TB Guinness Asian 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	04.02.2021
Strategy launch	19.12.2013
Benchmark	MSCI AC Asia Pacific ex Japan
Sector	IA Asia Pacific Excluding Japan
Team	Edmund Harriss (Co-manager) Mark Hammonds (Co-manager) Sharukh Malik

Aim

The TB Guinness Asian Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Asia Pacific region. The Fund aims to provide long-term capital appreciation and a source of income that has the potential to grow over time. The TB Guinness Asian Equity Income Fund is a UK-domiciled UCITS fund, authorised and regulated by the Financial Conduct Authority. Where stated, portfolio data prior to 04.02.2021 and other information in this document relates to the Guinness Asian Equity Income Fund, an Irish-domiciled, FCA-recognised UCITS fund launched on 19.12.2013. Both funds are managed in accordance with the same investment process and with the same portfolios.

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.

% in GBP	1 month	YTD	1 year
Fund	-2.0	-5.7	0.1
Index	-0.2	-6.1	-6.2
Sector	-0.1	-6.4	-5.5

Source: FE fundinfo, bid to bid, total return to 31.07.2022. 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

In July, the Fund fell -2.0% (Y share class, in GBP) and underperformed the MSCI AC Asai Pacific ex Japan Net Total Return Index benchmark, which fell -0.2%.

Over the year to date, the Fund has fallen -5.7% but remains 0.4% ahead of the benchmark index, which has fallen -6.1%.

A relatively dovish outlook on interest rates from the US Federal Reserve at the end of July and a lower 10-year US Treasury yield lifted markets. In Asia, India was the strongest, up 9.2%, followed by Australia up 6.6%, Singapore up 6.0% and Korea up 5.9%. China, however, was the biggest decliner, down -9.4%, which dragged the benchmark into negative territory, followed by Hong Kong down -3.6% and Thailand down -1.9% (all figures are for MSCI Country Net return indices in GBP). China weakness marked a reversal from June and was driven by concerns over property and a lower growth outlook.

The strongest sectors were Technology, Health Care and Industrials. The weakest were Consumer Discretionary, Communication Services and Real Estate. The rebound in Technology reflected a sector rally globally and was supported in Asia by better guidance and outlook from the leading semiconductor names in Korea and Taiwan. There was also stronger news flow on Chinese electric vehicle and battery names. However, China internet and e-commerce names dropped back on US listing concerns that have re-emerged in recent days.

Earnings forecasts were revised higher in Singapore, led by industrials and specifically by Singapore Airlines as air travel recovered, and in Taiwan led by Technology. Australian earnings forecasts were dragged down by a sharp cut in Materials, which account for 20% of the market. In China, earnings forecasts in all sectors except Real Estate were 1%-2% lower. The upgrades to Real Estate earnings estimates reflect hefty prior downgrades and the fact that property sales in some areas have picked up in recent weeks.

Earnings revisions for the Fund have held up better than the market over the past month, with JB Hi-Fi, Taiwan Semiconductor Manufacturing and Largan Precision seeing the largest upgrades, while Hanon Systems, Elite Material and Novatek Microelectronics saw the largest downgrades to estimates. These followed interim or quarterly results announced in July. We also had results from our two Singaporean REITs. These were above expectations and reported dividends which were also higher than market forecasts and put dividend growth at around 4% compared to last year after adjusting for timing issues and catch-up payments.

