# Guinness Global Innovators 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.

**Innovation. Quality. Growth. Conviction.**

## ABOUT THE FUND

| | |
|---|---|
| **Fund/strategy size** | £444m/£562m |
| **Fund/strategy launch** | 31.10.2014/01.05.2003 |
| **Index** | MSCI World |
| **Sector** | IA Global |
| **Managers** | Dr. Ian Mortimer, CFA<br>Matthew Page, CFA |
| **Analysts** | Sagar Thanki, CFA<br>Joseph Stephens, CFA<br>Will van der Weyden<br>Jack Drew |

### Aim

The Fund is a global growth fund designed to provide exposure to companies benefiting from innovations in technology, communication, globalisation or innovative management strategies. The Fund holds a concentrated portfolio of large and medium-sized companies in any industry and in any region. 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 | **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 Guinness Global Innovators 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 | 10 Yrs* |
|---|---|---|---|---|
| **Strategy*** | -14.8 | 35.0 | 50.8 | 322.4 |
| **Index** | -2.9 | 34.3 | 57.1 | 229.3 |
| **Sector** | -9.3 | 25.3 | 40.5 | 166.6 |

Discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, bid to bid, total return in GBP. *Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14. Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same team using the same investment process. 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 different OCFs will vary accordingly. Performance returns do not reflect any initial charge; any such charge will also reduce the return.

## SUMMARY

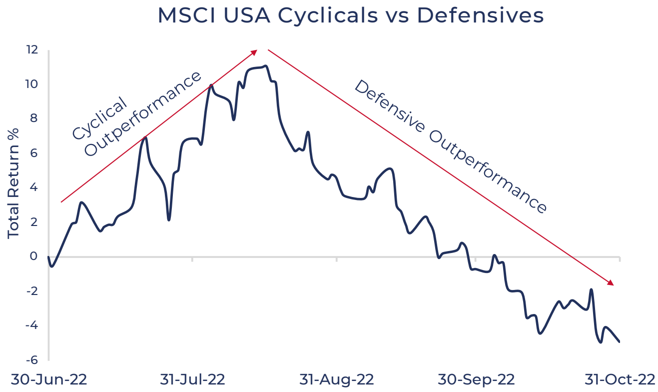

For the month of October, the Guinness Global Innovators Fund produced a total return of 2.3% (in GBP) against the MSCI World Index net total return of 3.9% and the IA Global sector returned 2.0%. Hence the Fund underperformed the benchmark by 1.6% but outperformed the IA Global Sector by 0.3%. Year-to-date, the Fund has produced a total return of -19.4% compared to the MSCI World Index with -6.0% and the IA Global sector with -11.2%.


Global equity markets had a broadly positive October, with developed markets locking in strong gains following two months of successive declines at the end of Q3. Emerging markets, on the other hand, came under pressure. Similar themes of rates, inflation and economic growth continued to drive markets. With the Federal Reserve in the midst of the fastest rate hiking cycle on record, markets have become increasingly sensitive to any macro-economic data that may hint at the future path of interest rates. This was evident in the early weeks of October, with equities bouncing on weaker-than-expected US job vacancies data, before retracing their steps on a lower-than-expected unemployment rate. Whilst there were musings from some Fed officials about concerns over the current speed of rate hikes, September's 'hot' inflation prints came in ahead of expectations, wiping out any remaining hope that the Fed ease off future rate increases.

Corporate earnings season proved to be the impetus to some positive momentum for equities. Whilst there were certainly pockets of weakness, particularly in Big Tech, earnings were generally robust, especially when looking through the strong dollar headwind. Driven by recessionary expectations and broader macro weakness, the S&P 500 began October down more than 25% year-to-date, despite the fact that corporate earnings have remained resilient throughout 2022. With many analysts suggesting that this sell-off was overdone, even 'in-line' results and guidance tended to be met with a positive share price reaction. This could be seen by the fact that the MSCI World's Price to Earnings ratio expanded c.7% in the latter half of October, despite a 0% change in earnings expectations for 2022.

The strength of the US economy was highlighted further at the end of October with a GDP print of 2.6% (annualised), surprising analysts to the upside and ending a two-quarter streak of negative growth, bringing hope that the Fed may yet achieve a 'soft landing'.

With jobs data remaining resilient, the US economy returning to growth in Q3, and inflation remaining at highly elevated levels, markets adjusted expectations to reflect that the Fed may now be emboldened to maintain course with hawkish monetary policy - a headwind for growth stocks. The value rotation that began mid-Q3 therefore continued throughout October. And whilst economic data continues to prove resilient, fears of a material global economic slowdown remain, driving outperformance of defensive orientated stocks. Consequently we saw strong monthly performance from Energy, Industrials and Financials, and relatively weaker performance from Communication Services and Consumer Discretionary. Whilst value and defensives both outperformed, growth and cyclicals still finished in positive territory.


*Source: Guinness Global Investors, Bloomberg*

Over the month of October, Fund performance can be attributed to the following:

- With Information Technology slightly outperforming the broader index over the month, the Fund's large overweight position in the sector resulted in a small, but positive, allocation effect. Of the Fund's 17 tech holdings, 13 outperformed the MSCI World Information Technology Index (+7.6% USD). However, TSMC's return of -10.2% (USD) dragged the sector down as a whole, creating an overall negative impact from stock selection.

- Software and Services, the Fund's largest overweight industry, was one of the core drivers of positive Fund performance. A very strong stock selection impact offset a small negative allocation effect, with Visa (+16.6% USD), Adobe (+15.7%), Mastercard (+15.6%), Roper Technologies (+15.5%) and Zoom Technologies (+13.4%) making up the Fund's top five performers.

- The Fund's zero allocation to the benchmark's top performing sector, Energy, created a sizeable headwind from an allocation perspective, more than offsetting the favourable impact gained from the Fund's other zero-weighted sectors (Materials, Consumer Staples, Utilities and Real Estate).

- The Fund has a slight overweight position to the Communications Services, the benchmark's bottom performing sector. Within the sector, Meta (-31.3% USD) was the Fund's bottom performing stock over the month following a disappointing earnings release.

- The Fund has a slight underweight position to the Consumer Discretionary sector, which was one of the lowest performing sectors during the month, a slight positive from an allocation perspective. However, the sector contained Anta Sports (-17.1% USD), the Fund's second bottom performer following strong regional headwinds.

