Guinness European Equity Income Fund

2022 Annual Review

This is a marketing communication. Please refer to the prospectus and KID/KIID for the Fund before making any final investment decisions. Past performance does not predict future returns.

ABOUT THE FUND

Launch date	19.12.2013
Index	MSCI Europe ex UK
Sector	IA Europe excluding UK
Manager	Nick Edwards

Aim

The Guinness European Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Europe ex UK 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 Europe Ex UK Index as a comparator benchmark only.

RISK

The Guinness European 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. Further details on the risk factors are included in the Fund's documentation, available on our website.

PERFORMANCE

Past performance does not predict future returns

31/12/2022	1 year	3 years	5 years	Launch*
Fund (%)	-4.2	12.7	27.2	85.5
Index (%)	-7.6	15.9	25.4	83.9
Sector (%)	-9.0	16.1	22.8	85.9

Full discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, 0.89% OCF, bid to bid, total return. *Launch date 19.12.13. 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 performance shown has been reduced by the current OCF of 0.89% per annum. Returns for share classes with different OCFs will vary accordingly. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

SUMMARY

In Q4 2022 the Guinness European Equity Income Fund rebounded 13.0% (in GBP) outperforming the MSCI Europe ex UK Index, which rose 11.5%, by 1.6%. In FY 2022 your fund fell -4.2% (in GBP) over the year, versus the MSCI Europe Ex UK Net Return Index, which fell -7.6% (in GBP). The fund outperformed the Index by 3.5% over the year.

INVESTMENT SUMMARY

Your fund is well balanced across a select 30 quality value cyclical and defensive Europe ex UK companies characterised by structural growth and supported by long histories of generating persistent high cash returns alongside strong balance sheets. The aim is that macro and short-term fluctuations should prove of little consequence to their long-run returns. At the start of the year Europe ex UK valuations remain at low levels vs history and relative to the US, and prospects are supported by a backdrop of falling commodity/input prices and China's reopening, which is good news for Europe's large export facing markets. We continue to find plenty of opportunities among Europe's globally leading companies where dividend yields are approximately double those on offer in the US, without giving up on quality.

THE DIVIDEND

The Z GBP Dist share class dividend grew by 27.3% to 0.4835 in 2022 (total of July 2022 and January 2023 payments), just below MSCI Europe ex UK Index dividend growth of 31.7%. The H2 dividend, which went ex on 3rd January 2023 and is due for payment at month end 31st January 2023, grew at a more normal rate of 6.8%, taking the FY dividend +8.2% above 2019 levels. The ongoing recovery in the dividend post pandemic has seen the dividend CAGR return to 6.1% since inception on December 19th 2013. Based on year end pricing, the last historic twelve-month dividend yield is 3.2% (net of withholding tax vs MSCI Europe ex UK 3.3% gross). *Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charges. Investors may be subject to tax on the distribution.*

Fund GBP Z Class Dividend History

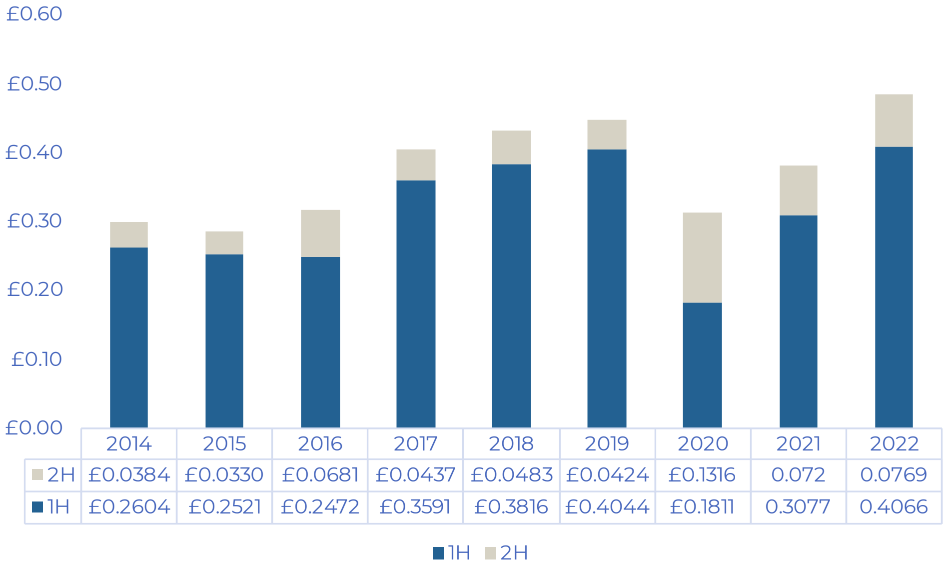


Figure 1: Fund dividend history since inception. H1 (July 2022 dividend in blue, H2 January 2023 dividend in grey). (Class Z GBP)

Cumulative returns	December	Q4	1yr	3yr	5yr
Guinness European Equity Income	**-0.3%**	**13.0%**	**-4.2%**	**12.7%**	**27.2%**
MSCI Europe Midcap Index	-0.2%	12.1%	-14.7%	7.1%	15.4%
MSCI Europe Growth Index	-1.9%	8.2%	-13.0%	16.9%	33.7%
MSCI Europe Index	-1.0%	10.8%	-4.4%	14.6%	23.4%
MSCI Europe Value Index	-0.1%	13.4%	4.5%	9.9%	10.8
MSCI Europe High Dividend	-0.1%	11.8%	6.8%	12.6%	28.1%
MSCI UK net total return Index	-1.4%	8.6%	7.2%	11.2%	18.0%
MSCI Europe ex UK	**-0.9%**	**11.5%**	**-7.6%**	**15.9%**	**25.4%**
Out/underperformance	**+0.6%**	**+1.6%**	**+3.5%**	**-3.2%**	**+1.8%**

Figure 2. Figures from Bloomberg and FE fundinfo in GBP to 31.12.22

INVESTMENT BACKDROP

2022 was a difficult year for Europe ex UK and equity markets in general, with developments in Ukraine compounding existing supply chain bottlenecks post Coronavirus. Saved to some degree by the 11.5% MSCI Europe ex UK rebound seen in Q4 2022, leaving the Index -7.6% for the full year. Faster than expected falls in European natural gas prices and electricity prices, driven by 95% full gas storage and warm seasonal weather, along with falls in key soft commodity prices are welcome news for company margins and consumers alike. Also positive for Europe's large export facing markets is China's reopening, with Europe accounting for 22.4% of Chinese imports and 10% of total European exports (as at Q2 2021, EC data).

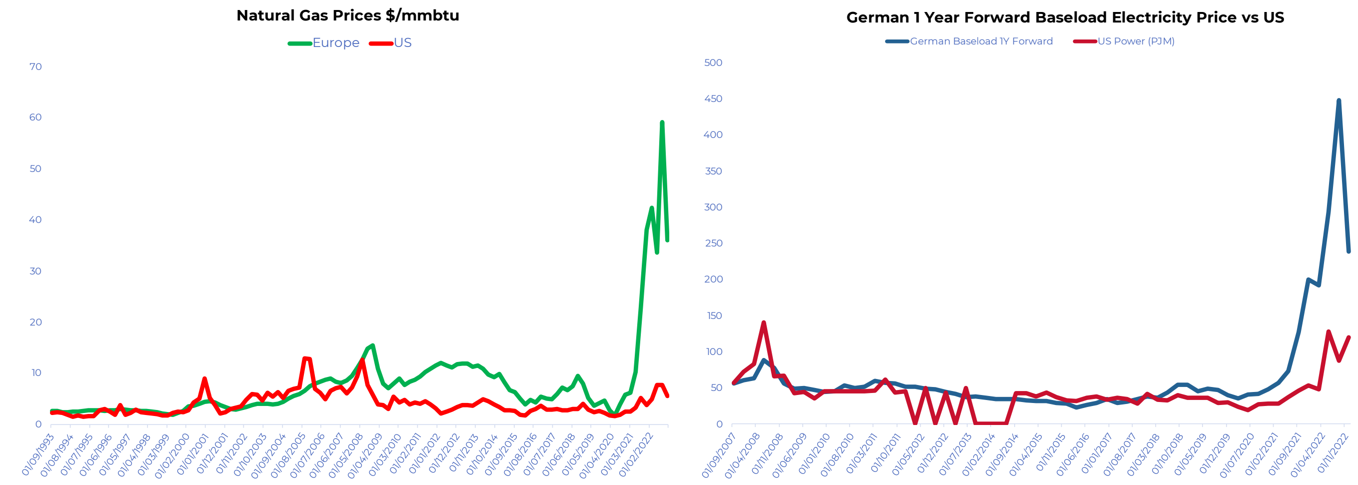


Figure 3: Natural Gas Prices $/mmbtu Europe and US (lhs), German and US 1Y Forward Baseload Electricity Prices (rhs). Source: Bloomberg data 31.12.22.

European sovereign yields continued to rise in Q4, closing the year at highs of 2.8% for Germany's 2Y; with the ECB expected to raise rates by 50bps at least twice more from the current 2% deposit rate level. That said, the faster than expected falls in energy input costs is good news for equity markets, increasing the chances of an earlier pause in the rate hike cycle by the ECB, potentially giving the market greater visibility over interest costs and discount rates. The latter is potentially good news for higher-multiple growth companies. Although even after the recent underperformance of growth, there remains a large spread between MSCI Europe Value (9x) and Growth (21x) expected PE multiples. Your fund, with its quality and value focus, is appropriately positioned.

