

Guinness Asian Equity Income Fund

Investment Commentary - September 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	19.12.2013
Benchmark	MSCI AC Pacific ex Japan
Sector	IA Asia Pacific Excluding Japan
Team	Edmund Harriss (Co-manager) Mark Hammonds (Co-manager) Sharukh Malik

Aim

The 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 Fund is actively managed and uses the MSCI AC Pacific ex Japan 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.

31/08/2022	1 Yr	3 Yrs	5 Yrs	Launch*
Fund	1.6	16.7	17.9	123.4
Index	-7.7	13.0	17.2	90.8
Sector	-4.6	21.5	27.4	107.8

Full discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, bid to bid, total return. *Launch: 19/12/2013. 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.

REVIEW

In August, the Fund rose 2.3% (Y share class, in GBP) but lagged the MSCI AC Pacific ex Japan Net Total Return Index benchmark, which rose 3.7%.

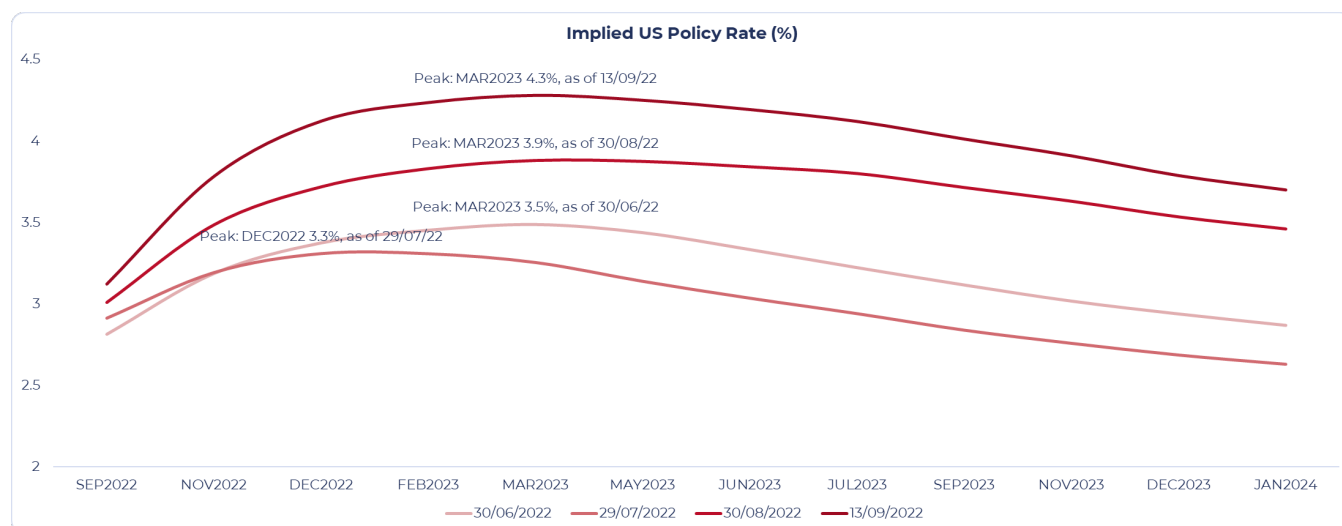
Over the year to date the Fund has fallen -3.1% but remains just ahead of the benchmark index, which has fallen -3.9%.

In July and August market sentiment appeared to have become more positive on signs that inflation in the US might be close to or past its peak. This was prompted by the US CPI report for July which showed price changes were flat month-on-month. This caused expectations of rising interest rates to moderate, the dollar's strength to ease and a rally in growth stocks. Jerome Powell was keen to strike a note of caution in his brief speech at the Jackson Hole meeting of central bankers. His assessment that inflation is not yet beaten was illustrated by the CPI number for August which showed prices rising again compared to the prior month.

We can see the changes in market sentiment and toward interest rate expectations in the chart below, which measures market forecasts for the US Fed Funds policy rate over the next two years at given moments based on Fed Funds Futures.

