

## RISK

This is a marketing communication. Please refer to the prospectuses, KIDs and KIIDs for the Funds, which contain detailed information on their characteristics and objectives, before making any final investment decisions.

The Funds are equity funds. 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.

Past performance does not predict future returns.

## ABOUT THE STRATEGY

<b>Launch</b>	19.12.2013
<b>Index</b>	MSCI Europe ex UK
<b>Sector</b>	IA Europe Excluding UK
<b>Managers</b>	Nick Edwards
<b>Irish Domiciled</b>	Guinness European Equity Income Fund
<b>UK Domiciled</b>	TB Guinness European Equity Income Fund

## OBJECTIVE

The Guinness European Equity Income Funds are designed to provide investors with exposure to high-quality dividend-paying companies in the Europe ex UK region. The Funds aim to provide capital appreciation and a source of income that has the potential to grow over time. The Funds are actively managed and use the MSCI Europe ex UK Index as a comparator benchmark only.

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## COMMENTARY

In April the Guinness European Equity Income Fund returned 2.0% in GBP, slightly underperforming the MSCI Europe ex UK Index return of 2.1%.

The largest positive contributors to performance in April (in EUR) were **Konecranes** +15.0%, **Atlas Copco** +12.9%, **Roche** +8.4%, **EssilorLuxottica** +8.1% and **Kaufman & Broad** 7.7%.

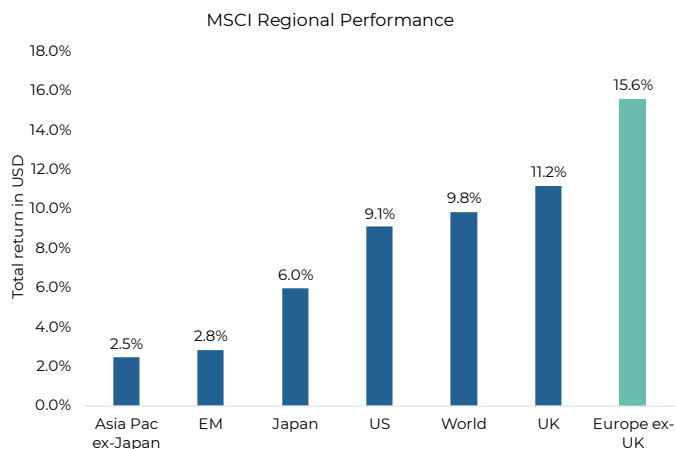
At the other end of the spectrum the biggest detractors from performance were **Melexis** -18.8%, **Universal Music** -15.0%, **Capgemini** -3.4%, **Deutsche Boerse** -3.3% and **Mapfre** -2.2%.

MSCI Europe ex UK continued its strong run in April, rising 4.0% in USD to +15.6% YTD, ahead of all main regions. Sector rotation turned more defensive, rewarding strong balance sheets and higher-quality sectors Health Care and Consumer Staples, along with regulated sectors and bond proxies Utilities and Real Estate. The Consumer Discretionary (luxury and autos) and IT sectors, which led the market in Q1, lagged the market in April as the market acknowledged the impact of higher-than-expected inflation and peak interest rates on growth.

*Commentary continues overleaf*

# Guinness European Equity Income

## Regional index returns year-to-date



## Regional index returns in April

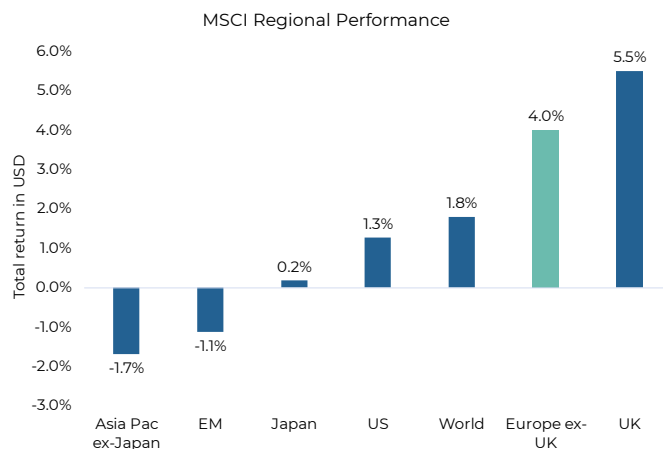


Chart 2: MSCI World Index geographic total return breakdown for YTD 2023, in USD (left), and in April, in USD (right). Source: Bloomberg