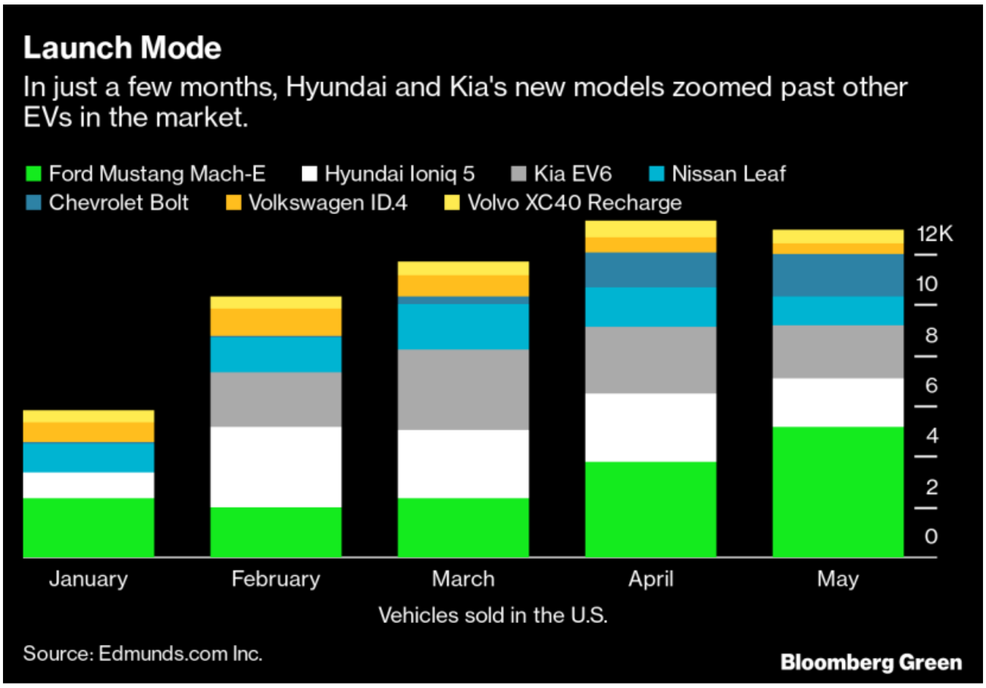
The drivers that led to underperformance in July came from Chinese consumer-related stocks, most notably Suofeiya Home Collection, Zhejiang Supor and China Merchants Bank. Ping An Insurance and textile maker Shenzhou International were also laggards. Leading contributions to performance came Largan Precision, Qualcomm, JB Hi-Fi, Tech Mahindra and DBS Group.

In August, geo-political risk in Asia was raised by the visit to Taiwan by the speaker of the United States House of Representatives, Nancy Pelosi. This came at a particularly sensitive time from the Chinese perspective. Xi Jinping is seeking to secure his leadership going into the October Congress at the same time as domestic economic and social pressures are mounting. The call with President Biden before the visit, their mutual reassertion of long-held policy positions with respect to Taiwan, and we understand, a statement that the speaker's arrival was not an official visit have helped to prevent a more aggressive response from Beijing.

JULY IN REVIEW

The Technology sector globally had a better month in July. Alphabet, Amazon and Microsoft reported stronger growth and provided upbeat guidance for their cloud computing segments. This, we believe, provides a more encouraging outlook for some of the Fund's holdings including Elite Material and Largan Precision. Taiwan Semiconductor is also looking to a bottoming-out of the inventory correction which has depressed recent sales growth. Revenue grew 43% year-on-year in the second quarter and the CEO noted particularly "strong High-Power Computing, Internet of Things and automotive-related demand". Recent guidance comments from Micron and Western Digital, however, indicate a weakening outlook for semiconductors.

The Electric Vehicle (EV) space continues to look interesting. Sales of EVs have been picking up in China which is encouraging for the sector. Just as interesting, we think, is the progress by Hyundai and Kia in taking market share in the US market. These companies expressed some bold targets before the pandemic, but this year Hyundai launched the Ioniq 5 and Kia the EV6. Both cars have shot up the sales charts, beating the Nissan leaf, the Chevrolet Bolt and indeed every other EV marque except Tesla in the first five months of the year.



The relevance to the portfolio is the holding in Hanon Systems, which is a parts supplier to Hyundai (as well as to Ford, General Motors, Mazda and Toyota), from which it was spun out some years ago. The company's focus is to increase its 'eco-friendly' revenues (the company's phrase) from 22% of total in 2021 to 40% in 2025. The key products are thermal management systems which are designed to improve fuel and battery efficiency.