Whilst the rotation away from growth for the majority of the year has impacted the Fund's relative performance over shorter time periods, it is pleasing to see the Fund ranking in the top two quartiles versus its IA Global sector peers over the longer time frames of three, five & 10-year periods, as well as since launch.

| Cumulative % total return, in GBP, to 31.10.2022 | YTD | 1 year | 3 years | 5 years | 10 years* | Launch* |
|---|---|---|---|---|---|---|
| Guinness Global Innovators | -19.4 | -14.8 | 35.0 | 50.8 | 322.4 | 845.4 |
| MSCI World Index | -9.0 | -2.9 | 34.3 | 57.1 | 229.3 | 535.5 |
| IA Global sector average | -11.2 | -9.3 | 25.3 | 40.5 | 166.6 | 416.9 |
| IA Global sector ranking | na^ | 371/497 | 66/412 | 113/342 | 8/217 | 7/95 |
| IA Global sector quartile | na^ | 3 | 1 | 2 | 1 | 1 |

*Source: FE fundinfo*

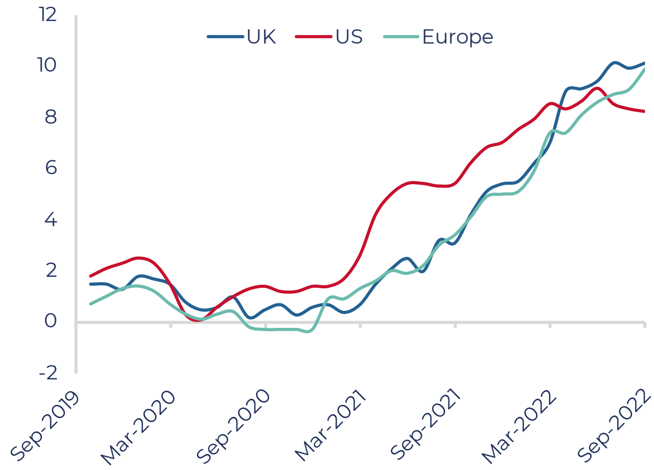
** Simulated past performance. Performance prior to the launch of the Guinness Global Innovators Fund (31.10.14) reflects the Guinness Atkinson Global Innovators Fund (IWIRX), a US mutual fund with the same investment process since 01.05.2003. ^Ranking not shown in order to comply with European Securities and Markets Authority rules.*

## OCTOBER IN REVIEW

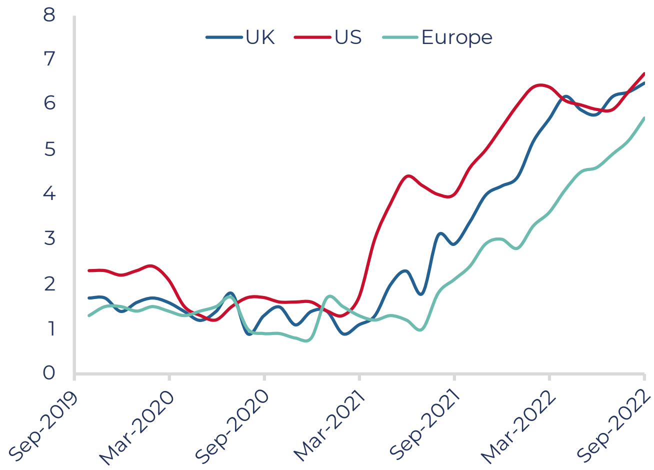
Key themes of inflation, interest rates and recessionary risks have dominated investors' attention for the majority of 2022, with focus on the actions of the Federal Reserve given its centrality to these factors. The Federal Reserve is 'dual-mandated' to achieve maximum employment and stable prices, and with inflation near four-decade highs and unemployment near five-decade lows, since March it has implemented the fastest rate-hiking schedule on record. Any indication that the Fed might deviate from the consensus view of when a pivot may occur has tended to result in a meaningful market reaction. This was certainly the case in early October.

US inflation data for September was relatively disappointing. Whilst headline inflation remained at 8.2% year-on-year (seasonally adjusted), core inflation rose to 6.7% year-on-year (from 6.3% a month prior), up +0.6% on a month-on-month basis.

