Guinness Emerging Markets Equity Income

Investment Commentary – August 2023

RISK

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

The 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.

Past performance does not predict future returns.

ABOUT THE STRATEGY

Launch	23.12.2016
Index	MSCI Emerging Markets
Sector	IA Global Emerging Markets
Managers	Edmund Harriss Mark Hammonds CFA
Irish Domiciled	Guinness Emerging Markets Equity Income Fund

OBJECTIVE

The Guinness Emerging Markets Equity Income Fund is designed to provide investors with exposure to high-quality dividend-paying companies in Emerging Markets worldwide. 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 Emerging Markets Index as a comparator benchmark only.

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COMMENTARY

Emerging markets rallied sharply in July. The MSCI Emerging Markets Net Total Return Index rose 5.0% (all performance figures in GBP unless stated otherwise).

The fund underperformed in this environment, climbing 4.5%.

For the year to date, the fund leads the benchmark, up 6.7% versus the benchmark up 4.2%.

Emerging markets outperformed developed markets in the month, reversing their underperformance in June. The MSCI World Index rose 2.% and the S&P 500 Index was up 2.1%.

All regions generated strong positive performance, with EMEA (Europe, Middle East and Africa) the best performing, up 5.8%. Asia rose 5.1% and Latin America gained 4.0%.

Despite the strong market environment, growth underperformed value, gaining 4.8% versus 5.3% for value.

Among the largest countries, the best performing were South Africa (+11.4%), China (+9.5%) and Thailand (+6.9%).

The worst performing countries were Taiwan (-0.3%), Indonesia (0.2%) and Saudi Arabia (+1.0%).

The strongest performers in the portfolio were Elite Material (+66.5%), China Merchants Bank (+13.2%) and Ping An Insurance (+12.1%). Elite Material has been the main beneficiary in the fund of recent enthusiasm towards stocks linked to artificial intelligence (AI).

The weakest performers were Hypera (-5.4%), Hanon Systems (-4.8%) and TSMC (-3.9%).

Trade tensions continued, with China announcing export controls on gallium and germanium, which are used in semiconductor production.

Data for China showed a deteriorating trade pattern, with exports down 12.4% in June and imports down 6.8%.

China's GDP for the second quarter grew by 0.8% quarter-on-quarter, disappointing market expectations.

In Greece, conservative party New Democracy won a majority in the election.

Pakistan agreed a $3bn bailout from the IMF.

Saudi Arabia continued to keep supplies of oil tight. Brent crude rallied in July by 12.4%, finishing the month at $85/barrel.

The US consumer price inflation reading for June came in lower at 3%. Core inflation is still running higher at 4.8%.

The Federal Reserve voted to increase rates by 0.25 percentage points.

India placed a ban on the export of non-basmati white rice, likely putting further upwards pressure on global food prices.

Emerging market currencies fell 0.4%, outperforming the dollar which fell 1.0%.

JULY IN REVIEW

As stated above, the strong upwards move in July reversed the June underperformance of emerging markets relative to developed markets. What is notable about the recovery is that it has been more of a cyclical one, with the sectors most macroeconomically sensitive driving the outperformance. As another indication of this, value outperformed growth (generally value is a proxy for the more industrially-exposed sectors of the economy, with growth being more aligned with technology). For the year to date, value has returned 6.8%, compared with 3.0% for growth.

Markets have therefore begun to express more optimism that we are entering a new phase of the economic cycle and we are likely to escape a recession (achieving the soft landing). However, there are still plenty of risks to this viewpoint, which we discuss in the outlook section below.

For the year to date, emerging markets are back in positive territory, up 4.2% to the end of July. Developed markets have fared better over this timeframe, with the MSCI World up 11.2% and the S&P 500 up 13.5%.

Taken from the low emerging markets reached in October last year, however, the picture changes. Over this period, emerging markets are up 11.3% versus MSCI World up 9.2% and S&P 500 up 7.3%. The fund has significantly outperformed over this period, up 18% in sterling terms.

