Guinness European Equity Income Fund

Investment Commentary – March 2023

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

28/02/2023	1 year	3 years	5 years	Launch*
Fund (%)	10.3	32.0	37.4	98.7
Index (%)	9.3	34.1	37.1	98.0
Sector (%)	10.1	36.0	34.2	101.0

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.

REVIEW

In February the Fund returned 1.5% in GBP, outperforming the MSCI Europe ex UK Index return of 0.8% by 0.7%. Index performance over the month was led by more value-orientated areas of the market, notably the Communication Services sector (+4.3%), followed by Financials (+3.6%) and Industrials (+3.1%), the former helped by pro-consolidation comments by EU commissioner Thierry Breton, the latter two by better-than-expected economic data combined with continued upward pressure on interest rates.

The largest positive contributors to performance over the month of January (in EUR) were **Mapfre** +9.9%, **Konecranes** +8.1%, **TietoEVRY** +7.6%, **Legrand** +7.2% and **Assa Abloy** +6.9%.

At the other end of the spectrum the biggest detractors from performance were **Salmar** -7.4%, **Euronext** -6.9%, **Universal Music** -4.0%, **Nestlé** -4.6% and **Roche** -4.5%.

February saw the boost from falling headline inflation and European gas prices dampened by stronger-than-expected economic data including still-strong core inflation as services PMI highlighted ongoing high wage growth. Low real interest rates in both Europe and the US suggest central banks will be forced to maintain higher levels of interest rates for longer and the potential for a fourth 50bps hike in May to 3.75%. The Europe ex UK region continues to look fairly well placed, trading on historically low multiples (14.3x 2023) relative to the US (18.4x, where a recession looks increasingly likely), with its large export-facing markets positioned to benefit in the event of higher global growth outside of the US supported by China's reopening.

Guinness European Equity Income Fund

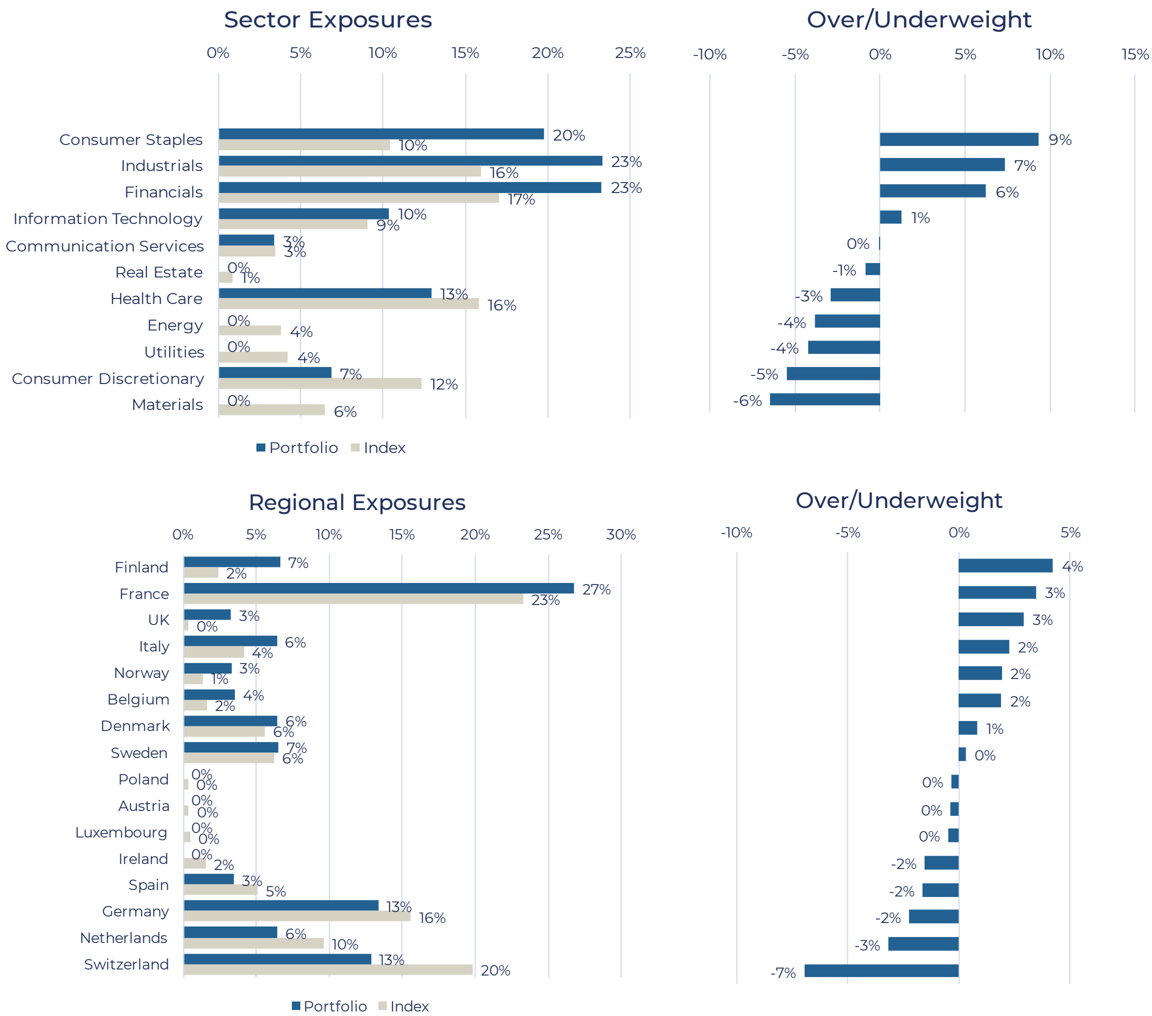
Your Fund continues to offer a well balanced, high-quality all-weather portfolio primarily focused on globally leading companies supported by strong long-term structural growth drivers. It offers a dividend yield approximately in line with the MSCI Europe Index and approximately double the c.1.7% offered by MSCI US, without giving up on quality.