**CPI (Year on Year Change %)**

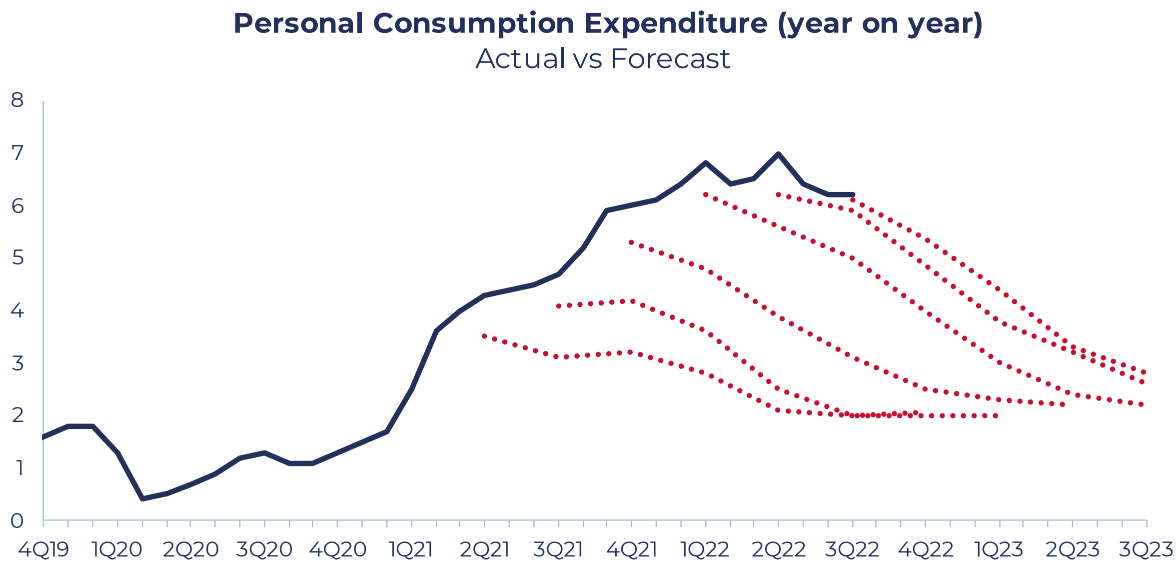



**Core Inflation (Year on Year Change %)**



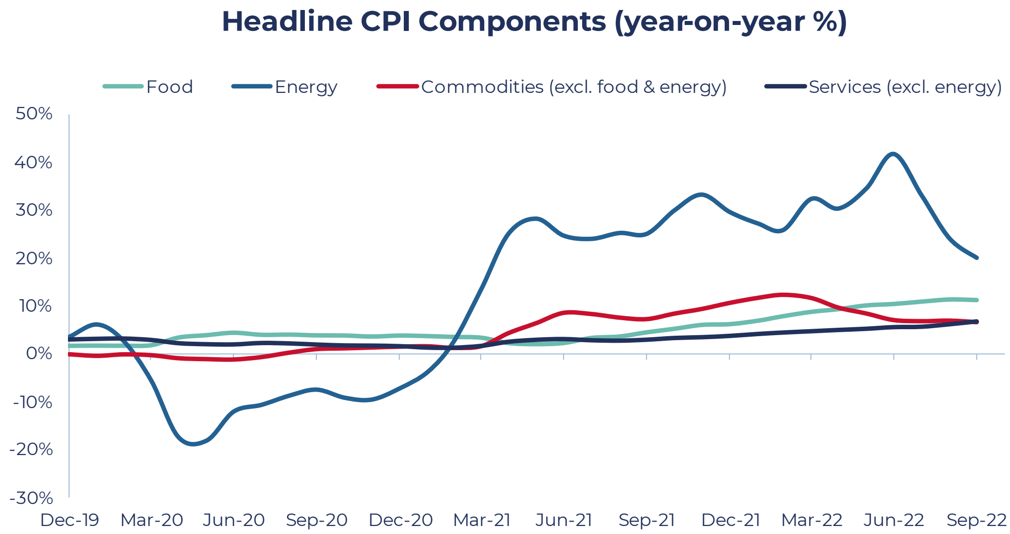

*Source: Bloomberg, Guinness Global Investors*

As so often over the past year and a half, these measures were ahead of market expectations. Since March 2021, when inflation breached the Fed's 2% target rate for the first time this cycle, headline CPI (year-on-year) figures have surprised to the upside 14 times, been in line four times, and surprised to the downside just once. The picture is similar when looking at the Fed's preferred inflation measure, Personal Consumption Expenditure. The chart below highlights how the market has consistently underestimated the 'staying power' of inflationary forces, continually predicting inflation to fall off from current levels.



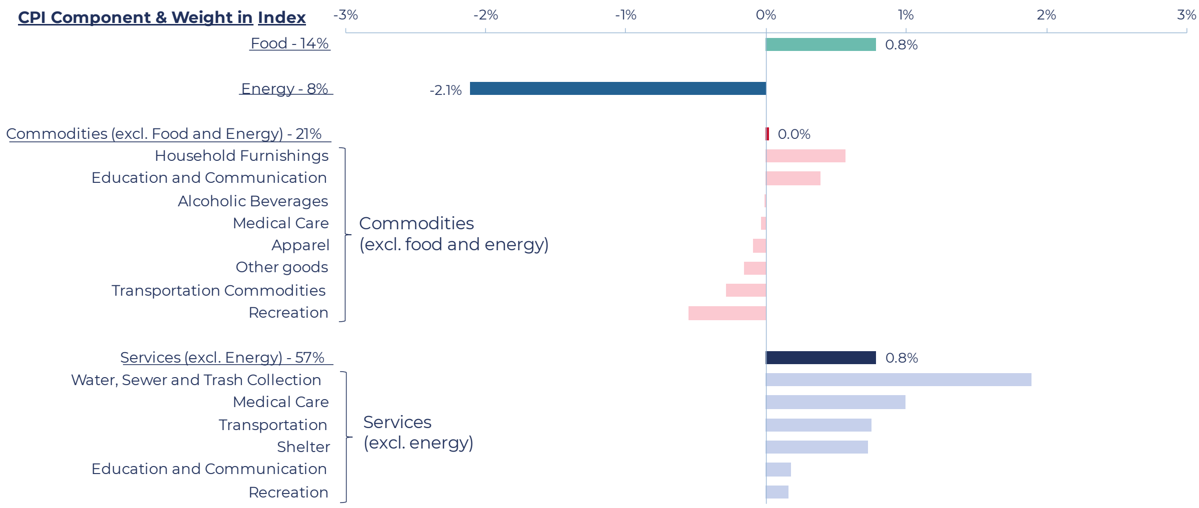

*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*

There were certainly bright spots within October's numbers. Prices in energy, which have placed upward pressure on overall inflation over the past 18 months despite making up less than 10% of the index, continued to decelerate to 19.9% in September following a peak of 42.5% in June. Markets have also been encouraged by the fact that commodities (excluding food and energy) have been on a strong downward trend since March 2022.




*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*

**Components of the Consumer Price Index (month on month)**




*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*

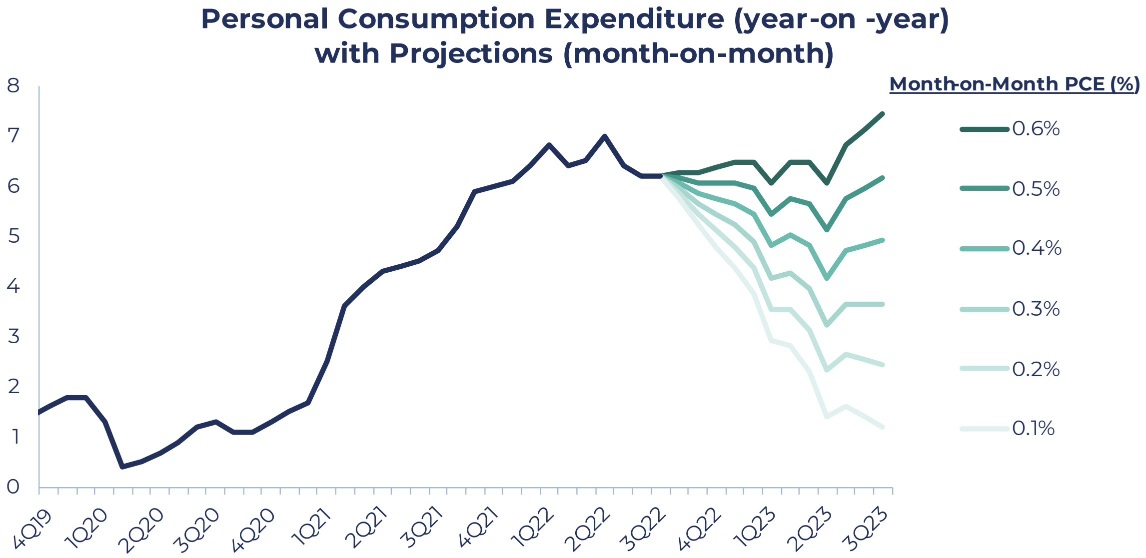
There were elements that concerned the market too. Breaking out the different segments within CPI on a month-on-month basis gives a good indication of the current price pressures faced by consumers. Over September, there was a stark difference between inflation within Commodities (excl. food and energy) which came in flat month-on-month, and Services (+0.8%). Not only do Services make up over 50% of the CPI index, but Services are inherently labour-intensive since wages are typically the largest input cost to service providers. Strong growth in inflation within this segment is an indication that the persistently strong labour market has contributed to wage growth, which in turn is contributing to inflation. Wage growth is typically stickier than price pressures in commodities, energy and food, the concern here being that inflation becomes more entrenched in the market.

