# Guinness Global Innovators

Investment Commentary – April 2024

## 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 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** | 01.05.2003 |
| **Index** | MSCI World |
| **Sector** | IA Global |
| **Managers** | Dr Ian Mortimer, CFA<br>Matthew Page, CFA |
| **EU Domiciled** | Guinness Global Innovators Fund |
| **UK Domiciled** | WS Guinness Global Innovators Fund |

## INVESTMENT POLICY

The Guinness Global Innovators Funds are designed to provide investors with global exposure to companies benefiting from innovations in technology, communication, globalisation or innovative management strategies. Innovation can take many forms, and not just in disruptive tech-driven products. It is the intelligent application of ideas and is found in most industries and at different stages in the company lifecycle. The Funds are actively managed and use the MSCI World Index as a comparator benchmark only.

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## COMMENTARY

In the first quarter of 2024, the Guinness Global Innovators Fund returned 13.2% (in GBP), the MSCI World Index returned 9.9%, and the IA Global sector returned 7.8%. The Fund therefore outperformed the Index by 3.3% over Q1 and outperformed its peer group average by 5.4%.

Global equity markets reached all-time highs as indices such as the S&P 500 recorded their best first quarter in the past five years, aided by a perceived improvement in the long-term economic outlook. This occurred despite shifts in the macroeconomic landscape that would not necessarily be expected to lead to such a strong rally, particularly for growth stocks. Notably there was a significant change in interest rate expectations. The year began with markets implying that the US Federal Reserve would cut rates by up to six times by the end of 2024, which then dropped to an expectation of fewer than three cuts by the end of the quarter. Equity markets appeared unfazed by this change and rallied consistently through the quarter, in contrast to the pattern of the last few years. Markets instead appeared to focus on an improved economic outlook, buoyed by GDP growth ahead of expectations and a falling unemployment rate. The inflation picture remained mixed, however. The Fed's preferred inflation measure, Core PCE, showed continuing deceleration at 2.8% in February, falling from 3.7% in just six months, whilst headline CPI numbers were slightly hotter than expected. The 'data-led' Fed's commentary remained broadly in line with previous doveish rhetoric and the MSCI World Index returned over 9% in USD in the quarter. The worst-case scenario of a 'hard landing' now appears to be discounted, but the balance between the outlook for positive economic growth, a tight labour market and sticky inflation means the trajectory and level of interest rates required to keep inflation falling remains uncertain and further data is required to gain a clearer picture. We also note the potential for a divergence between central bank policies around the world as the economic, labour and inflation outlooks vary.

The Funds' relative performance over the quarter can be attributed to the following:

- The Funds' overweight position to the Information Technology sector (and more specifically semiconductors, the benchmark's top performing industry) was the greatest tailwind to outperformance from both an allocation and a stock selection perspective. Strength from Nvidia (+82.46% USD), off-benchmark name Taiwan Semiconductor Manufacturing (TSMC) (+31.3% USD) and semiconductor capital equipment names Applied Materials (+27.4%) and LAM Research (+24.3%) all contributed positively to Fund outperformance.

- Whilst the Funds' slight overweight position to the benchmark's best performing sector, Communication Services, provided a tailwind to relative performance, they also benefited from strong stock selection, driven by continued strength from Meta (+37.3% USD).

- The Funds benefited from a zero-weight allocation to the benchmark's four weakest sectors: Real Estate, Materials, Utilities and Consumer Staples.

- Whilst stock selection was a significant contributor to relative Fund performance, this was slightly offset by weakness from Infineon (-17.6% USD), Adobe (-15.4% USD) and Nike (-13.1% USD).

It is pleasing to see the Guinness Global Innovators Fund in the top quartile of the IA Global sector over all key periods shown below, but especially over the longer 5, 10, 15 and 20-year periods, as well as since launch.

*Past performance does not predict future returns.*

| Cumulative % total return in GBP, to 31st March 2024 | YTD | 1 year | 3 years | 5 years | 10 years | 15 years | 20 years | Launch |
|---|---|---|---|---|---|---|---|---|
| Guinness Global Innovators | 13.2 | 32.6 | 40.7 | 118.9 | 310.8 | 946.7 | 1125.5 | 1290.7 |
| MSCI World | 9.9 | 22.5 | 39.9 | 82.4 | 223.9 | 544.6 | 591.6 | 699.5 |
| IA Global (average) | 7.8 | 16.7 | 23.2 | 62.7 | 160.7 | 387.7 | 428.3 | 528.9 |
| IA Global (ranking) | ^ | 25/547 | 52/476 | 4/397 | 5/240 | 1/159 | 1/97 | 5/93 |
| IA Global (quartile) | ^ | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

*^Ranking not shown in order to comply with European Securities and Marketing Authority rules.*

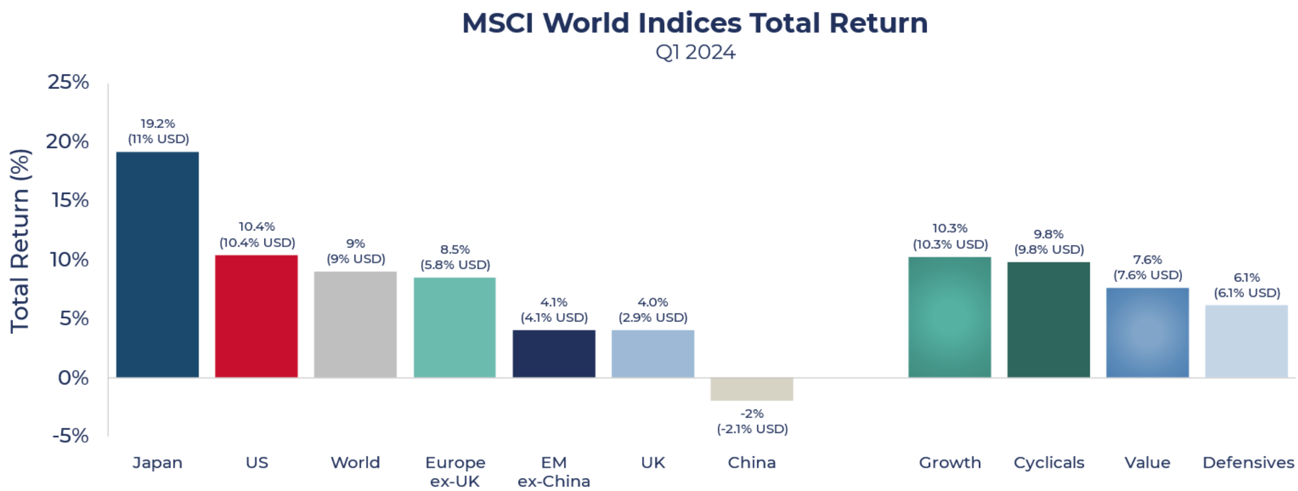
| Annual % total return in GBP | Dec 23 | Dec 22 | Dec 21 | Dec 20 | Dec 19 | Dec 18 | Dec 17 | Dec 16 | Dec 15 | Dec 14* |
|---|---|---|---|---|---|---|---|---|---|---|
| Guinness Global Innovators | 32.1 | -20.7 | 22.6 | 32.1 | 31.3 | -11.9 | 22.0 | 27.7 | 2.0 | 18.9 |
| MSCI World Index | 16.8 | -7.8 | 22.9 | 12.3 | 22.7 | -3.0 | 11.8 | 28.2 | 4.9 | 11.5 |
| IA Global sector average | 12.7 | -11.1 | 17.7 | 15.3 | 21.9 | -5.7 | 14.0 | 23.3 | 2.8 | 7.1 |
| IA Global sector ranking | 12/539 | 440/508 | 123/468 | 52/424 | 17/389 | 312/344 | 32/312 | 99/284 | 206/263 | 7/235 |
| IA Global sector quartile | 1 | 4 | 2 | 1 | 1 | 4 | 1 | 2 | 4 | 1 |
| | Dec 13* | Dec 12* | Dec 11* | Dec 10* | Dec 09* | Dec 08* | Dec 07* | Dec 06* | Dec 05* | Dec 04* |
| Guinness Global Innovators | 42.6 | 14.9 | -6.0 | 20.7 | 29.3 | -24.5 | 19.2 | 4.2 | 25.0 | 3.4 |
| MSCI World Index | 24.3 | 10.7 | -4.8 | 15.3 | 15.7 | -17.9 | 7.2 | 5.3 | 22.4 | 7.0 |
| IA Global sector average | 21.7 | 9.4 | -9.3 | 15.8 | 23.0 | -24.3 | 8.8 | 7.8 | 24.8 | 7.7 |
| IA Global sector ranking | 6/219 | 31/203 | 59/182 | 44/165 | 38/158 | 91/142 | 21/131 | 87/115 | 58/101 | 75/95 |
| IA Global sector quartile | 1 | 1 | 2 | 2 | 1 | 3 | 1 | 4 | 3 | 4 |