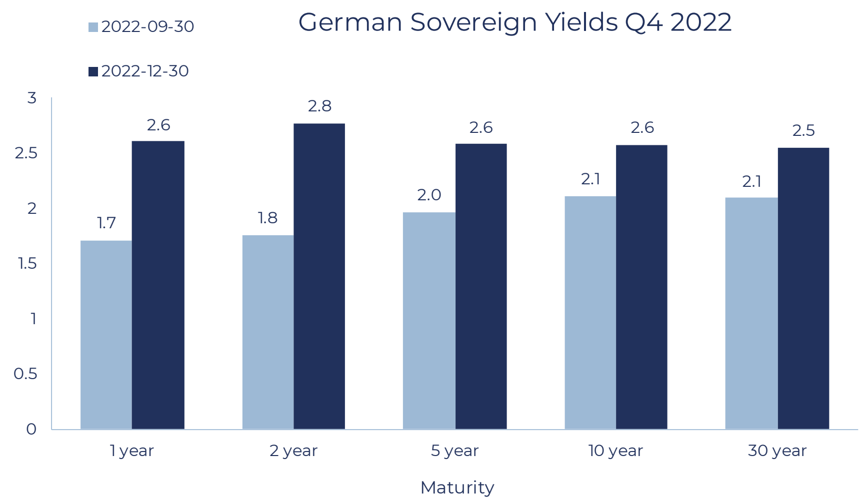


Figure 4: German Sovereign Yields as at end Q3 and Q4 2022. Source: Bloomberg data.

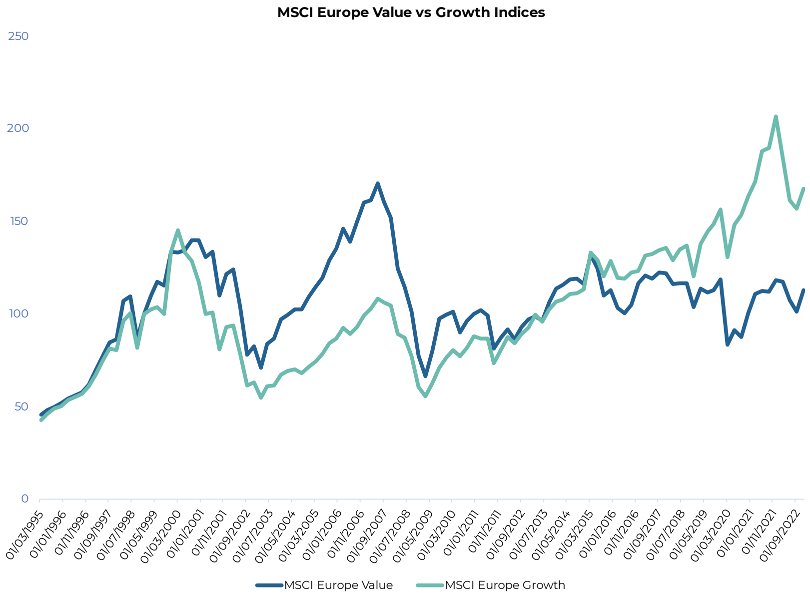


Figure 5: MSCI Europe Value Index (blue) vs MSCI Europe Growth Index (light green). Source: Bloomberg data 31.12.22.

In the context of a more inflationary, rising-rate and capex-led environment it is worth looking again at the structure of the Europe ex UK market vs MSCI US. Europe ex UK offers investors more than 50% higher exposure to globally leading areas: consumer brands, with their strong track record of passing on price, Financials, with their upside exposure to interest rates, and nearly twice the exposure to Industrials, which are well placed to benefit from rising efficiency and climate capex. By contrast, MSCI US remains characterised by high exposure to higher-multiple growth stocks including a 26% weighting to IT.

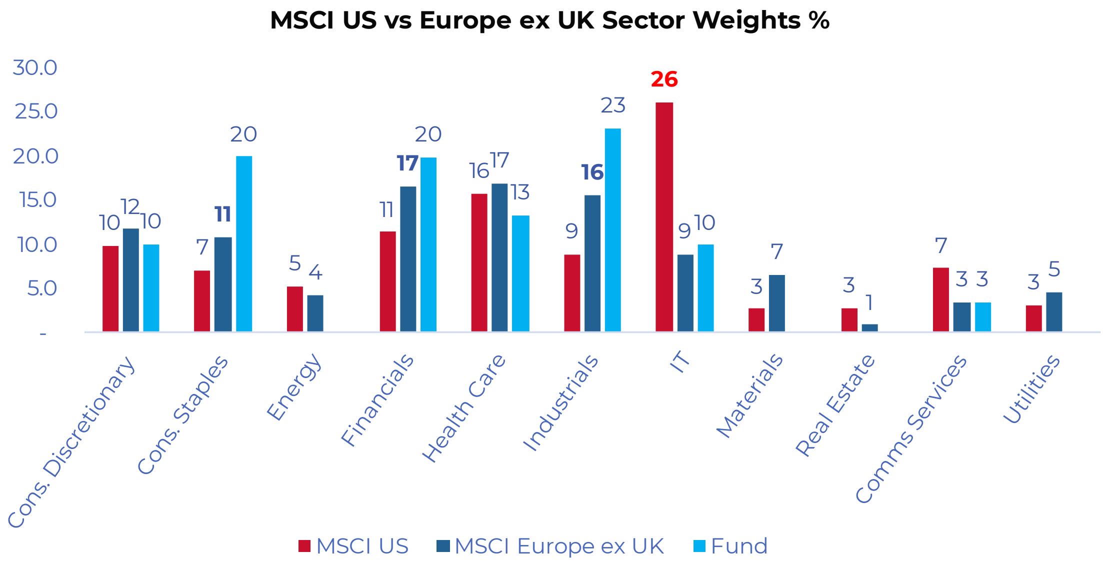


Figure 6: Sector weights %, MSCI Europe ex UK (dark blue), MSCI US (red), Fund (light blue). Source: Bloomberg data.

Helped by falling input costs, we are now seeing the first signs of rebounding consumer confidence, from over 30Y lows. German IFO expectations have similarly recently bounced off all-time lows amid an improving outlook for exports supported by China's reopening and a better-than-expected backdrop for energy / input costs. ECB M1 liquidity, which tends to lead PMIs, is still in decline, but close to all-time lows and should pick up over the course of 2023. Labour markets look set to remain tight and employment rates high relative to the last ten years, however

Europe maintains significantly higher labour slack with unemployment of 6.5% compared with US at 3.5%, suggesting Europe rates should remain well below US rates.

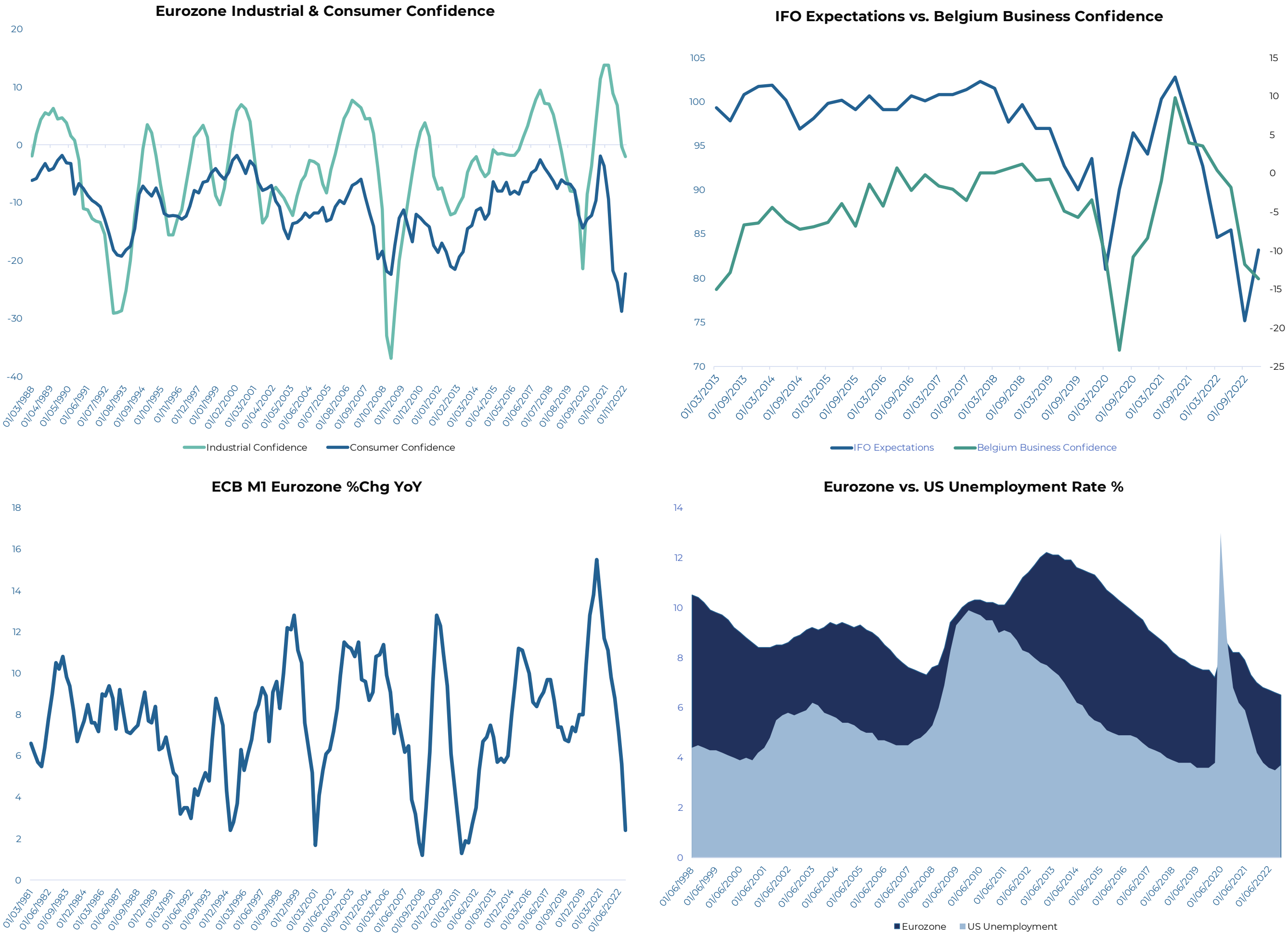


Figure 7: Clockwise from left: Eurozone Industrial & Consumer Confidence, German IFO / Business expectations, ECB M1 % change YoY, and Eurozone vs US Unemployment rate %. Source: Bloomberg.

