

# Guinness Global Money Managers Fund

Investment Commentary - October 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

<b>Launch</b>	31.12.2010
<b>Index</b>	MSCI World
<b>Sector</b>	IA Financials and Financial Innovation
<b>Manager</b>	Will Riley Tim Guinness

### Aim

The Fund aims to deliver long-term capital growth by capturing the strong returns that successful asset management companies can deliver to shareholders. We expect asset managers to outperform the broad market over the long term, primarily due to the ability of successful managers to grow their earnings more rapidly than the broad market. The Fund is actively managed and uses the MSCI World Index as a comparator benchmark only.

## RISK

Lower Risk					Higher Risk	
1	2	3	4	5	<b>6</b>	7

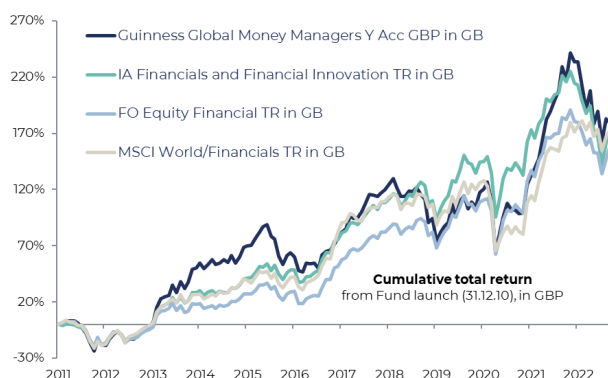
Typically lower rewards

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; you may not get back the amount originally invested.

## PERFORMANCE

Past performance does not predict future returns.



Source: FE fundinfo, bid to bid, total return. 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 0.74% 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.

## ASSET MANAGEMENT SECTOR

In this month's update, we review the asset management sector and our Fund performance over the first nine months of 2022, and consider the outlook for the rest of the year and beyond.

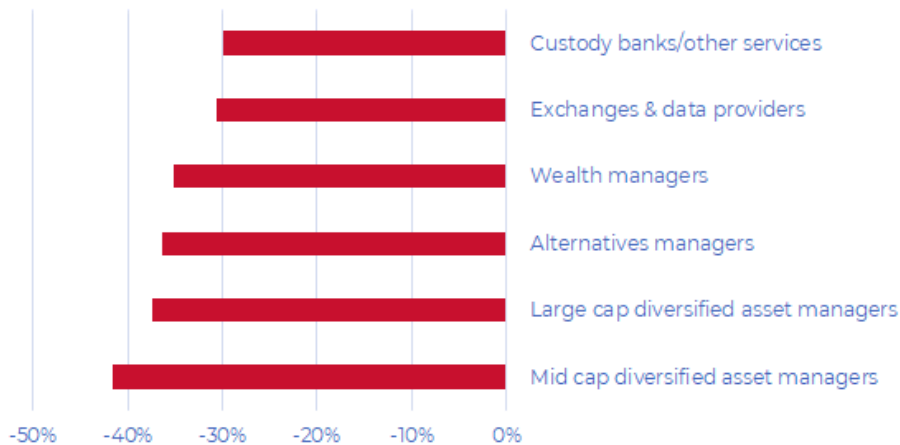
After a strong 2021, the global inflation shock this year has triggered an interest rate shock and ultimately a valuation shock in financial markets. This is reflected in higher yields in government bonds, wider spreads in credit markets and lower equity price-to-earnings ratios. We have seen sharp drawdowns in stocks, corporate credit, emerging market debt, government bonds and gold. In particular, it was one of the worst first nine months of the year for developed market equities in over 50 years, with the MSCI World down by over 25%. There have been few places to hide in a highly correlated market environment.

Expectations for faster monetary tightening in the US also contributed to extreme strength in the dollar, which year-to-date is up about 16% against the euro.

Against this backdrop, there has been predictable underperformance from the money management sector, with all subsectors bar custody banks lagging the MSCI World as shown on the following page.