*Source: FE fundinfo*

**Simulated past performance; performance prior to the launch of the Guinness Global Innovators Fund (31.10.14) reflects a US mutual fund which has had the same investment process since the launch of the strategy on 01.05.2003.*

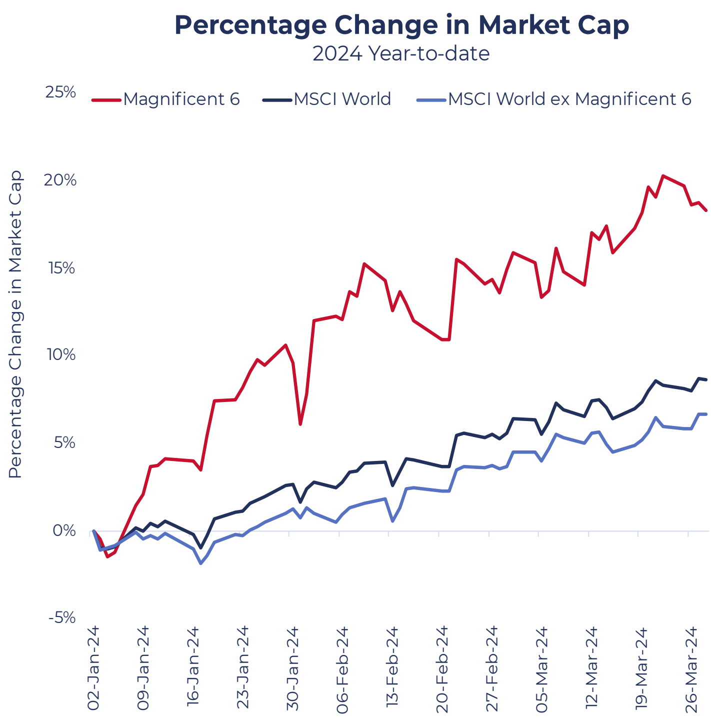
## QUARTER IN REVIEW

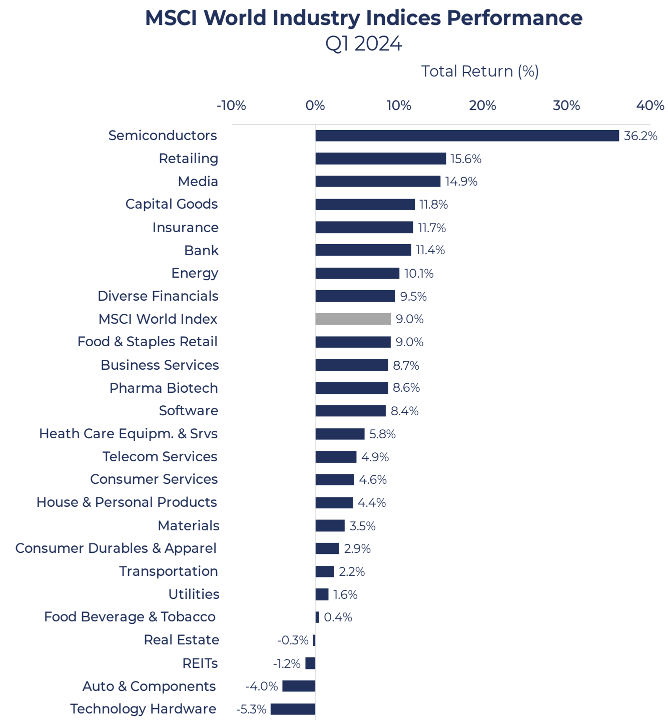
**It was a very positive quarter for equity markets, with broad strength across regions, industries and factors, as resilient economic data dampened fears of recession.** After enthusiasm over artificial intelligence drove positive equity returns in January, positive economic sentiment took equity markets higher in the final two months of the quarter as the US announced GDP growth of 3.4% for Q4 of 2023. The US Purchasing Managers' Index (PMI) also moved into expansionary territory for the first time since April 2023, and to its highest level since October 2022. PMIs in Europe breached the 50 threshold in March, lifting market sentiment higher for a broad range of industries. This was all supported by a solid earnings season around the world. Even in China, one of the few negatively performing stock markets in the quarter, equities bounced back in the latter two months.




*Source: Guinness Global Investors, MSCI, Bloomberg, as of 31st March 2024; Local currency*

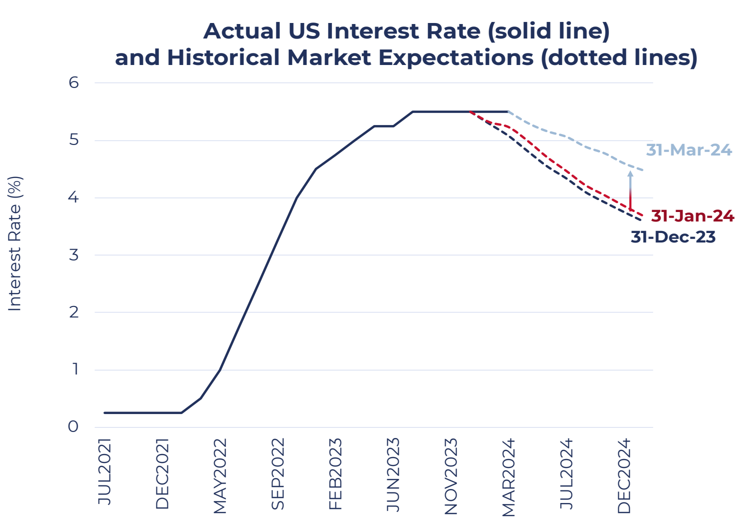
**Whilst the Magnificent Six (the Magnificent Seven excluding Tesla, i.e. Amazon, Alphabet, Apple, Meta, Microsoft and Nvidia) contributed meaningfully to index performance (predominantly through Nvidia and Meta), this was not a narrow market rally such as the one seen over much of 2023.** Whilst continued enthusiasm over artificial intelligence initially buoyed Nvidia (and semiconductor stocks more broadly) higher, over half of industries (under the Global Industry Classification Standard) delivered returns above 5% during the quarter, and over a quarter of were up double digits. The contribution of the Magnificent 6 to the increase in the MSCI World's market capitalisation over the first quarter was less than 25% (1.9% out of 8.6%), compared to over a third for the duration of 2023 (although at times during the year it was significantly more than this).