Against this backdrop and even after Q4's recovery MSCI Europe ex UK continues to look attractive relative to history, remaining at year end the cheapest since the 2011/12 Euro Crisis, and relative to the US the cheapest since the Financial Crisis in 2008/9.

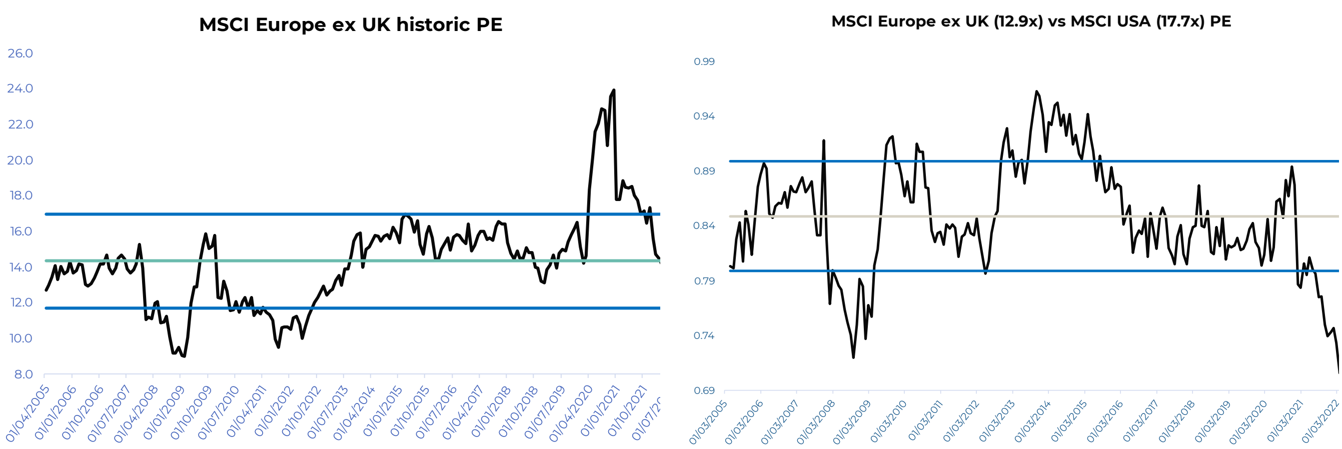


Figure 8: MSCI Europe ex UK historic PE (lhs), and relative to MSCI US (rhs). Source: Bloomberg data.

Europe ex UK simultaneously offers a dividend yield nearly twice the level in the US; and adjusted for respective local country 10Y government bond yields, a near 300bps yield premium to MSCI US, which we continue to find compelling given the strong track record for dividend growth across Northern Europe's high-IP markets (see our white paper *Europe: a Destination for Income*) which historically (2004 – 2020) has at least matched up to levels recorded by MSCI US and MSCI Asia Pacific ex Japan. At the close of 2022 higher levels of yield remain on offer across 'quality' European sectors containing many of Europe's globally leading companies, which your fund remains focused on. Notably the Consumer Discretionary, Consumer Staples, Financials, Healthcare, Industrials and IT sectors.

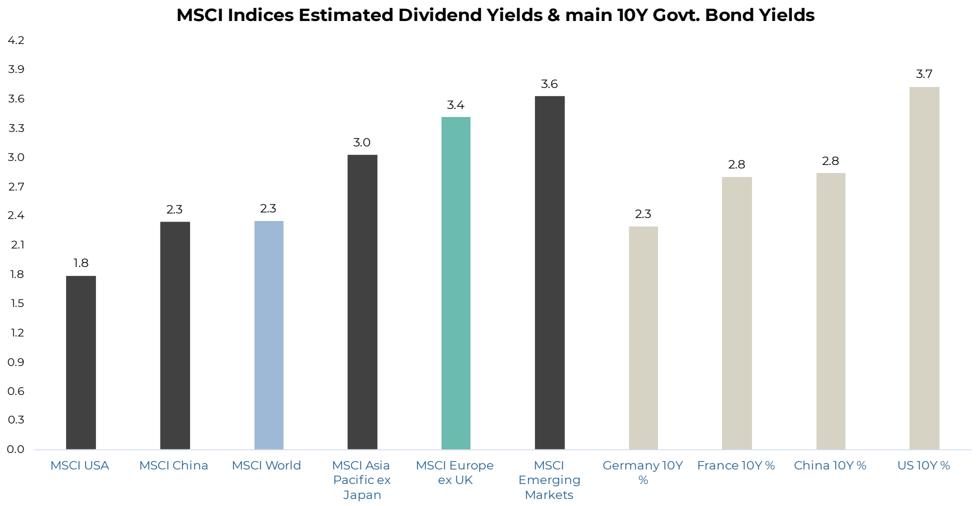


Figure 9: Main MSCI regional index dividend yields and developed market 10Y bond govt. bond yields. Source: MSCI data.

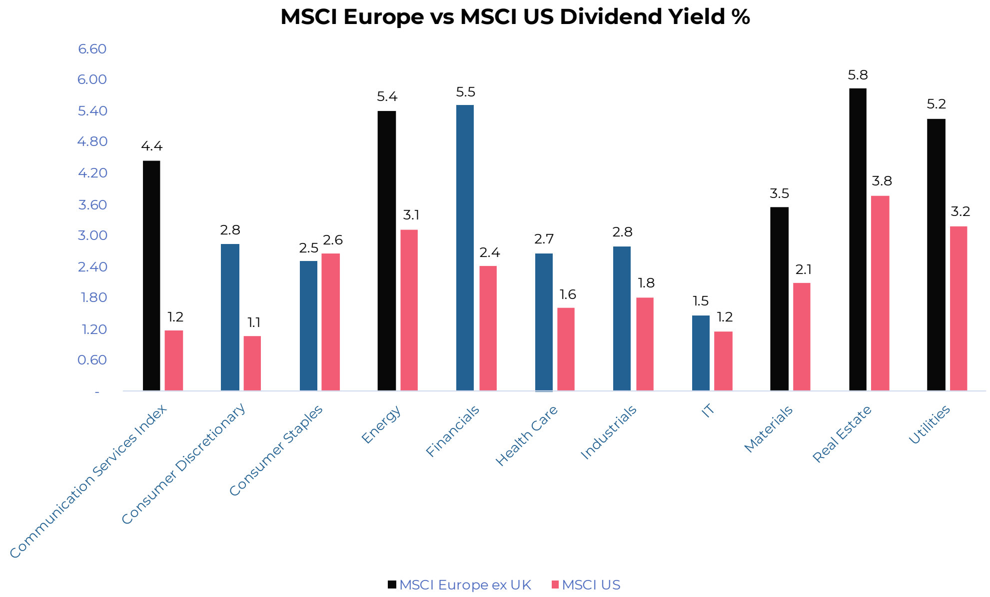


Figure 10: Sector dividend yields, MSCI Europe ex UK (black/blue "quality sectors" where the Fund is focused) vs MSCI US (red). Source: Bloomberg data.

This continues to give us the opportunity to offer a portfolio of globally leading companies trading on attractive European multiples and dividend yields, whilst not giving up on quality – offering return on equity on a par with the US.

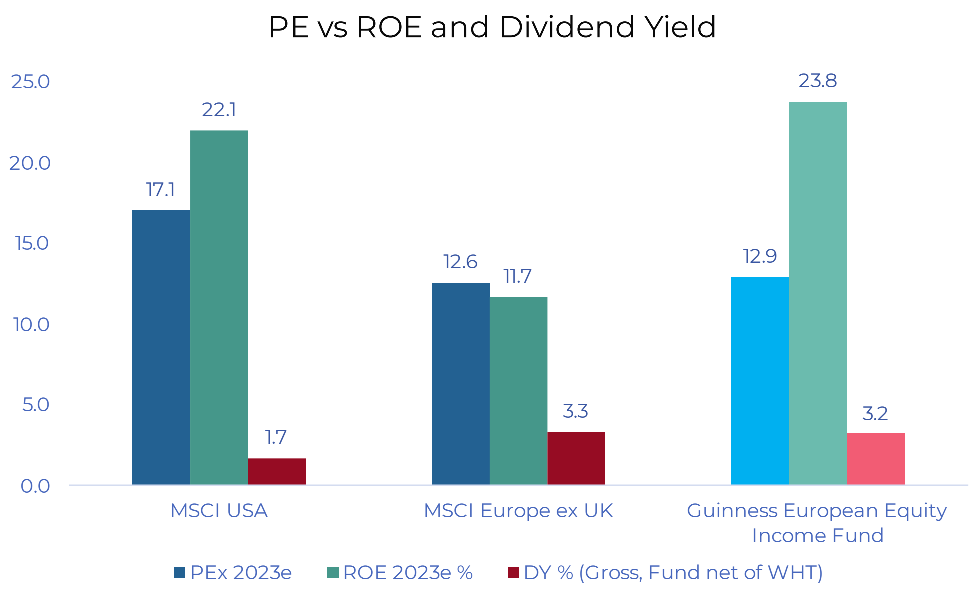


Figure 11: PE vs ROE and Dividend Yield for MSCI US (lhs), MSCI Europe ex UK and Fund (rhs). Fund dividend yield quoted net LTM basis vs MSCI Indices gross. Source: Bloomberg data. Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charges. Investors may be subject to tax on the distribution.