## Year-to-date (upper), April (lower)



Chart 3: MSCI Europe ex UK sector performance in USD, YTD (upper), in April (lower). Source: Bloomberg

The results of the Q1 2023 ECB bank lending survey (BLS) are of interest, given the recent rapid rise in interest rates (to a 3.25% deposit rate) and ensuing banking crisis. The BLS summary table below shows tightening credit standards and falling credit demand among corporations and consumers in main Eurozone countries, highlighting that the impact of rising rates is being transmitted to the real economy, and giving some hope that core inflation will be brought under control sooner

## Guinness European Equity Income

rather than later. The Silicon Valley Bank crisis and related heightened regulatory focus on bank capital could also prove to be relevant for the stalled banking union.

### Latest BLS results for the largest euro area countries

(net percentages of banks reporting a tightening of credit standards or an increase in loan demand)

Country	Enterprises						House purchase						Consumer credit					
	Credit standards			Demand			Credit standards			Demand			Credit standards			Demand		
	Q4 22	Q1 23	Avg.	Q4 22	Q1 23	Avg.	Q4 22	Q1 23	Avg.	Q4 22	Q1 23	Avg.	Q4 22	Q1 23	Avg.	Q4 22	Q1 23	Avg.
<b>Euro area</b>	27	27	8	-12	-38	1	21	19	6	-74	-72	3	17	10	4	-30	-19	0
<b>Germany</b>	19	16	4	-32	-26	7	29	11	3	-93	-75	8	25	14	0	-46	-46	8
<b>Spain</b>	33	17	9	8	-42	-5	20	20	14	-20	-90	-8	33	33	9	-17	-42	-7
<b>France</b>	46	50	5	8	-33	-3	9	20	3	-91	-80	6	13	0	-2	-40	0	-1
<b>Italy</b>	27	36	11	0	-36	7	18	9	1	-45	-45	12	0	0	4	-31	-8	11

Chart 4: ECB Euro area Bank Lending Survey covering Q1 2023, showing net percentages of banks reporting a tightening of credit standards or an increase in loan demand. Source: ECB.

The best two performing stocks in April were **Konecranes** (+15.0%) and **Atlas Copco** (+12.9%).

**Konecranes** was our best performing stock over the month, supported by strong Q1 results. Orders rose +18% year-on-year leading to an order book +32% year-on-year at all-time highs of €3.3bn. Sales rose +34% and Ebita rose +116% with operating margins of 9.8% vs. 5.5% in Q1 2022. This is notable for an industrial cyclical stock against a backdrop of weak manufacturing PMIs (<50 for seven consecutive months). It reflects a strong demand environment for global lifting automation services and successful cost price pass-through alongside falling input costs ex-labour. The ongoing efficiency plan is going well, with management increasing its estimate of Ebitda benefit by some 25%. The dividend (3.7% yield) has been proposed to remain flat year-over-year in 2023 but we note news of falling working capital requirements. Commentary also highlighted new sources of demand including nuclear, and an increased focus on customer centricity and service, which has higher margins. Valued at 10.9x next year's earnings, Konecranes continues to be priced for low growth at a time when capex on efficiency and automation is picking up. The multiple also remains miles apart from former parent company Kone (lifts) on 24.6x where service comprises 50% of sales vs 38.4% (YE 2022) at Konecranes, which continues to seem anomalous given a good degree of similarity across business models, albeit of course serving different industries.



**Atlas Copco's** Q1 results also positively surprised the market, with revenues +18%, ROCE 29% vs 27% year-on-year and higher-than-expected orders for large compressors and across industrial, process and projects markets, more than offsetting slightly softening growth rates in semiconductor-orientated vacuum markets. Areas including gas, electric vehicle assembly and vision solutions were cited as specific areas of demand strength. Management also noted longer-term positives for semi markets with AI representing upside in terms of memory and logic needed. Irrespective of cycles, Atlas Copco continues to look well placed to continue to generate persistent high cash returns and grow the dividend (1.8% yield, up +21% year-on-year), given high levels of innovation, its strong customer focus and its high exposure to the mega-trends of electrification and digitalisation.



The worst two performing stocks in April were **Melexis** (-18.8%) and **Universal Music** (-15.0%).