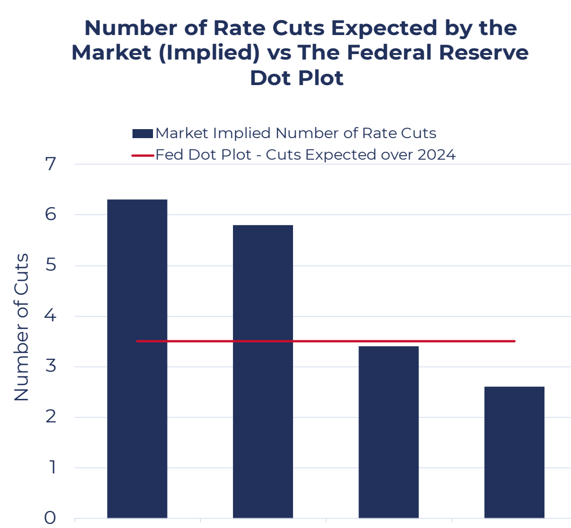



*Source: Guinness Global Investors, MSCI, Bloomberg, as of 31st March 2024*

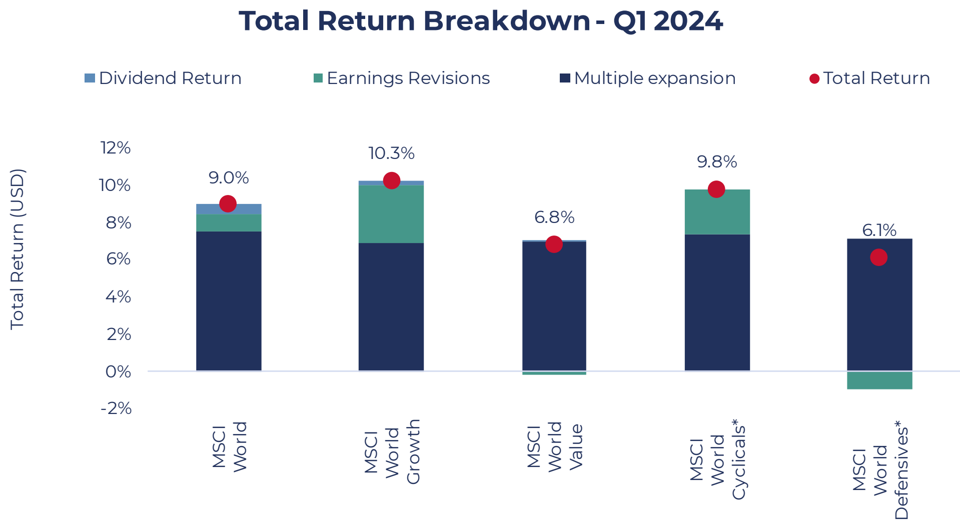
**What is interesting about this broader equity strength is that it coincided with the delaying of expected interest rate cuts from central banks.** As has often been the case over the last two years, expectations of when the Federal Reserve will embark on a rate cutting cycle, or how quickly it would then reduce rates, were once again pushed out further as strong economic data was perceived to mean that the Fed may not need to cut any time soon (particularly as inflation failed to fall as quickly as expected during the quarter) and certainly not as many times as had been expected at the beginning of the year. At the end of 2023, market expectations suggested a 16% chance that the Fed would cut interest rates in January and an 84% chance of a cut in the March meeting. For 2024 as a whole, market-implied expectations suggested approximately six cuts over the year. No cuts in January or March came to pass, and by the end of the quarter, the market was pricing in just a 10% chance of a cut in May, and fewer than three cuts for the year. Throughout this period, the Fed dot plot implied 3.5 cuts.




*Source: Guinness Global Investors, MSCI, Bloomberg, as of 31st March 2024*

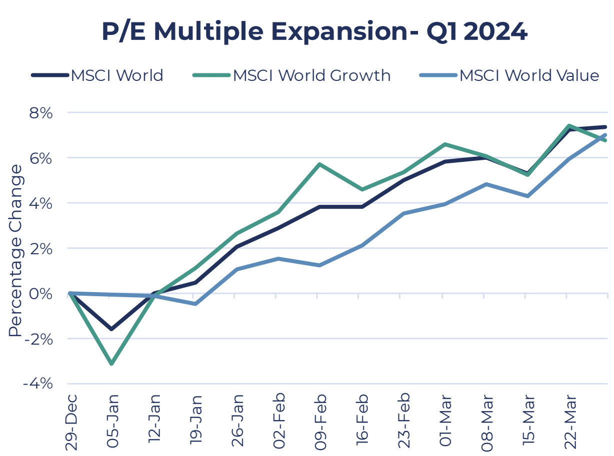
**One of the key risks we identified in January was the significant gap between market expectations and Federal Reserve forecasts** (>6 cuts vs c.3.5) – the downside risk to equities being a Fed that was 'more correct' than the market and therefore market expectations would fall in line with those of the Fed. As seen in the right-hand chart above, *'Number of Rate Cuts Expected by the Market vas the Federal Reserve Dot Plot'*, over 2024 to date this not only materialized but even overshot – with the market now pricing in fewer cuts over 2024 than the Fed's latest March Dot Plot (the December dot plot showed the same Fed expectation). The significant change in market expectations did not result in the negative equity performance an observer may have expected, and growth stocks (which are typically 'higher-duration') actually outperformed over the period.

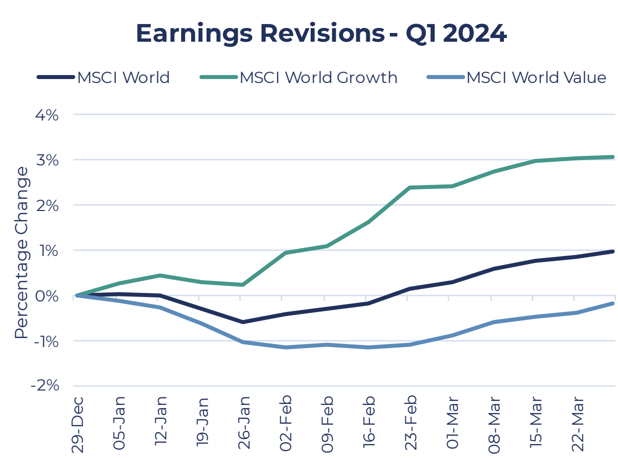



* Price return only (no dividend information available)

*Source: Guinness Global Investors, MSCI, Bloomberg, as of 31st March 2024*

**Growth and value indices both experienced strong multiple expansion over the quarter, but only growth experienced earnings upgrades.** Looking solely at changes in valuation (multiple expansion), growth and value performed in line over the quarter as a whole, with growth outperforming in the first c.5 weeks, and value outperforming in the second half, suggesting the sentiment was more driven by a view of improving economic prospects. The picture was very similar between cyclicals and defensives. We have often commented on how 'good news' for the economy has been 'bad news' for equities over the last couple of years, with signs of a strong economy potentially delaying a rate cutting cycle from central banks. This time, however, good news for the economy was good news for equities. The prospect of continued strength in the economy, the opportunity artificial intelligence presents, and a strong company earnings season that saw 74% of companies surprise to the upside on an earnings-per-share (EPS) basis all led to improved sentiment across sectors and factors. With growth and cyclical stocks typically well positioned to outperform during economic expansions, these stocks also experienced strong earnings growth revisions throughout the period – contributing to the totality of outperformance.

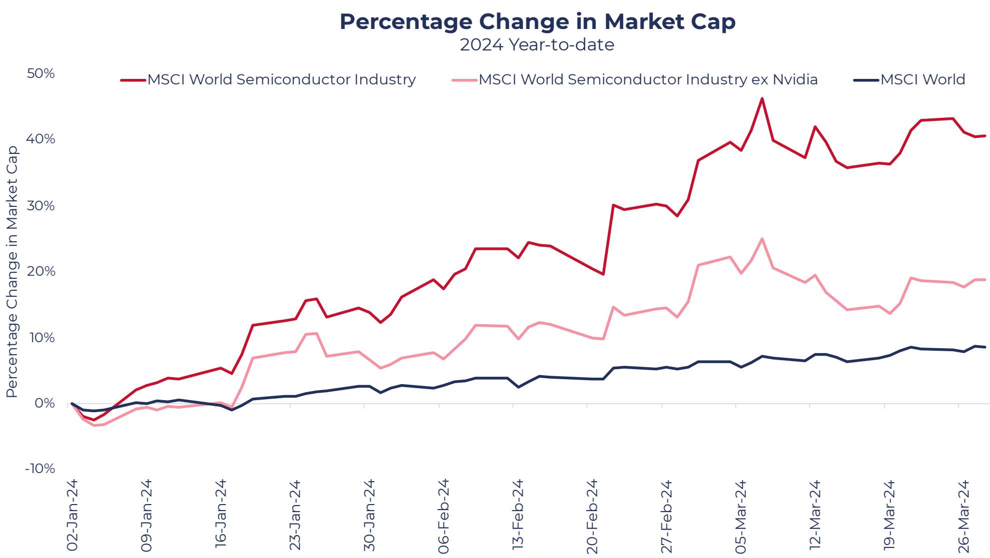



*Source: Guinness Global Investors, MSCI, Bloomberg, as of 31st March 2024*

**Semiconductor outperformance: a new cyclical upswing?**

Since the semiconductor industry is the Fund's largest industry overweight position, it is worth highlighting the significant outperformance by the sector during the quarter, delivering a total return of 36.2% USD, well ahead of the next best industry, Retail, which returned 15.5%. The majority of this outperformance was a result of Nvidia, which delivered +83% (in USD) over the quarter (and is discussed further below). However, even excluding the impact of Nvidia, the industry would likely have been the MSCI World's best performing with the Semiconductor Index ex Nvidia market cap increasing +19%.