The chart below (courtesy of the Guinness Global Equity team) clearly shows diminishing expectations as at the end of July and the reversal of those expectations in September after the August CPI release.

Guinness Asian Equity Income Fund



Sources: Bloomberg World interest Rate Probabilities, Guinness Global Investors

The performance of the Fund in August has been unremarkable, up 2.3% in GBP terms but giving back 1.4% of relative performance against the benchmark. In August, 13 stocks outperformed of which three (Suofeiya Home Collection, Ping An Insurance and Shenzhou International) are Chinese companies. The rest were drawn from Australia, India, Malaysia, Singapore, Taiwan and Thailand, in the Consumer, Financial and Technology sectors. The underperformance of the Fund came in a month where the Asian region did significantly better than the rest of the world including the US, led by the China Index, which in its turn was led by the bounce in the big Chinese e-commerce and technology names. In short, the big Chinese growth stocks led the way as growth outperformed value – and these are not the types of company to which this portfolio has significant exposure.

	YTD	1 year	3 years	5 years	Since Launch (19/12/2013)
Guinness Asian Equity Income Fund	-3.1%	1.6%	16.7%	17.9%	123.4%
MSCI AC Pacific ex Japan Index	-3.9%	-7.7%	13.0%	17.2%	90.8%
MSCI AC Asia Pacific ex Japan Value Index	2.7%	1.1%	14.8%	13.2%	77.3%
MSCI AC Asia Pacific ex Japan High Dividend Yield Index	5.3%	6.7%	14.0%	15.9%	72.0%

Cumulative Total Return, Y share class in GBP, as of 31/08/2022. Source: FE fundinfo

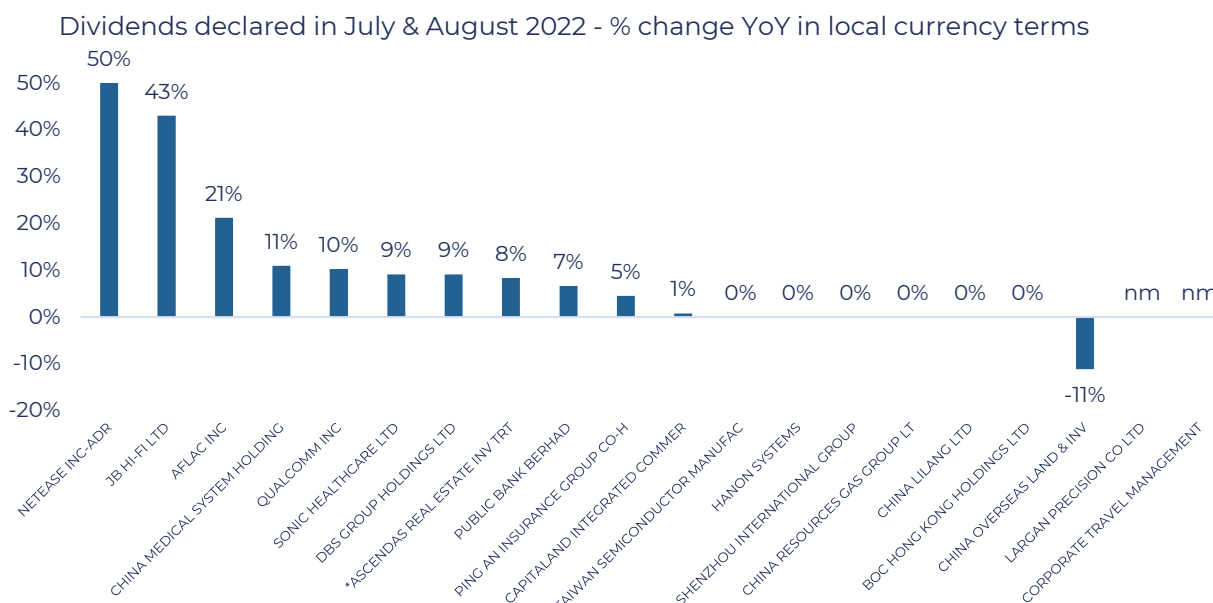
However, the performance of the companies in the portfolio that lagged does not give us cause for concern, although it does look like Korean Reinsurance is seeing weakness from its overseas underwriting business. We have been very encouraged by the operating performance and dividend outcomes from our portfolio companies reported during the period. In our opinion, modest or weaker stock price performance should not be a concern if underlying operating profits, cash flows and dividends are still sound.