China property weakness is exerting an ever-greater drag on investor and consumer sentiment. There was a pick-up in residential property sales in June and early July, but momentum has slowed. Seasonal factors are partly at play but there are concerns that underlying confidence is weakening. There were reports of mortgage boycotts by property buyers frustrated by construction delays. We have not yet seen an impact on weekly sales related to this; 60-city weekly sales over the seven days to 31 July rose 11% week-on-week and the year-on-year decline remained stable at c.30%. We shall have to see how August numbers play out to see if delays to filing records of sales give a different picture.

At present, the government still prefers to see solutions to property issues implemented at the local level, which has disappointed those looking for a more co-ordinated effort. For example, Zhengzhou announced a rescue fund to support the construction of unfinished projects, and similar funds are said to be coming in Wuhan and Nanning. Huarong Asset Management company has announced a restructuring agreement with the parent group of Yango. The Fund's exposure to Chinese real estate is through China Overseas Land & Investment, which financially sound. The company is indirectly owned by China State Construction and Engineering, which is a centrally (rather than locally) controlled State Owned Enterprise. We are alert to any suggestions that the company may be called upon to assist distressed developers, but there have been no signs.

COMPANY RESULTS

Largan Precision, the Fund's best-performing stock in July, reported a sharp increase in second quarter revenues and expects revenue growth to continue through the third quarter. Largan leads the field in smartphone camera lens technology and production know-how which supports much higher margins than its peers. The last 18 months have seen little sales growth as higher-end smartphones have focused on display and processor technology. There are now rising expectations for smartphone camera upgrades amongst Android phone customers including higher resolution, larger aperture, and larger sensor size.

Ascendas REIT reported interim results which included a 6% increase in distributable income. Occupancy rates for the Singapore portfolio increased to 91.9%, while in Australia, Europe and the US occupancy is between 95% and 98%. Borrowing stands at 37% of equity and the weighted average maturity of the debt is 3.9 years.

Capitaland Integrated Commercial Trust has had a tough couple of years, but we have held on in anticipation of the recovery which is now coming through. The first half dividend was only 0.8% higher than last year, but results in 2022 are expected to be weighted into the second half due to timing of rental payments and impact of fit-out periods in Asia Square Tower 2, Six battery Road and CapitaSpring. Occupancy rates are expected to hit their committed levels of 98%, 84% and 99.5% respectively in the second half of the year. Taking a step back from the detail, the upturn in Singapore's office market enabled rent renewal rates to increase by 8.5% and on the retail side, tenant sales continue to pick up.

Elite Material is a leading supplier of laminates, which are the main construction material for printed circuit boards. The stock has struggled this year as the outlook for consumer electronics, especially higher-end smartphones, has weakened. Production in Kunshan was also temporarily shut down due to Covid. This has caused earnings forecasts to be downgraded by the market. However, at the results presentation the company provided a better outlook than had been feared. New project and wins and more resilient demand from their server business could see revenue growth resume in August and a higher margin. We are happy to look through the current soft patch: there is a long-term structural growth story with major upgrades coming in server platforms and switches requiring the highest-quality materials and thus higher selling prices.

Tech Mahindra reported stronger revenue growth than expected but lower profit growth. The company experienced higher attrition last year resulting in lower utilisation this year as new recruits have been trained. The CEO addressed this in a recent interview following the latest results, noting that they had hired 10,000 new graduates last year, that attrition rates were coming down (in contrast to the sector) and that he expects to see margin improvements over the next three quarters following the drop to 11% from 15% a year ago.

Most of our companies are due to report results in August, but so far, we are happy with what we have seen.

PORTFOLIO CHANGES

There were no changes to the portfolio in July.

OUTLOOK

Economic and market conditions remain volatile. Statements from the Federal Reserve following the recent interest rate rise were interpreted as becoming more moderate and therefore that inflation may be coming under control. In our view, this may be a bit early, and recent comments coming from Board members appear to be rowing back from that. The outlook for semiconductors has been said to be improving, but company comments in the last couple of days suggest that might not be the case. In short, high-frequency data and swift changes in sentiment make tactical positioning a high-risk approach.

