsche Boerse	3.5%
UNILEVER NV	3.5%
ABB	3.5%
Schneider Electric	3.5%
Smurfit Kappa Group	3.4%
Deutsche Post	3.4%
Assa Abloy AB	3.4%
Capgemini SE	3.4%
% of Fund in top 10	34.8%
Total number of stocks	30

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Annualised % total return from launch on 19/12/2013 in GBP	31/07/2022
Fund (Y Class, 0.89% OCF)	7.1%
MSCI Europe ex UK Index	6.9%
IA Europe ex UK sector average	7.0%

Discrete years % total return (GBP)	Jul '22	Jul '21	Jul '20	Jul '19	Jul '18	Jul '17	Jul '16	Jul '15
Fund (Y Class, 0.89% OCF)	-5.5	27.9	-6.6	7.1	1.1	21.4	14.1	6.5
MSCI Europe ex UK Index	-7.3	25.6	-3.4	4.1	5.2	23.3	5.9	9.4
IA Europe ex UK sector average	-9.2	25.8	-1.3	1.7	5.1	23.8	8.1	10.4
Fund vs sector	3.7	2.1	-5.4	5.4	-4.0	-2.4	6.0	-3.8

Cumulative % total return (GBP)	1 month	YTD	1 year	3 years	5 years	Launch*
Fund (Y Class, 0.89% OCF)	4.7	-7.0	-5.5	12.8	22.2	80.0
MSCI Europe ex UK Index	5.1	-11.1	-7.3	12.4	23.0	77.0
IA Europe ex UK sector average	5.7	-12.5	-9.2	12.8	20.6	78.9

RISK ANALYSIS — 31/07/2022

Annualised, weekly, from launch on 19/12/2013 in GBP	Index	Sector	Fund
Alpha	0.00	0.94	0.74
Beta	1.00	0.88	0.94
Information ratio	0.00	0.03	0.06
Maximum drawdown	-25.02	-24.43	-30.36
R squared	1.00	0.89	0.90
Sharpe ratio	0.20	0.23	0.22
Tracking error	0.00	5.33	5.00
Volatility	16.10	14.92	15.94

*Fund launch date: 19.12.13.

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

IMPORTANT INFORMATION

Issued by Guinness Global investors, 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 European 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 European 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 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.