PERFORMANCE DRIVERS

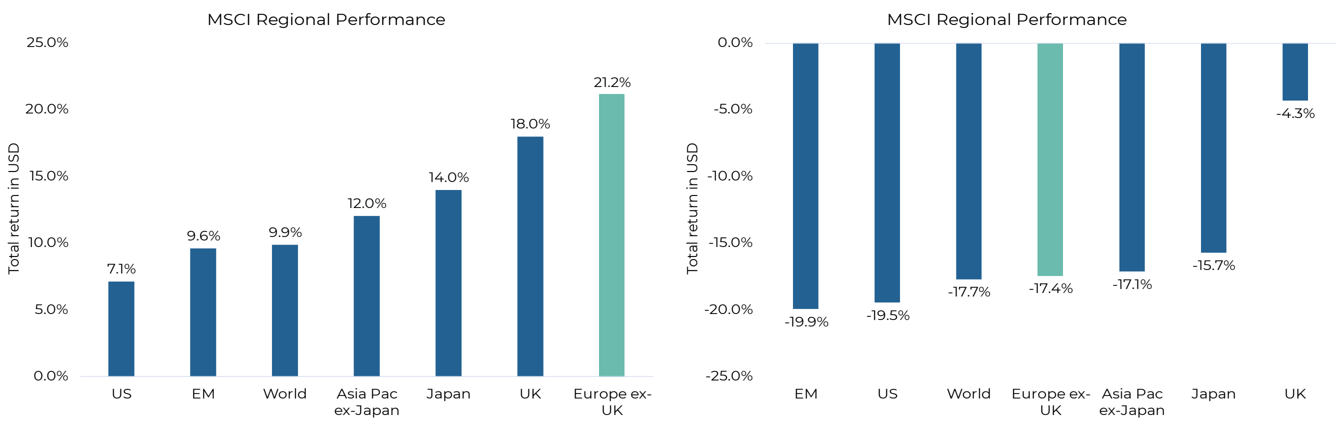


Figure 12: MSCI World Index geographic total return breakdown for Q4 2022, in USD (left) and FY 2022 in USD (right). Europe in light green. Source: Bloomberg data

MSCI Europe ex UK staged a strong recovery in Q4 2022, rising 21.2% in USD, as the Euro rose 9% against the US dollar over the quarter and falling commodity input prices turned into a tailwind for margin and earnings expectations against a backdrop of depressed valuations vs history and other regions. Leading to MSCI Europe ex UK closing the year down -17.4% (in USD), just behind Asia Pacific ex Japan but ahead of EM, the US and MSCI World. In sharp contrast to Europe's relative positioning at end Q3 2022.

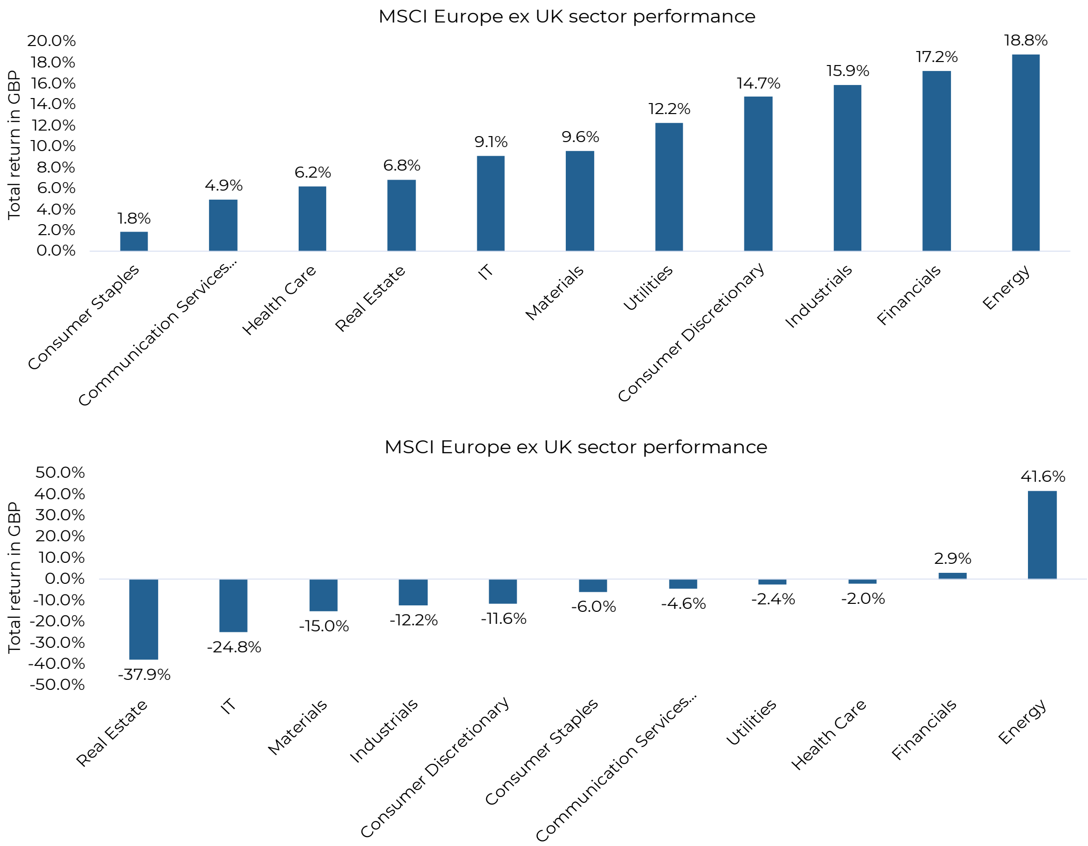


Figure 13: MSCI Europe ex UK Index sector total return breakdown for Q4 2022 (top) and FY 2022 (bottom), in GBP. Source: Bloomberg

At a sector level, Energy was the stand-out sector, closing the year +41.6% (in GBP) driven by reduced Russian supply compounding existing supply chain issues post Covid-19 and long-term capacity underinvestment exacerbated by ESG trends. It was followed by Financials, which benefitted from the strong rebound in interest rate expectations driven by rising inflation. At the other end of the spectrum were more leveraged markets, and notably Real Estate, which was the weakest sector, closing the year -37.9% in GBP. Between them were high-multiple growth stocks including the IT sector which closed the year -24.8% as rising discount rates worked to depress valuations of cash flows far out in the future.

Q4 saw other quality cyclical sectors like Industrials and Consumer Discretionary rebound sharply supported by the fall in energy / input costs and inflation expectations, increasing the chances of an earlier pause in the ECB's rate hiking cycle. Defensive sectors which had outperformed in the first three quarters of the year, such as Consumer Staples, Health Care and Communication Services, all underperformed.

POSITIONING

The Guinness European Equity Income Fund is characterised by a high 83% active share against the MSCI Europe Ex UK benchmark. Our focus on companies with good track records that are in charge of their own destiny and have the potential to deliver high and rising returns for a long-time to come means the fund has virtually no exposure to commodity and regulated sectors like Materials, Utilities, Real Estate, Energy and banks. Meanwhile, sectors like Industrials, Financials, Consumer Staples and IT, in which your fund is overweight, hold many of the high-quality, globally leading and scalable companies which we find attractive. Fund headline exposure to Information Technology is only a small 1% overweight, but all companies held in the fund use technology well.

Notably our large overweight to industrial technology, which includes many market leaders across areas including automation, software, low voltage and cyber security.

