Guinness Global Innovators

Investment Commentary – August 2026

RISK

This is a marketing communication. Please refer to the Prospectus, Supplement, KID/KIIDs for the Funds (available on our website), which contain detailed information on their characteristics and objectives and full information on the risks, 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 movements, and you may not get back the amount originally invested.

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 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 that benefit 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.

CONTENTS

COMMENTARY

In July, the Guinness Global Innovators Fund produced a total return of -2.2% (in GBP) against the MSCI World Index net total return of -0.9% and the IA Global Sector average return of -1.2%. The Fund underperformed the benchmark by 1.4 percentage points and underperformed the IA Global Sector average by 1.1 percentage points.

July saw a renewed bout of volatility across both energy and equity markets. Brent crude briefly reached $106 per barrel as tensions around the Strait of Hormuz re-escalated, yet interest-rate expectations moved remarkably little as investors continued to view the shock as concentrated in energy rather than the start of a broader inflation cycle. Equity markets experienced a more dramatic reversal. After exceptional gains through the first half of the year, AI and semiconductor stocks sold off sharply as investors became more sensitive to the scale of hyperscaler capital expenditure and the returns required to justify it. Those concerns were heightened by rapidly falling compute and token costs, which raised fresh questions over the pace and economics of AI monetisation even as underlying demand remained strong. At the same time, heavy hedge-fund exposure, crowded momentum positioning and leverage across parts of the market amplified the correction as investors reduced exposure to some of the year's strongest-performing AI and semiconductor names.

In this commentary, we examine why higher oil prices have so far failed to materially alter the outlook for inflation and interest rates, and what the sharp correction in semiconductors tells us about positioning, valuations and the durability of the AI investment cycle. We also review the latest earnings season, in which several important themes are emerging: a shift from pricing to volume growth among consumer companies, continued strength in emerging markets, accelerating investment in power and data centre infrastructure, resilient fundamentals across parts of the software industry, and increasingly intense scrutiny of the returns being generated from AI-related capital expenditure.

Over the month of July, the Fund's relative performance can be attributed to the following:

- Information Technology was the benchmark's worst-performing sector (-4.1% in USD). While the Software industry group outperformed the benchmark and Hardware was in line, the MSCI World Semiconductor Index fell 13.2% in USD terms. As the Fund's largest overweight industry exposure, this acted as the largest detractor to relative Fund performance from an allocation perspective.

- Within the Semiconductor industry, the Fund also suffered a negative stock selection effect. Strong outperformance from our Semiconductor equipment manufacturers during the first half of the year meaningfully reversed over July, with Lam Research (-32.4% USD), Applied Materials (-29.8%) and KLA (-39.4%) the Fund's three bottom-performing stocks. Despite Nvidia's (0.3%) strong outperformance versus the industry, the stock's large relative weight in the Index (versus the Fund) also resulted in a meaningful negative allocation effect.

- The Fund's overweight position to the benchmark's top-performing industry, Software (+14.0%), provided a strong positive allocation effect. This was supported by positive stock selection effects, with Roper (+16.1%) and Salesforce (+17.5%) outperforming the industry. The Fund also benefited from owning Microsoft (+24.6%), the Fund's top-performing stock over the month, although an underweight relative to the benchmark delivered a negative stock selection effect.

- There were strong stock selection effects including financial services stocks Intercontinental Exchange (+23.9%) and Nasdaq (+19.5%), pharma holding Thermo Fisher (+14.6%), Tencent (+10.6%) and healthcare stock Medtronic (+9.2%). This more than offset the negative effects of stock selection within the Semiconductor industry.

It is pleasing to see the strategy in the top quartile of the IA Global Sector over 10-, 15-, and 20-year periods, as well as since the launch in 2003.

Past performance does not predict future returns.

Cumulative % total return in GBP to 31 July 2026	YTD	1 year	3 years	5 years	10 years	15 years*	20 years*	Launch*
Guinness Global Innovators	6.2	14.2	54.4	61.5	291.1	773.6	1165.8	1682.0
MSCI World	10.2	18.4	57.6	75.6	226.9	491.4	634.7	992.1
IA Global (average)	8.8	14.8	41.4	44.9	163.2	306.5	403.7	695.0
IA Global (ranking)	**	310/568	160/505	170/447	7/271	3/169	1/105	2/78
IA Global (quartile)	**	3	2	2	1	1	1	1

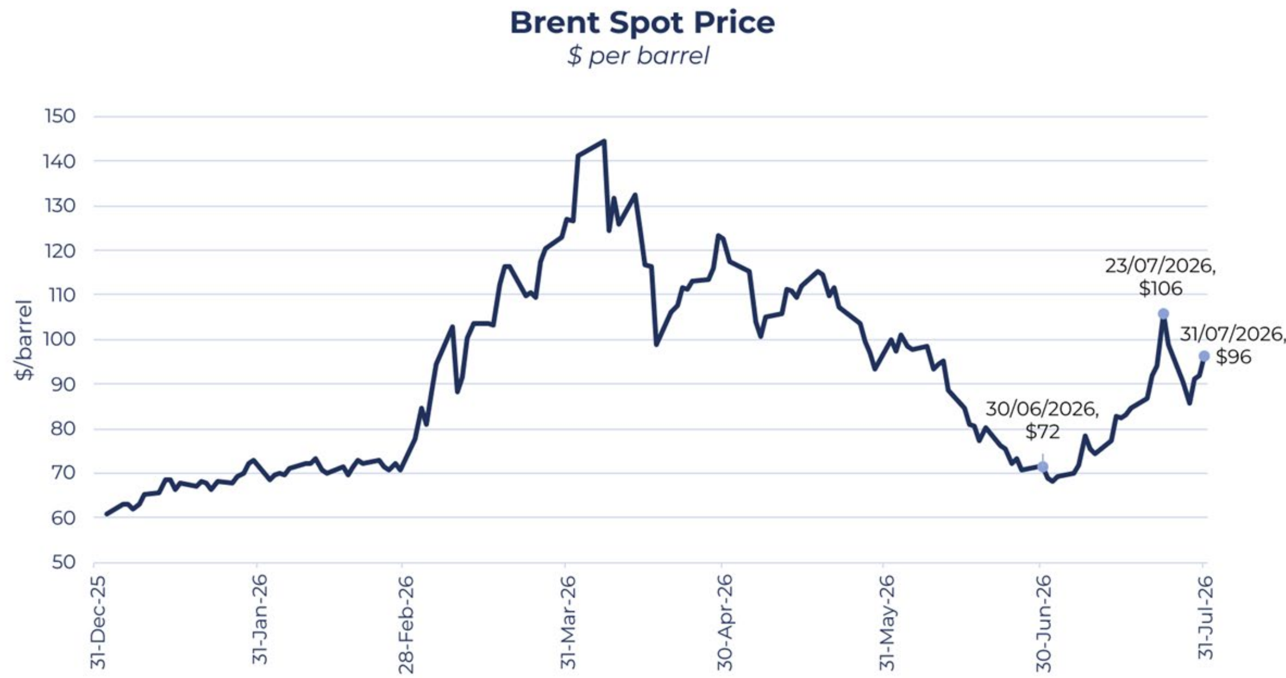
Source: FE fundinfo. Net of fees. Data as of 31 July 2026.
**Simulated past performance. Performance prior to the launch of the Guinness Global Innovators Fund (31.10.14) reflects the Guinness Atkinson Global Innovators Fund (IWIRX), a US mutual fund with the same investment process since 01/05/2003.*
***Ranking not shown in order to comply with European Securities and Markets Authority rules*