The 2-year US Government Breakeven, which gives an indication of market expectations of average inflation over a two year time horizon and has largely been on a downward trend since March, reversed course somewhat over October. This suggested that markets may now be tempering their views on inflation following a prolonged period of optimism.

**US 2 Year Breakeven Expectations**
From Peak to Current (25th March - 31st October)

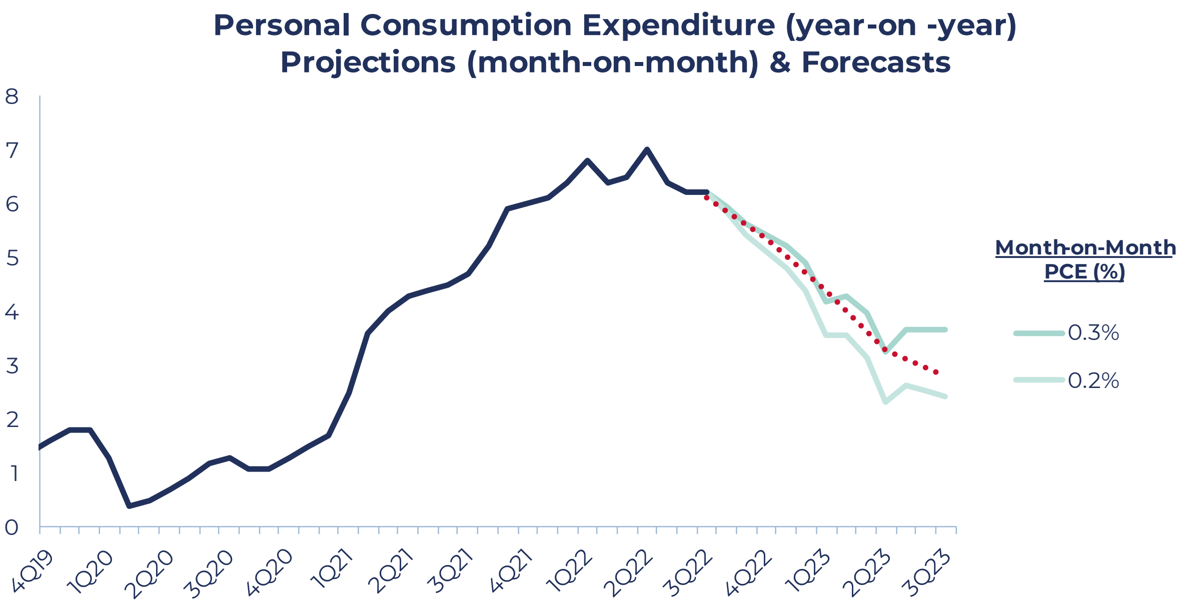

*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*

Returning to the Fed's preferred measure of inflation, the below chart projects forward PCE inflation on a year-on-year basis over the next 12 months, assuming that month-on-month numbers remain flat. It indicates that a month-on-month figure in the realm of 0.5% (or above) would not contribute to a meaningfully lower level of inflation in 12 months' time.

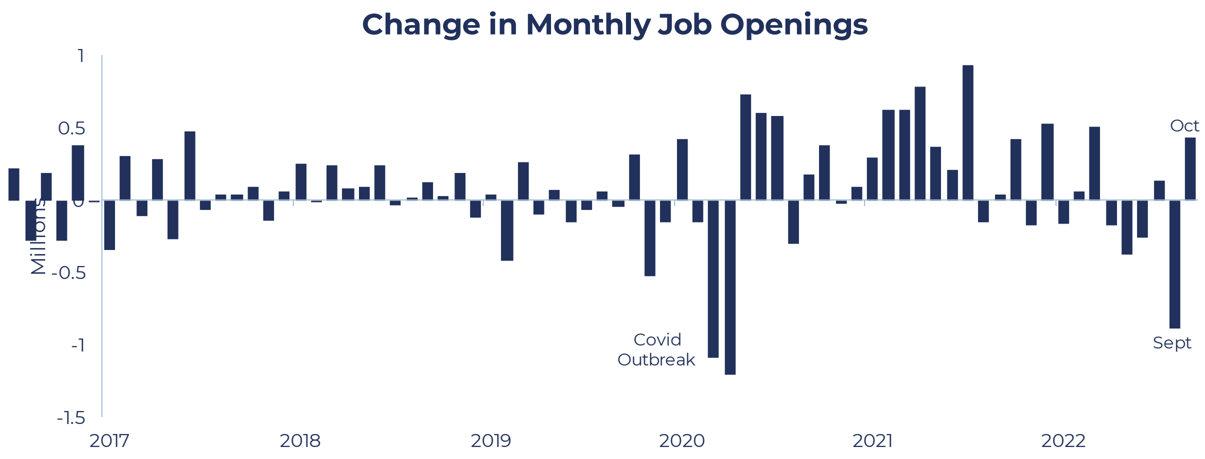



*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*

Combining the above graph with the PCE 'Actual vs Forecast' graph used earlier suggests that the market expects PCE month-on-month growth of between 0.2 and 0.3%, on average, over the next 12 months. Clearly, the market's recent success rate at predicting the path of inflation has been low, and we are certainly cautious of the upside risk scenario – that inflation is more persistent than expected.