We are looking to identify structural stories that will play out over the next three to five years and identify companies with financial resilience, pricing power and management skill to navigate this environment. Dividend trends take on greater importance as a signalling mechanism with which to gauge management confidence and company performance. Our process is built on the pillars of Quality, Value, Dividends and Conviction, which have served the strategy well over periods of great change since 2013, and we shall make sure we stick to those principles now.

Portfolio managers

Edmund Harriss

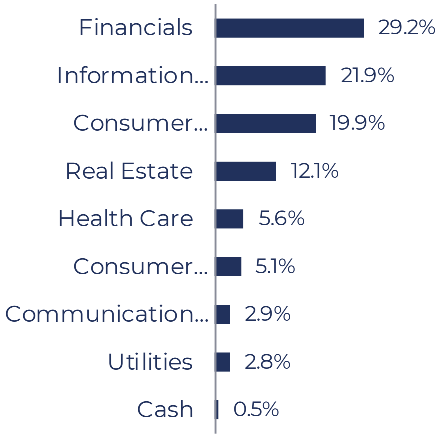
Mark Hammonds

PORTFOLIO

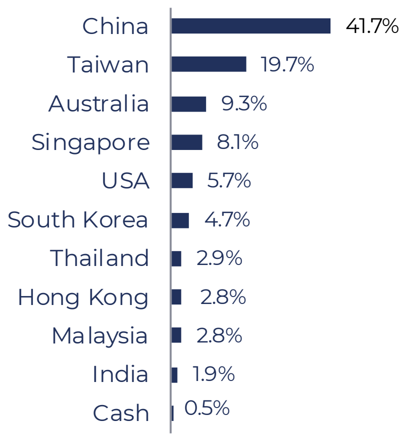
Fund top 10 holdings

ICBC	3.8%
China Overseas Land	3.8%
Novatek Microelectronics	3.6%
BOC Hong Kong	3.6%
Suofeiya Home Collection	3.5%
China Medical System	3.4%
Hon Hai Precision Industry	3.2%
China Construction Bank	3.1%
Largan Precision	3.0%
Zhejiang Supor	2.9%
% of Fund in top 10	33.9%
Total number of stocks in Fund	36

Sector analysis



Geographic allocation



PERFORMANCE

31.07.2022	1 m	YTD	1 yr
Fund (0.89% OCF)	-2.0	-5.7	0.1
MSCI AC Asia Pacific ex Japan	-0.2	-6.1	-6.2
IA Asia ex Japan Sector	-0.1	-6.4	-5.5

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

The TB Guinness Asian Equity Income Fund was launched on 4th February 2021. It is a UK-domiciled UCITS fund, authorised and regulated by the Financial Conduct Authority. The fund employs the same strategy as the Guinness Asian Equity Income Fund, an Irish-domiciled, FCA recognised UCITS fund launched on 19th December 2013. Both funds are managed in accordance with the same investment process and with the same portfolios. Performance data for the Guinness Asian Equity Income Fund can be found here.

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 equities and equity markets invested in by the TB Guinness Asian 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 Fund invests only in stocks of companies that are traded on Asian stock exchanges or that do at least half of their business in Asia; 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 at guinnessgi.com/literature. 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.tbaileyfs.co.uk or free of charge from:-

T. Bailey Fund Services Limited ("TBFS")

64 St James's Street

Nottingham

NG1 6FJ

General enquiries: 0115 988 8200

Dealing Line: 0115 988 8285

E-Mail: clientservices@tbailey.co.uk

T. Bailey Fund Services Limited is authorised and regulated by the Financial Conduct Authority.

TBFS, as UCITS Man Co, has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive.

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.

Structure & regulation

The Fund is a sub-fund of TB Guinness Investment Funds, an investment company with variable capital incorporated with limited liability and registered by the Financial Conduct Authority.

Telephone calls will be recorded and monitored