Full fund performance is shown at the end of the commentary.

MARKET COMMENTARY

Iran, Inflation & Interest Rate Expectations

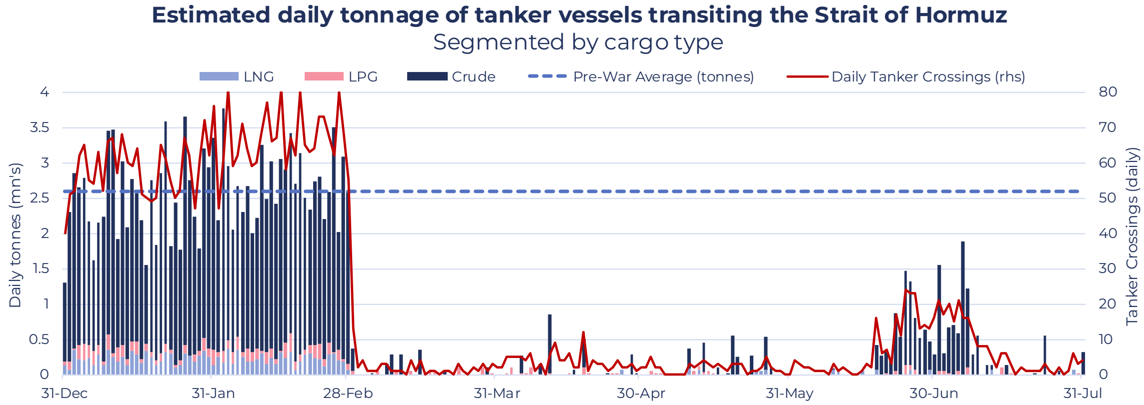
At the end of the second quarter, we highlighted that a de-escalation in the Iran war – formalised through a Memorandum of Understanding (MOU) between the United States and Iran – had allowed Brent crude oil to return to close to its pre-war level of about $72 per barrel. July subsequently brought a renewed cycle of escalation and de-escalation. Brent briefly reached $106 per barrel before retreating towards $96 by month-end.



Source: Guinness Global Investors, Bloomberg, 31st July 2026

Chris Giles of the *Financial Times* pointed out that energy markets appear to be in "some sort of bounded equilibrium". When energy prices rise, President Trump has shown a tendency to retreat – indicating a limit to his tolerance of pressures on fuel prices. Conversely, when prices are falling, Iran appears incentivised to reassert further influence and control over the Strait of Hormuz, prompting renewed hostilities and a rebound in energy prices. On this theory, we may have to expect elevated (although bounded) fuel prices for some time yet.

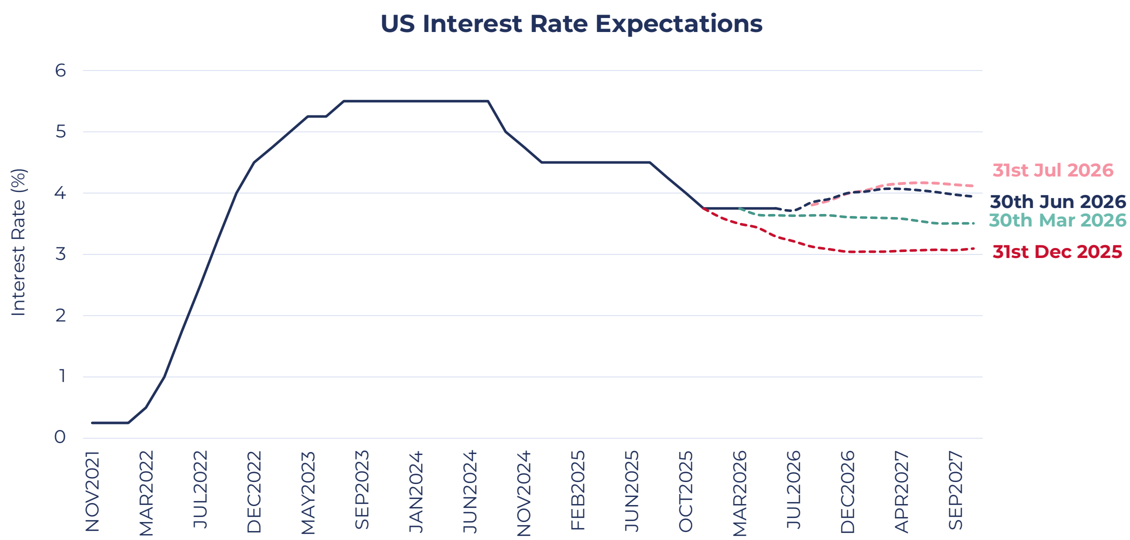
The chart below shows the daily tonnage (of crude oil, liquefied natural gas (LNG) and liquefied petroleum gas (LPG)) transiting the Strait of Hormuz and the number of tankers. An interesting observation is that despite the supply shock, which essentially disrupted 20% of the flow of global oil, spot prices were still able to come close to their pre-war level at the end of June, even whilst shipping remained significantly disrupted. Pre-war, the daily average tonnage of LNG, LPG and crude oil was just over 2.5m. A large percentage of this was able to return remarkably quickly following the MOU – approximately half of this level returned within a week. Nevertheless, the recovery remained uneven: crude flows returned more quickly than LNG and refined-product traffic, and overall vessel movements remained well below normal.



