

## 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 Funds' 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 May the Guinness European Equity Income Fund returned -3.5% (in GBP), outperforming the MSCI Europe Ex UK Index, which returned -4.3%.

The largest positive contributors to performance in May (in EUR) were Mercedes-Benz +6.8%, Mapfre +5.8%, ABB +4.8%, Schneider Electric +4.3% and Roche +4.0%.

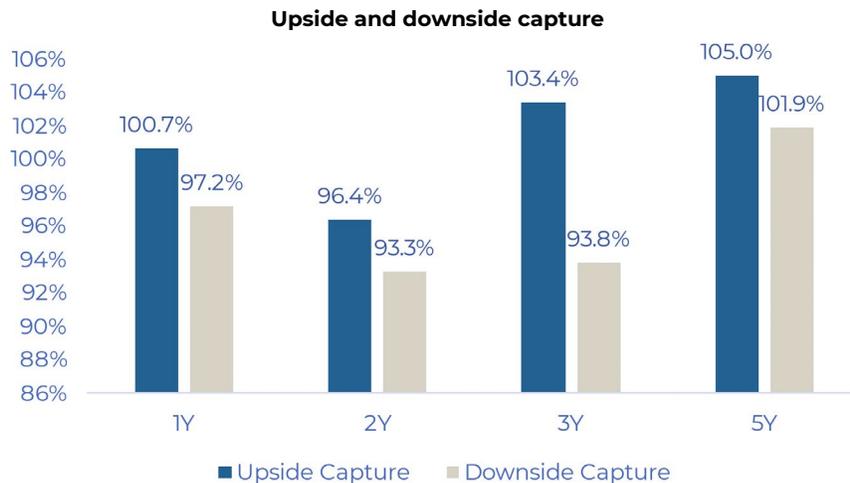
At the other end of the spectrum the biggest detractors from performance were Tietoevry -11.3%, Euronext -10.9%, Unilever -6.6%, Universal Music -5.2% and AXA -5.2%.

### Upside/downside capture

The strategy's balance continued to result in good downside capture in May, with the Guinness European Equity Income Fund capturing just 79% of the market drawdown. Continued softening of Purchasing Managers' Index data combined with a slower than expected rebound in China caused Europe ex UK markets to cede some YTD regional outperformance to the US and Japan; the former benefiting from the strong rally in AI-related technology stocks, and the latter from prospects for increasing investment as corporates look to de-risk an overconcentration of investment in China. Risk-off sentiment in Europe saw quality sectors outperform, with IT, Healthcare and Industrials the best performing sectors vs underperformance of commodity and regulated sectors, namely Energy, Real Estate and Communication Services weakest. This was good news for the strategy given its focus on the former, while many competing income strategies tend to draw higher levels of income from the latter.