*Source: Guinness Global Investors, MSCI, Bloomberg, as of 31st March 2024*

Following three years of very strong growth amid the covid pandemic, the semiconductor industry faced a downturn during 2023 – the seventh since 1990. Global sales fell approximately 10-12% as customers worked through inventories built up during widespread supply chain disruption following the pandemic and a weakened macro-outlook dampened demand. Memory chips (semiconductors used for internal storage within a computer) performed particularly badly, with weak consumer demand and excess channel inventory on the whole causing prices for DRAM (Dynamic Random Access Memory) and NAND memory chips (which make up the majority of the segment) to fall by over 50% in the first half of the year (according to Gartner). Counterintuitively, the semiconductor market was the best performing industry during 2023; the MSCI World Semiconductor Index rose 90% over the year vs the MSCI World's 24% (in USD). While this was in part driven by the strength of one Magnificent Seven stock in particular, Nvidia (+238% USD), broad-based gains were seen across the market, with the average semiconductor stock within the Philadelphia Semiconductor Index up 45%.

Similar to 2023, the MSCI World Semiconductor Index was the best performing industry in Q1 2024. The outperformance of the industry over the quarter was due predominantly to positive commentary from some of the industry's leading companies, which noted the continued strength in demand from artificial intelligence, alongside a rising expectation that the industry may have reached the bottom of the cycle and a 'boom' period is now on the horizon. TSMC forecast revenues to be up by 25% over 2024, with strong demand for AI chips, but also as demand for PCs and iPhones picks up. Arm's shares jumped nearly 50% following its earnings release, with Q4 revenues up 14% year-on-year thanks to surging demand for AI applications. Semiconductor equipment manufacturer ASML reported record Q4 orders, highlighting increasing demand from chip manufacturers for advanced lithography machines.

**The Fund's overweight position to the industry is a function of our bottom-up process.** Whilst we are certainly bullish on the long-term outlook of the semiconductor industry and note its exposure to many secular growth themes, our overweight position is a result of our investment process – focusing on bottom-up stock selection rather than attempting to make top-down macro calls. Our bottom-up approach has four key tenets: Growth, Quality, Valuation and Conviction.

- **Growth** drives long-term returns. We focus on companies with exposure to long-term secular growth themes, that are expected to grow faster than the market over time, and which may offer more predictable, sustainable growth.

- **Quality** protects against downside risks. We focus on high and consistent return on capital, balance sheet strength, and sustainable competitive advantages. Valuation is important; we aim to avoid overpaying for (uncertain) future growth.

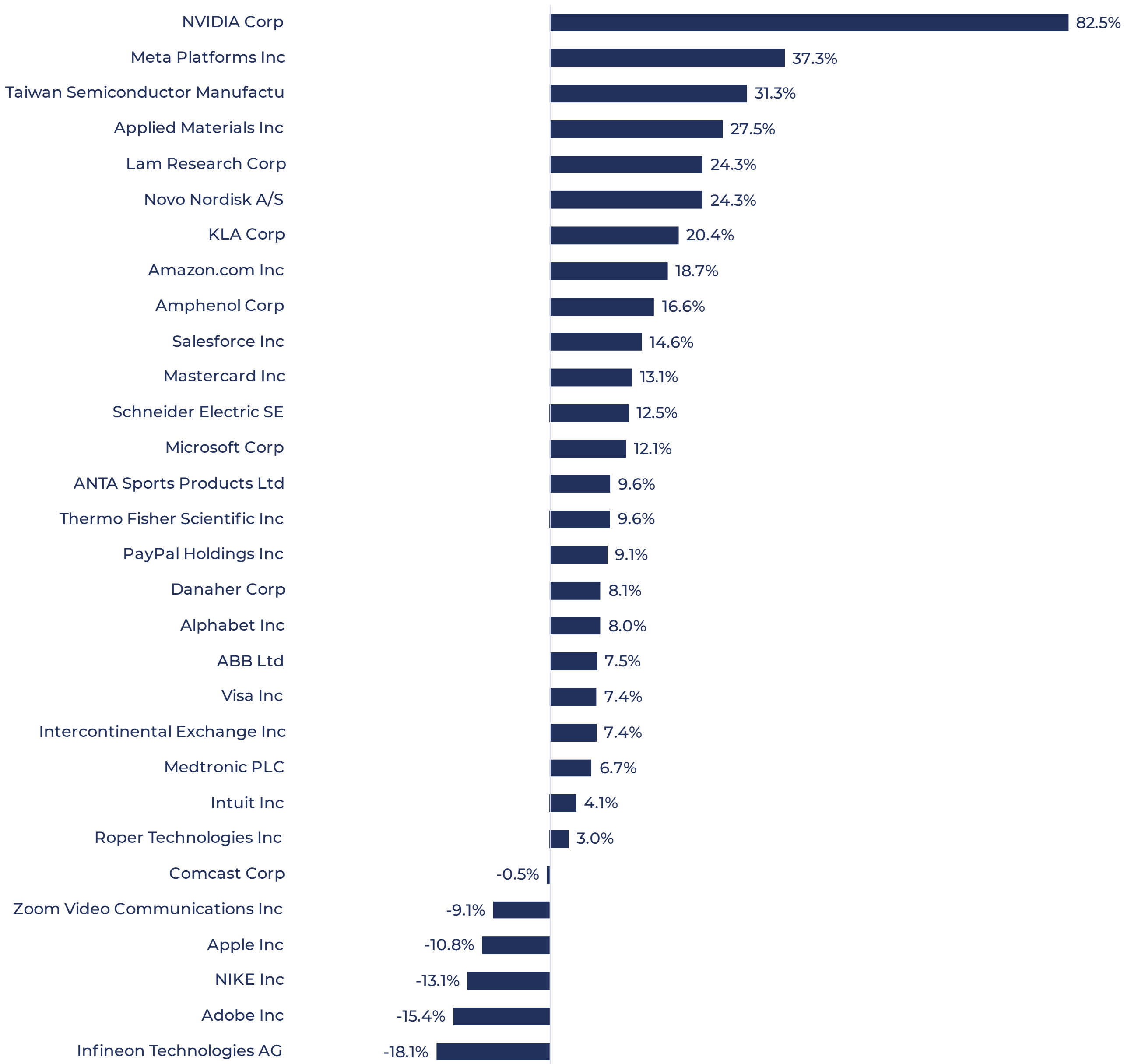
- **Valuation** is important – we will not overpay for future growth.

- **Conviction** is reflected in our high active share, 30-stock, equal-target-weight portfolio, and long-term, low-turnover approach.

Our recent Insight, *Opportunities in Semiconductors* – available on our website – explores our thinking on the semiconductor industry with detail on the tenets above and why we believe it is an attractive area for the Fund to be positioned.

## INDIVIDUAL STOCK PERFORMANCE

The chart below shows the portfolio constituents' returns over Q1 2024 in USD.




*Source: Guinness Global Investors, Bloomberg, as of 31st March 2024*

**Nvidia (+82.5% USD) became the fourth company to reach a $2tn market capitalisation during the quarter, less than a year after reaching the $1tn milestone, with the stock up +519% since the end of 2022.** A blowout Q4 earnings release (+16% share price movement on the day of results) injected fresh impetus into the stock, with revenues up +265% year-on-year (+8% ahead of analyst expectations). The firm also offered strong guidance of $24bn for the next quarter, $2bn ahead of analyst expectations. The chip designer's unique position (c.95% share) in supplying graphics processing units (GPUs) – chips that can handle the computing power required for generative AI purposes – continues to be the core driver of growth, with the firm's Datacentre segment now five times larger than the same time last year. Management continue to see a strong growth trend for Datacentre over the medium term, given the sheer demand for accelerated compute and generative AI.

Not only do management expect widespread penetration of their advanced chips in upgrades to the $1 trillion-worth of existing datacentre infrastructure, but an additional $1 trillion-worth of infrastructure to come online in the next five years – of which Nvidia is likely to take significant share. In March, the firm announced its latest GPU chip range, Blackwell, with the range including the GB200 'superchip' which combines two new Blackwell GPUs with the existing Grace model GPU. Compared to the previous iteration (the H100), which fuelled Nvidia's extreme revenue growth over the past year, the chip is twice as powerful for training AI models and has five times the capability when it comes to "inference" (the speed at which AI models respond to queries). We expect this chip to extend the firm's technological advantage over peers with respect to AI GPUs even further, helping it protect its leading market share and benefit from the significant growth opportunity outlined above. Despite the extreme share price movements seen by the firm over the past 12-14 months, its valuation remains reasonable in our view, with a 1-year forward P/E relatively in line with the firm's long-run average (35x vs 10-year average 32.5x). We believe this is a reasonable price to pay for a company with a unique, defensible market leading position, its track record as an innovator and its exposure to numerous long-term secular growth themes, paired with high-quality fundamental characteristics.