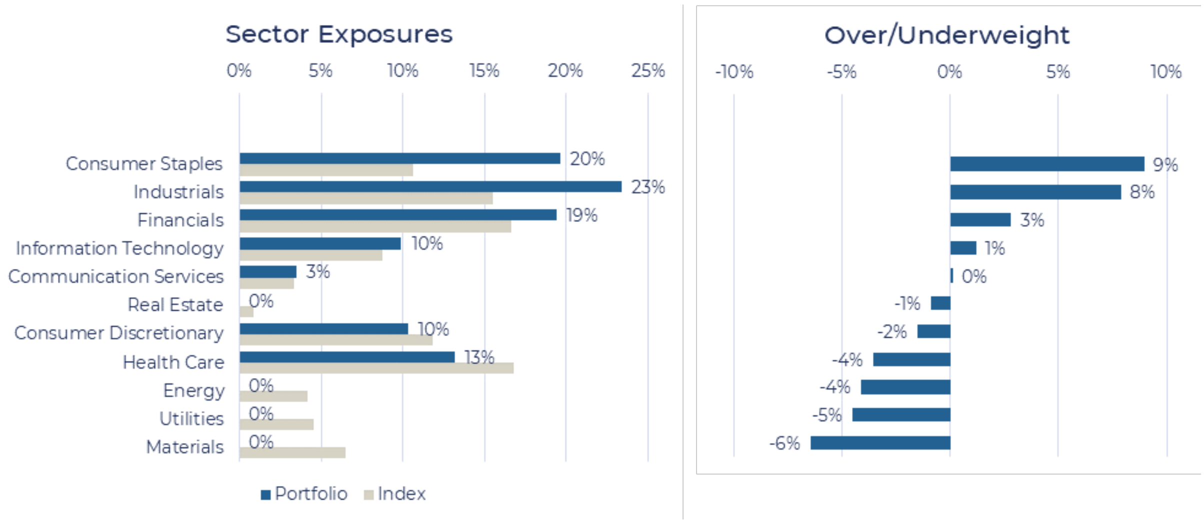


Figure 14: Sector over/underweight % breakdown of the fund versus MSCI Europe ex UK. Guinness Global Investors, Bloomberg (data as at 31.12.2022).

The Guinness European Equity Income Fund's country overweight and underweight positions result from a pull between two factors. Naturally, France and Germany represent high absolute weights in the index at 23% and 15% respectively; but we find a greater number of high-quality companies with strong prospects in the 'high-IP' markets of northern Europe with good corporate governance, notably in Scandinavia.

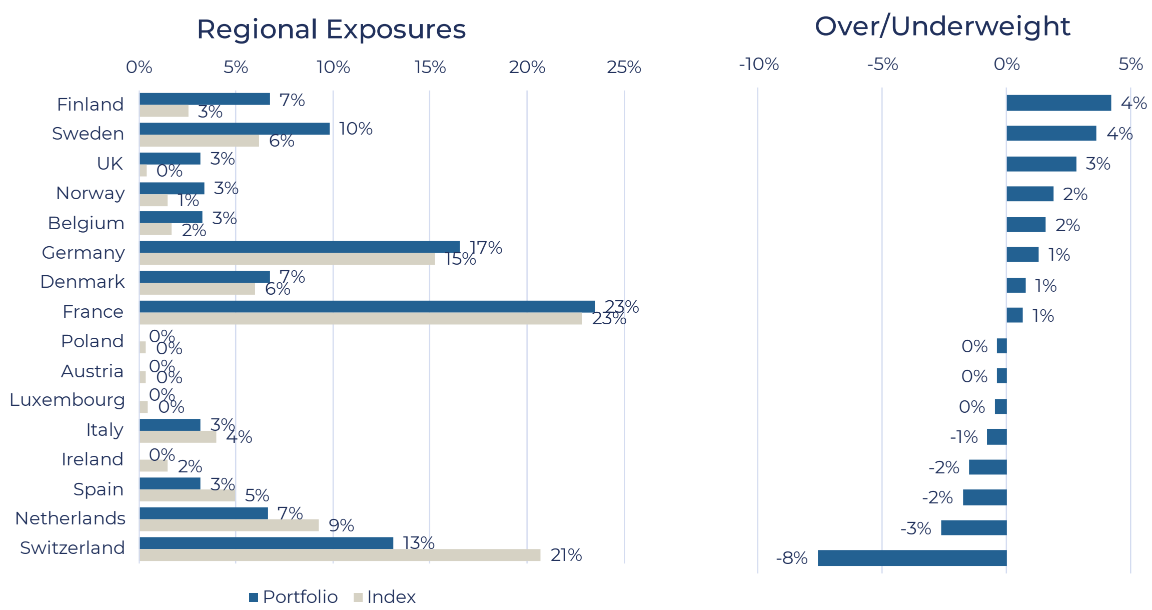


*Figure 15: Regional breakdown of the fund versus MSCI Europe ex UK Index. Source Guinness Global Investors, Bloomberg (data as at 31.12.2022). *UK exposure represents Unilever which is domiciled in the UK and listed in the UK and on Euronext Amsterdam.*

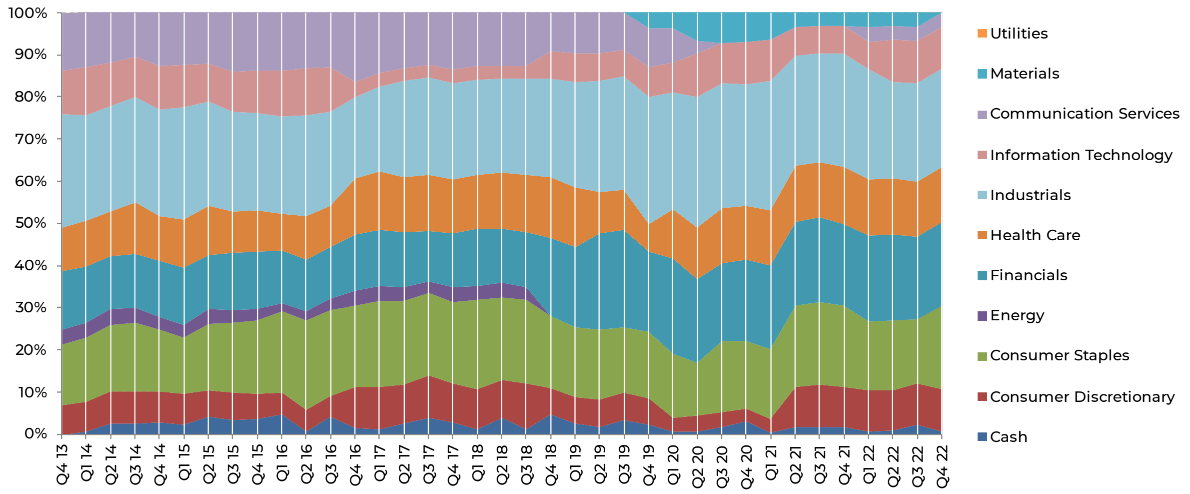


Figure 16: Portfolio sector breakdown at year end 2022

The Fund's underweight to Communications Services was neutralised in Q1 2022 through the purchase of **Universal Music Group** against the sale of Faroese salmon farmer Bakkafrost in the Consumer Staples sector. Over the year the Fund's exposure to IT also rose by 3.3% to a 1% overweight as we acquired in Q2 Belgian analogue semiconductor designer **Melexis** vs the sale of Siemens in the Industrials sector. The purchase of global air compression and vacuum market leader **Atlas Copco** against the sale of defence communications specialist Thales in Q3 2022 was neutral for fund sector exposure with both companies listed as Industrials according to GICS sector classifications. While the purchase of Danish low/no alcohol/sugar beverages specialist **Royal Unibrew** in Q4 against the sale of paper and packaging company Smurfit Kappa saw Consumer Staples exposure rise back to highs and Materials exposure cut to zero.