*Commentary continues overleaf*

## Guinness European Equity Income

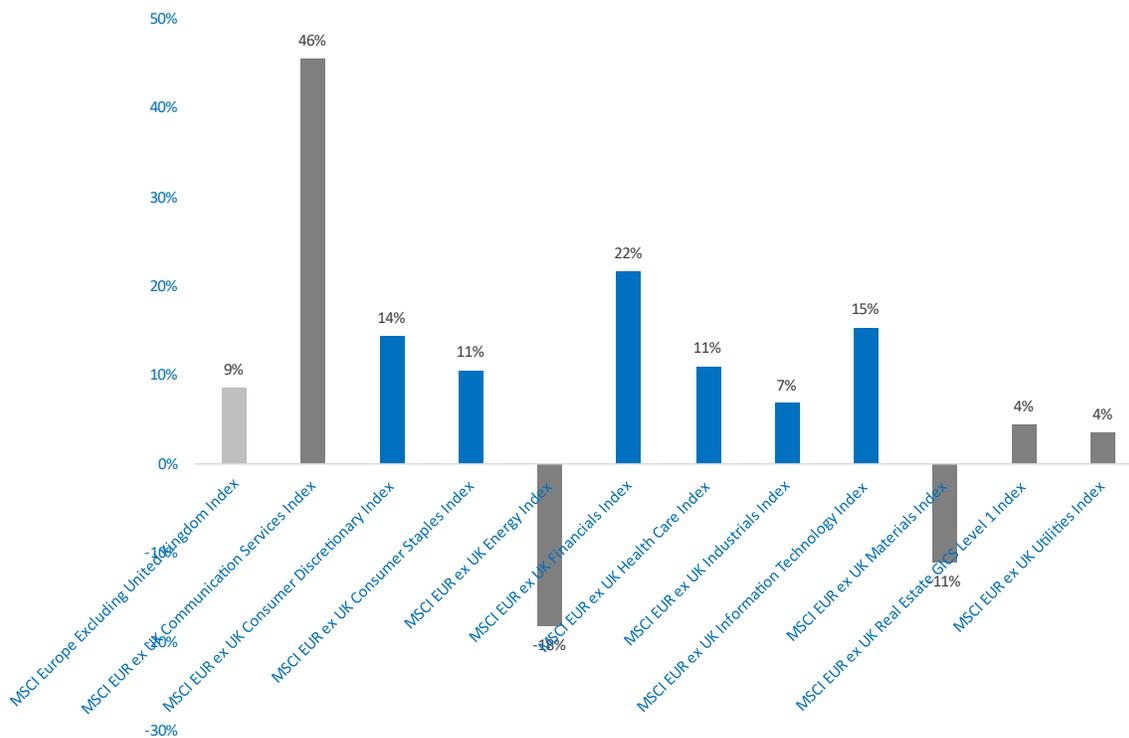


Data in EUR as of 31 May 2023. Source: Bloomberg.

While the recent sharp uplift in European earnings growth is now consolidating (amid a slower China restart and reduced European government fiscal support), the backdrop remains supportive. As we highlighted in our Q1 review, two-year prospective earnings growth in the Europe ex UK region is being driven primarily by the quality sectors, where we tend to find companies with the ability to deliver long-term capital and income growth. Namely, Consumer Staples and Discretionary, Financials (excluding banks), Healthcare, Industrials and Information Technology. Bank lending and fiscal support may be waning in later 2023/24, but dramatically higher levels of GDP growth vs the last decade\* combined with now falling input costs, rising climate capex and robust long-run Asian demand potential should all prove strong supports for Europe's globally facing leaders.

\* GS estimate Stoxx 600 EPS growth at 0% per annum 2007 – 2019 (S&P500 5%) vs 6% pa 2022 – 2025 (S&P 500 8% pa)

### MSCI Europe ex UK 2Ye Earnings CAGR by Sector

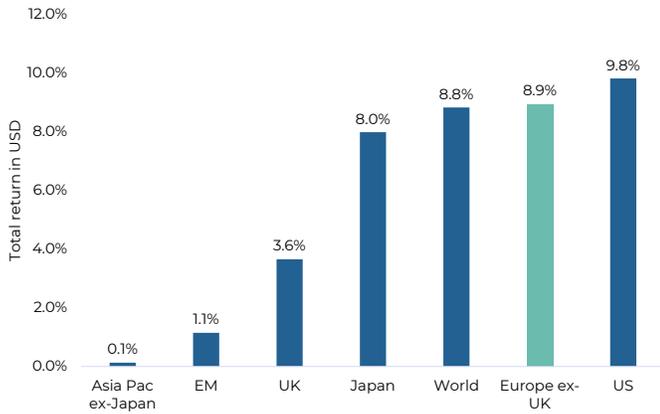


Data as of May 2023. Source: Bloomberg.