Source: Guinness Global Investors, Bloomberg, 31st July 2026

The important point is that oil prices fell much faster than physical shipping activity recovered. This suggests that the market increasingly viewed the disruption as a logistical constraint rather than an outright and permanent loss of supply. Inventories have been providing a temporary buffer, while higher US exports, weaker Chinese demand and the rerouting of some Gulf production reduced the number of barrels removed from the global market. Together, these factors are likely to have been a reassuring factor for markets – particularly when it comes to anchoring long-term inflation expectations.

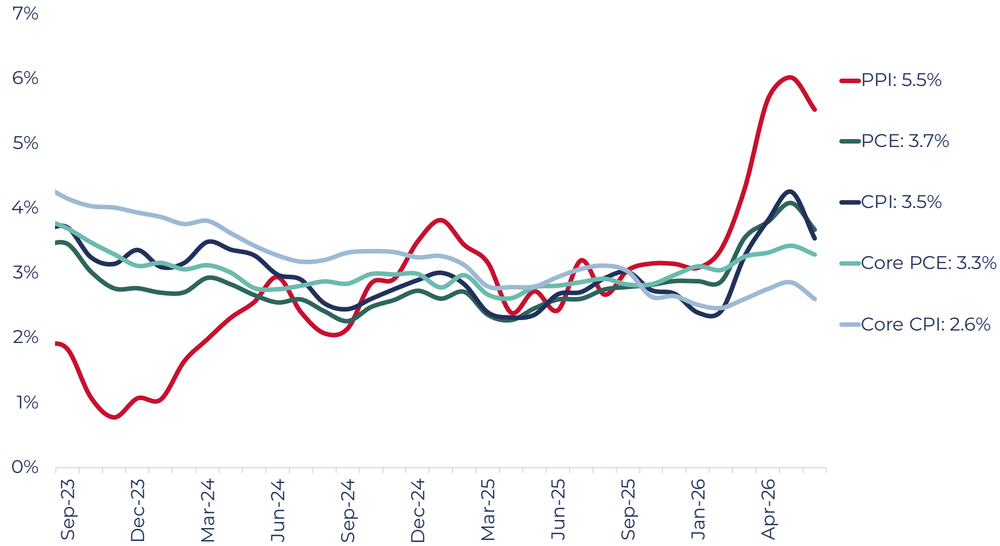
With Brent rising by 20-25% during July, it might have been reasonable to expect a meaningful repricing of interest-rate expectations, particularly alongside increasingly hawkish commentary from the Federal Reserve. However, this did not occur. Implied expectations moved relatively little over the month, with markets expecting rates to end the year at 4.0%. This would imply one rate hike of 0.25 percentage points from today's level.



Source: Guinness Global Investors, Bloomberg, 31st July 2026

Part of the explanation was June's inflation release. On most measures, US inflation appeared to have peaked in May, with the decline in energy prices during June producing meaningful disinflation. The headline consumer price index (CPI) fell by approximately 0.4% month-on-month, while core price measures were considerably more subdued.

US Inflation Measures

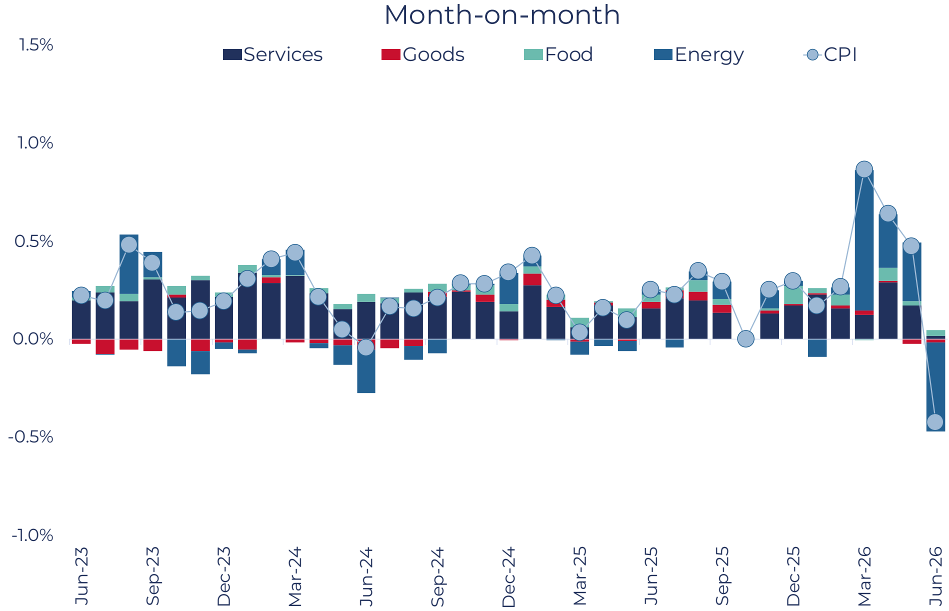


Source: Guinness Global Investors, Bureau of Labor Statistics, Bureau of Economic Analysis, 31st July 2026

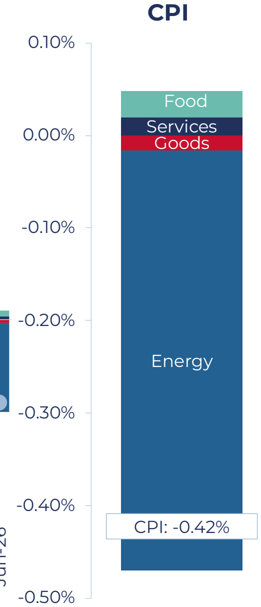
The Federal Reserve made clear that one favourable inflation release did not amount to "mission accomplished". Its communication remained focused on restoring price stability, and the July meeting appeared to mark the end of the previous easing bias. The message was that policy would remain restrictive until it had greater confidence that inflation was moving sustainably towards the target.