## Guinness Global Money Managers Fund

### Money management subsector performance YTD



Subsector performance in USD. Source: Bloomberg; Guinness Global Investors

The most significant positive for the portfolio has been the completion of Royal Bank of Canada (RBC) acquisition of UK wealth manager Brewin Dolphin (Brewin) for £1.6bn. RBC paid 515p per share, a 62% premium to the undisturbed price, in an all-cash offer.

RBC's acquisition of Brewin Dolphin is the second large takeover of a UK wealth manager in the last 18 months, demonstrating a growing appetite for the sector. In July 2021, Raymond James acquired Charles Stanley for £279m, adding around £27bn of client assets to Raymond James' UK platform. The attraction of acquiring wealth assets in the UK would seem to be its ageing population, and the shift from the annuity pension model to an increasing requirement for individuals to find help managing their own retirement savings.

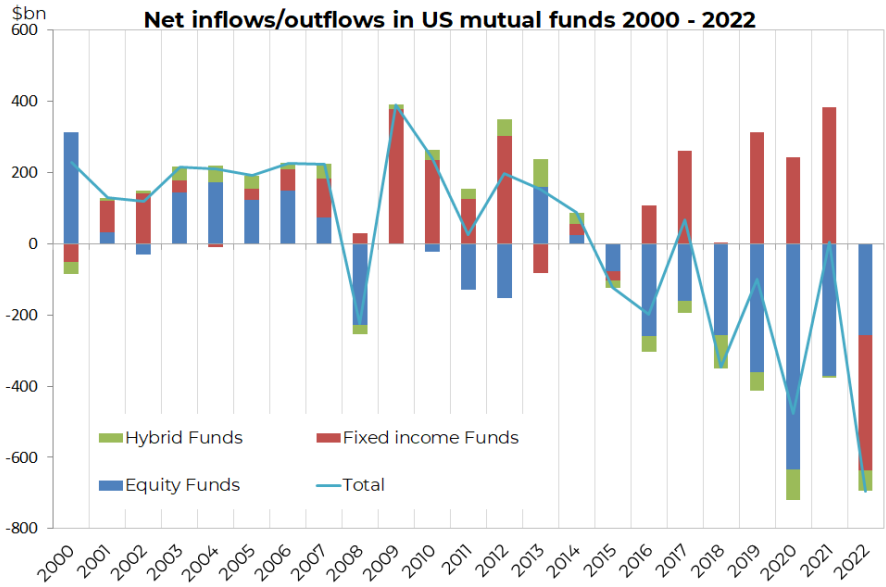
Elsewhere in the portfolio, we have seen relatively better performance from Raymond James (-0.2% YTD in USD) and Ameriprise (-15%). Raymond James' business has a skew to wealth management and rate-sensitive commercial banking revenues, so has done relatively better in the rising interest rate environment. The business is enjoying net new money growth of over 10%, which is helping to drive profit margins higher. Ameriprise has been a beneficiary of similar trends.

Weaker stocks included UK asset managers Liontrust (-71% YTD in USD) and Polar Capital (-54%). Liontrust saw net inflows for the year to 31 March 2022 to £2.5bn (c.7% of AuM), though the trend has turned negative since then, reversing a long period of net inflows. Polar has an asset base skewed to technology stocks, so has seen its funds hit harder than most so far this year. US large-cap traditional managers also proved to be an area of weakness (T Rowe Price -45%; Janus Henderson -50%), with market movements and net outflows depressing earnings.