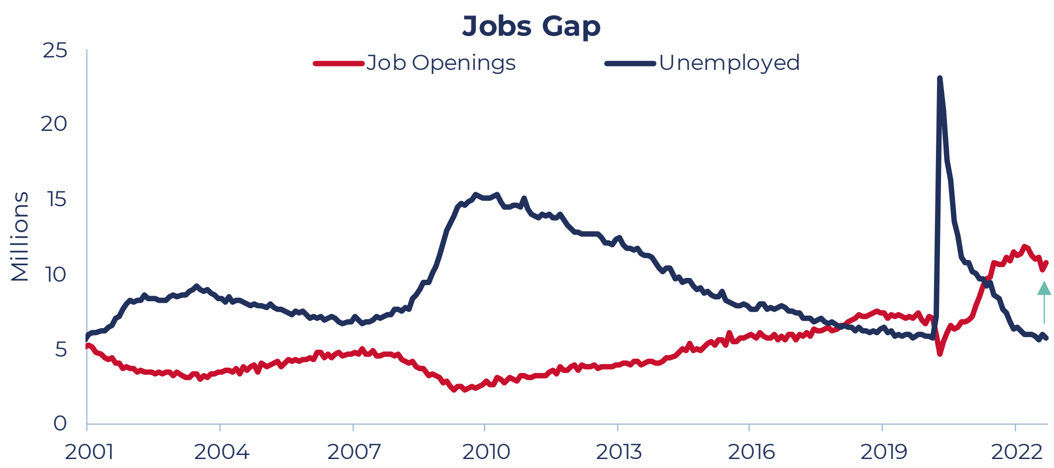

*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*




*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*

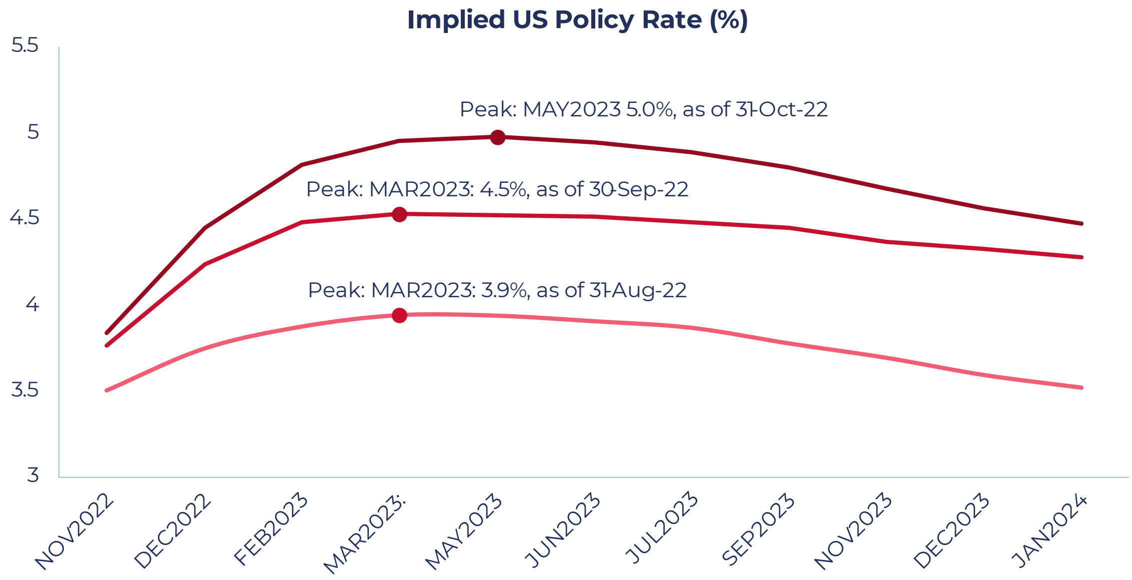
The Federal Reserve's dual mandate means it must undertake a careful balancing act, ensuring that inflation comes down without slowing the economy to the extent that unemployment becomes problematic. The continued strength of the labour market (despite the Federal Reserve removing stimulus from the market since March) has caused concerns that the Fed may now be emboldened to continue hiking further and for longer. Data that suggests a weaker labour market could indicate a need for the Fed to begin thinking about delivering more accommodative monetary policy. The issue markets have been facing of late is that jobs data has been very 'noisy', with investors unable to gauge accurately the overall trend of the jobs market. On one hand, the US labour market reported a significant drop in job openings in September, with new job openings falling by 0.9 million. October's numbers (released at the beginning of November) then showed a significant reversal, to the tune of 0.45 million jobs.

Another indication of the strength of the labour market is the 'jobs gap' that has opened up. The number of job openings in the US far outstrips the number of unemployed, giving employees significant power in wage negotiations, with concerns that this could drive wage growth significantly higher (+4.7% year on year in Q3 2022). Should wage growth become entrenched within the economy, this could create a sizeable headwind for inflation yet. Note that a jobs gap of this size hasn't occurred since the US labour department began tracking the data in December 2000.




*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*

With a continually strong jobs market and inflation holding up at elevated levels, there has been a considerable shift in the implied US policy rate. Investors are now pricing in a higher and later peak rate of 5% in May 2023, compared with a peak rate of 4.5% in March 2023 at the beginning of the month of October. Attempting to judge the exact turning point of either the jobs market or inflation has proven to be fruitless for much of the market over the past 18 months, with noisy jobs data and inflation proving to be more persistent than market expectations. With this, we are again cautious that the curve of the implied US policy rate could again shift upwards and to the right – as has so often been the case in recent periods. Since growth stocks are typically more sensitive to interest rates, this could drive a meaningful headwind for growth, and therefore the Fund.