However, this hawkish shift was counterbalanced by the composition of the inflation data. Looking at the month-on-month figures, two observations stand out. First, energy has been the dominant source of recent headline inflation volatility. This matters because central banks generally look through the immediate or 'first-round' impact of an energy shock unless it begins to influence wages, service prices and inflation expectations. Second, and more importantly, there has so far been limited evidence of that second-round transmission. Energy inflation has not propagated meaningfully into goods, food or services. In June, core CPI was approximately flat on a month-on-month basis, while services inflation was at its weakest level since the pandemic.

Historical Contribution to Headline CPI
Month-on-month



Current Month Contribution to CPI



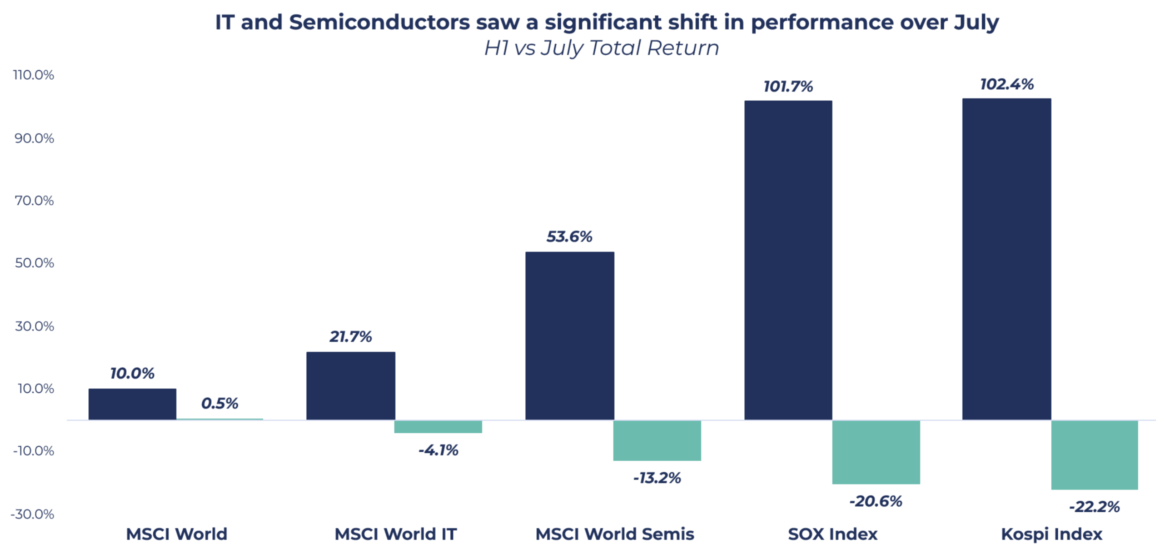
Source: Guinness Global Investors, Bureau of Labor Statistics, 31st July 2026

This helps explain why rate expectations remained comparatively stable. Investors appear to have concluded that the rise in oil prices represented a volatile supply shock rather than the beginning of another inflation cycle. Higher energy prices can weaken household purchasing power and economic activity, and therefore create a partially offsetting disinflationary effect elsewhere in the economy. For example, consumers may trade down to private-label products rather than continue to purchase premium brands. In other words, the shock raised near-term headline inflation but did not necessarily justify a materially higher path for interest rates.

The central question is whether elevated prices persist for long enough to affect wages, business pricing decisions and longer-term inflation expectations. To date, the evidence suggests that the shock has remained concentrated in energy. That has allowed markets to absorb both higher oil prices and a more hawkish Federal Reserve without substantially changing the expected path of interest rates.

A sharp correction in semiconductor stocks

July saw a sharp rotation away from some of the year's biggest winners: AI and semiconductor equities. Highlighted in the chart below, the contrast in equity performance between H1 2026 and July was stark. The SOX (a semiconductor index) rose 101.7% in H1, while MSCI World Semiconductors gained 53.6%, before falling 20.6% and 13.2% respectively in July. The rotation reflected three key pressures: rising scepticism over hyperscaler capital expenditure and the lack of clear returns on investment (ROI), extreme crowding in semiconductor positions, and a broader momentum unwind. Heavy hedge fund exposure made the trade particularly vulnerable, with losses and forced selling at funds such as Situational Awareness adding to deleveraging pressures. As sentiment weakened, investors quickly reduced exposure to the year's strongest AI and chip winners, with the KOSPI (the South Korean index) especially exposed through its concentration to memory names Samsung Electronics and SK Hynix.