For the year to date, the best performing region has been Latin America, up 17.3%. Asia and EMEA are far behind, up 4.0% and 2.3% respectively. China's poor economic recovery, which has disappointed expectations, has been a significant drag, with the country index down 1.5%, the second worst performer among the larger countries (the worst being Thailand, down 8.3%).

We comment further on market developments in the outlook section below.

PORTFOLIO PERFORMANCE

Updates came in during the month for several of the portfolio holdings:

- Largan Precision reported results for the second quarter, with revenues down 15%. Operating margin decreased 4.1 percentage points to 33.6%. Although the company missed market expectations at the revenue level, earnings per share beat estimates. Management was relatively upbeat about the short term, expecting an improvement over July and August, but cautious over the longer term in the face of weaker demand for higher-end smartphones. The premiumisation trend is still evident however, with 20-megapixel lenses accounting for 20-30% of sales versus 10-20% in the prior quarter.

- Yili hosted an investor day and reiterated management's intention to become a top three dairy company (globally) by 2025 and the world leader by 2030. Consumer demand for milk in China is expected to rise over time, with per capita consumption still relatively low and more focus on health-conscious products post Covid. Management also reiterated their target to improve margins slightly this year. Frozen dairy continues to contribute, and the company has recently launched low-sugar ice cream and frozen mochi as new products.

- Tata Consultancy Services reported results for the first fiscal quarter. Revenues were up 13%. Operating margins held relatively steady at 23.2% and EPS was up 17%. Although revenues grew double digits, it represented a deceleration in year-on-year growth from the first quarter. Salary expenses have exerted some pressure on operating margins, of around 2 percentage points, however subcontracting expenses have declined. The order book showed signs of improvement, up 24% year-on-year to $10.2bn. Management guidance points towards a challenging and uncertain operating environment.

- The EU Commission approved Broadcom's acquisition of VMWare.

- TSMC reported results for the second quarter, with revenues down 10% and earnings per share down 23%. Despite the declines, the company beat market expectations and provided in-line guidance for the third quarter. Although AI currently represents a relatively small proportion of overall revenues, it is expected to grow rapidly in coming years (50% CAGR).

- Unilever indicated that it has struggled to cease operations in Russia (along with other Western consumer goods companies). The company has faced calls to fully withdraw from the country, to avoid providing funding for the war to the Russian state. Management also confirmed that under law its Russian employees could by law potentially be conscripted to fight in the war in Ukraine.

- Unilever also reported results for the first half, indicating 9.1% underlying sales growth. Pricing growth of 9.4% was offset by 0.2% contraction in volumes. Underlying earnings per share increased 3.9%, flattered by profits on disposal and lower restructuring costs. The company continues to buy back shares, completing a €750m tranche as part of a €3bn buyback programme.

- Bajaj Auto reported results for the first fiscal quarter, with revenues up 29% and earnings per share up 42%. This performance was broadly in line with expectations. Domestic growth has been strong, both for two-wheelers and particularly for three-wheelers. Strength in India offset weaker exports, which while improving 12% on the previous quarter, are down 34% year-on-year. Management is cautiously optimistic that the second quarter will bring slight incremental improvement.

- British American Tobacco beat expectations with revenue growth of 2.6% for the first half. Adjusted earnings per share also came in slightly ahead of consensus. Losses in the new category products have reduced, and the division is on track to achieve profitability by 2024.

- Elite Material (by far the best performer in the fund during the month) reported results for the second quarter that – while reflecting a decline year-on-year – were significantly ahead of market expectations. AI products currently account for a relatively small 6% to 7%. However, high demand in the third quarter is expected to contribute to strong sequential revenue growth and an improvement in overall gross margins.

OUTLOOK

For their part, markets have been signalling that the much-vaunted soft landing is coming into view. Manufacturing in the West has been contracting, but this has been offset by strength in the service sector. Labour markets remain tight; inflation is subsiding.

But we feel caution is warranted. The slowdown that we have seen in China in recent weeks appears to be reflective of a more muted global economic environment. Core inflation in the West has proved stubborn, particularly in the UK, where policymakers are less willing to signal a peak in rates. There is also a risk of headline inflation spiking again, from higher oil prices, food prices or other commodity price shocks.