**Melexis**, which makes analogue semiconductors and sensors primarily for electric vehicles, reported sales growth of +24% year-on-year and EBIT +22% year-on-year. Current sensors, embedded motor drivers and embedded lighting were areas of notable strength. Demand remains significantly ahead of supply and end markets appear in good health. Management were particularly upbeat on the



## Guinness European Equity Income

prospects for sensors and drivers used in thermal management applications for battery range optimisation and cited a ramp up in its embedded lighting products into new car platforms. However, the market responded negatively to news that Melexis had made down payments to X-Fab (owned by parent company Xtrion which owns 50% + 1 share of Melexis) in order to secure increased wafer capacity necessary to respond to strong demand for Melexis products, raising caution over the trajectory for margins in spite of confirmation that price clauses cover both the demand and supply side of contracts. Regardless of supply bottlenecks, Melexis is a capital-light, innovative business with gross margins that have remained stable over time around and above 40%. The company remains well placed, in our view, to continue to invest and grow the dividend (3.4% yield, up +35% year-on-year) for the long term.

**Universal Music** fell -15% over the month and is our worst performing stock over 2023, driven by two factors. First, the emergence of an AI-generated song by an entity called Ghost Writer, trained on Drake and The Weekend, achieved 250k plays, raising fears of major label royalty share dilution, something that Universal strongly disputes on legal grounds. Universal Music's position appears strong, asserting:



UNIVERSAL MUSIC GROUP

- generative AI which trains on its intellectual property violates copyright law.
- companies have to obtain permission and execute a licence to use copyrighted content for AI training.
- that Universal owns all sounds captured on a sound recording... and may also employ name and likeness, voice impersonation and right of publicity protections.
- "specifically, soundalikes which serve to confuse the public as to the source or origin or which constitute a commercial appropriation or likeness in the form of a distinctive voice... are all clearly illegal."

The second factor to rile investors has been slow progress on amendments to legacy management remuneration practices ahead of proxy voting season and the AGM on 11<sup>th</sup> May. We have voted against several of UMG's proposals relating to historic pay performance, unchallenging incentives, lack of disclosure around performance targets and absence of shareholding guidelines. Much of this relates back to when the company was part of Vivendi. The good news is that equity incentives (half of CEO long-term incentivisation) imply from c.40% upside vs today's price (€19.1) at the low end (€26.5) to +100% at the upper end (€38). In our view UMG remains a unique asset well placed to drive dividend growth (2.6% yield, up +18% year-on-year) for the long term, thanks to the strongly cash generative nature of the company and its ownership of some 31% of global music rights.

Thank you for your continued support.

### Portfolio Manager

Nick Edwards

**GUINNESS EUROPEAN EQUITY INCOME FUND - FUND FACTS**

Fund size	\$8.5m
Fund launch	19.12.2013
Benchmark	MSCI Europe ex UK TR
Historic yield	3.0% (Y GBP Dist)

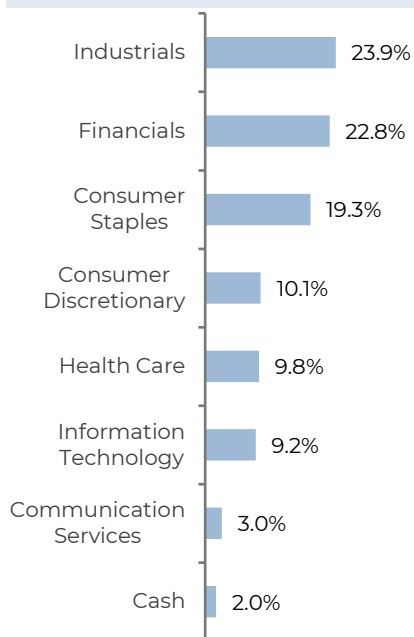
Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the latest month end. It does not include any preliminary charges. Investors may be subject to tax on the distribution.