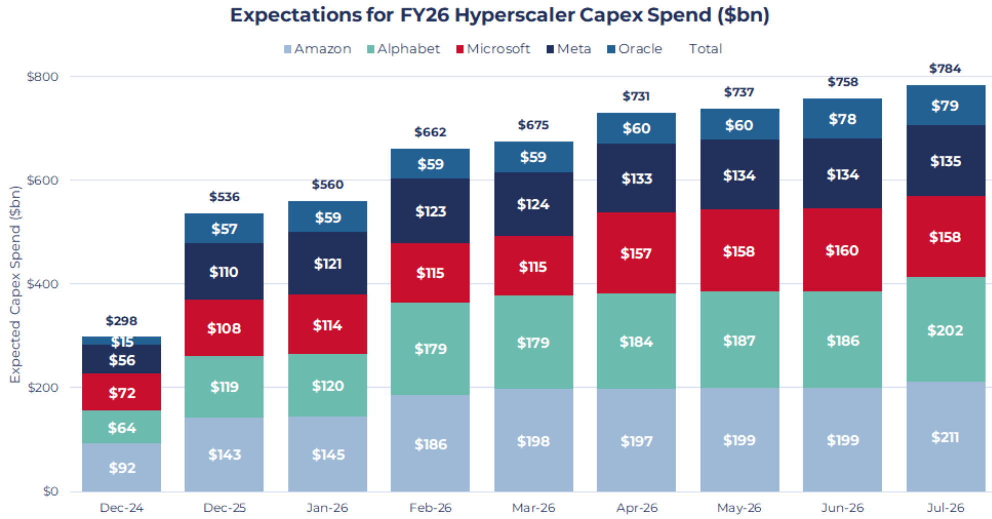


Source: MSCI, Bloomberg. Data in USD as of 31.07.2026

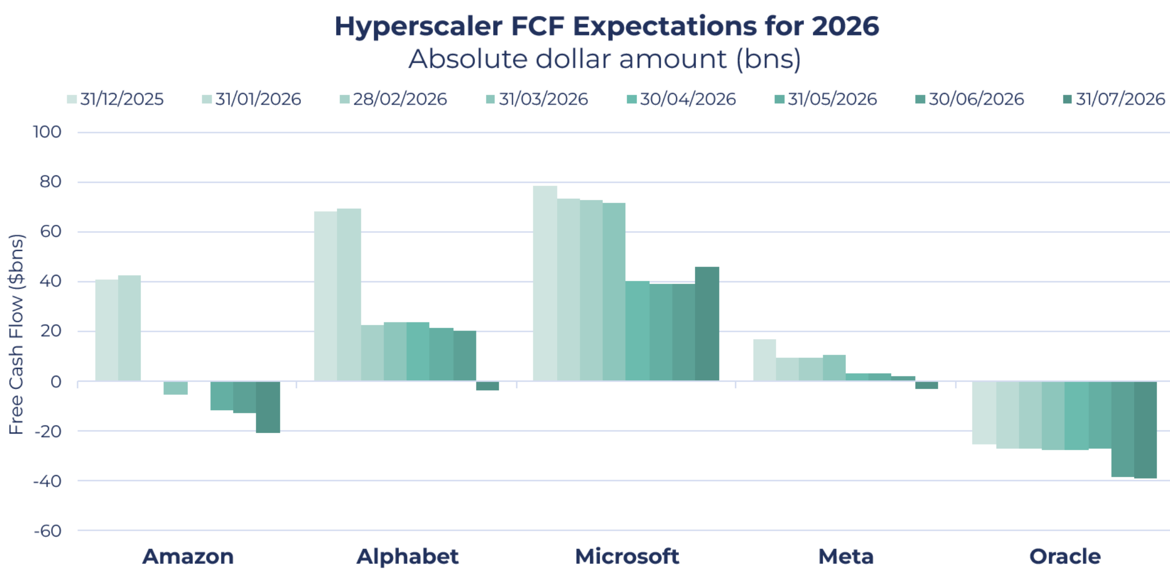
Fears of an overbuild

Much of the AI trade has rested on the continued build-out of AI datacentres and related spending by the major cloud hyperscalers. Historically, these businesses have been relatively capital-light, benefiting from recurring revenues, high margins and strong cash generation. The recent surge in infrastructure investment marks a shift in that model, materially increasing capital intensity and, arguably, changing the economics of the sector. As a result, investors are still looking for concrete signs that elevated capital expenditure will deliver sufficient long-term returns. Over July, these fears have only grown as hyperscaler capex expectations continued to move higher. Expected FY26 capex by Amazon, Alphabet, Microsoft, Meta and Oracle combined has risen from around $536bn in December to $784bn by July, an increase of almost 50% in just seven months. Over the same time frame, expectations for free cash flow (FCF) have fallen dramatically, with all but Microsoft expected to have negative absolute FCF over 2026. The latest earnings season strengthened those expectations as three of the four main hyperscalers raised capex guidance. Amazon lifted its 2026 capex outlook to roughly $210bn, Alphabet raised guidance to $195bn–$205bn, and Meta is moving toward the upper end of its $130bn–$145bn range.

Some enterprise customers are becoming more selective on AI deployment as token costs and ROI come under greater scrutiny. A token is a basic unit of text, roughly equal to three-quarters of a word, and is a billing unit for the consumption-based business models of AI providers. This matters directly for semiconductors because the current supercycle is predicated on hyperscalers continuing to demand ever-greater volumes of GPUs, High-Bandwidth Memory (HBM), networking equipment and data-centre components. If those investments fail to generate adequate returns, capex growth would eventually slow or be cut, weakening order growth across the semiconductor supply chain and undermining the growth embedded in current valuations. Against this backdrop, every additional capex increase raises the hurdle, helping explain July's sharp repricing of semiconductor and AI-exposed equities.