Ultimately, a lot has to go right to achieve the soft landing. More likely is that we end up with a bumpy one – we may end up escaping a recession, while inflation continues to run hot, or we may see a broader slowdown as inflation cools. But it is not clear which of these outcomes is more likely. (Of course, the combination sadly also can't be ruled out).

Given the uncertainty and the *potential* for unfavourable scenarios to be unfold, we think a degree of defensive positioning is warranted. By investing in companies with a proven track record of generating high returns on capital over time, we think these businesses will perform relatively well in tougher economic environments. Such companies, we believe are likely to outperform their peers and potentially be the beneficiaries of industry consolidation.

Portfolio Managers

Edmund Harriss
Mark Hammonds

GUINNESS EMERGING MARKETS EQUITY INCOME FUND - FUND FACTS

Fund size	$6.8m
Fund launch	23.12.2016
Benchmark	MSCI Emerging Markets TR
Historic yield	4.1% (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.

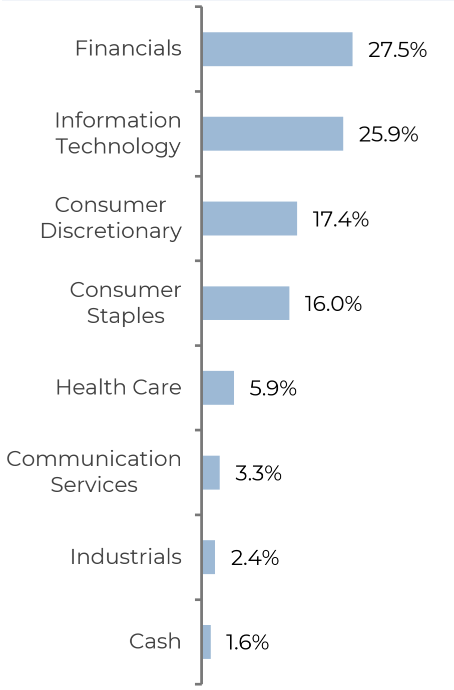
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

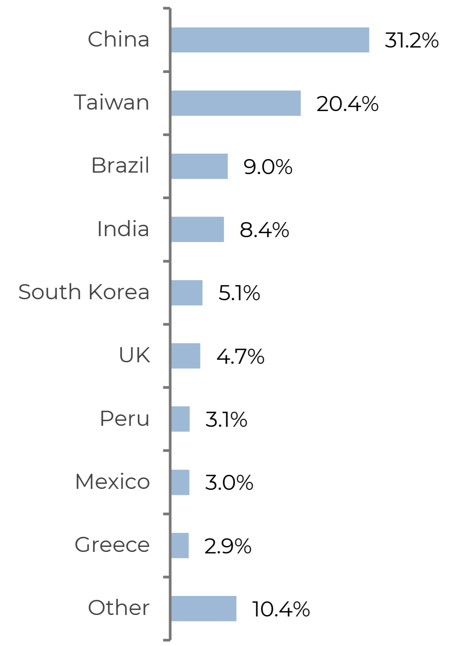
Elite Material	4.5%
NetEase	3.3%
Porto Seguro	3.2%
Novatek Microelectronics	3.2%
Shenzhou International	3.1%
Credicorp	3.1%
Bajaj Auto	3.1%
Coca-Cola Femsa	3.0%
Ping An Insurance	3.0%
HYPERA SA	3.0%

Top 10 holdings	32.4%
Number of holdings	35

Sector



Country



Past performance does not predict future returns.