In the most recent review of results of the second quarter or for the half year (where quarterly reports are not available) we see that 26 out of the 36 portfolio holdings reported sales growth; 18 (half) of the companies in the portfolio saw margins contract; and 27 companies reported earnings growth. Median sales growth was 6.9%, the median operating margin contracted -0.3% and median earnings growth was 7.1%. To be clear, these data points consist of a mix of the most recent interim or quarterly reports, to give us a picture of how companies are performing now as pressures on demand and costs intensify. And they appear to be managing well.

The dividend profile has also been positive and supports the comments above. In the second half of the calendar year, 23 of the 36 portfolio companies are expected to declare dividends; the rest normally declare annually in the

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first half the year and pay them over the course of the year. In July and August, we have had reports from 20 of them. Among these, 13 could be said to have increased the dividend – 11 were higher than last year and the resumption of dividends by Corporate Travel Management and the introduction of interim dividend payments by Largan Precision makes 13. Six companies reported an unchanged dividend and one company, China Overseas Land & Investment, reported a decline.



*Ascendas REIT reported a 288% year-on-year increase due to a lower dividend per share last year, due to timing issues. The dividend is comparable to distributions made in 2020 and 2019 and the latest dividend represents an 8% increase over 2020. Sources: Guinness Global Investors, Bloomberg. Data as at 31 August 2022

OUTLOOK

The better macroeconomic news that began August quickly subsided, and we have moved into a more cautious phase. The Fed has made clear its determination to get inflation under control, and the continued hawkish stance has renewed fears of a recession. Nevertheless, many economic fundamentals in the US look strong (for now), with employment data holding up and a strong dollar making imports cheaper, proving some counterbalance to high inflation for consumers.

Europe is facing an energy crisis heading into the winter, with the suspension of the Nord Stream 1 gas pipeline by Russia perhaps the most obvious illustration of the difficulties faced in energy supply. Conversations have turned to energy efficiency and energy saving measures, suspension of industrial activity, potential electricity blackouts and supply shortfalls. Imports of energy (mainly LNG) from the US will help (particularly to the UK), and the winter may prove to be mild, but the circumstances point to a severe slowdown in European industry. Government assistance will help consumers, but the region is undeniably entering a tricky period.

In China, we have seen continued lockdowns due to Covid, but perhaps signs that these are now becoming a familiar and even accepted feature of life. Monetary and fiscal easing have helped support the national economy and will help other emerging market countries. We still believe there is scope for policymakers to do more in this area – much will depend on the extent of a slowdown in external demand from Europe and the US. Patches of China's export economy continue to be strong, and many companies are still performing well as they navigate a challenging macro backdrop.

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	EPS %			PER			15Y Average PER		
	2022	2023	2024	1FY	2FY	3FY	1FY	2FY	3FY
Asian Equity Inc.	-5.6%	8.6%	8.2%	10.0	9.2	8.5			
Region	4.9%	6.6%	10.9%	11.9	11.1	10.0	13.5	12.0	10.9
Developed Asia	25.6%	6.3%	3.9%	14.4	13.4	12.9	15.3	14.0	13.0
Emerging Asia	-4.1%	7.9%	13.1%	12.4	11.4	10.1	13.2	11.4	10.3
China	-1.5%	15.1%	14.3%	11.6	10.0	8.8	12.4	10.8	9.7
US	17.2%	7.6%	8.9%	17.4	16.1	14.8	16.9	14.8	13.2
Europe ex-UK	1.5%	4.4%	7.7%	12.6	12.0	11.1	14.4	12.7	11.5
UK	41.2%	2.4%	-2.1%	9.0	8.9	8.9	13.1	11.8	10.8
Developed World	12.6%	6.3%	7.3%	15.5	14.6	13.6	15.9	14.0	12.6