Source: Bloomberg. Data as of 31.07.2026



Source: Bloomberg. Data as of 31.07.2026

Cheaper compute

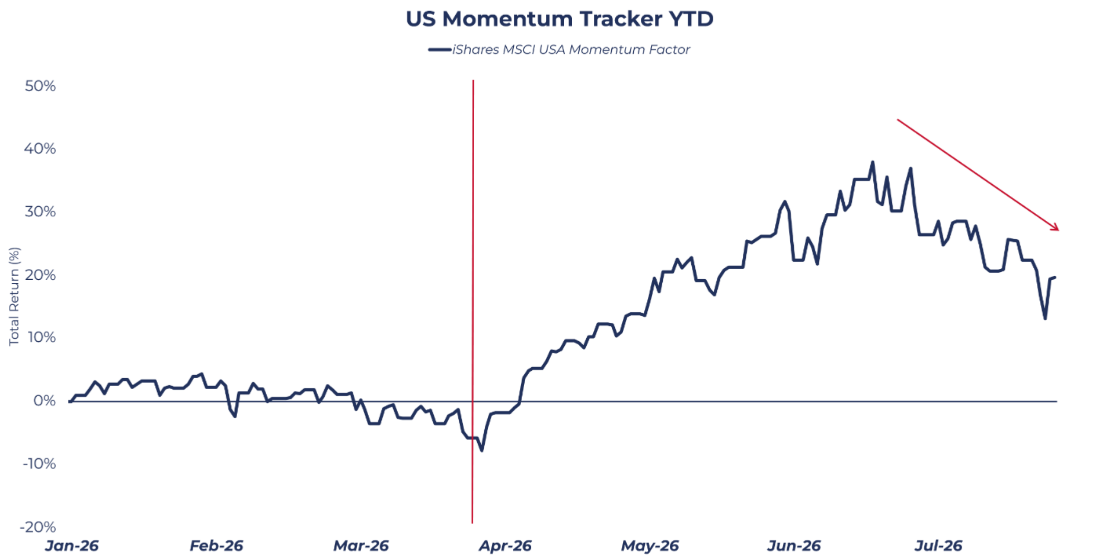
Over the last few months, large language model (LLM) token prices have fallen significantly. As the chart below shows, they almost halved from their May peak by July this year. For hyperscalers, this exacerbates concerns over the economics of rising investments in GPUs, data centres and power, as lower inference pricing compresses revenue per token and reduces pricing power. The broader concern is that model capability is becoming increasingly commoditised, supported by rapid efficiency gains, greater competition and cheaper compute. These fears were amplified by the release of China's Kimi K3, which prompted another 'DeepSeek moment' as investors questioned whether competitive frontier models, particularly in the US, could be developed with materially greater efficiency than previously assumed. Semiconductor stocks consequently sold off: Nvidia and AMD fell more than 5% around the initial reaction, while Asian chip names also came under pressure. Cloud companies, including Microsoft, Amazon and Alphabet, were also caught up as investors questioned whether falling AI prices would pressure returns on their huge capex programmes. That said, lower token prices are not necessarily a structural headwind. Cheaper intelligence can expand adoption, while increasingly agentic and reasoning-heavy workloads consume substantially more tokens per task, allowing volume growth to outpace falling prices.

Source: Bloomberg. Data as of 31.07.2026

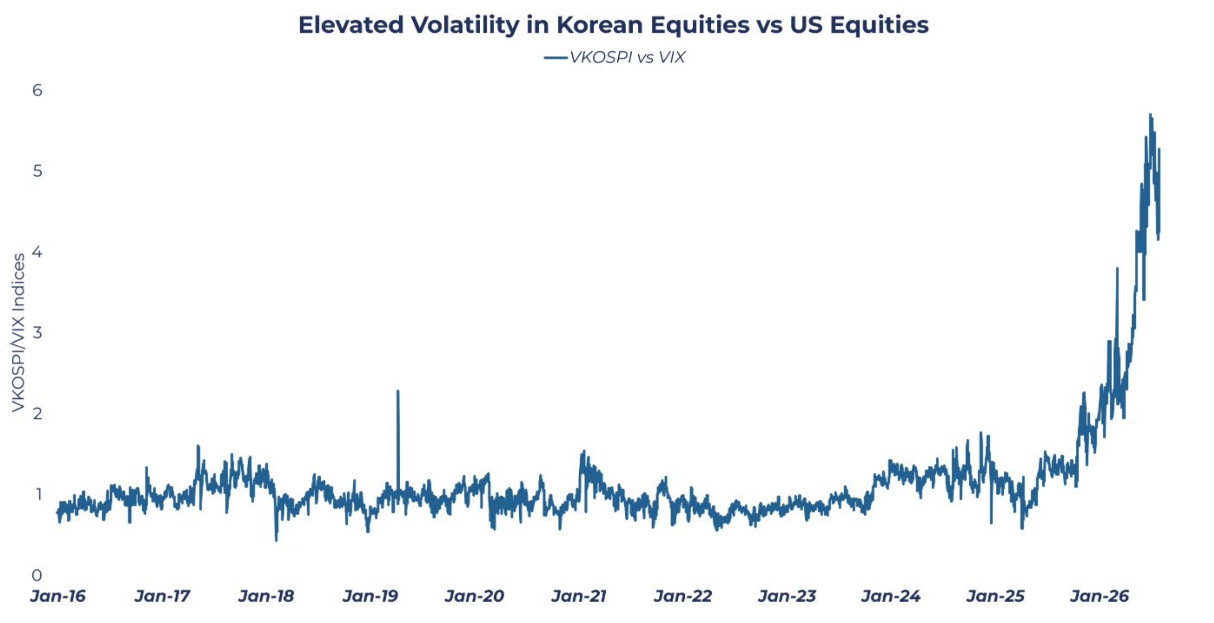
Momentum unwind and hedge fund positioning

The sell-off was worsened by hedge fund positioning in the sector, since some had spent much of the second quarter investing heavily in a narrow set of AI and semiconductor winners. As the tide turned and the semiconductor rally stalled, this proved fatal for many highly concentrated books. Notably, Situational Awareness, an AI-focused hedge fund which had highly leveraged positions in these stocks, all but collapsed during the month and was forced to liquidate billions of dollars in technology holdings after margin calls. The case highlighted the fragility created by leverage and concentrated positioning, with forced deleveraging likely exacerbating moves in weakened AI equities.

This broader rotation also reflected an unwind in the momentum trade that had built rapidly after the March lows following the Iran war shock. From late March until July, the momentum factor rose from roughly -8% to almost +40% (iShares MSCI USA Momentum) before giving back a meaningful portion of those gains in July. Retail investor participation has been an increasingly important feature of equity markets globally, but the trend has been particularly pronounced in South Korea, where individual investors have become a major source of market liquidity and increasingly use leveraged products to gain positions in large-cap technology stocks. This dynamic intensified after regulators approved 16 single-stock leveraged ETFs linked to Samsung Electronics and SK Hynix in late May, adding another layer of leverage to an already crowded AI and memory trade. The resulting amplification is evident in the VKOSPI/VIX ratio, which surged above 5x versus a long-run range closer to 1x, highlighting the exceptional rise in Korean equity volatility relative to the US.