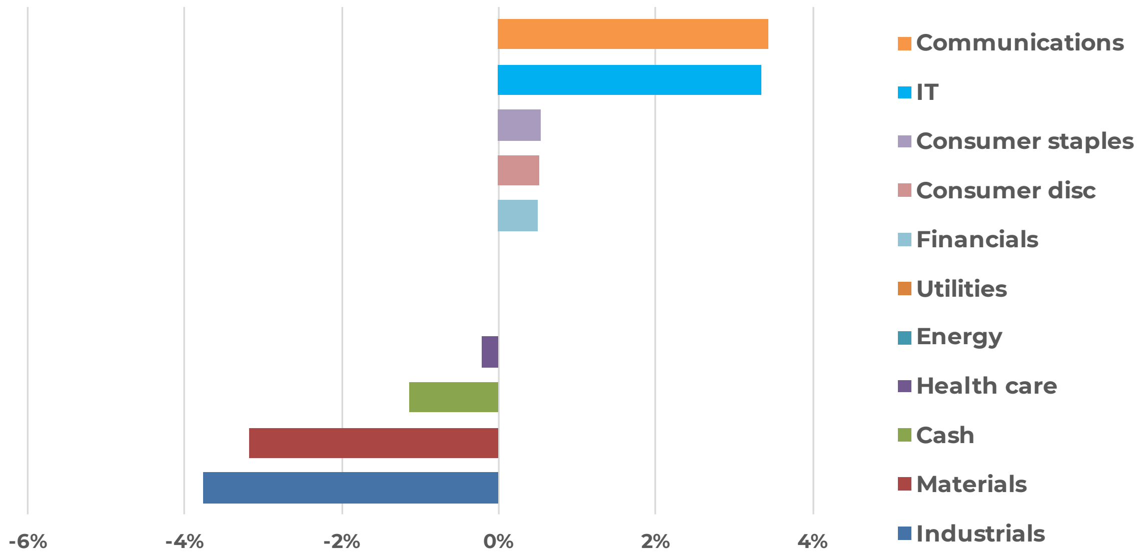


Figure 17: Year-on-year change in sector breakdown

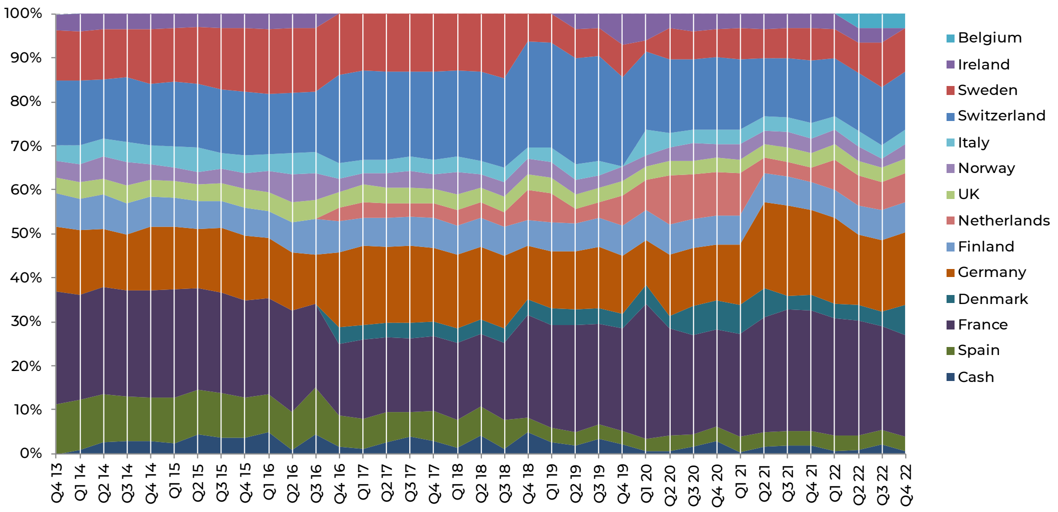


Figure 18: Portfolio geographic breakdown at year end 2022

Net exposure to high-IP northern European markets increased over the year with the purchases of Universal Music Group (Netherlands), Melexis (Belgium), Atlas Copco (Sweden) and Royal Unibrew (Denmark). While exposure to France, Germany and Ireland fell with the sales of Thales, Siemens and Smurfit Kappa respectively. Your Fund is likely to remain overweight Northern European high-IP markets where we find plenty of high-quality globally leading companies with a strong track record for dividend growth.

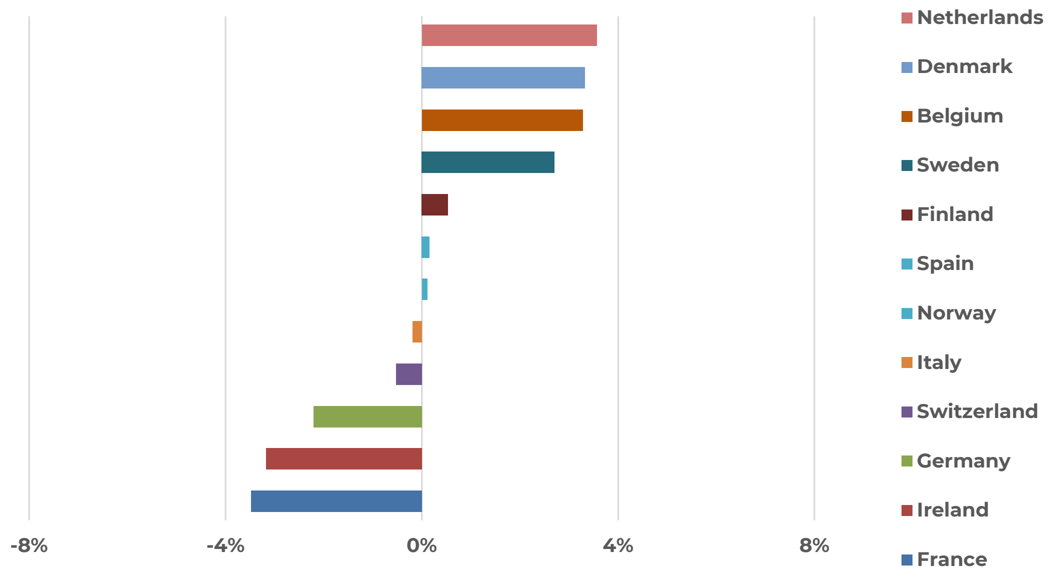


Figure 19: Year-on-year change in geographic breakdown

At the end of 2022, one third of the fund was invested in mid-caps, defined as those under $10bn market capitalisation. This is still towards the lower end of the Fund's history (after the additions of Melexis and Royal Unibrew), but arguably an appropriate exposure for a more volatile environment so far characterised by lower liquidity.

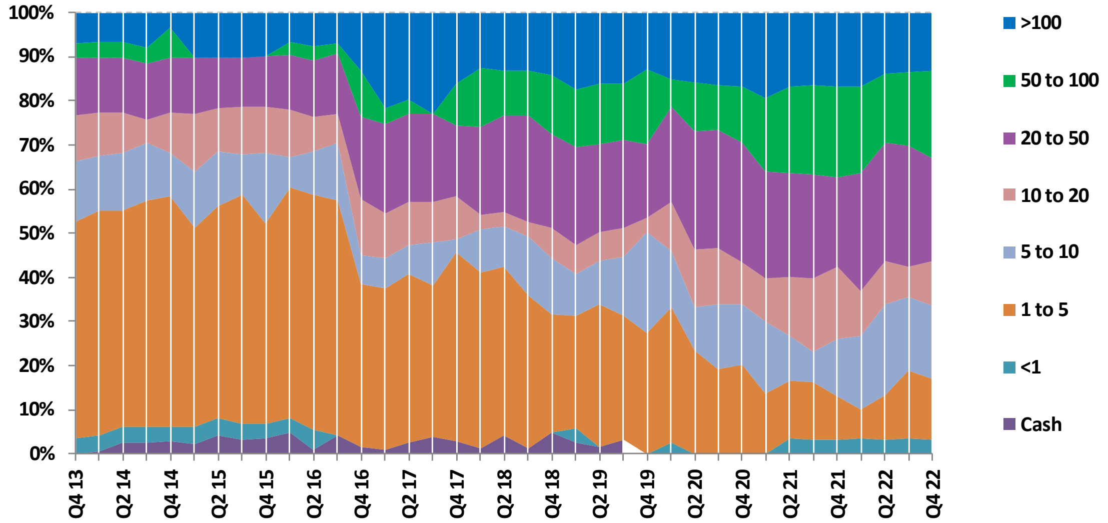


Figure 20: Portfolio market cap breakdown at year end 2022 (USD)

PORTFOLIO HOLDINGS

Companies that performed the best in Q4 2022 were more cyclical holdings responding to improving input costs, global trade and rates visibility. Konecranes (+40.4%) is highly exposed to global trade as the only industrial crane and lifting automation company with global servicing capacity. Kaufman & Broad, the Fund's smallest holding with a €700m mkt cap and sensitive to interest rates and mortgage demand as a house builder, recovered off very low valuations as falling inflation expectations gave the market greater confidence in stabilising interest rates. Amundi, which has quite high bond exposure, recovered sharply after a weak first three quarters of the year. Novo Nordisk's GLP1 franchise continued to deliver, with the company keen to point out plenty of runway with GLP1 prescription trends outside the US still low at 2-4% of local diabetes markets. Royal Unibrew closed the quarter nearly flat but generated a 22% return for the Fund as we bought the position well, close to lows on 21st October.

At the other end of the spectrum, Roche underperformed due to negative drug-specific newsflow. Capgemini gave back a little of its post pandemic outperformance as a key enabler of digital resilience and transformation, and similarly Deutsche Boerse trod water having performed well in the first nine months of the year on heightened rates volatility. While Nestlé and Danone were also soft having provided good downside protection in the first three quarters of 2022.

Best 5 performing stocks	Total return
Konecranes Oyj	40.4%
Kaufman & Broad SA	36.2%
Amundi SA	23.4%
Novo Nordisk A/S	23.2%
Royal Unibrew A/S*	21.9%

Worst 5 performing stocks	Total return
Roche Holding AG	-12.4%
Capgemini SE	-5.8%
Deutsche Boerse AG	-3.3%
Nestle SA	-2.4%
Danone SA	1.4%

Source: Bloomberg data

* QTD from acquisition on 21st October 2022

Figure 21: Best and worst five performing shares in Q4 2022 in EUR. Source: Bloomberg data.

