Guinness Emerging Markets Equity Income

Investment Commentary – November 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
EU 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 sold off in October. The MSCI Emerging Markets Net Total Return Index fell 3.3% (all performance figures in GBP unless stated otherwise).

The fund performed essentially in line with the benchmark over the month, declining 3.4%.

For the year to date, the fund leads the benchmark, up 0.9% versus the benchmark which is down 3.0%.

Emerging markets underperformed developed markets in the month, though the latter also traded lower. The MSCI World Index fell 2.3% in October and the S&P 500 Index fell 1.6%.

All regions generated negative performance, with Latin America the worst performing, down 4.3%. Asia was next, down 3.5%. EMEA (Europe, Middle East and Africa) was the best performer, down 2.4%.

Value was the weaker performing style in the sell-off, though only just, falling 3.5% versus down 3.4% for growth.

Among the largest countries, the best performing were Taiwan (-1.2%), South Africa (-1.3%) and Saudi Arabia (-2.4%). The worst performing countries were Indonesia (-7.8%), Korea (-6.6%) and Mexico (-5.8%).

The strongest performers in the portfolio were Haitian International (+12.9%), Novatek Microelectronics (+7.4%) and NetEase (+7.3%).

The weakest performers were Hanon Systems (-26.8%), Hypera (-18.6%) and LG Household & Health Care (-18.6%).

Hamas militants launched an unprecedented attack on Israel, leading the Israeli government to declare war and ultimately respond with a ground assault on the Gaza strip.

Despite the geopolitical turmoil, crude oil prices fell significantly, with Brent down 8.3% and WTI down 10.8% over the month.

Bond markets continued to weaken. The yield on the US 10 year Treasury at one point breached the 5% threshold before falling back.

China's Q3 GDP figure came in at 4.9%, more than the market was expecting. Better data came from industrial production, retail sales and exports.

US GDP also grew by 4.9% for the third quarter (annualised rate).

The Turkish central bank raised rates again, to 35%.

Emerging market currencies fell 0.2%, while the dollar rose 0.5%.

MARKET REVIEW

So far this year, emerging markets have spent much time trading sideways, and for the year to the end of October are down 2.1% (returns in this section are quoted in US dollar terms). Even from their peak this year, which they reached on 26th January, emerging markets are only down 11.1%. This compares to a rise of 1.0% for the MSCI World and up 4.6% for the S&P 500, where the majority of positive contribution has been concentrated in a handful of stocks (dubbed the 'magnificent seven').

Over this period, Asia has been the source of weakness, with the region down 12.6% versus down 6.7% for EMEA. Latin America been relatively stronger, declining 3.0%. Growth has been the underperformer, down 14.5% versus value down 7.4%. China (the largest weighting) has been the weakest country, down 23.9%, though Thailand (down 20.7%) and Korea (down 14.2%) have also contributed to Asia's weakness.

To illustrate this sideways movement, markets reached a (slightly lower) peak on 31st July, marking the recent high. From then to the end of October, emerging markets are down 12.2% in USD terms. Over that timeframe, the performance of global markets more closely matched that of emerging markets, with the MSCI World down 9.3% and the S&P 500 down 8.4%. Interestingly, the ranking of the regions (and the dispersion) changes, with Latin America the worst performer down 13.7%, Asia down 12.2% and EMEA down 10.8%. Growth has still underperformed, down 13.7%, though value is closer this time, down 10.5%.

As a contrast, the peak in January followed a period of very strong performance from emerging markets, as China reopened and lifted covid restrictions. Equity markets responded, rising 25.5% from the 24th October 2022 low to 26th January this year. This performance outstripped both the MSCI World, up 11.8%, and the S&P 500 index, up 7.4%. Asia was the best performing region, up 31.3%, led of course by China, up 55.5% over that timeframe.

The fund's exposure to China aided performance during this period as the fund rose 28.2% (compared to 25.5% for the benchmark). Generally, we would not expect the fund to fully capture the upside in very strong markets, although we attribute the outcome to a particular set of circumstances (namely the reopening rally). The performance in the following period was more representative of the pattern we would expect, outperforming in a declining market, down 6.1% versus the benchmark down 11.1%.

PORTFOLIO CHANGES

We purchased a new holding for the fund, Haier Smart Home, a Chinese manufacturer of a range of domestic appliances including fridges, freezers, washing machines and air conditioners. Roughly half of the company's business is in the domestic market, and half is exported. Management has a good record of adjusting product positioning and branding over time to maintain pricing power. The company has generated reasonably stable returns on capital given the sector in which it operates, while paying a growing dividend. Consensus expectations are for earnings to grow 13% this year and 15% next year. Haier Smart Home trades on valuation multiples that are undemanding on an absolute basis, and slightly below the company's long-run average.

This purchase returned the number of holdings in the fund to 36.