Source: MSCI, iShares, Bloomberg. Data as of 31.07.2026



Source: Bloomberg. Data as of 31.07.2026

The VKOSPI/VIX ratio compares expected volatility in Korean equities (VKOSPI) with that in US equities (VIX); a rising line indicates Korean equity volatility increasing relative to US equity volatility.

THEMES FROM EARNINGS SEASON

Despite elevated expectations, markets delivered another strong earnings season. The S&P 500 experienced one of the broadest earnings beats in years as over 87% of companies beat consensus. Across sectors, we have identified 10 key themes which we believe characterise this season.

Theme 1: Consumer Staples companies are pivoting their focus away from price hikes and towards volumes

Consumer goods companies are increasingly shifting their focus towards driving volume-led growth. As post-pandemic inflation cools and consumer budgets have been tightening, some companies are experiencing the impact of volume elasticity and customer churn. Instead of pushing list prices higher, firms are pushing targeted promotions, packaging adjustments (such as smaller pack sizes), and direct price reductions to win back market share.

PepsiCo Executive Vice President & CFO, Stephen T. Schmitt: "*So if you step back, the company in the first half reported almost 7% revenue growth. And we've grown global volumes 3% in foods and 2% in beverages. That's the fastest growth in volume since 2022. Included in that is the volume growth in the U.S. foods business, which it was very strategic for us to get that category back to volume growth.*"

Theme 2: Emerging markets outperforming developed markets amid K-shaped consumer bifurcation

Distinct geographic and demographic divergence has materialised across consumer markets over Q2. Developed markets are underperforming as inflation-weary consumers reduce non-essential spending or trade down to extreme value and discount channels, particularly outside of higher-income brackets. This has created a 'K-shaped' environment, in which the demand within developed markets has moved in opposite directions, with higher-income demand remaining robust while the middle market is squeezed. This has left premium goods and private-label value offerings resilient. Emerging markets – particularly India, Brazil, and Mexico – have been showing robust growth.

Mondelez CEO, Dirk Van de Put: *"In North America... Growth remains K-shaped, with consumers gravitating toward both value formats and premium, better-for-you options."*

Unilever CFO, Srinivas Phatak: *"Emerging markets continued to be a strong growth engine with strong volume-led growth in the first half. In North America, we continued our volume outperformance while Europe was subdued."*

Theme 3: Increasing focus on margin protection measures across industries

Faced with input commodity volatility, shipping bottlenecks, and rising labour rates, companies are deploying productivity measures to shield their operating margins. Firms have been using various methods such as end-to-end automation, standardisation of workflows and structured cost-reduction programmes. These savings are actively being used to absorb input cost inflation.

Schneider Electric CFO, Nathan Fast: *"In gross margin, we see net positive outcome of 10 bps organic with strong productivity and acceleration in gross pricing on products, offset by inflationary cost, tariffs and mix. So for me, what is very, very important [is] that we continue to deliver very strong productivity, very strong industrial productivity... we are extremely pleased to report EUR535 million of industrial productivity in H1 2026."*

Theme 4: Grid transformation and data centre infrastructure demands

The rapid expansion of artificial intelligence has been placing significant pressure on global utility grids, driving strong demand for the equipment needed to support increasingly power-intensive data centres. This earnings season provided further evidence that this trend is not slowing, with industrial equipment manufacturers continuing to report strong order growth and healthy backlog growth across power distribution equipment, medium-voltage switchgear, liquid cooling systems and technologies that help stabilise the grid. These results reinforced the attractive growth outlook for power-focused industrial companies benefiting from the continued build-out of data centre infrastructure.

Eaton CEO, Paulo Ruiz: *"The total US data center backlog has grown to 307 gigawatts, or 15 years of backlog, at 2025 build rates, up from 12 years since our last update… a very nice tailwind for Eaton for years to come."*

Theme 5: Many firms caught up in the software sell-off are continuing to deliver solid fundamentals

Many software and technology companies that came under heavy pressure during the software sell-off are proving the resilience of their core businesses, delivering solid fundamentals and showing that generative AI acts as a secular tailwind rather than an existential disintermediation threat. Incumbents have been leveraging proprietary datasets, deep customer workflow integrations, and trusted infrastructure to build highly defensible moats. Instead of being replaced, they are embedding AI directly into their core applications to deliver immediate productivity benefits, turn AI into a commercial driver, and expand their total addressable markets into labour-saving offerings.

Arthur J Gallagher CEO, J Patrick Gallagher: *"For more than two decades, we've been improving productivity and quality by standardizing workflows, building our centers of excellence, and bringing more of our data together around the world. AI digitization and automation are simply the next tools in that effort… And the point is simple. These tools make our professionals faster, better informed, and more productive. But they do not replace judgment, advocacy, relationships, or accountability to our clients."*

Theme 6: Transition toward value-based, hybrid, and consumption-based pricing models

To capture returns on investment from AI capabilities and cover underlying compute costs, we have seen an increased number of software and IT services companies transitioning away from flat subscription models toward usage-based and value-based pricing. This includes monetising AI via 'stair-step' consumption charges, outcome-based pricing (such as billing per completed AI task), per-seat-plus-consumption hybrids, or charging based on autonomous "agent work units". This ensures that software firms capture a direct share of the economic value – and is tackling the market fear of AI's impact on seat-based models.

LSEG CEO, David Schwimmer: *"AI Search is included in the Workspace subscription with the value reflected in the annual price review, but will also be subject to a fair use policy, reflecting a certain number of prompts per month. Above that, there will be additional usage-based charges. We are positioning Deep Research as a premium add-on with usage-linked tiers."*

Theme 7: Continued growth in hyperscaler capex is being met with increased scrutiny by the market

Hyperscaler capex plans are continuing to expand as they build out massive physical data centre footprints and purchase advanced semiconductor hardware to train and run AI models. However, markets have increasingly shown weaker enthusiasm for this high level of capital spending. Investors are expressing concerns over near-term margin pressure, negative free cash flow metrics, and rising depreciation costs, demanding clearer visibility on immediate AI revenue generation or AI-driven margin expansion.