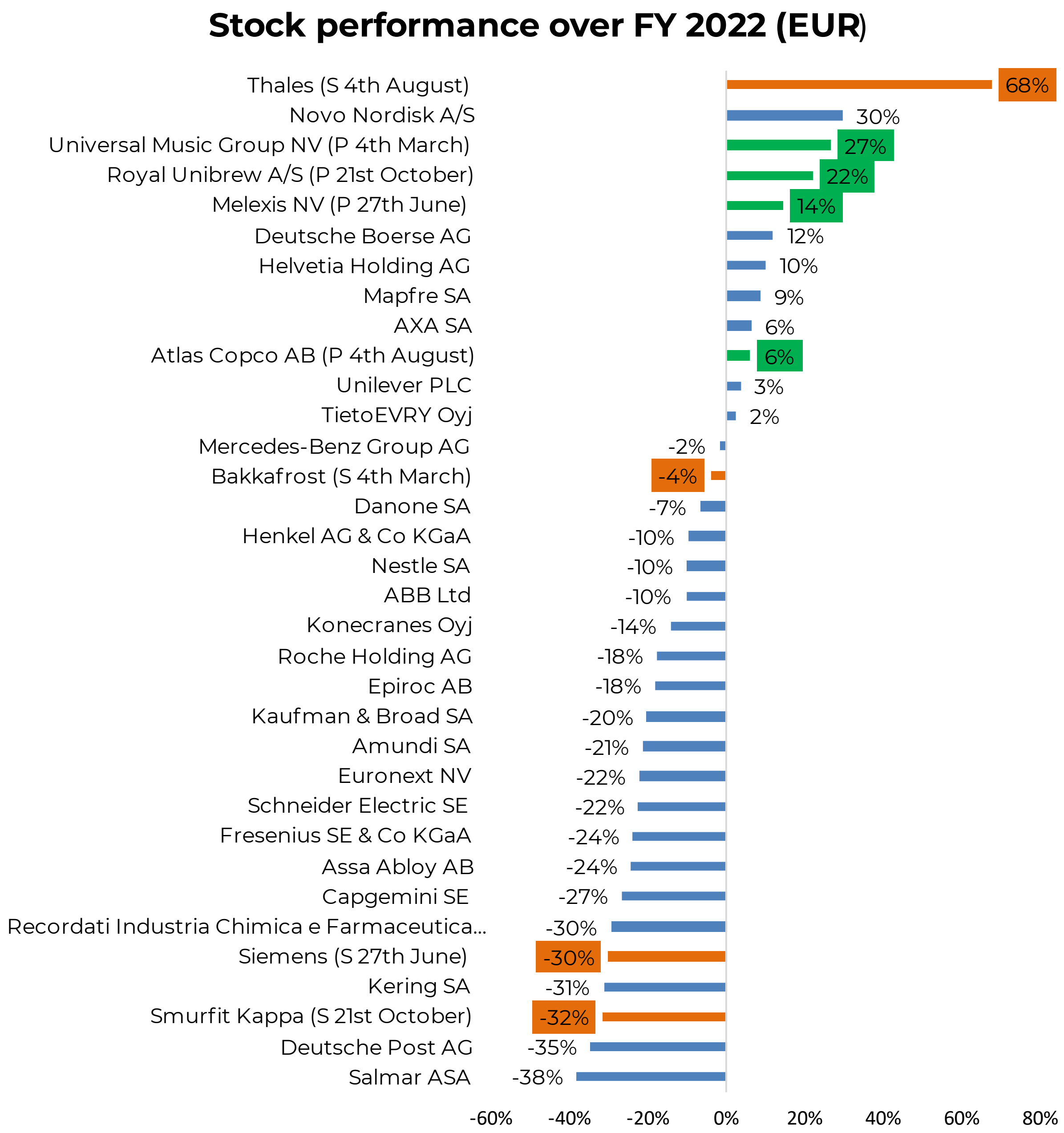


Figure 22: Fund share performance in 2022 in EUR. Sales in orange, performance YTD at sale. Purchases in green, performance YTD since purchase Source: Bloomberg data.

In 2022 portfolio turnover totalled approximately 13.2% (buys only). There was one switch made in each quarter. Each was a step up the quality curve to higher margins, higher returns and better long-term growth potential, enabled by weak markets which disproportionately impacted the valuations of smaller and mid-cap companies. We repeat here our report on each purchase from the monthly commentary at the time.

Royal Unibrew (purchased 21st October against sale of Smurfit Kappa) is the number-two beverage company in Denmark after Carlsberg. It is differentiated by its strong position in attractive niche categories across Scandinavia, where it holds approximately 10% category share, while also offering licence-based international brands from Heineken and Pepsi, being their bottling and distribution partner of choice. The majority of Royal Unibrew's sales volumes stem from the Western Europe (51% in 2021) and Scandinavia (38%), but the company also has meaningful International sales (11%, across 65 countries in total) giving its attractive product portfolio an established runway for global growth. Royal Unibrew is a customer-focused, long-term thinking company, preferring to overinvest ahead of the curve in growth categories and brands. Soft, alcohol-free and low-alcohol drinks represent 51% of sales, outweighing alcoholic beverage sales at 49% of revenues. The former persistently take market share, helped by Royal Unibrew's scale in soft, alcohol-free and low-alcohol drinks at approximately 3x its close (mainly larger) focused competitors. Key soft brands include LemonSoda, Fonti di Crodo, Nohrlund, Vitamalt, Supermalt, Nikoline, Lorina, Novelle, Egekilde, Cult and Mokai. Its beer brands include Royal, Faxe, Faxe Kondi, Ceres, Lapin Kulta, Lacplesis and Kalnapilis.

Royal Unibrew operates a multi-brand strategy, targeting six growth categories: Low/no sugar carbonated soft drinks (CSD), low/no alcohol, energy drinks, cider/ready to drink (RTD), enhanced drinks, and strong brands / brand premiumisation. All are supported by a strongly customer-focused decentralised model based on local ownership and limited central functions, enabling a scalable business model characterised by quick decision making from an empowered and incentivised employee base. Oversight and long-term thinking are supported by the presence of strategic shareholder Chr. Augustinus Fabrikker A/S with 15% of shares outstanding, along with ambitious returns-based management incentives.

Recent cost inflation and market turbulence have enabled us to step up the quality curve and reduce the beta of the portfolio, buying Royal Unibrew on close to 10-year valuation lows (across P/book, P/sales and PE) trading on just c.13x earnings for ROE >30% and offering a 3.5% 2023e dividend yield that historically has grown at 12% on a 5Y average basis with FCF dividend cover of approximately 2x. Cash generation has also been excellent at over 100%, and the company has a strong track record for generating high cash flow returns of around 15% for over eight years. The dividend policy is to pay out 40-60% of net profits accompanied by share buybacks and bolt-on acquisitions. This gives Royal Unibrew good flexibility amid an uncertain near-term backdrop and plenty of capacity to take advantage of long-term opportunities. Against a backdrop of temporary headwinds and reduced valuations, Royal Unibrew is a company that holds the potential to generate high dividend and capital growth for shareholders for the long term.

Atlas Copco (purchased 4th August against the sale of Thales) is a 140-year-old Swedish company and a pioneer in air compression technology. Today, the company is still the world's leading air compressor manufacturer, with around 25% market share. The company's product portfolio includes power tools and vacuum pumps; equipment is highly engineered, often with customization and application-specific variations. To that point, equipment sales are done by engineers, and end-markets for the company's compressors are diverse, ranging from automotive assembly to food processing. The economic cycle can cause short-term demand volatility, but the company's flexible cost structure and large portion of service revenue underpin gross margins of c.40%. Maintenance services and spare parts contribute more than 30% of group revenue, and Atlas Copco leverages its large service operation by training its technicians to service competitors' equipment as well its own. Further, as a pioneering company, Atlas Copco possesses a patent-protected deep expertise in air compressors. Its portfolio is geared toward high-end compressors, with less exposure to lower-end basic compressors available, for example, in hardware stores. Through the years, Atlas Copco has developed several important innovations that allow it to charge a premium for its products and defend its leading market share position. The most recent of these innovations is its line of variable-speed compressors, which offer 35% energy savings on average versus fixed-speed compressors.

Melexis (purchased 27th June against sale of Siemens) replaced Siemens's broad focus on German auto industrial efficiency and automation with far more specific exposure to analogue semiconductors and drivers focused primarily on the nascent electric vehicle (EV) market. The barriers to entry are high, with training periods for analogue chip designers typically well in excess of ten years and getting higher given the shift to increasingly long-term co-operation with customers. Product is in short supply after years of low investment and sector consolidation set against resurgent demand as OEMs accelerate the transition to electric and hybrid technology. Melexis focuses on niche markets where it can occupy number 1-3 market positions; with the largest of twelve areas by revenue being magnetic position sensors, current sensors, pressure sensors and temperature sensors. Key customers include BYD and Tesla alongside suppliers like Bosch, Continental and Sensata. Given the tight backdrop, ability to supply rather than scale is the key factor in winning new business. Here Melexis is in fair shape with parent company Xtrion (owning 50% and one share of Melexis) ensuring chip supply through its dual ownership of X-Fab, with potential for 15%

annual supply increases to Melexis, from its new plant in Corbeil, France. Whether one looks at the still low proportion of EV's as a percentage of new cars or Melexis' nearer-term targets for 20 Melexis chips per car vs 13 today, this is a company with a long runway for growth and an innovation edge likely to be sustained by R&D spending at 12% of sales. For the fund this is a shift upwards in the quality spectrum enabled by a sharp market pullback in growth and quality (with Melexis earning approximately double the return on capital (+19%) vs outgoing Siemens, a net cash balance sheet, significantly higher gross and operating margins, a lower beta and a better dividend growth profile alongside a marginally higher dividend yield at 4.3% 2023e. Melexis doesn't have a dividend policy per se but the track record speaks for itself - a pristine balance sheet, low capital intensity, a historic payout in range of 50% - 70% and a long-term record for growing organically (with the last acquisition 10 years ago now). All supported by the presence of long-term shareholders and founders Mr. Roland Duchâtelet, Mrs. Françoise Chombar (Chair of Board) and Mr. Rudi De Winter (CEO X-Fab) on the shareholder register in the form of Xtrion (50% + 1 share). As such we think that it looks safe to say that this a company where excess capital looks likely to remain abundant and continue to be returned to shareholders in the form of an attractive growing dividend, for the long term.

Universal Music Group (purchased 4th March against sale of Bakkafrost). The company has been recently spun out of Vivendi where it was the jewel in the crown. Universal Music Group (UMG) has strong identifiable barriers to entry in the form of owned music intellectual property rights and scale, dominating the recorded music market with 31% global market share across over 200 country markets. The strength of its catalogue is second to none, along with its relationships with the main music distribution platforms and artists. UMG had record deals with 8 of the top 10 global artists in 2021, including 4 of the top five on Spotify and 8 of the top 10 on YouTube, suggesting that the company will maintain its position at the top of the music rights oligopoly (with Sony and Warner Music Group at 21% and 18% global share respectively), signing new artists and growing its back catalogue for a long time to come. Indeed, persistent market share gains vs peers in both recorded music and music streaming for the last four years highlight that this is a company that is getting stronger vs. its peer group. Meanwhile the whole sector stands at a turning point in terms of revenue growth and pricing power as the headwind from legacy revenue streams becomes negligible and it shifts towards scalable and value-added services such as streaming, fitness, social media and the metaverse, including virtual live music on platforms such as Spotify, Tencent Music, Peloton, Instagram and Roblox.