# Guinness Global Money Managers Fund

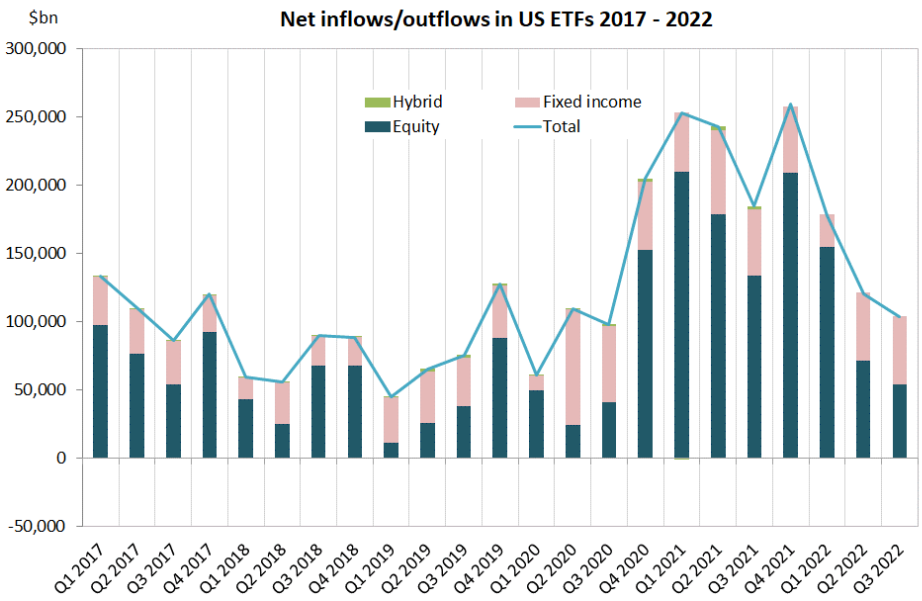
## OUTLOOK

Despite the growth of ETFs, and other passive products, data for active mutual fund flows in the US for 2021 indicated net positive flows overall, comprising inflows for the active bond sector, largely offset by outflows from active equity and hybrid funds. So far this year, negative market performance has been accompanied by net outflows for the three asset classes:



Source: ICI; Guinness Global Investors

Data from the US ETF industry shows inflows across equity ETFs, bond & income ETFs and hybrid ETFs in every quarter since the start of 2017. The trend has continued over the first three quarters of 2022, though the rate of net inflows has slowed:



Source: ICI; Guinness Global Investors

## Guinness Global Money Managers Fund

The benign environment for money managers in 2021 has turned, then, to significantly more challenging conditions. Asset managers are seeing more muted outlooks for revenue growth, and the risk of squeezed operating margins as management teams balance the desire for investing in growth with keeping cost bases under control in the downturn.