# Guinness European Equity Income

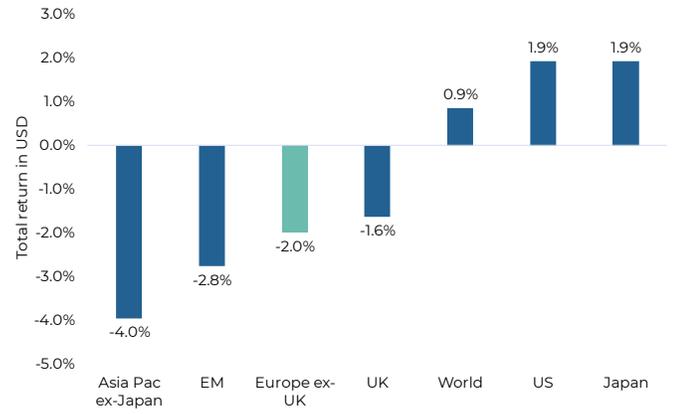
## Year-to-date

MSCI Regional Performance



## Quarter-to-date

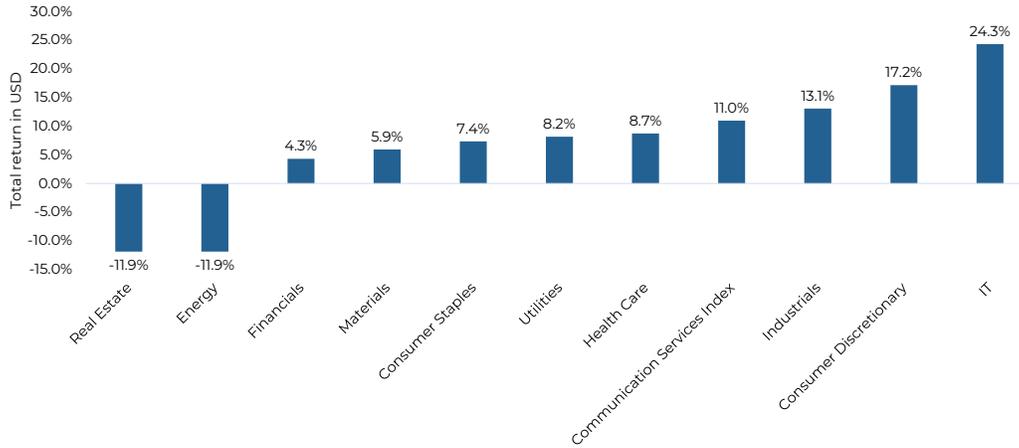
MSCI Regional Performance



MSCI World Index geographic total return breakdown in USD. Data as of 31st May 2023. Source: Bloomberg