Sources: Guinness Global Investors, Bloomberg. Based on consensus estimates as at 31 August 2022, in US dollars. All Indices are MSCI regional or country indices, except the US which is measured by the S&P 500 Index. The region is represented by the Fund's benchmark and Developed Asia is measured by MSCI Pacific ex Japan Index, consisting of Australia, New Zealand, Hong Kong and Singapore.

Portfolio managers

Edmund Harriss

Mark Hammonds

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PORTFOLIO

Fund top 10 holdings	Sector analysis	Geographic allocation
Catcher Technology 3.3%	Financials 28.0%	China 35.0%
Largan Precision 3.3%	IT 24.1%	Taiwan 20.6%
China Medical System 3.2%	Consumer Disc 17.7%	Australia 9.9%
Tech Mahindra 3.2%	Real Estate 11.4%	Singapore 8.7%
Aflac 3.2%	Health Care 5.5%	USA 6.0%
China Overseas Land 3.2%	Consumer... 5.1%	South Korea 5.0%
Novatek Microelectronics 3.1%	Comm Services 2.7%	India 3.2%
DBS Group Holdings 3.1%	Utilities 2.7%	Thailand 3.0%
Tisco Financial Foreign 3.0%	Cash 3.0%	Malaysia 3.0%
Public Bank Bhd 3.0%		Hong Kong 2.6%
		Cash 3.0%
% of Fund in top 10 31.7%		
Total number of stocks in Fund 36		

PERFORMANCE

Past performance does not predict future returns.

Discrete 12m % total return (GBP)	Aug '22	Aug '21	Aug '20	Aug '19	Aug '18	Aug '17	Aug '16	Aug '15
Fund (Y class, 0.89% OCF)	1.65	19.68	-4.09	-0.15	1.19	25.59	32.75	1.06
MSCI AC Pacific ex Japan Index	-7.66	12.27	8.96	1.87	1.84	25.77	33.67	-13.20
IA Asia Pacific ex Japan	-4.59	18.12	7.80	3.26	1.57	23.27	31.94	-10.25

Cumulative % total return (GBP)	1 M	YTD	1 Year	3 Yrs	5 Yrs	Launch*
Fund (Y class, 0.89% OCF)	2.29	-3.14	1.65	16.67	17.87	123.42
MSCI AC Pacific ex Japan Index	3.71	-3.92	-7.66	12.97	17.20	90.75
IA Asia Pacific ex Japan	3.67	-2.98	-4.59	21.49	27.42	107.78

Annualised % total return from launch (GBP)

Fund (Y class, 0.89% OCF)	9.7%
MSCI AC Pacific ex Japan Index	7.7%
IA Asia Pacific ex Japan	8.8%

Risk analysis - Annualised, weekly, from launch on 19.12.2013, in GBP

31/08/2022	Index	Sector	Fund
Alpha	0	1.73	3.16
Beta	1	0.89	0.83
Information ratio	0	0.28	0.28
Maximum drawdown	-26.36	-24.54	-24.84
R squared	1	0.95	0.80
Sharpe ratio	0.27	0.38	0.44
Tracking error	0	3.50	6.76
Volatility	15.21	13.87	14.16

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 (0.89% OCF). *Fund launch date: 19.12.2013.

TB Guinness Asian Equity Income Fund

TB Guinness Asian Equity Income Fund - UK investors should be aware that the Guinness Asian Equity Income Fund is available as a UK-domiciled fund denominated in GBP. The TB Guinness Asian Equity Income Fund is available from 0.79% OCF. The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available at www.guinnessgi.com/funds/tb-guinness-asian-equity-income-fund

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 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.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'Île, 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