**Meta (+37.3% USD) ended the quarter as the Fund's second top performer, boosted by a Q4 earnings release that saw the stock bounce 20% on the day.** Quarterly revenues reached all-time highs, +25% year-over-year and +17% higher than their previous peak, further demonstrating a remarkable turnaround from just a few years ago, when revenue growth was stagnating and the outlook was somewhat unclear. Strength in the core advertising business (98% of sales) was driven by a rebounding online ad market, as concerns over recession appear to fade. Average Revenue per User, a key driver and opportunity for long-term growth for Meta, was a particularly bright spot in the earnings release, reaching $13.12 in the final quarter of last year – $1.55 higher than the previous peak (4Q21) and an acceleration in growth from prior quarters. Part of this acceleration has come from the introduction and continued success in monetisation of its short-format video content platform, Reels. Since reaching revenue neutrality last quarter, Reels continues to drive engagement, with re-shares reaching 3.5bn per day and daily watch time across all video types growing over +25% year-on-year in Q4. While still monetising at less than half that of the core platform, this gap is forecast to close over the next two years, with Reels set to drive 60-70% of Meta's revenue growth over this period. Key to the strong market reaction was the announcement of a $0.50 dividend, which at a yield of c.0.4% is not significant from a total return perspective but constitutes the firm's strongest signal to the market yet that management are committed to managing capital allocation more astutely – one of the key concerns over Meta over 2022 and early in 2023. It is now a year since the firm shifted its focus towards its cost structure, and over that period Meta has not only driven revenues to all-time highs, but allowed margins to return to historic levels after a period of high spend on large-scale growth projects. Meta's fundamental characteristics are looking stronger than ever, and we continue to see a pathway of long-term growth for the firm supported by structural tailwinds.

**Infineon (-18.1% USD) ended the quarter as the fund's bottom performer, a result of weaker first quarter earnings, guidance revisions and concerns over Chinese semiconductor onshoring efforts.** Infineon's first-quarter results missed revenue expectations by 3%, with the company feeling the repercussions of a chip inventory correction. Still, the bottom line came in slightly ahead of expectations (adjusted EPS €0.53 vs €0.49 expected), and the firm's key Autos segment (56% of sales) held up well (+11% year-on-year). Full-year guidance was revised down from €17 billion to €16 billion, roughly half of which was as a result of currency movements, with the rest stemming from short-term end-market cyclicality. Weaker performance over the quarter was also partly driven by further reports of Chinese semiconductor onshoring efforts, with news that the Chinese government had quietly urged domestic EV companies to increase purchases from local auto chipmakers to reduce dependence on Western imports and support China's domestic semiconductor industry. In response, shares in Infineon (which generates c.37% of sales in China) slid 4.8% on the day, alongside those of other Western chipmakers such as On Semi. While this is a risk for the business, Infineon's silicon carbide (SiC) and gallium nitride (GaN) power chips are widely regarded as technologically superior, with domestic Chinese players not expected to match Infineon's chip quality within the next 3-5 years. This technological edge is therefore likely to support the firm's market share in the region over the medium term. The fact that these chips are not at the leading edge should mean the firm is less likely to be the focus of stringent regulation. Furthermore, we are reassured to see Infineon's efforts to diversify its Chinese business away from the autos end market. In January, Infineon announced a new partnership with Chinese company Sinexce, a global leader in core power equipment and solutions, with Infineon providing power semiconductor devices to improve the efficiency of energy storage systems. Whilst we recognise the short-term weakness in Infineon's end markets may create some volatility in the stock, we believe the long-term outlook for Infineon remains robust.

The fastest growing semiconductor end market, autos, is Infineon's largest exposure. Increasing chip content per vehicle (from around $600 in 2023 to $2000 in 2030) is driven by subthemes of digitalisation, electrification and autonomous driving. In addition, Infineon's market-leading power chip portfolio is a key beneficiary of the green energy transition. Power chips are critical across the renewable energy value chain, and global renewable energy capacity is expected to double between 2022-2027, with solar (capacity growing 2.5x) and onshore wind (1.6x) the key drivers. New market opportunities (e.g. renewable energy, power infrastructure, EV charging) are expected to grow 20% a year over the same period, and the end-market for SiC and GaN are expected to grow rapidly over the rest of the decade. Overall, Infineon holds a peer-leading growth profile, strong competitive positioning and demonstrable quality attributes which will act to support its long-term growth potential.

**Adobe (15.4% USD), the design and creative software company, had a difficult first quarter (-15.4% USD) following a combination of competitive threats and weaker earnings guidance.** Early in the quarter, concerns emerged over Adobe's Creative Cloud business following Open AI's release of Sora – an AI tool that generates video from natural language – with fears that the technology could pose a threat to Adobe's existing professional video editing tools. These concerns were exacerbated further during the firm's Q1 earnings release as management failed to communicate effectively whether they were reaffirming guidance for the full year 2024, resulting in a c.14% stock slide over the day. Whilst we recognise the risks posed by Sora, we feel that the negative market reaction was overdone. Adobe has responded well to similar threats in the past, such as with Dall-E, Open AI's photo generation platform which generates realistic images from natural language. Concerns that this would disrupt Adobe's products such as Photoshop were not realised, as Adobe responded by releasing its own version, 'Firefly', which it embedded into its own creative suite, thus retaining its loyal customer base. Whilst Sora undoubtedly remains a competitive threat to elements of Adobe's business, in particular low-end content creation, Adobe retains a material competitive advantage: its vast distribution network, existing customer relationships and brand reputation as the benchmark for editing tools. In our view, professional video editors are unlikely to shift from the best-in-class, highly flexible, specialised and integrated suite of Adobe products with which they have years of experience – especially if Sora is unable to offer the same level of customisation. We expect a level of volatility in the next few quarters due to the uncertainty in the short-term outlook, but Adobe's innovative track record and sustainable competitive advantages are likely, in our view, to allow it to overcome the threat of products such as Sora, and the quality of the business will allow it to continue investing in the next generation of editing tools. Adobe's high recurring revenues (subscriptions represent over 90% of sales), peer-leading margins and high cash generation highlight its quality, and its strong brand equity stemming from being the *de facto* standard in content creation software (Photoshop) and PDF editing can be leveraged as the firm expands its digital offerings into new markets and categories. Adobe, in our view, is taking the right steps towards diversifying its revenue stream towards growth areas, alongside growing both average revenue per user and the quality of the revenue stream.

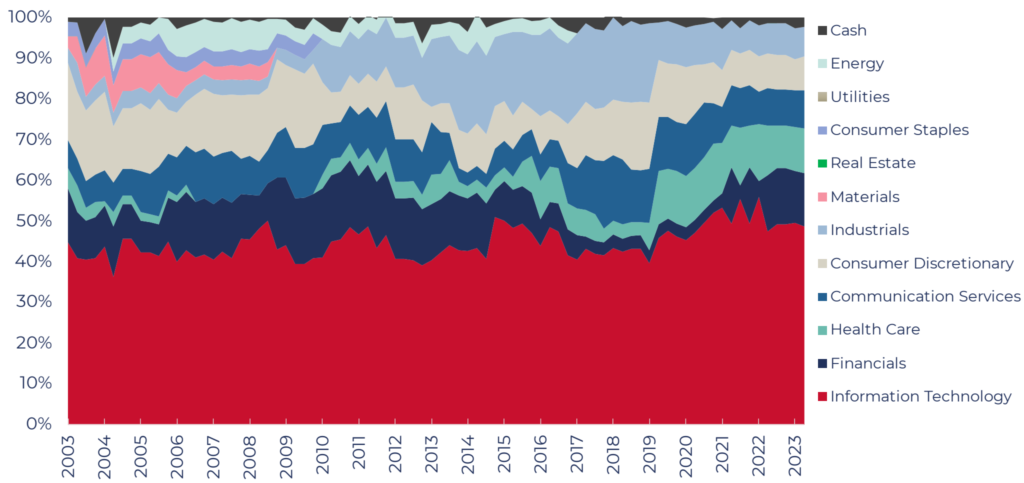
## CHANGES TO THE PORTFOLIO

We made no changes to the portfolio over the quarter.