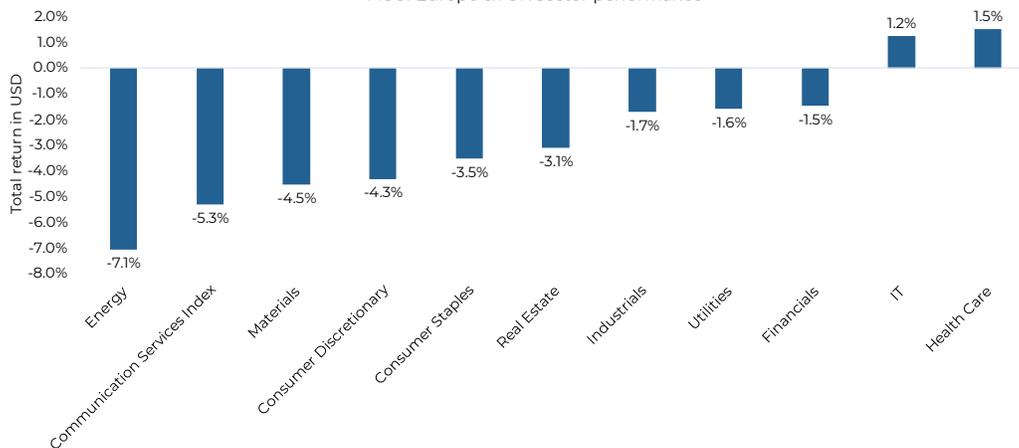
## Year-to-date

MSCI Europe ex UK sector performance



## Quarter-to-date

MSCI Europe ex UK sector performance



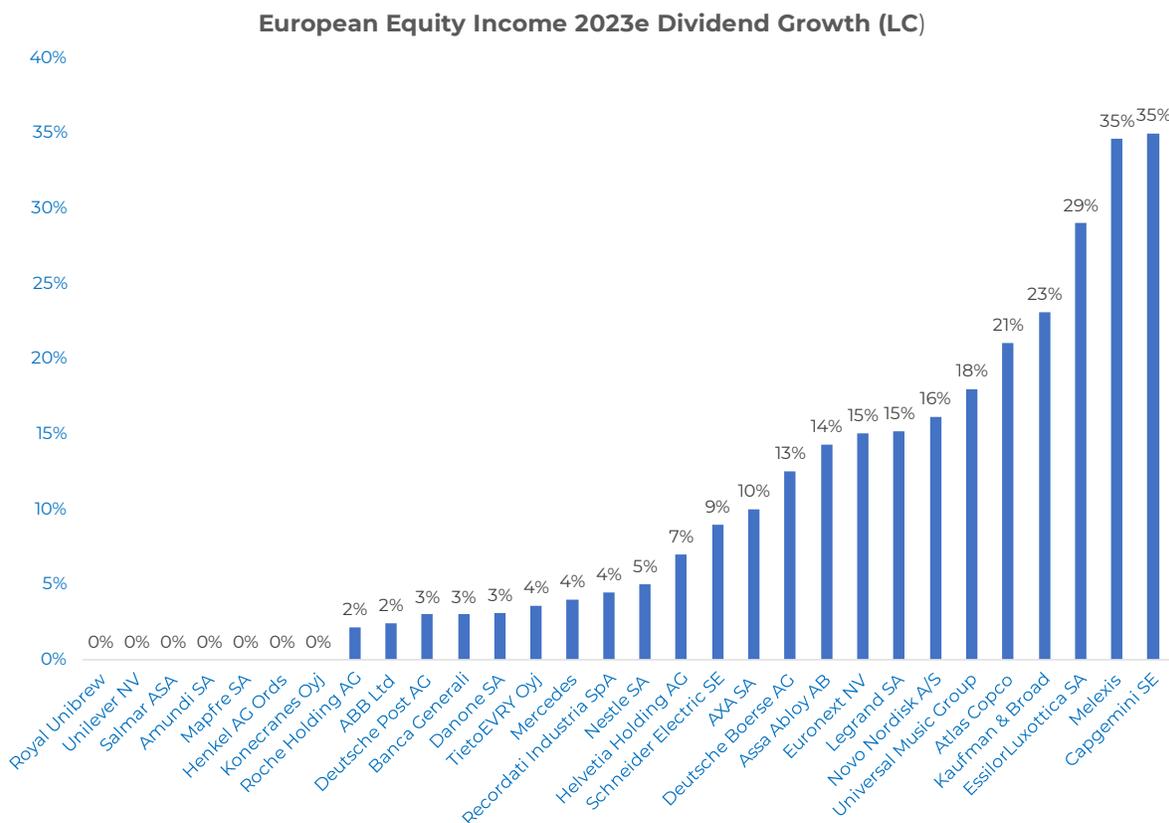
MSCI Europe ex UK sector performance in USD. Data as of 31st May 2023. Source: Bloomberg

THE DIVIDEND

The Dublin-domiciled Guinness European Equity Income Fund's H1 2023 dividend will be declared and go ex 1<sup>st</sup> July with a month-end pay date. It accounts for nearly 88% of the total FY 2023e dividend and leaves just 12% vs 16% last year for the second FY dividend which goes ex at the beginning of January 2024 for payment at month end. The slightly lower proportion in the H2 dividend is the result of portfolio changes. Visibility on the H1 dividend is good with all H1 dividends declared and paid. The recently launched UK-domiciled TB Guinness European Equity Income Fund will go ex its second of four quarterly dividends on 3<sup>rd</sup> July with a pay date of 31<sup>st</sup> August.

As at end May 2023 we see:

- At least high single-digit FY 2023 dividend growth in local currency.
- 23 companies have proposed to grow their dividend year-on-year.
- 7 companies plan to hold their dividend flat.
- No company expects to cut its dividend.
- Three company dividends remain below 2019 levels.
- A dividend yield of 3% based on July 2022 and January 2023 dividend payments by the Guinness European Equity Income Fund. (Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as of 31<sup>st</sup> May. It does not include any preliminary charges. Investors may be subject to tax on the distribution.)



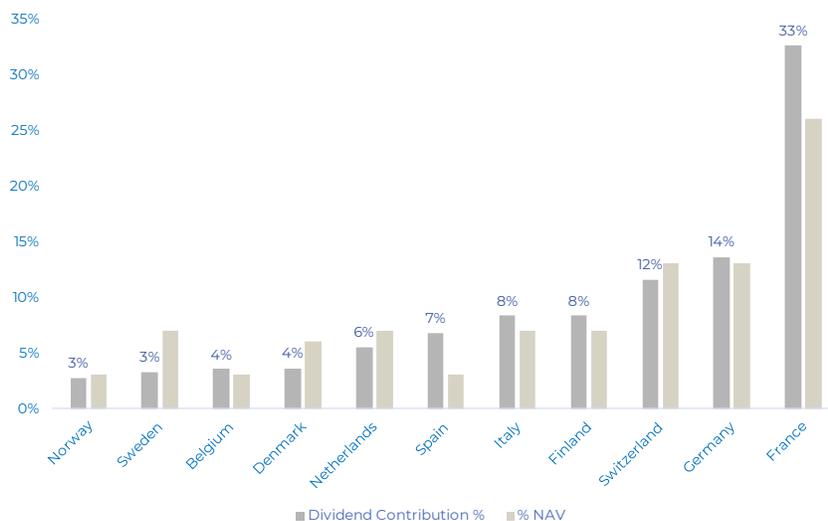
Fund dividend growth by company in local currency. Data as of May 2023. Source: Bloomberg.