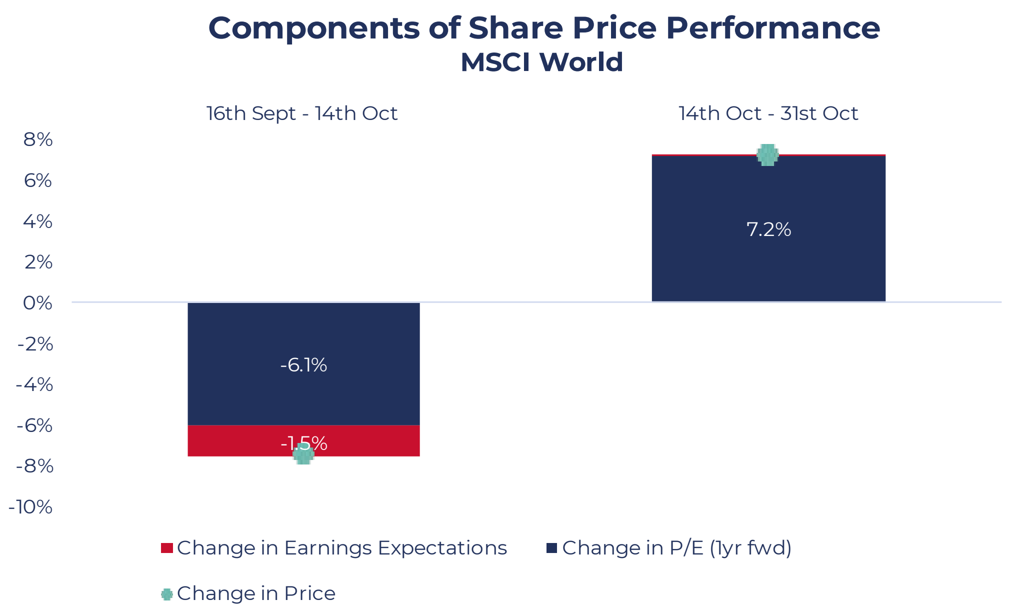



*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*

We believe the secular growth trends and innovation themes that our companies are exposed to, matched with a quality focus and a valuation tilt, give them a strong fundamental outlook. Indeed, we believe there is a good argument for high quality secular growth stocks in the current market environment, especially in a recessionary or slower growth environment, as these companies should continue to be able to grow despite the market headwinds and have better fundamental characteristics in terms of margins and balance sheets. The significant de-rating of many of these companies over the past year may provide a better opportunity in terms of valuation today, but we note this does not preclude the potential for further market de-rating in the near term as the future path for the global economy, interest rates and broader geopolitical situation remains uncertain.

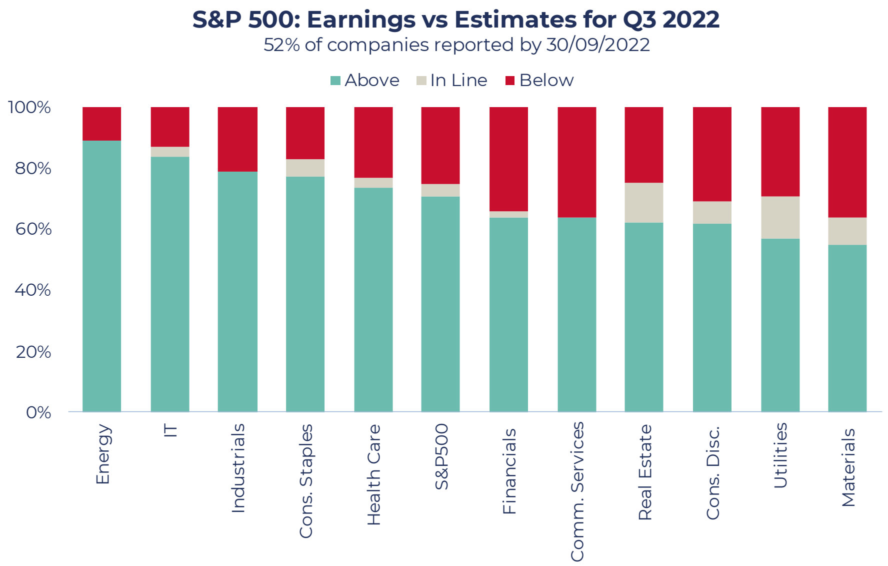
## Q3 EARNINGS SEASON

In the recent company earnings season, investors were focused on any signs of an economic slowdown affecting profitability. The difficult macro environment had already fed through to tempered expectations. In the four weeks prior to earnings season (which began in the third week of October), the MSCI World Index faced a 1.5% downgrade to earnings expectations for 2022.




*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*

Estimates from FactSet showed that the market was predicting an earnings growth rate of 2.2%, on average, for the S&P 500, the lowest earnings growth rate by the index since Q3 2020. By the end of October, 52% of S&P 500 companies had reported, of which 71% came in ahead of expectations. It is worth noting that the surprise to the upside has been modest at just 2.2%, on average, above consensus (despite these tempered expectations), the second-lowest amount in the past nine years and significantly below the 5-year and 10-year averages (8.7% & 6.5% respectively). Despite this, share prices have held up relatively well, with multiple expansion of 7.2% in the latter half of October, despite no change in earnings estimates for the full year. Given the significant negative sentiment that had already been built into consensus and the macro-environment in general, it could be argued that these results were simply less bad than previously feared.




*Source: Guinness Global Investors, Bloomberg, as of 31/10/2022*

## 'BIG TECH' EARNINGS

Despite a broadly positive earnings season, the MSCI World rising c.7% from the beginning of earnings season (around the 17th October) until the end of October, there was one high-profile segment which delivered surprisingly weak results: Big Tech. Here we take a brief look some of the core themes that drove this weakness: cloud computing and advertising.

### Cloud

Cloud market leaders **Amazon** (-9.4% USD over October) and **Microsoft** (-0.3%) noted a marked slowdown in their cloud computing businesses. Azure, Microsoft's Cloud product, still grew a strong +42% in the quarter (only 1% below analyst expectations), although markets were primarily concerned with guidance of a 5% slowdown for the final quarter of 2022. Amazon's cloud department, AWS, which has often helped offset weakness in retail growth over 2022, rose +28% in the quarter – the first time that the unit had grown less than 30%. Both tech groups noted significant pressure on margins, due to high energy costs from energy-intensive data centers, and both companies also reported that the slowdown in revenue was driven by customers wanting to control costs. Whilst a headwind for growth, both firms were proactively helping customers transition to more cost-effective plans. On the other hand, cloud computing was a relative bright spot for the market's third-largest cloud player, **Alphabet** (-1.2% USD), which grew its cloud segment +38% year-on-year. Whilst the segment beat estimates, the firm did note that customers are now taking longer to sign deals due to macro uncertainty and are often settling for shorter contracts.