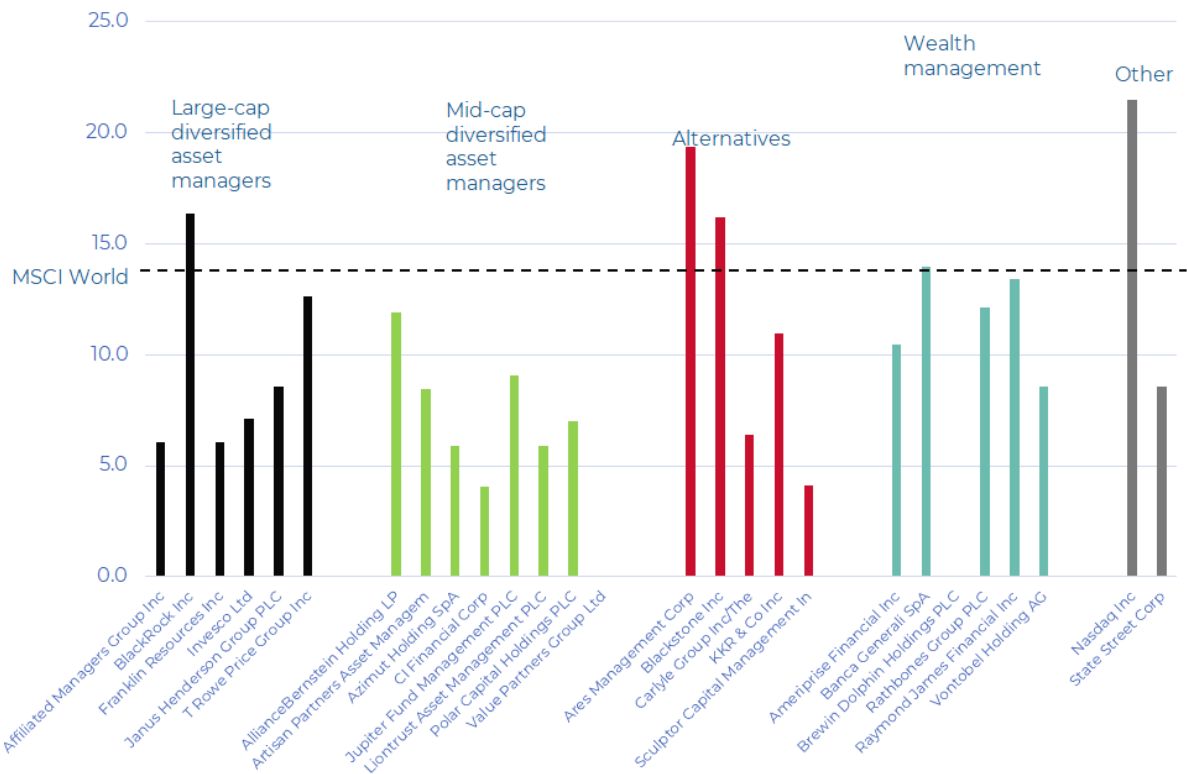
Amid the market turmoil, there remain bright spots for activity. Private market assets continue to grow, with institutional and high net worth investors addressing under-allocation to the sector. There are also signs of momentum in the solutions market, as multi-asset solution specialists (e.g. quant/systematic) look to capitalise on structural and demographic shifts in pension markets.

Consolidation is set to accelerate as the gap between the ‘haves’ and ‘have-nots’ in the industry widens. Some deals will provide greater scale, but many will provide acquirers with access to growth areas in the market (e.g. privates; solutions; China onshore).

Ultimately, participants in this market will need to be nimble, innovating to further client engagement, but addressing their cost base to remain competitive on price.

The fall in equity prices so far this year has reset valuations. At the start of the year, the Guinness Global Money Managers portfolio traded on a 2022 P/E ratio of 13.5x. At the end of September, the 2022 P/E for the fund had fallen to 10.5x, a 26% discount to the MSCI World P/E which sits at 14.3x. In absolute terms, this is the cheapest we have seen the fund trading since late 2011. We note, in particular, the number of large-cap asset managers now trading well below 10x P/E, with stocks such as AMG and Invesco trading between 6 and 7 times this year’s earnings. The market is of course questioning the stability of the ‘E’ in this calculation, but already it reflects the movement in equities/fixed income/AuM experienced so far this year. Overall, we see stocks in this sector trading at attractive multiples, both in absolute and relative terms.

**Guinness Global Money Managers portfolio: 2022 P/E ratio vs MSCI World**











*Source: Bloomberg; Guinness Global Investors*

To recap our views on secular trends in the sector, we believe that the most successful money management investments over the coming years will be companies that deliver a quality product to their clients, whether active

## Guinness Global Money Managers Fund

traditional management, alternatives or passive; companies that provide helpful asset allocation services; well-run wealth managers; and well-run support services. Combining these themes with our stock selection process leads us to the following portfolio (at 30 September 2022):

Theme	Example holdings	Weighting (%)
1 High active share	 POLAR CAPITAL	14.9%
2 Alternatives	KKR 	16.9%
3 Growth of ETFs/passive distribution	BLACKROCK 	7.3%
4 Wealth management	 Look forward	15.1%
5 Traditional value	ALLIANCEBERNSTEIN 	16.4%
6 Support services		10.0%
7 Asset management consolidators		3.7%
8 Secular shift in Europe to equities	 AZIMUT	10.8%
9 Other (incl cash)		4.8%

Source: Guinness Global Investors

The Fund remains positioned to capitalise on the increasing value of successful companies in the sector.