By country and sector, sources of dividend income are well spread, with a higher share of income vs NAV coming from France (33%) and Financials (36%) followed by Spain (7%) and Consumer Discretionary (15%), as shown below. By contrast,

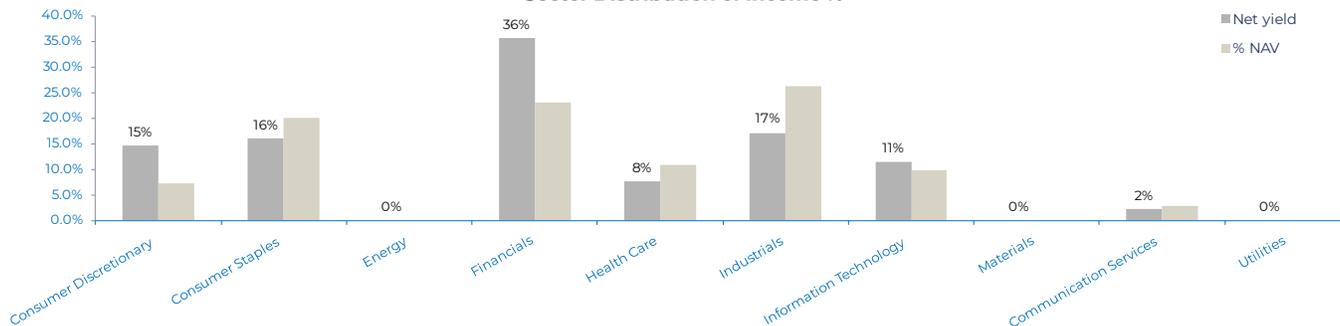
## Guinness European Equity Income

notably lower shares of income vs NAV are derived from high-quality and defensive areas of the market including Sweden, Denmark, Netherlands, Switzerland and Staples, Healthcare and Industrials. Income from quality growth and defensives (Staples, Healthcare, exchanges within Financials and Universal Music within Communication Services) totals approximately 33% vs 45% of NAV. The anomaly here is that we categorise Industrials as quality cyclicals but they contribute less income than their proportion of NAV. This brings us back to the point that high-quality Industrials with high and growing levels of service revenue can be far less cyclical and higher-quality than is commonly perceived.

Country Distribution of Income %



Sector Distribution of Income %



Data as of June 2023. Source: Bloomberg.

## PORTFOLIO HOLDINGS

The best performing position in the portfolio in May was **Mercedes-Benz**, up +6.8% in EUR, significantly outperforming the MSCI Europe ex UK Consumer Discretionary sector return of -3.3%. The company's Q1 results highlighted its strong pricing power and raised the outlook for car and van margin guidance to the upper end of the 12-14% range for the former and to 11%- 13% vs 9%-11% for the latter. This is driven by improvements in the price mix more than outweighing cost headwinds (which are now also falling at least for materials rather than labour). Mercedes is structurally well positioned thanks to its approximate 10% global and 25% European market share in luxury and electric vehicles, and the potential to keep shifting mix away from its lower end to its highly profitable premium offerings including through continued new product launches. It also of course benefits from a customer base that is relatively less sensitive to downturns. Its net cash position of over €30bn gives it good financial flexibility, and its strong mobility / service offering means it is well placed to increase recurring revenues as EV-related revenue streams such as ride hailing, sharing and charging grow over time. The company also remains part of the way through a c.15% reduction in fixed costs, which should continue to support margins and returns. For all of that and in spite of a high (but falling) fixed cost base and significant capital invested in China, we pay just a 5.7x PE multiple for a 7.1% dividend yield and a global top 10 brand with returns to equity of around 15%.