**GUINNESS EUROPEAN EQUITY INCOME FUND - PORTFOLIO**

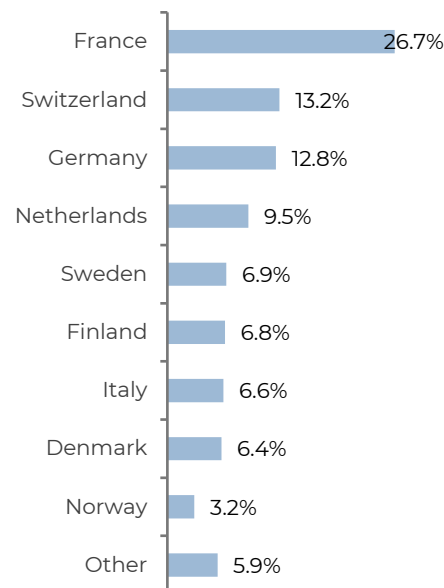
**Top 10 holdings**

Konecranes	3.6%
Atlas Copco	3.6%
Kaufman & Broad SA	3.5%
Helvetia Holding	3.4%
EssilorLuxotica	3.4%
Recordati SpA	3.4%
Schneider Electric	3.4%
Legrand SA	3.4%
AXA	3.3%
Assa Abloy AB	3.3%
<b>Top 10 holdings</b>	<b>34.4%</b>
<b>Number of holdings</b>	<b>30</b>

**Sector**



**Country**



## Guinness European Equity Income Fund

Past performance does not predict future returns.

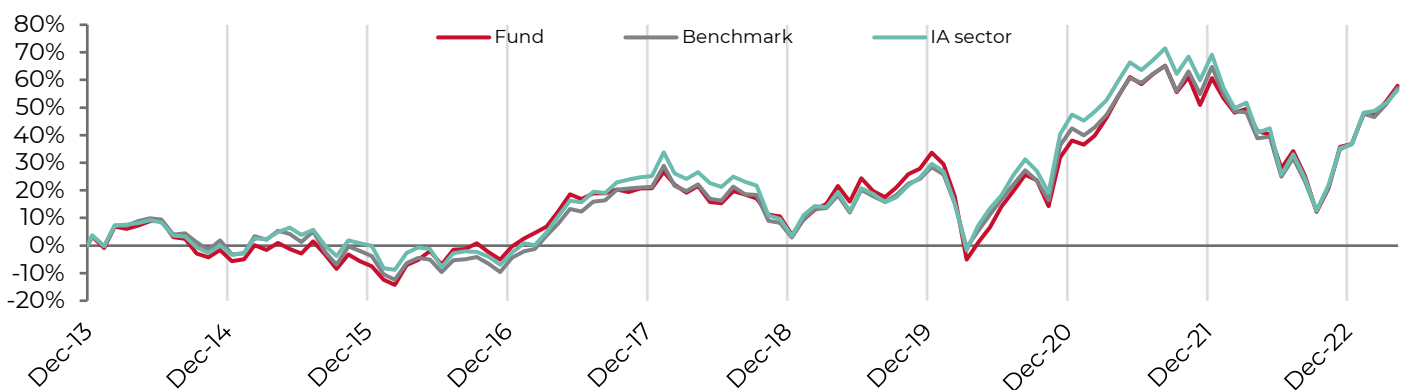
### GUINNESS EUROPEAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

Total Return (GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+2.0%	+10.5%	+11.5%	+56.8%	+42.3%	-
MSCI Europe ex UK TR	+2.1%	+11.2%	+13.0%	+49.6%	+40.9%	-
IA Europe Excluding UK TR	+1.3%	+9.4%	+10.9%	+46.3%	+35.3%	-
Total Return (USD)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+3.6%	+15.5%	+11.6%	+56.2%	+29.9%	-
MSCI Europe ex UK TR	+3.8%	+16.2%	+13.1%	+49.1%	+28.6%	-
IA Europe Excluding UK TR	+3.0%	+14.4%	+11.0%	+45.8%	+23.4%	-
Total Return (EUR)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+2.0%	+11.6%	+6.6%	+55.1%	+42.1%	-
MSCI Europe ex UK TR	+2.2%	+12.3%	+8.1%	+47.9%	+40.7%	-
IA Europe Excluding UK TR	+1.4%	+10.6%	+6.1%	+44.7%	+35.1%	-