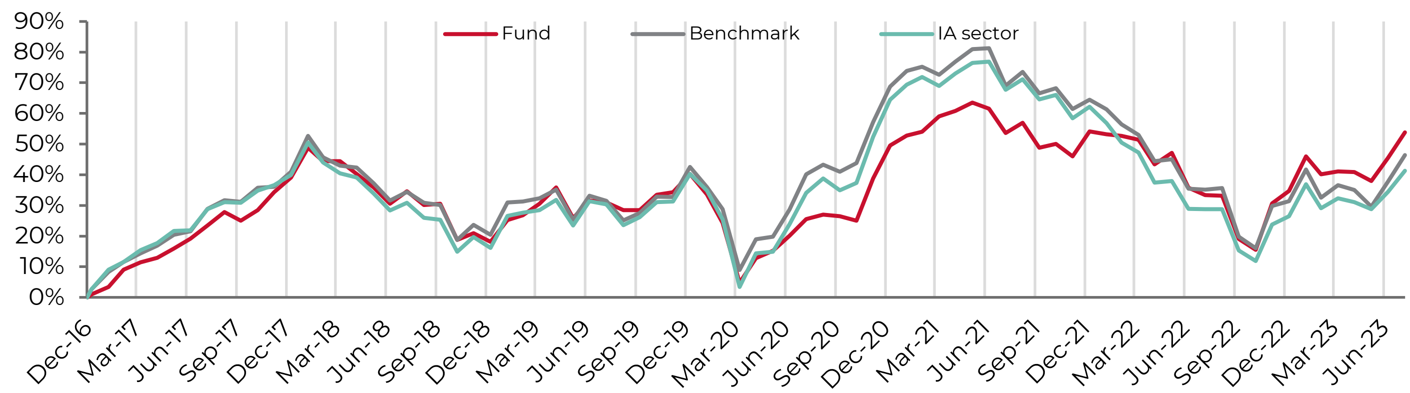
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

Total Return (GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+4.5%	+6.7%	+9.0%	+25.0%	+16.5%	-
MSCI Emerging Markets TR	+5.0%	+4.2%	+2.5%	+6.6%	+11.0%	-
IA Global Emerging Markets TR	+3.8%	+4.4%	+3.8%	+7.4%	+10.0%	-
Total Return (USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+5.7%	+14.1%	+15.3%	+22.5%	+14.3%	-
MSCI Emerging Markets TR	+6.2%	+11.4%	+8.4%	+4.5%	+8.9%	-
IA Global Emerging Markets TR	+5.1%	+11.7%	+9.7%	+5.3%	+7.9%	-
Total Return (EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+4.6%	+10.5%	+6.6%	+31.4%	+21.2%	-
MSCI Emerging Markets TR	+5.1%	+7.9%	+0.2%	+12.0%	+15.5%	-
IA Global Emerging Markets TR	+4.0%	+8.1%	+1.5%	+12.9%	+14.5%	-

GUINNESS EMERGING MARKETS EQUITY INCOME FUND - ANNUAL PERFORMANCE

Total Return (GBP)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund	-1.6%	+4.0%	+3.4%	+14.2%	-9.8%	+25.8%	-	-	-	-
MSCI Emerging Markets TR	-10.0%	-1.6%	+14.7%	+13.9%	-9.3%	+25.4%	-	-	-	-
IA Global Emerging Markets TR	-12.2%	-0.5%	+13.7%	+16.0%	-11.8%	+24.4%	-	-	-	-
Total Return (USD)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Fund	-12.6%	+3.1%	+6.7%	+18.8%	-15.1%	+37.7%	-	-	-	-
MSCI Emerging Markets TR	-20.1%	-2.5%	+18.3%	+18.4%	-14.6%	+37.3%	-	-	-	-
IA Global Emerging Markets TR	-22.0%	-1.4%	+17.3%	+20.7%	-16.9%	+36.2%	-	-	-	-
Total Return (EUR)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Fund	-6.8%	+10.9%	-2.2%	+20.9%	-10.8%	+20.9%	-	-	-	-
MSCI Emerging Markets TR	-14.9%	+4.9%	+8.5%	+20.6%	-10.3%	+20.6%	-	-	-	-
IA Global Emerging Markets TR	-16.9%	+6.1%	+7.6%	+22.9%	-12.8%	+19.7%	-	-	-	-

GUINNESS EMERGING MARKETS EQUITY INCOME FUND - PERFORMANCE SINCE LAUNCH (USD)



Source: FE fundinfo to 31.07.23. 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

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This report is primarily designed to inform you about equities and equity markets invested in by the Guinness Emerging Markets 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.

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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