The second-best performing position in May was **Mapfre**, up +5.8% in EUR, materially outperforming the Financials sector return of -2.7%. Despite significant headwinds over last few years including ultra-low interest rates and Covid-19, Mapfre finally has some wind in its sails. Rapidly rising interest rates globally have boosted net interest income and the election of Lula de Silva to President in Brazil represents a positive for risk premiums in the LATAM region that represents nearly 40% of group earnings. Meanwhile, US operations (c.10% group premiums, negative earnings) are showing signs of recovery, and management is focused on turning around Auto (20% sales). The valuation is close to all-time lows on 6.5x PE / 0.7x P/bk (offering an 8% dividend yield) representing a c.25%/30% discount to long-run averages and c.40% to global peers, leaving meaningful room for continued mean reversion in the share price. At a broader level, the company's dominant position as the biggest insurer in Spain and in Latin America by market share leaves it well placed to capitalise on recovery in those markets. A strong balance sheet, including a solvency ratio of 201% and forecast 2023-24 premium growth of 5-6% and returns to equity of 9%-10% vs 8.2% at the end of 2022, along with a current dividend pay-out ratio of c.50%, opens the possibility of a return to dividend growth in the medium term.



The worst performing position in the portfolio in May was **Tietoevry**, down -11.3%, significantly underperforming the IT sector return of +8.5% in EUR. Weakness was driven primarily by two factors. The SVB banking crisis and knock-on effects on European banks including the forced takeover of Credit Suisse by UBS resulted in weak sentiment towards bank service providers amid expectations for reduced bank lending and lower investment. With Financial Services representing some 15% of Tietoevry sales, any long-term impact should be relatively benign. Secondly, Q1 results highlighted both a slight moderation in growth and ongoing costs associated with strategic reorganisation of traditional infrastructure services (Transform & Connect) into one Tech Services division, along with the ongoing review of banking services operations. The potential spin-out of traditional Tech Services makes sense given the broad acceleration in cloud and would result in a more focused, higher-return portfolio focused on the areas of software engineering, industry and healthcare. The shares on 11x/10x 2023/4 earnings and a 5.7% dividend yield (+4% year-on-year) remain cheap vs peers and history and completely at odds with medium-term company targets for a group 8%-10% revenue CAGR at 15%-16% EBITA margin vs. 12.3% at Q1 2023. The one-off costs will pass, and we await the potential spin-out of the more capital-intensive Tech Services and Banking operations with interest.



The second-worst performing position in the portfolio in May was **Euronext**, down -10.9%, in EUR, underperforming the Financials sector return of -2.7%. Q1 results highlighted softer trading volumes (-14.5% year-on-year to €129m, Euronext's largest source of income by division) as equity markets continued to recover. Nevertheless, the company continues to move in the right direction, including migrating Borsa Italiana to its Optiq trading platform and expanding Euronext clearing. The company's bond and funds listing franchises are globally leading, and the proportion of recurring or data-led activities is growing. Meanwhile the market continues to attribute a significantly lower multiple to Euronext (11x 2024e EPS, -30% vs 10Y average) than to Deutsche Boerse (17x) and LSE (23x), primarily due to its higher exposure to exchange-related activities (Trading / Listing 35%/15% sales) and lower share of recurring non-volume-related activities vs close peers. If past form is any guide, the gap should continue to close, supported by the company's excellent track record for value-accretive bolt-on acquisitions and the fact that the company is already host to approximately €7trn of market capitalisation, approximately 3x and 2x Deutsche Boerse and LSE respectively. In the meantime, we continue to look forward to a 4.1% 2024e dividend yield (at a 50% pay-out ratio) following dividend growth of 15% in 2023.



We thank you for your continued support.

### Portfolio Manager

Nick Edwards

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

Fund size	\$8.6m
Fund launch	19.12.2013
Benchmark	MSCI Europe ex UK TR
Historic yield	3.1% (Y GBP Dist)

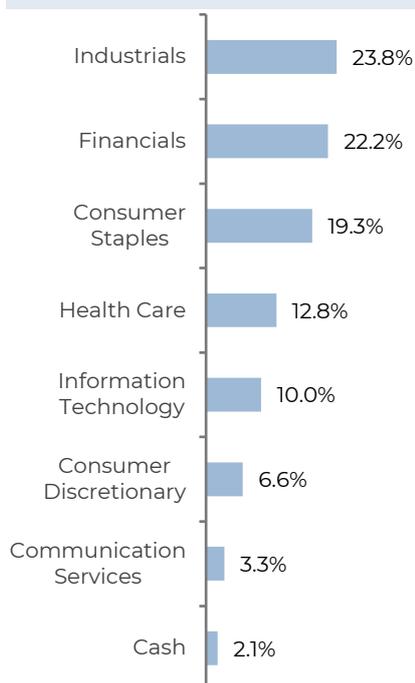
Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the latest month end. It does not include any preliminary charges. Investors may be subject to tax on the distribution.

