Guinness Emerging Markets Equity Income Fund

Investment Commentary – November 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	23.12.2016
Index	MSCI Emerging Markets
Sector	IA Global Emerging Markets
Team	Edmund Harriss (Manager) Mark Hammonds (Manager) Sharukh Malik

Aim

The Guinness Emerging Markets Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in Emerging Markets world-wide. 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 Emerging Markets 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

31/10/2022	1 Yr	3 Yrs	5 Yrs	Launch*
Fund (%)	-8.9	-3.3	3.1	22.3
Index (%)	-17.9	-1.9	-1.4	23.5
Sector (%)	-19.8	-4.0	-4.3	19.1

Discrete 12m performance is shown at the end of the document. Source: FE fundinfo, bid to bid, total return in GBP. *Launch: 23.12.2016. 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

Emerging markets sold off sharply in October. The MSCI Emerging Markets Net Total Return Index fell 6.0% (all performance figures in GBP unless stated otherwise).

The fund underperformed slightly over the month, falling 6.5% (Y share class).

For the year to date, the fund remains ahead of the benchmark. The fund is down 12.4% while the benchmark has declined 17.0%.

This month, emerging markets significantly underperformed developed markets, with the MSCI World Index up 3.9% and the S&P 500 Index ahead, rising 4.8%.

The worst performing region by some margin was Asia, falling 8.6%. EMEA (Europe, Middle East and Africa) was next, up 1.2%. The best region was Latin America, up 6.4%.

Among the largest countries, the best performing were Mexico (+10.5%), Brazil (5.4%) and Korea (+5.2%), bucking the trend of weaker Asia performance.

The worst performing country was unsurprisingly China (-19.3%), followed by Taiwan (-7.9%) and Indonesia (-2.6%).

The strongest performers in the portfolio were all from Latin America: B3 (+17.1%), Credicorp (+15.7%) and Porto Seguro (+11.7%).

The weakest performers were China Merchants Bank (-31.4%), NetEase (-28.6%) and Yili (-27.6%).

EVENTS IN OCTOBER

President Biden announced new restrictions on Chinese chip makers, preventing the export of advanced semiconductor manufacturing equipment to China.

President Xi Jinping cemented a third term at the 20th National Congress of the Chinese Communist Party.

The Brazilian presidential election run-off was won by Lula, who scored a narrow victory over incumbent Bolsonaro.

European natural gas prices continued to fall, after unseasonably warm weather helped to build storage.

Brent crude rose, climbing 8.3% over the month.

Emerging market currencies fell 0.8%.

The US dollar index (DXY) fell 0.5%.

MACRO REVIEW

The big event in October was the 20th National Congress of the Chinese Communist Party, during which Xi Jinping was confirmed as leader for a third term. The new line-up for the Politburo Standing Committee was also revealed. Observers were taken aback by the concentration of Xi loyalists and the absence of any representatives from other groups within the Party. There was also concern about the removal of Hu Jintao from the podium. Some have argued that this was a political move, but others have stated their belief that in this case, the official explanation that Hu was unwell may indeed by correct. Xi Jinping's speech defended the zero-Covid policy, praised the governance in Hong Kong and advocated once again peaceful reunification with Taiwan but maintained the right to use force.

The immediate market reaction was a sharp sell-off in Chinese stocks in Hong Kong and the US. The Yuan offshore exchange rate also weakened versus the US dollar to a low of RMB 7.33 to the dollar. As we implied earlier, we do not see the outcome of the Congress as marking a change in direction on the economic front. Common prosperity, the fight against corruption and the focus on core industries remain the key policies, but the outlook for medium term growth remains hazy. Re-opening the economy from zero-Covid and stabilisation in the housing market would have a meaningful near-term impact. Tax subsidies, such as those successfully applied in the past to cars and consumer durables, could also help lift consumer confidence. However, the manufacturing outlook over the medium term is clouded by global supply chain moves into 'friendly' jurisdictions and by tighter controls on sharing technology.