The Fund made two switches over the month, buying EssilorLuxottica and Banca Generali against the sale of Kering and Fresenius SE.

By sector, these switches increased Financials sector exposure by 3.3% and reduced exposure to Consumer Discretionary by -3.3%, leaving the Fund overweight Consumer Staples by +9%, Industrials +7% and Financials +6%. These are areas of the market where we find high-quality opportunities with pricing power and the potential to do well in a more inflationary, rising-rate and capex-led environment (see below for Fund sector weights vs MSCI Europe ex UK and MSCI USA).

By country, Fund exposure to Italy rose to a 2% overweight and our exposure to Germany fell to a -2% underweight. Exposure to SMiD (<$10bn market cap) rose to c.36% from c.33%.

Quality metrics collectively improved as a result of the switches, reducing Fund net debt/equity and increasing Fund sales and dividend CAGR, R&D/sales and dividend yield for a marginal increase in the fund PE multiple to 13.4x / 14.4x 2023/4e - approximately in line with the MSCI Europe ex UK Index (see portfolio metrics table below).



Fund Sector (top) and country (bottom) weightings (left) and over/underweights (right) vs MSCI Europe ex UK Index (grey) as of 28.02.2023. Source: Guinness Global Investors, Bloomberg

Essilorluxottica replaces Kering's high reliance on Gucci earnings with luxury that really is good for you. Essilorluxottica (EL) is the global market leader in optical lenses with c.40% market share and accounting for approximately 75% of total industry R&D spending. It has an enviable eyewear brands portfolio, including lens technology brands Essilor, Satisloh, Barberini, Oakley, Eyezen, Xperio, Varilux, Shamir, Crizal, and its own fashion brands including Ray-Ban, Persol, Vogue Eyewear, Arnette, Alain Mikli, Costa and Bolon in addition to many direct-to-consumer other licensed brands. EL has a strong track record for generating persistent high cash returns and robust balance sheet with D/E of just 37%. Revenues are highly resilient, being characterised by recurring prescription demand accounting for some 75% of sales vs approximately 25% for discretionary sunglasses demand. EL's vast distribution network, contrasting with independent retailers' pursuit of high-value, low-volume strategies in an otherwise fragmented market, limits competitor and customer negotiating power and mean EL is well placed to continue bolt-on M&A at attractive multiples.