## PORTFOLIO CHARACTERISTICS

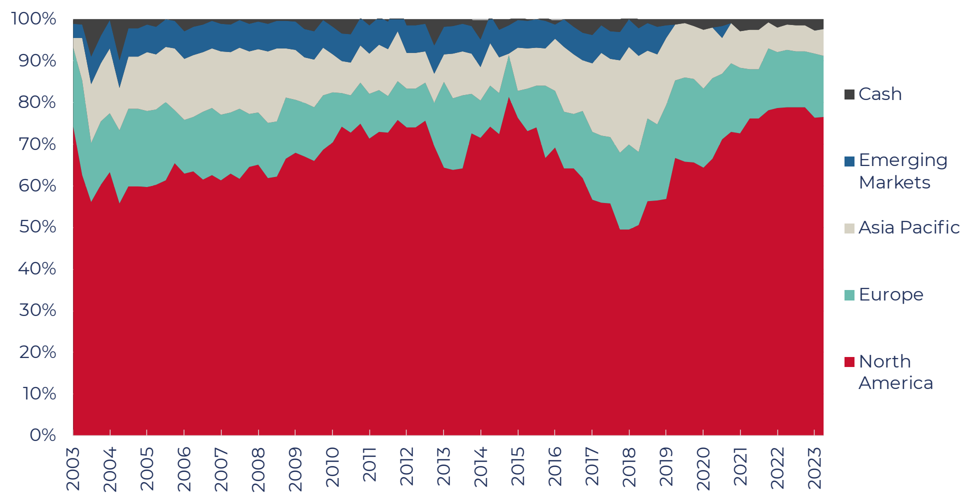
The two charts below show how the exposure of the portfolio has evolved since we launched the strategy in 2003. We continue to hold no exposure to Real Estate, Energy, Materials, Consumer Staples, and Utilities. Information Technology remains our largest exposure, split between the three sub-sectors of semiconductors, software and services, and technology hardware. On a regional basis, North America continues to be the largest exposure (77%), followed by Europe (15%) and Asia Pacific (6%).

### Portfolio sector breakdown since launch




*Source: Guinness Global Investors, Bloomberg (31st March 2024)*

### Portfolio geographic breakdown since launch

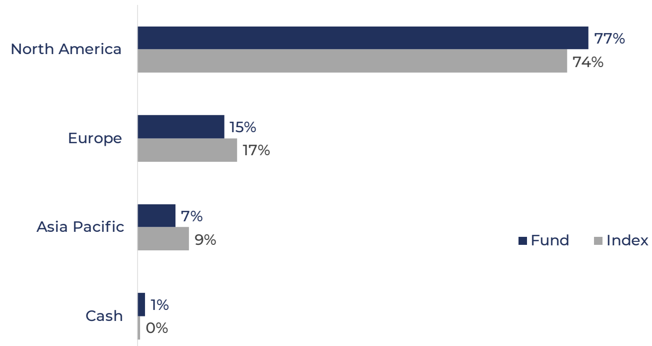



*Source: Guinness Global Investors, Bloomberg (31st March 2024)*

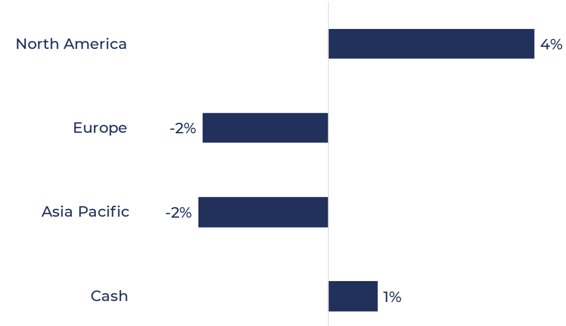
On a regional level, at the end of the quarter the Fund held a small overweight position position to North America, and small underweight positions to Europe and Asia Pacific, relative to the benchmark.

### Geographic breakdown versus MSCI World Index

Fund allocation vs MSCI World Index



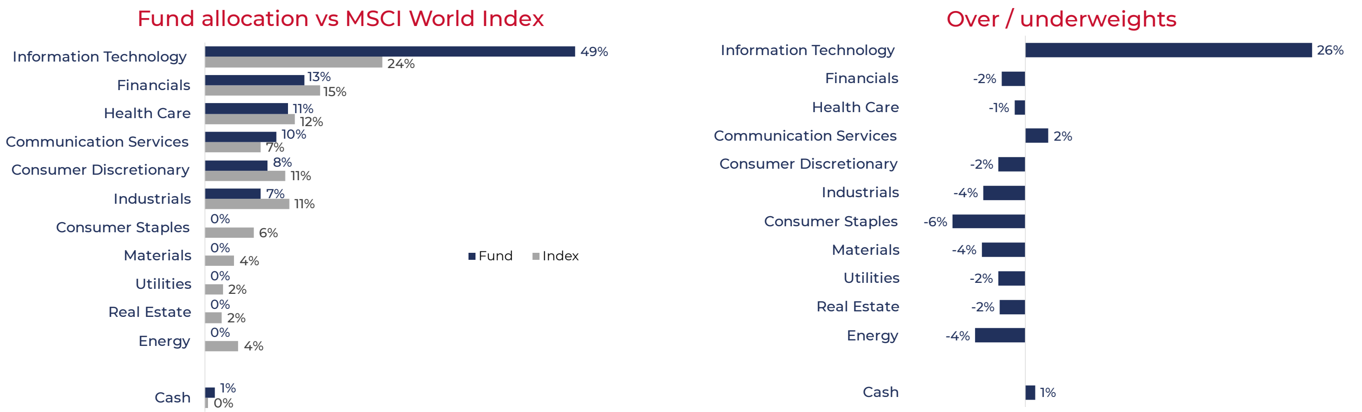

Over / underweights




*Source: Guinness Global Investors, Bloomberg (data as at 31st March 2024)*

On a sector level, the Fund continues to have a large overweight to IT (26%), while the Fund's 0% exposure to Real Estate, Energy, Materials, Consumer Staples, and Utilities leaves these areas underweight relative to the benchmark.

**Sector breakdown of the Fund versus MSCI World Index**




*Source: Guinness Global Investors, Bloomberg (data as at 31st March 2024)*

## OUTLOOK

The Guinness Global Innovators strategy seeks to invest in quality, innovative growth companies trading at reasonable valuations. By doing so, we seek to invest in companies that are experiencing faster profit growth, larger margins and less susceptibility to cyclical pressures. In particular, our focus on quality growth-at-a-reasonable-price has shown its strength in avoiding the highly valued non-profitable tech businesses that have swung between large rises and falls, but ultimately underperformed significantly over the last two years.

The table below illustrates how the portfolio reflects the four key tenets of our approach of growth, quality, valuation, and conviction.

- **Growth** drives long-term returns. We focus on companies with exposure to long-term secular growth themes, that are expected to grow faster than the market over time, and which may offer more predictable, sustainable growth.

- **Quality** protects against downside risks. We focus on high and consistent return on capital, balance sheet strength, and sustainable competitive advantages.

- **Valuation** is important – we aim to avoid overpaying for (inherently uncertain) future growth.

- **Conviction** is reflected in our high active share, 30-stock, equal-target-weight portfolio and out long-term, low-turnover approach.

The portfolio has superior characteristics to the broad market; higher sales and earnings growth, superior return on capital, and greater balance sheet strength, with higher historic growth. It currently trades at a 27.9% premium to the MSCI World Index on a 1 year forward price/earnings (P/E) basis, but with a PEG (P/E-to-growth) ratio of 1.09 compared to the benchmark 1.70. The portfolio trades at a discount of 11.4% compared to the MSCI World Growth Index (P/E (2024e) 28.0x).