Subsequently, we sold our position in LG Household & Health Care after the company released a disappointing set of results. The recovery that we anticipated in the Chinese market has not been forthcoming, with the company's cosmetics division still challenged by weak demand. Margin compression was also an issue highlighted in the results. Our patience for the company's turnaround has not been rewarded on this occasion, so we ultimately exited the holding.

PORTFOLIO HOLDINGS

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

- Largan Precision release results for the third quarter that were ahead of expectations. Strong momentum in revenue growth has been achieved mainly as result of the latest Apple iPhone upgrade cycle. There is also early evidence that the Chinese smartphone market is recovering, with manufacturers returning to the trend of camera specification upgrades that benefits Largan.

- TSMC reported third quarter results that were broadly in line with expectations once the effects of a foreign exchange tailwind were stripped out. Again, strong demand for the latest iPhone was supportive of results. Current guidance is for revenues to contract 10% this year on cyclical weakness. Nevertheless, earnings growth is expected to reach an compound annual growth rate above 20% over the next two years.

- Tata Consultancy Services reported results for its second fiscal quarter (ending September). Revenues missed expectations; however, the order book remained resilient, and margins came in above expectations. The announcement of a large share buyback also reflects a degree of confidence on the part of management.

- Hon Hai announced a partnership with US company NVIDIA at its investor day. The companies will collaborate to produce AI-powered EV and robotics platforms.

- Brazilian consumer pharma company Hypera reported results for the third quarter that were slightly weaker than expected. A warmer winter reduced demand for the company's flu medication and related products. Guidance for the full year was lowered by about 5%. Performance on the margin side was fairly good, with gross margin remaining broadly flat at 63% and adjusted EBITDA margin increasing by 1.6 percentage points.

OUTLOOK

As we commented last month, the pace of the sell-off in the US Treasury market has been remarkable, and for the 10-year Treasury we saw the 5% yield level tested (and breached) in October before pulling back. To recap, the yield on the 10-year has ranged this year from 3.3% back in April to above 5%. Given the extent of this move, and the fundamental importance of the Treasury market, the relative resilience of emerging market equities and currencies is all the more impressive. To be sure, emerging market currencies have weakened this year, but the extent of the move has been much less pronounced than what we might have expected.

Better relations between US and China have been witnessed recently, with the market now focussed on an upcoming meeting between Xi and Biden. We view closer contact and diplomatic ties as a key step in reducing the risk of potential misunderstanding or missteps in relation to Taiwan, as well as being the precursor of any improvement in trading relations or easing of sanctions. We note, however, that China equity valuations remain at rock-bottom levels; cheap on both an historical and absolute perspective. Sentiment is quite finely balanced, so good headlines coming out of the key US-China meeting *could* act as a catalyst for a fast re-rating (though of course this is by no means guaranteed).

It is the longer-term performance of individual companies that we feel will ultimately drive results for shareholders. Over the past three years, following the post-covid rebound, emerging markets have been characterised by an absence of largescale structural factors driving returns. The uncertainty that has prevailed has suited the fund's investment strategy, with its focus on individual companies and their ability to sustain strong operating and financial results.

The emphasis we place on the underlying quality of a business, earning high returns on capital and generating cash, provides the underpinning for rewarding shareholders with dividends while seeking to compound their earnings over the long term. It is combination, embedded in an equally weighted portfolio, that we believe works particularly well in an emerging market context, and provides investors with access to a disciplined strategy with which they can navigate an uncertain environment.

Portfolio Managers

Edmund Harriss
Mark Hammonds

GUINNESS EMERGING MARKETS EQUITY INCOME FUND - FUND FACTS

Fund size	$6.1m
Fund launch	23.12.2016
OCF	0.89%
Benchmark	MSCI Emerging Markets TR
Historic yield	4.3% (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.

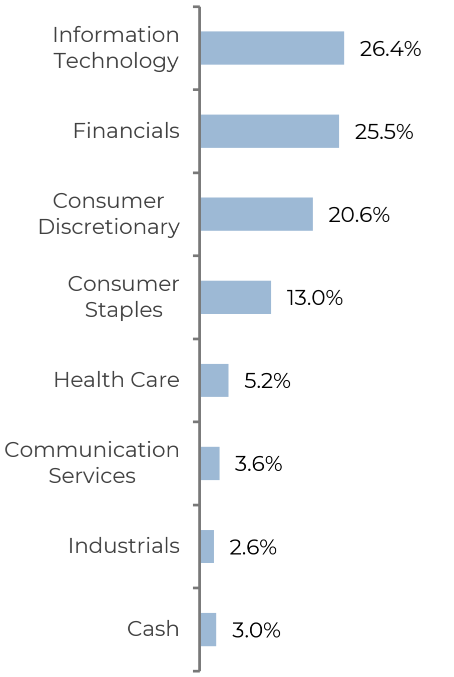
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