EL has a long runway for growth, targeting mid-single-digit volume led sales growth and c.100bps of margin growth per annum to near 20% operating margin in 2026, the latter driven by efficiency measures and ongoing synergies from the 2018 merger of Essilor and Luxottica and the subsequent Grand Vision acquisition. Structural growth drivers, including ageing populations, increasing penetration in emerging markets and awareness of the benefits of preventative eye care, look set to ensure continued attractive levels of top-line growth far into the future (with some 2.7bn people suffering from uncorrected poor vision and 6.2bn who do not currently protect their eyes). On top of this, EL represents a free option on the growth of augmented reality via its dominance in lens technologies and the growth of smart glasses, already seen in EL's joint venture with Meta and its Ray-Ban Stories smart glasses.

The current valuation is favourable, in our view, with the shares trading on the lower end of their 10Y historic range on just over 12x EV/Ebitda, which is also at the low end of both Healthcare Equipment and luxury peers. The presence of Delphin (32.1% of shares and votes, representing Luxottica founder Leonardo del Veccio's family) represents a positive for long-term thinking and capital allocation, as do high levels of employee involvement in the annual share plan, holding 4.4% of shares outstanding across 80k/180k employees. All of this means EssilorLuxottica looks well placed to generate attractive earnings and dividend growth for its shareholders in the long term.

Banca Generali replaces Fresenius SE, resulting in lower leverage and increased Financials sector and positive interest rate exposure. Banca Generali is a high-quality wealth gatherer with a long history of generating high returns on capital, supported by a strong capital position. The company occupies the number-three position in the Italian high net worth wealth management sector with approximately 4.5% market share compared to just 1.1% in 2011. Consistent market share gains have been supported by persistent inflows, with Banca Generali reporting monthly net inflows since 2008. This can be attributed both to the strength of its financial adviser network and more broadly to the strong grip of the Italian Assoreti over distribution. It is helped too by Banca Generali's open data-driven, customer service focused business model and value-added expertise in financial wrappers, with some 62% of AUM accounted for by advanced solutions (including long-term planning and bespoke solutions across in-house and third-party funds, insurance, alternatives and real assets). The ability to leverage off parent company Assicurazioni Generali (50.17% of shares outstanding), with its strong Lion brand and in-depth insurance industry expertise and large product portfolio, is a key advantage, with stand-alone insurance wrapper solutions accounting for some 12% of total assets.

The shares trade on just c.11x recurring earnings (i.e. ex performance fees, and close to the low end of its own 10Y history at 20x – 9.1x) and offer a 6.1% dividend yield (at c.70% payout ratio). This is attractive in the context of BG's strong balance sheet and capital-light business model with a track record for generating returns on equity averaging over 25% for over ten years, supported by high levels of recurring revenue and a strongly customer-focused data-led business model and innovative product portfolio. Banca Generali targets a recurring net profits CAGR of 10% - 15% through to 2024. With AUM estimated at just c.2.4% of targetable financial wealth and a track record of persistent asset gathering and market share gains, it looks well placed to continue to grow shareholder earnings and dividends in the long term.

Existing portfolio holdings that performed best over the month of February were both quality cyclicals, Mapfre (+9.9% in EUR) and Konecranes (+8.1%). By contrast, Norwegian salmon farmer Salmar (-7.4%) and pan-European exchanges market leader Euronext (-6.9%) both underperformed.

Mapfre (+9.9%) performed well following a good set of FY numbers supported by strong reinsurance pricing (+15%) and premium growth in Brazil along with an improved political backdrop in the country. At the end of the month the shares still trade on only just over 0.7x book value compared to >1x when Spanish 10Y government bond yields last yielded 3.8%.