**Portfolio metrics versus MSCI World Index**

| | | Fund | MSCI World Index |
|---|---|---|---|
| **Growth** | Trailing 5-year sales growth (annualised) | 14.1% | 3.1% |
| | Estimated earnings growth (12M forward) | 22.8% | 11.4% |
| **Quality** | Return-on-Capital | 21.5% | 8.5% |
| | Median net debt / equity | 3.9% | 36.9% |
| **Valuation** | PE (2024e) | 24.8x | 19.4x |
| | PE (2025e) | 21.6x | 17.5x |
| **Conviction** | Number of stocks | 30 | 1480 |
| | Active share | 79% | - |

*Source: Guinness Global Investors, Bloomberg, as of 31st March 2024*

The macroeconomic outlook has certainly improved today. The risks of a 'hard landing' or significant recessionary downturn appear to have abated, and the secular support of AI and its impact on productivity across many areas give cause for optimism. However, the paths of inflation, central bank policy and geopolitical events remain uncertain. We are confident that the Fund's focus on high-quality growth stocks, underpinned by structural changes stands us in good stead. Our bottom-up approach helps to identify these quality growth companies but avoid over-paying for them – particularly important in the context of a market where valuation is front of mind. In addition, our equal weighting approach limits over-reliance on any single company. We continue to focus on these key tenets in the Fund and remain confident of this process over the long term.

We look forward to updating you on the progress of the Fund over the remainder of 2024 and thank you for your continued support.

**Portfolio Managers**
Matthew Page
Ian Mortimer

**Investment Analysts**
Sagar Thanki
Joseph Stephens
William van der Weyden
Jack Drew
Loshini Subendran

## GUINNESS GLOBAL INNOVATORS FUND - FUND FACTS

| | |
|---|---|
| Fund size | $1024.8m |
| Fund launch | 31.10.2014 |
| OCF | 0.83% |
| Benchmark | MSCI World TR |

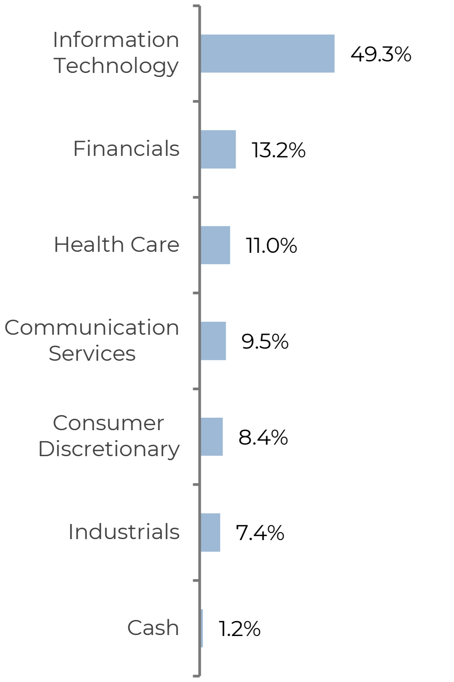
## GUINNESS GLOBAL INNOVATORS FUND - PORTFOLIO

### Top 10 holdings

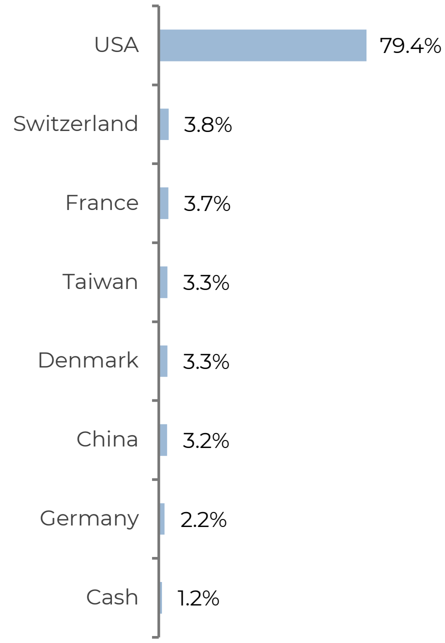
| | |
|---|---|
| Nvidia Corp | 4.7% |
| Lam Research | 4.5% |
| Meta Platforms | 4.4% |
| KLA-Tencor | 4.3% |
| Applied Materials | 4.2% |
| Amphenol Corp | 4.2% |
| Microsoft | 4.0% |
| salesforce.com | 4.0% |
| ABB | 3.8% |
| Intuit Inc | 3.7% |

| | |
|---|---|
| Top 10 holdings | 41.8% |
| Number of holdings | 30 |

### Sector




### Country



Past performance does not predict future returns.

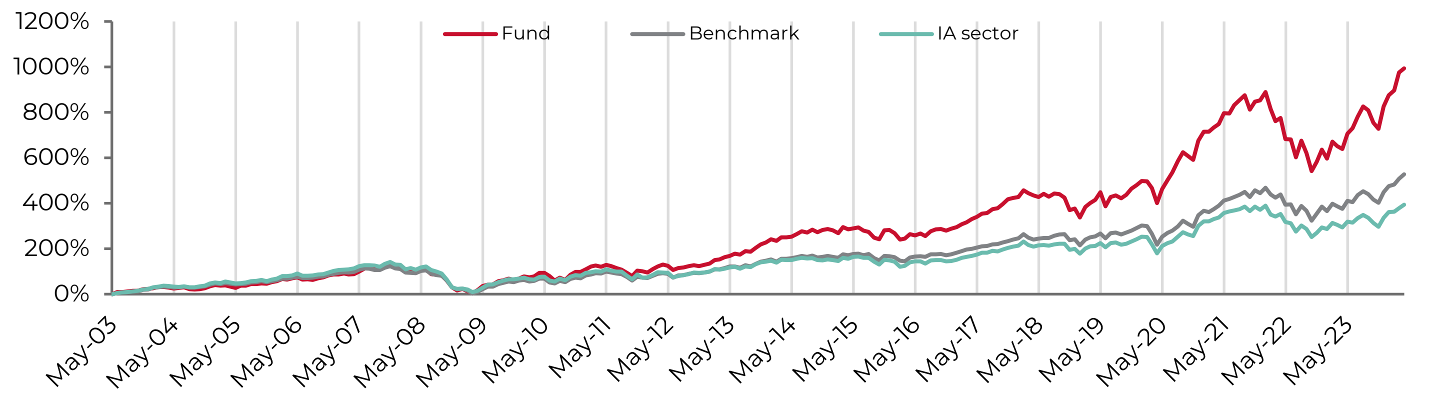
## GUINNESS GLOBAL INNOVATORS FUND - CUMULATIVE PERFORMANCE

| (GBP) | 1 Month | YTD | 1 yr | 3 yr | 5 yr | 10 yr |
|---|---|---|---|---|---|---|
| Fund | +1.8% | +13.2% | +32.6% | +40.7% | +118.9% | +310.8% |
| MSCI World TR | +3.4% | +9.9% | +22.5% | +39.9% | +82.4% | +223.9% |
| IA Global TR | +3.2% | +7.8% | +16.7% | +23.2% | +62.7% | +160.7% |
| **(USD)** | **1 Month** | **YTD** | **1 yr** | **3 yr** | **5 yr** | **10 yr** |
| Fund | +1.7% | +12.2% | +35.4% | +28.8% | +112.2% | +212.1% |
| MSCI World TR | +3.2% | +8.9% | +25.1% | +28.1% | +76.8% | +145.4% |
| IA Global TR | +3.1% | +6.8% | +19.3% | +12.8% | +57.7% | +97.6% |
| **(EUR)** | **1 Month** | **YTD** | **1 yr** | **3 yr** | **5 yr** | **10 yr** |
| Fund | +1.9% | +14.8% | +36.2% | +40.2% | +120.6% | +296.7% |
| MSCI World TR | +3.4% | +11.4% | +25.9% | +39.4% | +83.8% | +213.2% |
| IA Global TR | +3.3% | +9.3% | +20.0% | +22.7% | +64.0% | +152.1% |