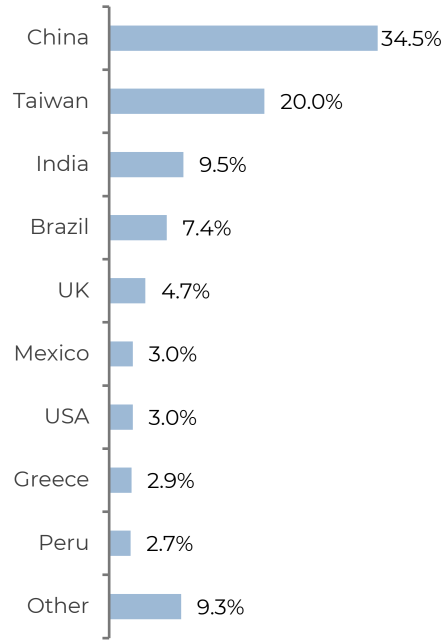
Novatek Microelectronics	3.7%
Bajaj Auto	3.7%
NetEase	3.6%
Elite Material	3.5%
Shenzhou International	3.3%
ICBC	3.1%
Zhejiang Supor	3.1%
China Medical System	3.0%
Suofeiya Home Collection	3.0%
Coca-Cola Femsa	3.0%

Top 10 holdings	32.9%
Number of holdings	35

Sector



Country



Past performance does not predict future returns.

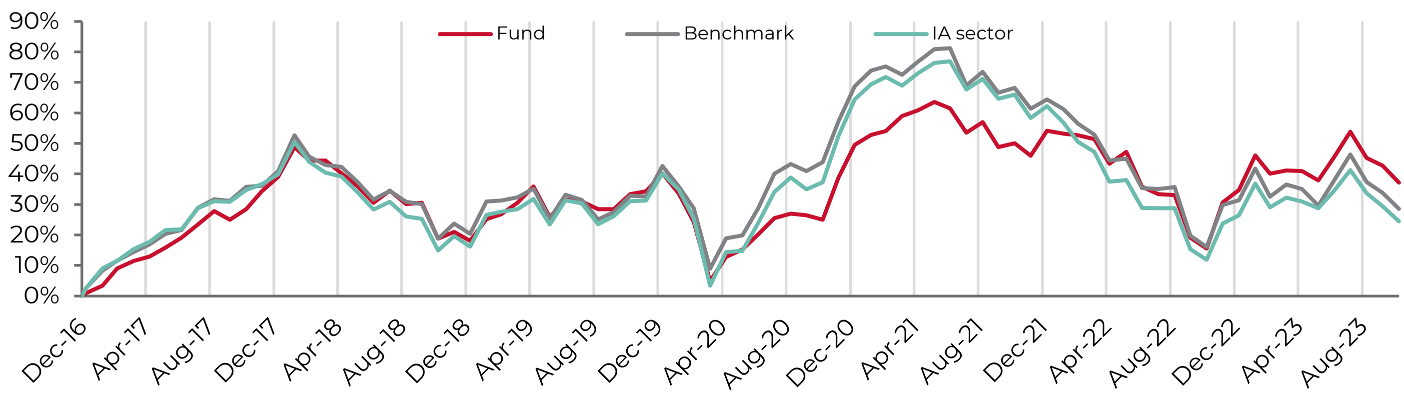
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-3.4%	+0.9%	+13.3%	+16.9%	+21.6%	-
MSCI Emerging Markets TR	-3.3%	-3.0%	+5.1%	-4.8%	+14.0%	-
IA Global Emerging Markets TR	-3.2%	-2.4%	+5.6%	-3.4%	+14.1%	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-3.9%	+1.8%	+18.6%	+9.7%	+15.4%	-
MSCI Emerging Markets TR	-3.9%	-2.1%	+10.8%	-10.6%	+8.2%	-
IA Global Emerging Markets TR	-3.8%	-1.6%	+11.3%	-9.3%	+8.4%	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-3.8%	+2.7%	+11.7%	+20.9%	+23.7%	-
MSCI Emerging Markets TR	-3.7%	-1.2%	+3.6%	-1.5%	+16.0%	-
IA Global Emerging Markets TR	-3.6%	-0.6%	+4.1%	-0.1%	+16.2%	-

GUINNESS EMERGING MARKETS EQUITY INCOME FUND - ANNUAL PERFORMANCE

(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%	-	-	-	-
(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%	-	-	-	-
(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 31.10.23. 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. OCFs for all share classes are available on www.guinnessgi.com.

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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: Waystone Management Company (IE) Limited (Waystone IE) 2nd Floor 35 Shelbourne Road, Ballsbridge, Dublin DO4 A4E, Ireland; or,
- the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

Waystone IE, 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.waystone.com/waystone-policies/

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