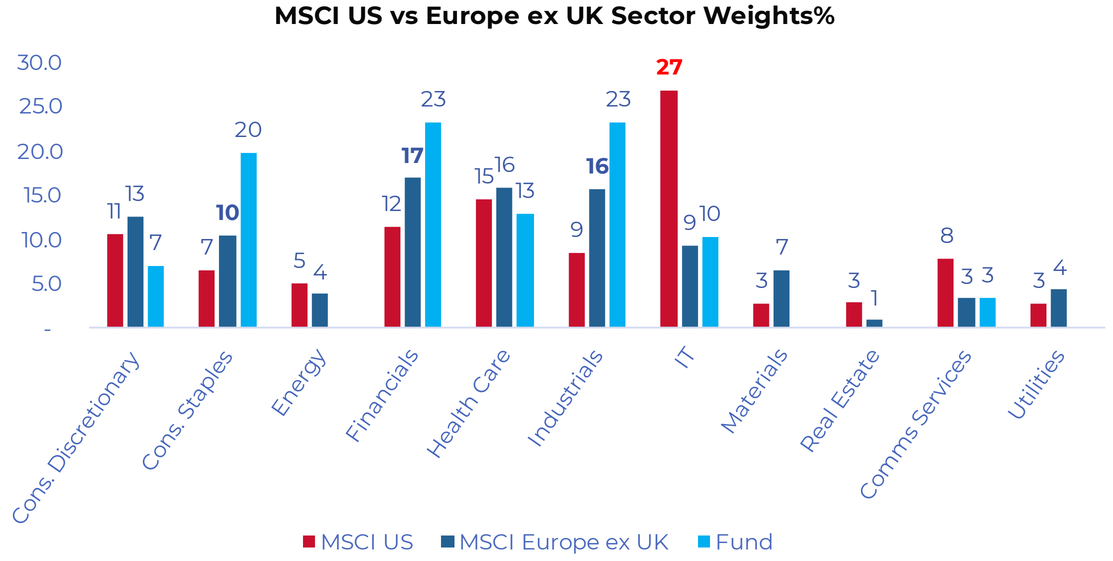
Konecranes (+8.1%) also did well off historically low multiples, with the company forecasting an Ebitda margin increase for 2023 and citing receding input costs for the year ahead after managing to pass on significantly higher costs last year. Konecranes also reported strong growth in its order book, +21% year-on-year, to an all-time high of €2.9bn. As the only industrial lifting automation company with global service capability, Konecranes looks well placed to benefit from rapidly rising capex trends across green and process industries at a time when the shares are priced for very little growth on just 11x earnings and 1.5x book vs historic averages of around 15x and 2.5x book.

Salmar (-7.4%) fell as market expectations for resolution of the proposed Norwegian aquaculture tax were again pushed out after a run-up in the shares in January. We continue to expect a solution to be found and see a strong likelihood that the proposed rate of 40% will be materially watered down to avoid national industry investment shifting elsewhere. More quantifiably, Salmar sees plentiful investment opportunities outside of Norway, plus good synergy potential from the consolidation of the recent NTS and NRS transactions. Low global salmon supply growth of just 2.3% suggests an ongoing supportive backdrop for pricing.

Euronext (-6.9%) fell sharply at the very end of the month as it confirmed to the market that it had made an offer to Allfunds. At €5.5bn the offer is very significant, being just over 2/3rds Euronext's market cap, and would have either necessitated share issuance or leverage rising over the 3.5x ND/Ebitda required to maintain Euronext's BBB credit rating. Euronext have a good track record for acquisition value creation and strict limits on price paid, which they will have been acutely sensitive to given the size of the deal, potentially explaining why they have now (1st March) pulled the offer. We did reweight our position back up at month end. If the deal had gone through or ever returns, it should prove accretive to earnings; and could also represent a positive driver for Euronext's significantly discounted multiple vs LSE and Deutsche Boerse as it would increase the proportion of Euronext revenues from recurring data / product sales and see more volatile exchange revenues fall to around 35% of total vs. 50% currently.

		Guinness European Income Fund	MSCI Europe ex UK Index	Guinness Delta vs. MSCI Europe ex UK
Quality	Debt / equity %	52.5	117.7	-65.2
	Net debt / Equity %	38.3	75.7	-37.4
	Best ROE %	23.4	12.3	11.1
Value	PE (2023e)	14.4	14.3	0.1
	FCF Yield %	6.8	6.9	-0.1
Dividend	Dividend Yield % LTM	3.0	3.1	-0.1
	Weighted average payout ratio %	57.2	46.3	10.9
Conviction	Number of stocks	30	344	-314.0
	Active share	83	NA	

Fund key metrics vs MSCI Europe ex UK, as of 28.02.2023. Source: Bloomberg. Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at 28.02.2023. It does not include any preliminary charges. Investors may be subject to tax on the distribution.