What is exciting to us as investors is the operating leverage provided by the back catalogue of nearly 2x sales growth of nearly 10% per annum stretching out to 2030 as incremental revenue tends to drop straight to the bottom line; suggesting significant margin expansion alongside potential to double the top line. Along with quite how under penetrated and young most of UMG's end markets are today. While streaming represents nearly 50% of annual global recorded music revenue today, the potential is huge; with paid subscribers penetrating only approximately 10% of global smart phones in 2020 (>20% in developed markets and <5% in emerging markets). Through its partnership and cross holdings with Tencent Music UMG appears to be in a particularly strong position in fast growing emerging markets, including China and India where penetration was reported to be approximately 6% and 2% in 2020 according to IFPI Global Music Report 2021 and Goldman Sachs. UMG is a high-margin, wide-moat company characterised by high levels of recurring revenue (~66% across subscription-based streaming, licencing and publishing) that looks set to feed into superior dividend growth (50% stated payout ratio) along with strong potential for special dividends. It is also a company where we have a high level of trust in management, with an excellent track record of capital allocation. Bollore (18% and 10% via Vivendi) and Tencent (20%) own 48% of shares outstanding between them. UMG is a company that we expect to hold while it delivers rising cash returns for a long time to come. If as Voltaire's Candide said, "life is a shipwreck", then UMG is certainly a company that helps its customers and shareholders to "sing in the lifeboats".

The best and worst performing stocks over 2022 were **Thales** (+68% EUR) and **Salmar** (-38% in EUR).

Thales (+68%) did exceptionally well against a very difficult backdrop due to its position as Europe's leading defence and aeronautical communications company. The sad conflict in Ukraine has led to higher levels of defence spending and improved earnings sentiment, driving the shares off historically low earnings multiples towards the upper end of the historic range at sale on 4th of August, when we switched to Atlas Copco, the global market leader in air compression and vacuum technologies.

Salmar (-38%) fell sharply over the third quarter as both the spot price of salmon moved lower with the oil price (hitting sentiment more than underlying earnings) but principally as the Norwegian government announced plans for a $3bn / 40% resource rent tax on the aquaculture sector, suggesting a >60% effective tax on salmon farming, which would be material for Salmar given the high percentage of its current cash flows that come from Norwegian waters, and would certainly impact sector investment. It's hard to give any accurate estimate of impact until details of how the tax might be levied are known; and indeed, if it comes to pass at all, as measures like this have been put forward by Norway's left party before and came to nothing due to a lack of support in parliament. The consultation period runs through January 2023. The move highlights the risks for commodity and regulated industries including energy, materials, utilities, banks and telecoms (which your fund avoids due to its focus on persistent high cash returns) as governments around Europe look to plug funding gaps. At a fundamental level we continue to rate Salmar highly given its best-in-class assets, management and cashflows alongside industry leading innovation in offshore and sustainable farming methods. More broadly the industry continues to look well placed given limited supply growth and salmon's status as a sustainable source of protein relative to other animal products.

OUTLOOK

Key Fund Metrics Today

The four key tenets to our approach are: quality, value, dividend, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will.

		Guinness European Income Fund	iShares MSCI Europe ex UK ETF	Guinness Delta vs. MSCI Europe
Quality	Debt / equity %	78.3	21.20	-133.7
	Net debt / Equity %	43.2	89.0	-45.8
	ROE %	24.0	11.7	12.3
Value	PE (2023e)	12.9	12.6	0.3
	FCF Yield %	5.6	4.8	0.8
Dividend	Dividend Yield % (LTM) vs Index gross	3.2	3.3	-0.1
	Weighted average payout ratio %	51.8	52.2	-0.4
Conviction	Number of stocks	30	344	-314
	Active share (%)	83	NA	

Figure 23: Portfolio metrics versus index. Guinness Global Investors, Credit Suisse HOLT, Bloomberg (data as at 31.12.2022)

Whatever the economic weather in 2023, we believe our focus on quality companies that generate persistent high cash returns supported by strong balance sheets will serve investors well for the long term. The Guinness European Equity Income Fund holdings are characterised by high levels of self-determination; namely identifiable barriers to entry, leading market positions, widening moats, aligned interests and long runways for growth. Based on the above measures, the Fund holds companies with high conviction which are significantly higher quality and better value versus the index.

From where we stand at the beginning of 2023 the European investment backdrop looks favourable, with historically attractive valuations now accompanied by a backdrop of falling commodity input costs suggesting the possibility of an earlier pause in the ECBs rate hiking cycle, and China's reopening a positive for Europe's export facing markets. We will continue to work hard to deliver long-term capital growth and a steady, growing income stream. Your fund is equipped for all weather, being well balanced across quality and value, with a focus on globally leading European companies supported by strong structural growth drivers offering a dividend yield approximately double MSCI US without giving up on quality.

Thank you for your continued support.

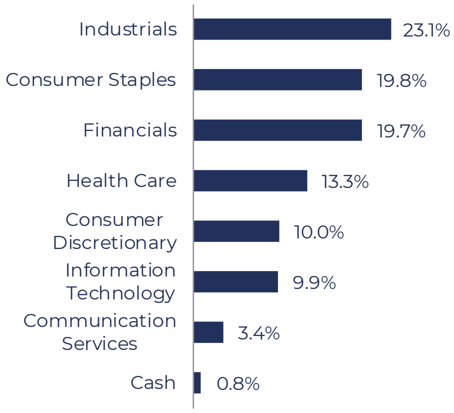
Portfolio Manager
Nick Edwards

PORTFOLIO

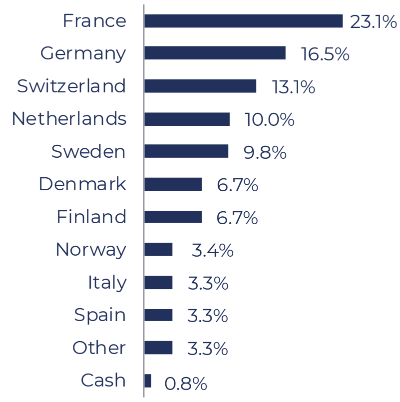
Fund top 10 holdings

UNIVERSAL MUSIC GROUP	3.4%
ROYAL UNIBREW	3.4%
Konecranes	3.4%
Deutsche Post	3.4%
Salmar	3.4%
Epiroc AB	3.3%
Novo Nordisk	3.3%
Kering SA	3.3%
Fresenius SE & Co KGaA	3.3%
Recordati SpA	3.3%
% of Fund in top 10	33.7%
Total number of stocks	30

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Annualised % total return from launch on 19/12/2013 in GBP	31/12/2022
Fund (Y Class, 0.89% OCF)	7.1%
MSCI Europe ex UK Index	7.0%
IA Europe ex UK sector average	7.1%

Discrete 12m % total return (GBP)	Dec '22	Dec '21	Dec '20	Dec '19	Dec '18	Dec '17	Dec '16	Dec '15	Dec '14
Fund (Y Class, 0.89% OCF)	-4.2	17.5	0.1	23.7	-8.8	10.7	28.5	3.6	-3.0
MSCI Europe ex UK Index	-7.6	16.7	7.5	20.0	-9.9	15.8	18.6	4.1	-0.7
IA Europe ex UK sector average	-9.0	15.8	10.3	20.3	-12.2	17.3	16.4	9.3	-0.9
Fund vs sector	4.9	1.7	-10.2	3.4	3.4	-6.6	12.1	-5.7	-2.0

Cumulative % total return (GBP)	1 month	YTD	1 year	3 years	5 years	Launch*
Fund (Y Class, 0.89% OCF)	-0.3	-4.2	-4.2	12.7	27.2	85.5
MSCI Europe ex UK Index	-0.9	-7.6	-7.6	15.9	25.4	83.9
IA Europe ex UK sector average	0.1	-9.0	-9.0	16.1	22.8	85.9

RISK ANALYSIS 31/12/2022

Annualised, weekly, from launch on 19/12/2013 in GBP	Index	Sector	Fund
Alpha	0.00	0.93	0.61
Beta	1.00	0.88	0.95
Information ratio	0.00	0.03	0.04
Maximum drawdown	-25.02	-24.43	-30.36
R squared	1.00	0.89	0.90
Sharpe ratio	0.21	0.24	0.22
Tracking error	0.00	5.30	4.98
Volatility	16.01	14.91	15.94

*Fund launch date: 19.12.13.

Fund returns are for share classes with a current Ongoing Charges Figure (OCF) of 0.89%; returns for share classes with a different OCF will vary accordingly. Source: FE fundinfo bid to bid, total return.

IMPORTANT INFORMATION

TB Guinness European Equity income Fund: The Guinness European Equity Income strategy is also available via a UK-domiciled vehicle - The TB Guinness European Equity Income Fund. The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available from the website wwww.guinnessgi.com.

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 Guinness European 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 European 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. Further 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 Information Document (KID), 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 KID 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.