At the time of writing, Chinese markets have rebounded sharply in anticipation of economic re-opening. The visit by the German chancellor signals a greater willingness to engage and the public airing of China's opposition to nuclear escalation in Ukraine, following heightened Russian rhetoric, was welcome. China's Covid vaccine stance shifted during the German Chancellor's visit as China agreed to allow foreigners in the country to take BioNTech's mRNA vaccine, something that had not previously been countenanced for anyone. The official line remains a commitment to zero-Covid, but there are signs that a path forward is at least being charted.

PORTFOLIO UPDATE

Several portfolio companies provided updates during the month, releasing quarterly results.

China Merchants Bank reported results for the third quarter. Loan growth was at 1% quarter-on-quarter, which in the context of a challenging macro backdrop should be regarded as satisfactory. Operating revenues were up 3%

year-on-year, mainly due to higher net interest income. Non-performing loans were generally flat over the quarter, although special mention loans increased.

China Construction Bank reported third quarter net profit growth of 9%. Pre-provision operating profit (PPOP) was weaker, down 3% year-on-year, due to weaker non-interest income. Like China Merchants, non-performing loans were flat on the quarter, and the CET1 capital ratio improved to 13.9%.

Management of dairy products company Yili were positive about the outlook for the remainder of 2022 and 2023, expecting sales growth to accelerate next year and margins to increase. Sales growth to 2025 is expected to reach double digits on a compound basis. Results for the third quarter were slightly disappointing, as consumer demand for milk has not recovered to levels seen earlier in the year. Higher expenses resulting from an unsuccessful advertising campaign have also compressed profits. We view the setback as temporary and note that management recently announced a share buyback programme.

Suofeiya Home's management reiterated their guidance for net profit margin for 2022 and expect revenues to grow at double digits in the fourth quarter. Distribution has benefited from diversification outside of the struggling real estate developer channel.

Elite Material reported quarterly results ahead of consensus with a 1% revenue decline but 2.8% margin expansion to 28.5% on product mix. Sales into handheld devices are seasonal, but what we like is the strong R&D pipeline, ongoing capacity expansion and stronger outlook in 2023.

Unilever's results came in ahead of expectations, benefiting from strong growth in organic revenues, up 10.6%. Double-digit cost inflation is likely to persist into the first part of next year, although the company has been relatively successful in passing on cost increases to the consumer, giving the market confidence that volumes can be defended.

By contrast, LG Household and Health Care reported less impressive results, seeing a sharp contraction in operating profit in the cosmetics division. Travel retail is still trading at much lower levels compared with a year ago. The beverages segment fared better, achieving both pricing and volume growth. We are optimistic that recent signs of a relaxation in China's policies towards Covid will be supportive of a better demand environment in future.

Coca-Cola FEMSA reported good results, with revenue growth coming in ahead of expectations at +19.3% year-on-year. Volumes were up 7.3% on a like-for-like basis. Not all cost pressures are being passed on, evidenced by the 0.68% contraction in EBITDA margin; the price of PET plastic being a key headwind. Overall, performance in the company's key markets was resilient.

OUTLOOK

After a tricky month in October, markets have begun November in recovery mode with a welcome bounce in equities. Better inflation data in the US has led some to believe the current inflationary cycle is peaking and future rate rises will be more restrained. The sell-off seen in Chinese markets following the CCP Congress looked over-done, and we have seen a swift recovery in market indices as Covid restrictions have begun to ease.

Hopes that the US can avoid a recession, if founded, will obviously be beneficial to emerging markets, and with valuations at low levels would be supportive of strong returns from here. Europe and the UK appear less likely to avoid a contraction, but avoiding a global/coordinated slowdown is paramount.

There is nevertheless a real risk that inflation will flare up again or the Fed will maintain its hawkish stance. These conditions would naturally make it harder to pull off the vaunted 'soft landing'. Much will depend on the degree to which inflation expectations become embedded, either in 'sticky' cost areas such as housing costs or stemming from higher wage demands.

Emerging markets, for their part, appear to be well advanced through the monetary policy cycle, with many countries' central banks having 'gone early' and now in a position to potentially start easing. Rate rises have been felt less acutely – rates did not start from the rock-bottom levels in the US and Eurozone.