### GUINNESS EUROPEAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

Total Return (GBP)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund	-4.2%	+17.5%	+0.1%	+23.7%	-8.8%	+10.7%	+28.5%	+3.6%	-3.0%	-
MSCI Europe ex UK TR	-7.6%	+16.7%	+7.5%	+20.0%	-9.9%	+15.8%	+18.6%	+5.1%	-0.7%	-
IA Europe Excluding UK TR	-9.0%	+15.8%	+10.3%	+20.3%	-12.2%	+17.3%	+16.4%	+9.3%	-0.9%	-
Total Return (USD)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund	-14.9%	+16.4%	+3.3%	+28.6%	-14.0%	+21.2%	+7.8%	-2.0%	-8.6%	-
MSCI Europe ex UK TR	-18.0%	+15.7%	+10.9%	+24.8%	-15.1%	+26.8%	-0.6%	-0.7%	-6.6%	-
IA Europe Excluding UK TR	-19.2%	+14.7%	+13.8%	+25.2%	-17.3%	+28.4%	-2.4%	+3.3%	-6.7%	-
Total Return (EUR)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund	-9.3%	+25.2%	-5.2%	+31.1%	-9.8%	+6.4%	+10.9%	+9.0%	+3.9%	-
MSCI Europe ex UK TR	-12.6%	+24.4%	+1.8%	+27.1%	-10.9%	+11.4%	+2.4%	+10.7%	+6.4%	-
IA Europe Excluding UK TR	-13.9%	+23.4%	+4.4%	+27.5%	-13.1%	+12.8%	+0.5%	+15.1%	+6.2%	-

### GUINNESS EUROPEAN EQUITY INCOME FUND - PERFORMANCE SINCE LAUNCH (USD)

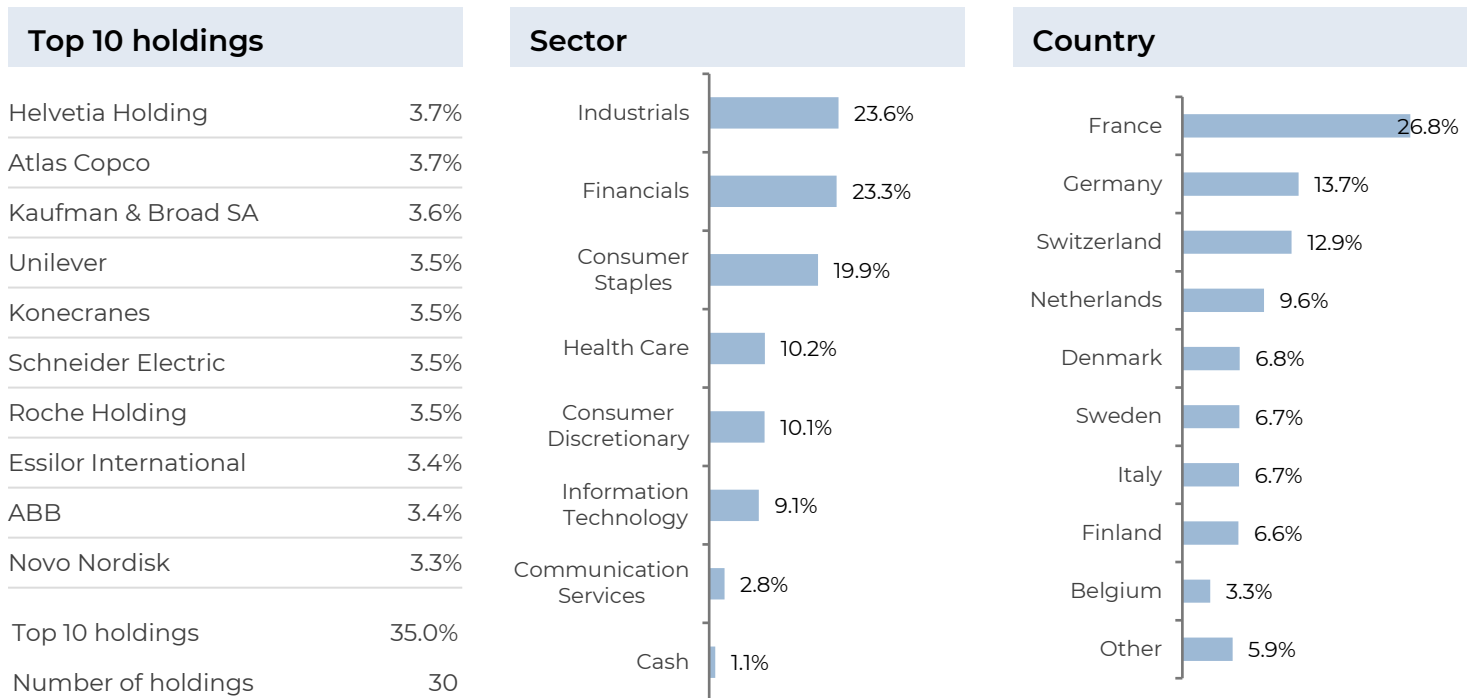


Source: FE fundinfo to 30.04.23. Investors should note that fees and expenses are charged to the capital of the Fund. This reduces the return on your investment by an amount equivalent to the Ongoing Charges Figure (OCF). The current OCF for the share class used for the fund performance returns is 0.89%. Returns for share classes with a different OCF will vary accordingly. Transaction costs also apply and are incurred when a fund buys or sells holdings. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