Fund sector weights post switches (light blue) vs MSCI Europe ex UK (dark blue) and MSCI USA (red). Source: Bloomberg data. Fund weights as at end 28.02.2023, Index weights 31.01.2023.

Thank you for your continued support.

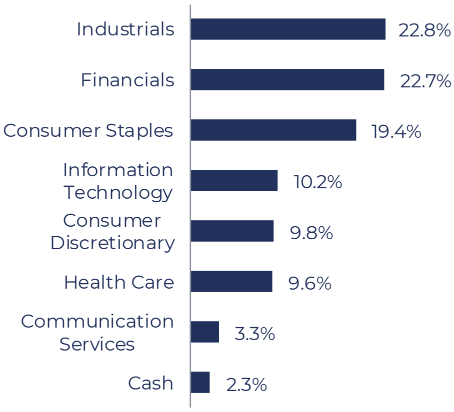
Portfolio Manager
Nick Edwards

PORTFOLIO

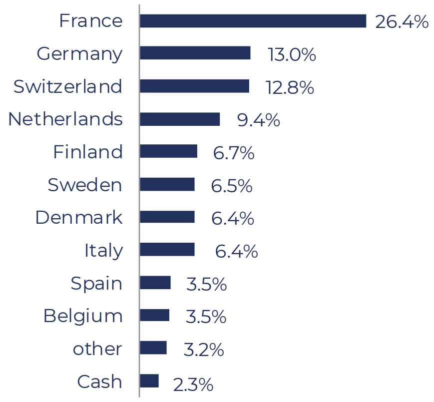
Fund top 10 holdings

Mapfre	3.5%
MELEXIS NV	3.5%
Kaufman & Broad SA	3.4%
Konecranes	3.4%
Danone	3.4%
Capgemini SE	3.4%
Legrand SA	3.3%
AXA	3.3%
Tieto	3.3%
Helvetia Holding	3.3%
% of Fund in top 10	33.8%
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	28/02/2023
Fund (Y Class, 0.89% OCF)	7.8%
MSCI Europe ex UK Index	7.7%
IA Europe ex UK sector average	7.9%

Discrete 12m % total return (GBP)	Feb '23	Feb '22	Feb '21	Feb '20	Feb '19	Feb '18	Feb '17	Feb '16	Feb '15
Fund (Y Class, 0.89% OCF)	10.3	10.5	8.4	8.7	-4.2	5.4	36.4	-5.1	1.6
MSCI Europe ex UK Index	9.3	8.4	13.2	6.1	-3.6	11.2	26.2	-4.6	4.6
IA Europe ex UK sector average	10.1	5.1	17.6	5.1	-6.1	13.7	23.0	-1.4	3.6
Fund vs sector	0.2	5.4	-9.3	3.6	1.9	-8.3	13.4	-3.7	-2.0

Cumulative % total return (GBP)	1 month	YTD	1 year	3 years	5 years	Launch*
Fund (Y Class, 0.89% OCF)	1.5	7.1	10.3	32.0	37.4	98.7
MSCI Europe ex UK Index	0.8	7.7	9.3	34.1	37.1	98.0
IA Europe ex UK sector average	2.1	8.1	10.1	36.0	34.2	101.0

RISK ANALYSIS — 28/02/2023

Annualised, weekly, from launch on 19/12/2013 in GBP	Index	Sector	Fund
Alpha	0.00	1.07	0.57
Beta	1.00	0.88	0.95
Information ratio	0.00	0.04	0.02
Maximum drawdown	-25.02	-24.43	-30.36
R squared	1.00	0.89	0.91
Sharpe ratio	0.26	0.29	0.27
Tracking error	0.00	5.28	4.95
Volatility	16.07	14.95	15.99

*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.