While the macro environment remains uncertain, we stick to the discipline underpinning the fund's philosophy and process. We are focussed on companies with a track record of profitability and earning strong returns on capital. Such businesses, we think, are well placed to handle the changing business conditions faced as we progress through the economic cycle.

Portfolio managers

Edmund Harriss

Mark Hammonds

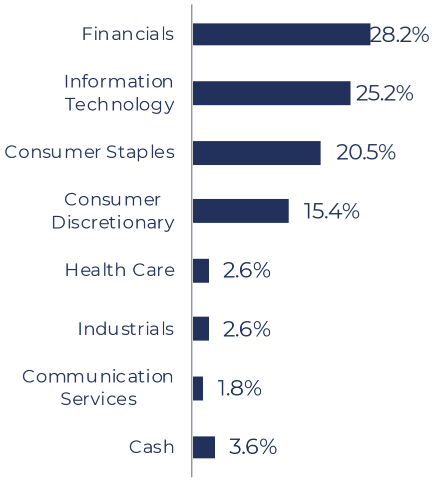
Guinness Emerging Markets Equity Income

PORTFOLIO

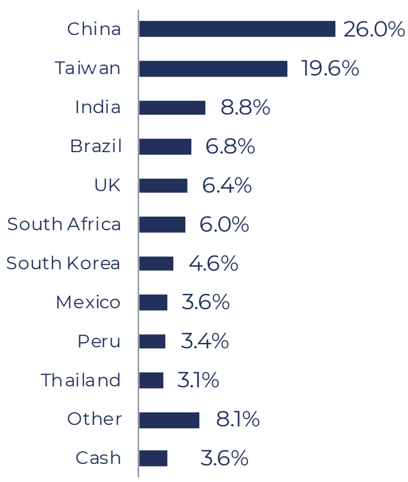
Fund top 10 holdings

B3 SA - Brasil Bolsa Balcao	3.6%
Coca-Cola Femsa	3.6%
Credicorp	3.4%
Largan Precision	3.3%
Spar Group	3.3%
British American Tobacco	3.2%
Catcher Technology	3.2%
Porto Seguro	3.2%
Bajaj Auto	3.1%
Unilever	3.1%
% of Fund in top 10	33.2%
Total number of stocks	35

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Annualised % total return from launch (GBP)	**31/10/2022**
Fund (Y class, 0.89% OCF)	**3.5%**
MSCI Emerging Markets Index	**3.7%**
IA Global Emerging Markets sector average	**3.0%**

Discrete years % total return (GBP)	**Oct '22**	**Oct '21**	**Oct '20**	**Oct '19**	**Oct '18**
Fund (Y class, 0.89% OCF)	-8.9	13.2	-6.2	11.0	-3.9
MSCI Emerging Markets Index	-17.9	10.3	8.3	10.5	-9.1
IA Global Emerging Markets sector average	-19.8	14.1	4.9	12.6	-11.4

Cumulative % total return (GBP)	**YTD**	**1 Yr**	**3 Yrs**	**5 Yrs**	**Launch**
Fund (Y class, 0.89% OCF)	-12.4	-8.9	-3.3	3.1	22.3
MSCI Emerging Markets Index	-17.0	-17.9	-1.9	-1.4	23.5
IA Global Emerging Markets sector average	-18.9	-19.8	-4.0	-4.3	19.1

RISK ANALYSIS **31/10/2022**

Annualised, weekly, from launch on 23.12.16, in GBP	**Index**	**Sector**	**Fund**
Alpha	0.00	-0.27	0.89
Beta	1.00	0.91	0.82
Information ratio	0.00	-0.14	0.04
Maximum drawdown	-26.05	-26.33	-23.22
R squared	1.00	0.94	0.77
Sharpe ratio	0.00	0.00	0.00
Tracking error	0.00	3.65	7.30
Volatility	15.25	14.31	14.20

Source: FE fundinfo. Bid to bid, total return. Fund launch date: 23.12.2016.

GUINNESS GLOBAL INVESTORS

IMPORTANT INFORMATION

Issued by Guinness Global investors which is 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 Emerging Markets 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 Emerging Markets 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. The Fund invests only in stocks of companies that are traded on Emerging Markets stock exchanges or that do at least half of their business in the region; 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. 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