Whilst it is clear that margins are likely to contract and demand is likely to come off in the coming quarters, the long-term outlook of these segments remains very strong, in our view. Cloud computing remains a highly profitable, long-tailed, structural growth opportunity. As the leaders in the segment, Amazon, Microsoft and Alphabet are likely to be the key beneficiaries. We continue to believe that the secular transition of cloud, paired with its high-quality, recurring nature, makes the theme less vulnerable to an economic downturn than other areas of the tech market, particularly as the product can help customers cut costs in a recessionary environment, supporting overall demand.

### Advertising

A weakening advertising environment was evident during Q3 earnings, as recessionary fears led to increasing hesitancy in ad spending. As businesses are driven towards a pull-back on spending, marketing budgets are often the first to be cut. **Alphabet** and **Meta** (-31.3% USD), which take the majority of revenue from ads (79% and 98% respectively), suffered meaningful sales pullbacks and offered broadly weak guidance for the following quarter.
For **Alphabet**, its core Search business segment missed analyst estimates (+4% year-on-year vs 8% consensus), a severe slowdown from post-pandemic levels (the prior eight quarters averaged c.30%). YouTube reported a drop in revenues for the first time, with performance coming in weaker than analyst forecasts (-2% year-on-year vs 4% expectations). The miss was a result of a shift in media consumption towards 'Shorts' (which is in its infancy of monetisation), alongside the overall pullback in business spending. Alphabet noted that the firm was comparing with a strong prior year, when the firm benefitted from a shift to online advertising over the pandemic. With revenue growth decelerating and headcount increasing, this has put pressure on margins. **Meta's** advertising revenues actually held up better than expected, down -1% in constant currency terms, with strong ad volumes (+17%) but lower prices per ad (-8%) – a result of a shift towards shorter form content, Reels. The firm highlighted that the share of time spent on Reels versus TikTok was growing – a positive indicator of product relevance. Looking

forward, Meta stated that demand was weakening for ads due to an “uncertain and volatile macroeconomic landscape”, particularly from larger advertisers and the industry verticals of online commerce, gaming and financial services.

Whilst short-term headwinds in advertising are significant, we remain positive on the long-term outlook for Meta and Alphabet. Both firms hold strong market positions. Meta has an extremely large user base (3 billion monthly active users), with improving consumption and engagement trends. Google also commands a significant economic moat, taking a market leading position in data-rich search and video platforms. These elements make both firms very difficult to ignore from an advertiser’s perspective. Alphabet and Meta have also proven to be successful at bringing new products to the market, even when they are not necessarily the first to market. Shorts and Reels are prime examples and are not just proving popular amongst users (improving share against TikTok), but creating new product avenues for advertisers and additional, albeit slightly cannibalistic, revenue streams. We expect the current weakness in advertising – which is a cyclical business – to be temporary, with a rebound likely as the macro outlook improves.

### Other

Both Apple and Meta were subject to additional themes not covered by cloud and advertising and discussed separately below.

### Apple

Out of the ‘Big Tech’ members, **Apple** (+11.0% USD) delivered the strongest set of results, overcoming key investor concerns of a weakened consumer spending environment that would impact volumes. Warnings of currency headwinds and supply challenges for iPhone caused an initial fall in after-hours trading, yet the stock finished in positive territory following the earnings call. Apple was the only Big Tech name to report bottom-line growth (albeit just +0.8% net income). The mix of strength was perhaps the biggest surprise in the results, with Mac and Wearables outperforming expectations following pent-up demand and new product launches. iPhone delivered a quarterly record of 'upgraders' and double-digit growth in 'switchers', and the installed base continued to grow moderately to record highs – a tailwind for the Services segment, which reached a record high of 900m subscribers on a recurring revenue subscription. Whilst consumer weakness induced by macro uncertainty is clearly the largest concern, the underlying strength in the product portfolio is clear.

### Meta

**Meta** ended the month as the Fund’s bottom performer, falling -31.3% in USD terms. Despite the severe price reaction following the earnings release (c. -20% at open), quarterly results were pretty resilient. The business delivered positive revenue growth on a constant currency basis (2%) and a slight surprise to the top-line (+1.1%), as well as a surprise to gross profit of +1.6%. Apple's data privacy policy changes and economic uncertainty, as well as the strong dollar, contributed to an absolute revenue decline of 4.5%. Meta has now ‘lapped’ the impact of these privacy changes, so this should not be a growth headwind from now on. In addition, the firm highlighted an encouraging improvement to user count and overall engagement, with daily active users up +4% year-on-year. Only one region declined in users from last year, Europe, since Meta blocked Russian users after the outbreak of war in Ukraine. The firm has clearly made positive ground with efforts to increase content consumption as well as improve engagement, allowing it to offer more products to advertisers in the process.

The negative price reaction was driven by investor concerns over cost control and the level of investment going into long-term projects. Free cash flow dropped from nearly $10bn in 3Q21 to just $173m in 3Q22 due to substantial investment. Revenue guidance for Q4 was below expectations ($31.3bn vs $32bn), but the significant opex/capex growth in 2023 was significantly higher than expectations and the crux of investor concerns. These investments will go towards Metaverse, in particular AI and datacentre infrastructure, and will put a significant dent in profitability in 2023. Relatively low visibility into when, and even if, these investments will yield a return has led to this negative market reaction. Whilst a concern, much of this investment into the Metaverse has already been made and in relative terms, the company have guided for lower levels of Capex as a percentage of revenue after 2023. In addition, capex will not grow faster than the bottom line. The fact that the firm has committed to cost reduction measures, including reducing headcount and office space, also gives comfort that it is committed to cost control.

We thank you for your continued support.

**Portfolio Managers**

Matthew Page, CFA

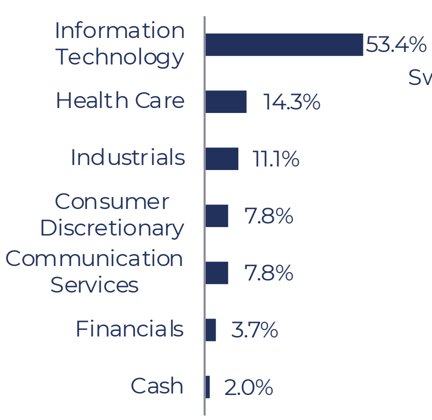
Dr Ian Mortimer, CFA

## PORTFOLIO

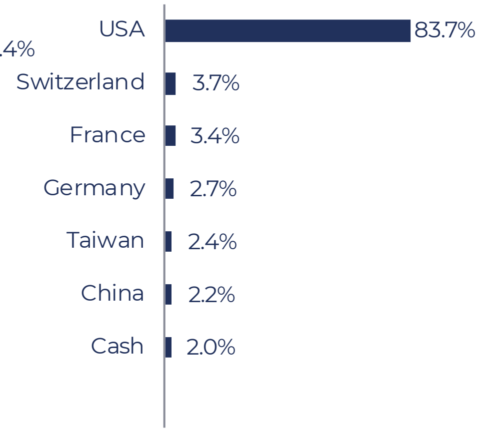
### Fund top 10 holdings (%)