# Guinness Global Money Managers Fund

## PORTFOLIO

Fund top 10 holdings		Sector analysis		Geographic allocation	
Raymond James Financial	6.5%	Large diversified asset manager	29.4%	USA	63.7%
Nasdaq	6.0%				
Ameriprise Financial	5.3%	Midsize diversified asset manager	26.8%	UK	12.9%
Ares Management	4.6%				
Blackstone Group	4.2%	Asset Management & Custody Banks	15.3%	Italy	7.1%
Blackrock	4.2%				
AllianceBernstein	4.2%	Alternative asset manager	8.8%	Switzerland	4.0%
State Street	3.9%				
KKR	3.9%	Exchanges & Custody Banks	6.0%	Canada	2.9%
Banca Generali	3.9%				
		Small diversified asset manager	5.1%	South Africa	2.5%
		Wealth management	3.4%	Hong Kong	2.2%
		Security & Alarm Services	0.4%	Cash	4.8%
% of Fund in top 10	46.7%				
Total number of stocks in Fund	3C				

## PERFORMANCE

Past performance does not predict future returns.

Cumulative % total return (Y Class, in GBP)	1 M	YTD	1 Yr	3 Yrs	Launch
<b>Guinness Global Money Managers Fund</b>	-8.1	-23.0	-19.2	23.0	159.3
<b>MSCI World Index</b>	-5.5	-9.5	-2.9	26.2	226.5
<b>MSCI World Financials Index</b>	-4.4	-6.0	-2.8	15.6	160.1
<b>Financial Express - Financial Sector average</b>	-1.1	-12.7	-15.1	16.5	116.5

Discrete years (Y Class, in GBP)	Sep '22	Sep '21	Sep '20	Sep '19	Sep '18
<b>Guinness Global Money Managers Fund</b>	-19.2	60.4	-5.1	-1.0	-1.3
<b>MSCI World Index</b>	-2.9	23.5	5.2	7.8	14.4
<b>MSCI World Financials Index</b>	-2.8	46.5	-18.8	5.2	4.8
<b>Financial Express - Financial Sector average</b>	-15.1	28.2	7.0	5.4	5.4

Discrete years (Y Class, in GBP)	Sep '17	Sep '16	Sep '15	Sep '14	Sep '13
<b>Guinness Global Money Managers Fund</b>	28.8	8.3	-0.8	12.6	46.3
<b>MSCI World Index</b>	14.4	29.9	1.6	12.1	19.9
<b>MSCI World Financials Index</b>	28.8	19.3	0.7	9.4	27.7
<b>Financial Express - Financial Sector average</b>	23.8	11.3	0.7	7.6	23.4

RISK ANALYSIS				30/09/2022
Y Class, in GBP, annualised, weekly, from launch on 31.12.10, relative to the MSCI World Index	MSCI World	MSCI World Financials	Fund	
<b>Alpha</b>	0	-2.40	-3.18	
<b>Beta</b>	1	1.09	1.19	
<b>Information ratio</b>	0	-0.23	-0.20	
<b>Maximum drawdown</b>	-24.58	-33.10	-36.61	
<b>R squared</b>	1	0.78	0.77	
<b>Sharpe ratio</b>	0.48	0.27	0.24	
<b>Tracking error</b>	0	8.63	9.77	
<b>Volatility</b>	14.52	18.04	19.65	

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 (0.74% OCF). Fund launch: 31.12.2010

## 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 Global Money Managers 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 Money Managers 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. The Fund invests only in companies involved in asset management and other related industries; it is therefore susceptible to the performance of that one sector, and can be volatile. Details on the risk factors are included in the Fund's documentation, available on our website.

### 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](http://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](http://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.