**GUINNESS EUROPEAN EQUITY INCOME FUND - PORTFOLIO**

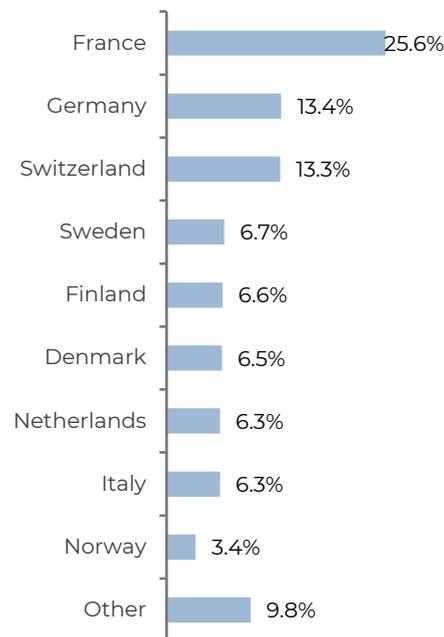
**Top 10 holdings**

Atlas Copco AB	3.6%
Legrand SA	3.5%
Deutsche Post AG	3.5%
Mercedes-Benz Group AG	3.4%
Capgemini SE	3.4%
ABB Ltd	3.4%
SalMar ASA	3.4%
Roche Holding AG	3.4%
Helvetia Holding AG	3.4%
Konecranes Oyj	3.4%
<b>Top 10 holdings</b>	<b>34.3%</b>
<b>Number of holdings</b>	<b>30</b>

**Sector**



**Country**



## Guinness European Equity Income Fund

Past performance does not predict future returns.

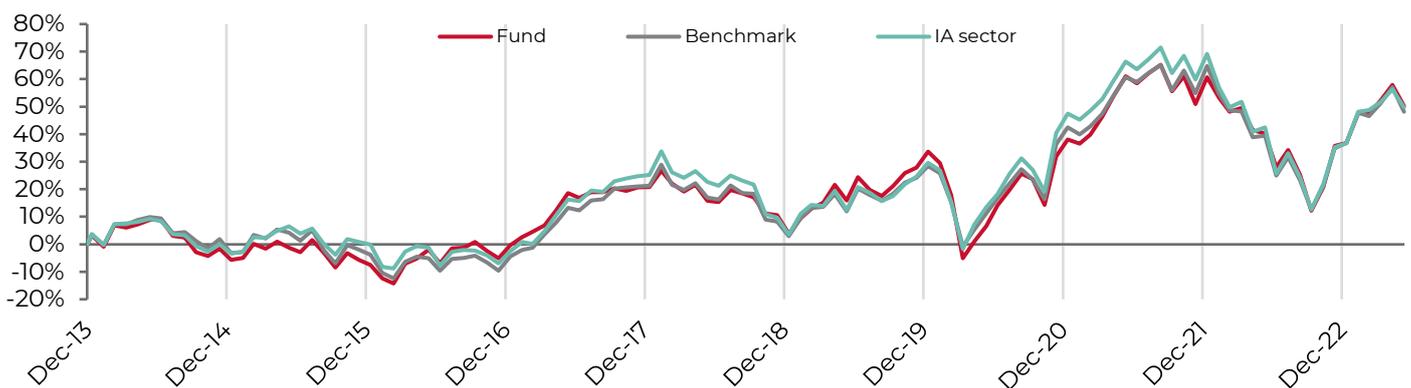
### GUINNESS EUROPEAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

Total Return (GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-3.5%	+6.7%	+8.9%	+40.6%	+39.3%	-
MSCI Europe ex UK TR	-4.3%	+6.4%	+8.1%	+32.8%	+36.0%	-
IA Europe Excluding UK TR	-2.8%	+6.4%	+6.9%	+31.7%	+31.1%	-
Total Return (USD)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-4.8%	+9.9%	+7.1%	+41.0%	+29.8%	-
MSCI Europe ex UK TR	-5.7%	+9.6%	+6.3%	+33.1%	+26.7%	-
IA Europe Excluding UK TR	-4.2%	+9.6%	+5.1%	+32.0%	+22.1%	-
Total Return (EUR)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-1.4%	+10.0%	+7.6%	+47.1%	+42.1%	-
MSCI Europe ex UK TR	-2.3%	+9.7%	+6.8%	+38.9%	+38.7%	-
IA Europe Excluding UK TR	-0.8%	+9.7%	+5.6%	+37.7%	+33.7%	-