## GUINNESS GLOBAL INNOVATORS FUND - ANNUAL PERFORMANCE

| (GBP) | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fund | +32.1% | -20.7% | +22.6% | +32.1% | +31.3% | -11.9% | +22.0% | +27.7% | +2.0% | +18.9% |
| MSCI World TR | +16.8% | -7.8% | +22.9% | +12.3% | +22.7% | -3.0% | +11.8% | +28.2% | +4.9% | +11.5% |
| IA Global TR | +12.7% | -11.1% | +17.7% | +15.3% | +21.9% | -5.7% | +14.0% | +23.3% | +2.8% | +7.1% |
| **(USD)** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| Fund | +40.0% | -29.6% | +21.5% | +36.3% | +36.6% | -17.0% | +33.6% | +7.2% | -3.5% | +11.9% |
| MSCI World TR | +23.8% | -18.1% | +21.8% | +15.9% | +27.7% | -8.7% | +22.4% | +7.5% | -0.9% | +4.9% |
| IA Global TR | +19.4% | -21.0% | +16.6% | +18.9% | +26.8% | -11.2% | +24.8% | +3.4% | -2.9% | +0.8% |
| **(EUR)** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| Fund | +35.2% | -25.0% | +30.7% | +25.0% | +39.1% | -12.9% | +17.3% | +10.2% | +7.3% | +27.4% |
| MSCI World TR | +19.6% | -12.8% | +31.1% | +6.3% | +30.0% | -4.1% | +7.5% | +10.7% | +10.4% | +19.5% |
| IA Global TR | +15.4% | -15.8% | +25.5% | +9.1% | +29.2% | -6.8% | +9.6% | +6.5% | +8.2% | +14.8% |

## GUINNESS GLOBAL INNOVATORS FUND - PERFORMANCE SINCE LAUNCH (USD)




Simulated past performance prior to the launch of the Guinness Global Innovators Fund (31.10.14) reflecting a US mutual fund which has the same investment process since the strategy's launch on 01.05.03.
Source: FE fundinfo to 31.03.24. 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 0.83%. 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. Graph data is in USD from 01.05.03.

## WS GUINNESS GLOBAL INNOVATORS FUND - FUND FACTS

| | |
|---|---|
| Fund size | £14.2m |
| Fund launch | 30.12.2022 |
| OCF | 0.79% |
| Benchmark | MSCI World TR |

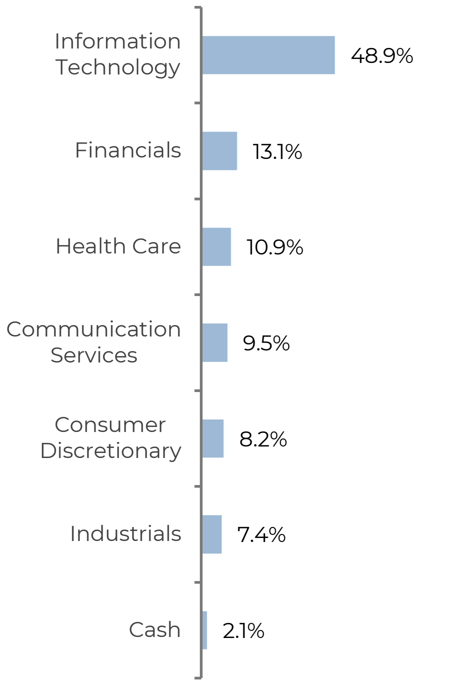
## WS GUINNESS GLOBAL INNOVATORS FUND - PORTFOLIO

### Top 10 holdings

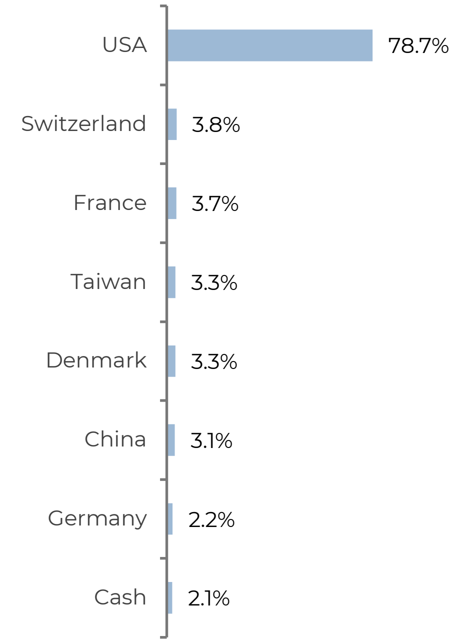
| | |
|---|---|
| Nvidia Corp | 4.7% |
| Meta Platforms Inc | 4.4% |
| Lam Research | 4.4% |
| KLA-Tencor | 4.3% |
| Applied Materials | 4.3% |
| Amphenol Corp | 4.2% |
| Microsoft | 4.0% |
| salesforce.com | 3.9% |
| ABB | 3.8% |
| Intuit Inc | 3.7% |

| | |
|---|---|
| Top 10 holdings | 41.5% |
| Number of holdings | 30 |

### Sector




### Country



Past performance does not predict future returns.

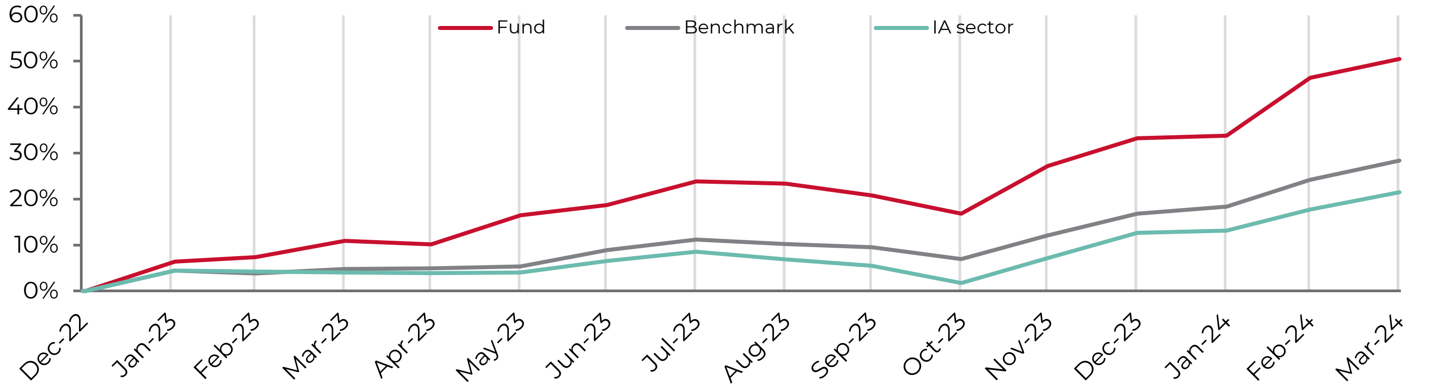
## WS GUINNESS GLOBAL INNOVATORS FUND - CUMULATIVE PERFORMANCE

| (GBP) | 1 Month | YTD | 1 yr | 3 yr | 5 yr | 10 yr |
|---|---|---|---|---|---|---|
| Fund | +2.8% | +12.9% | +35.7% | - | - | - |
| MSCI World TR | +3.4% | +9.9% | +22.5% | - | - | - |
| IA Global TR | +3.2% | +7.8% | +16.7% | - | - | - |

## WS GUINNESS GLOBAL INNOVATORS FUND - ANNUAL PERFORMANCE

| (GBP) | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fund | +33.3% | - | - | - | - | - | - | - | - | - |
| MSCI World TR | +16.8% | - | - | - | - | - | - | - | - | - |
| IA Global TR | +12.7% | - | - | - | - | - | - | - | - | - |

## WS GUINNESS GLOBAL INNOVATORS FUND - PERFORMANCE SINCE LAUNCH (GBP)




Source: FE fundinfo to 31.03.24. 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 0.79%. 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 Global Innovators Fund and the WS Guinness Global Innovators 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. OCFs for all share classes are available on www.guinnessgi.com.

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 GLOBAL INNOVATORS 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 or free of charge from:

- the Manager: Waystone Management Company (IE) Limited (Waystone IE) 2nd Floor 35 Shelbourne Road, Ballsbridge, Dublin D04 A4E0, Ireland or the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

Waystone IE is a company incorporated under the laws of Ireland having its registered office at 35 Shelbourne Rd, Ballsbridge, Dublin, D04 A4E0 Ireland, which is authorised by the Central Bank of Ireland, has appointed Guinness Asset Management Ltd as Investment Manager to this fund, and as Manager 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.

## WS GUINNESS GLOBAL INNOVATORS 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.fundsolutions.net/uk/guinness-global-investors/ or free of charge from:-

Waystone Management (UK) Limited
PO Box 389
Darlington
DL1 9UF
General Enquiries: 0345 922 0044
E-Mail: investorservices@linkgroup.co.uk

Waystone Management (UK) 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.

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### Structure & regulation

The Fund is a sub-fund of WS 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.