| | |
|---|---|
| Amphenol Corp | 4.5% |
| Mastercard Inc | 4.1% |
| Visa | 4.1% |
| Roper Technologies Inc | 4.0% |
| Intuit Inc | 4.0% |
| Thermo Fisher Scientific | 3.9% |
| Paypal | 3.8% |
| Bristol-Myers Squibb Co | 3.7% |
| Microsoft | 3.7% |
| Intercontinental Exchange | 3.7% |
| % of Fund in top 10 | 39.5% |
| Total number of stocks | 30 |

### Sector analysis (%)



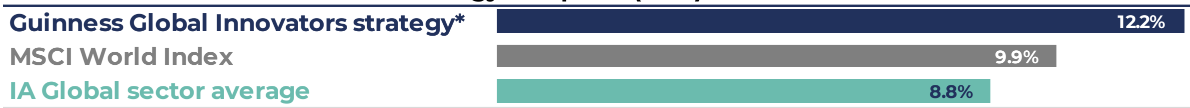

### Geographic allocation (%)




## PERFORMANCE*

Past performance does not predict future returns.

**Annualised % total return from strategy inception (GBP)** **31/10/2022**




| Discrete years % total return (GBP) | Oct '22 | Oct '21 | Oct '20 | Oct '19 | Oct '18 |
|---|---|---|---|---|---|
| Guinness Global Innovators Fund | -14.8 | 29.4 | 22.4 | 18.5 | -5.8 |
| MSCI World Index | -2.9 | 32.5 | 4.4 | 11.3 | 5.1 |
| IA Global sector average | -9.3 | 28.6 | 7.3 | 11.1 | 1.0 |
| IA Global sector ranking | 371/497 | 207/450 | 56/412 | 30/380 | 319/342 |
| IA Global sector quartile | 3 | 2 | 1 | 1 | 4 |

| Cumulative % total return (GBP) | YTD | 1 Yr | 3 Yrs | 5 Yrs | Launch* |
|---|---|---|---|---|---|
| Guinness Global Innovators strategy | -19.4 | -14.8 | 35.0 | 50.8 | 845.4 |
| MSCI World Index | -6.0 | -2.9 | 34.3 | 57.1 | 535.5 |
| IA Global sector average | -11.2 | -9.3 | 25.3 | 40.5 | 416.9 |

**RISK ANALYSIS** **31/10/2022**

| Annualised, weekly, 5 years, in GBP | Index | Sector | Fund |
|---|---|---|---|
| Alpha | 0 | -0.69 | -1.07 |
| Beta | 1 | 0.82 | 1.09 |
| Information ratio | 0 | -0.34 | -0.09 |
| Maximum drawdown | -24.58 | -21.61 | -24.27 |
| R squared | 1 | 0.84 | 0.84 |
| Sharpe ratio | 0.34 | 0.22 | 0.25 |
| Tracking error | 0 | 6.48 | 7.68 |
| Volatility | 15.99 | 14.34 | 18.98 |

*Simulated past performance. Performance prior to the launch of the Guinness Global Innovators Fund (31.10.14) reflects the Guinness Atkinson Global Innovators Fund (IWIRX), a US mutual fund with the same investment process since 01.05.2003. Discrete 12m performance is shown below.

Source: FE fundinfo, bid to bid, total return. Fund Y GBP class (0.89% OCF): 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.

## DISCRETE 12-MONTH PERFORMANCE*

Past performance does not predict future returns.

| Discrete 12m % total return (GBP) | Oct '22 | Oct '21 | Oct '20 | Oct '19 | Oct '18 | Oct '17 | Oct '16 | Oct '15 | Oct '14 | Oct '13 |
|---|---|---|---|---|---|---|---|---|---|---|
| Guinness Global Innovators Strategy | -14.8 | 29.4 | 22.4 | 18.5 | -5.8 | 25.0 | 26.4 | 3.2 | 20.2 | 42.9 |
| MSCI World Index | -2.9 | 32.5 | 4.4 | 11.3 | 5.1 | 12.9 | 28.0 | 5.4 | 9.1 | 26.1 |
| IA Global sector average | -9.3 | 28.6 | 7.3 | 11.1 | 1.0 | 13.9 | 23.2 | 4.5 | 4.2 | 24.2 |
| IA Global Sector Ranking | 371/497 | 207/450 | 56/412 | 30/380 | 319/342 | 10/309 | 151/286 | 206/266 | 3/236 | 7/217 |
| IA Global Sector Quartile | 3 | 2 | 1 | 1 | 4 | 1 | 3 | 4 | 1 | 1 |

| | Oct '12 | Oct '11 | Oct '10 | Oct '09 | Oct '08 | Oct '07 | Oct '06 | Oct '05 | Oct '04 | Oct '03 |
|---|---|---|---|---|---|---|---|---|---|---|
| Guinness Global Innovators Strategy | 10.1 | 1.9 | 25.3 | 22.6 | -29.7 | 20.1 | 15.4 | 20.6 | -4.8 | 26.8 |
| MSCI World Index | 9.7 | 0.8 | 16.2 | 16.1 | -25.2 | 10.5 | 12.6 | 17.2 | 4.9 | 18.7 |
| IA Global sector average | 4.3 | 0.0 | 14.6 | 25.1 | -31.0 | 13.6 | 15.9 | 18.1 | 5.0 | 15.4 |
| IA Global Sector Ranking | 33/206 | 65/175 | 18/164 | 93/154 | 63/141 | 32/135 | 65/116 | 46/10` | 93/96 | 23/90 |
| IA Global Sector Quartile | 1 | 2 | 1 | 3 | 2 | 1 | 3 | 2 | 4 | 1 |

Source FE fundinfo. *Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14. Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same team using the same investment process as applied to the UCITS version.

## IMPORTANT INFORMATION

**Issued by Guinness Global Investors.** Guinness Global Investors 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 Guinness Global Innovators 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 Innovators 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.

**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