### 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)

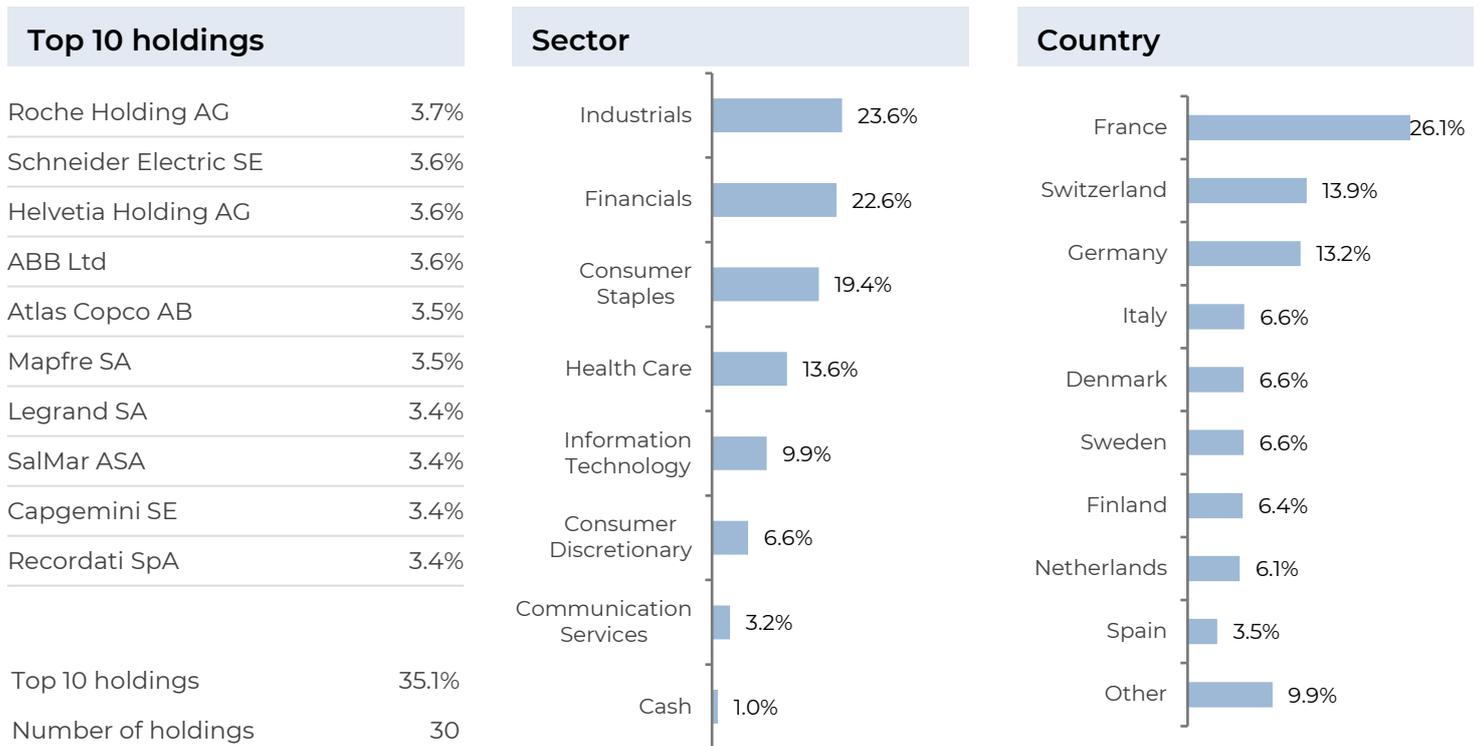


Source: FE fundinfo to 31.05.23. Investors should note that fees and expenses are charged to the capital of the Fund. This reduces the return on your investment by an amount equivalent to the Ongoing Charges Figure (OCF). The current OCF for the share class used for the fund performance returns is 0.89%. 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	£0.5m
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 31.05.23. 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.