**TB GUINNESS EUROPEAN EQUITY INCOME FUND - FUND FACTS**

Fund size	£0.6m
Fund launch	30.12.2022
Benchmark	MSCI Europe ex UK TR

**TB GUINNESS EUROPEAN EQUITY INCOME FUND - PORTFOLIO**



## TB Guinness European Equity Income Fund

Past performance does not predict future returns.

### TB GUINNESS EUROPEAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

Total Return (GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
MSCI Europe ex UK TR	-	-	-	-	-	-
IA Europe Excluding UK TR	-	-	-	-	-	-

### TB GUINNESS EUROPEAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

Total Return (GBP)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
MSCI Europe ex UK TR	-	-	-	-	-	-	-	-	-	-
IA Europe Excluding UK TR	-	-	-	-	-	-	-	-	-	-

### TB GUINNESS EUROPEAN EQUITY INCOME FUND - PERFORMANCE SINCE LAUNCH (GBP)

**For regulatory reasons, we are unable to provide performance information where the track record is less than 12 months.**

Source: FE fundinfo to 30.04.23. 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 current OCF for the share class used for the fund performance returns is 0.89%. Returns for share classes with a different OCF will vary accordingly. Transaction costs also apply and are incurred when a fund buys or sells holdings. The performance returns do not reflect any initial charge; any such charge will also reduce the return.



## IMPORTANT INFORMATION

**Issued by Guinness Global Investors** which is a trading name of Guinness Asset Management Limited which is authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about the Guinness European Equity Income Fund and the TB Guinness European Equity Income Fund. It may provide information about the Funds' 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 Funds or to buy or sell individual securities, nor does it constitute an offer for sale.

### GUINNESS EUROPEAN EQUITY INCOME FUND

#### 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](http://www.guinnessgi.com) or free of charge from:-

· the Manager: Link Fund Manager Solutions (Ireland) Ltd (LFMSI), 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland; or the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

LFMSI, as UCITS Man Co, has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive.

#### Investor Rights

A summary of investor rights in English is available here: <https://www.linkgroup.eu/policy-statements/irish-management-company/>

#### Residency

In countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful, the Fund should not be distributed to resident Retail Clients. **NOTE: THIS INVESTMENT IS NOT FOR SALE TO U.S. PERSONS.**

#### Structure & regulation

The Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and

authorised and supervised by the Central Bank of Ireland, which operates under EU legislation. If you are in any doubt about the suitability of investing in this Fund, please consult your investment or other professional adviser.

#### Switzerland

This is an advertising document. The prospectus and 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](http://www.carnegie-fund-services.ch). The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Geneva, Switzerland.

#### Singapore

The Fund is not authorised or recognised by the Monetary Authority of Singapore ("MAS") and shares are not allowed to be offered to the retail public. The Fund is registered with the MAS as a Restricted Foreign Scheme. Shares of the Fund may only be offered to institutional and accredited investors (as defined in the Securities and Futures Act (Cap.289)) ('SFA') and this material is limited to the investors in those categories.

### TB GUINNESS EUROPEAN EQUITY INCOME FUND

#### 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.tbaileyfs.co.uk](http://www.tbaileyfs.co.uk) or free of charge from:-

T. Bailey Fund Services Limited ("TBFS")  
64 St James's Street  
Nottingham  
NG1 6FJ  
General enquiries: 0115 988 8200  
Dealing Line: 0115 988 8285  
E-Mail: [clientservices@tbailey.co.uk](mailto:clientservices@tbailey.co.uk)

T. Bailey Fund Services Limited is authorised and regulated by the Financial Conduct Authority.

#### 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.

#### Structure & regulation

The Fund is a sub-fund of TB Guinness Investment Funds, an investment company with variable capital incorporated with limited liability and registered by the Financial Conduct Authority.

Telephone calls will be recorded and monitored.