Alphabet CFO, Anat Ashkenazi: *"Moving to investments. We are updating our full year 2026 capex guidance range to $195 billion to $205 billion, up from our previous estimate of $180 billion to $190 billion. The increase in the range is primarily due to an acceleration in the delivery of capacity to meet growing demand. As we previously shared, we continue to expect our capex to increase significantly in 2027".*

Theme 8: AI and high-performance compute hyper-growth

Earnings season provided further evidence that the semiconductor investment cycle remains exceptionally strong, with AI-related demand continuing to support elevated spending across leading-edge logic, memory and advanced packaging. Rather than showing signs of moderation, chipmakers continued to signal robust growth in capital expenditure plans, while semiconductor equipment suppliers reported healthy order momentum and backlogs. The results reinforced the view that investment in the manufacturing capacity required for AI and high-performance computing remains a powerful source of growth for the semiconductor industry.

AMD Chair and CEO, Dr Lisa Su: *"Data center revenue more than doubled year-over-year and now represents 58% of total revenue, up from 42% a year ago, reflecting the rapidly expanding scale of our server and data center AI businesses... the overall data center market opportunity is expanding far more rapidly than we projected just six months ago. As AI moves into production across a broader range of applications and workloads, demand for both accelerators and CPUs is growing well above our prior expectations."*

Theme 9: Memory chip supply significantly below demand

The semiconductor industry is experiencing a significant supply shortage in advanced memory architectures, specifically HBM, standard dynamic random access memory (DRAM), and NAND (a type of non-volatile computer storage) upgrades, which are essential to feed high-power AI accelerators. While this represents a major revenue driver for memory and equipment manufacturers, it has introduced severe component cost headwinds for hardware device makers. High memory inflation is compressing product gross margins for consumer hardware companies, forcing them to implement selective price hikes to offset commodity pressures and preserve profitability.

Apple CEO, Tim Cook: *"we expect the impact from supply constraints to increase significantly sequentially. The projected supply constraints in the September quarter affect iPhone, Mac, and iPad... we've got a quarter that we're going to be scrambling on the supply side".*

Lam Research CEO, Tim Archer: *"Sequential top line growth was led by a doubling of NAND revenue from the prior quarter, underscoring the growing importance of storage to AI system performance."*

Theme 10: Financial exchanges and platforms benefiting from volatility

Macroeconomic uncertainty, changing interest-rate expectations and geopolitical tensions kept financial market volatility elevated during the first half of 2026. This encouraged investors to reposition their portfolios, increasing trading in shares and cash bonds, while also driving greater use of derivatives for hedging. For derivatives exchanges, this supported strong volumes in products such as short-term interest-rate futures, energy options and agricultural contracts. Because hedging demand often rises during periods of market stress, these exchanges can generate relatively resilient and counter-cyclical revenues.

CME Chairman and CEO, Terry Duffy: *"The first half of 2026 was the strongest in CME Group's history... powered by record trading in Q1 and our second-highest Q2 volumes ever."*

STOCK PERFORMANCE OVER JULY

Microsoft (+24.6% USD)

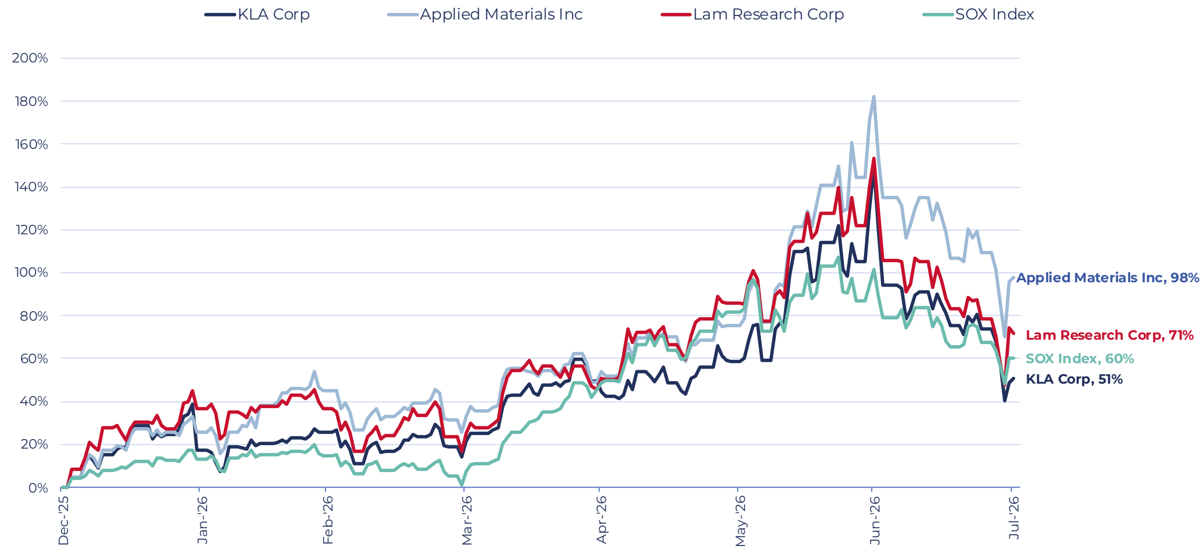
Microsoft was the Fund's best-performing stock over July. The catalyst was an exceptionally strong earnings release, which caused the stock to jump 15.5% on the day of the print. Revenue (at constant currency) grew 17% year-on-year vs 13.6% expectations, and earnings per share at +29.9% vs +16.4% expected. Operating margins were essentially flat versus last year despite the continued drag from heavy investment in AI infrastructure. Most encouragingly, Azure growth accelerated to 43% in constant currency, ahead of expectations of 41%, with management guiding for a further acceleration to 45% in the following quarter – demonstrating that demand continues to exceed available capacity. Demand is also broadening beyond the large frontier-model developers. Customer concentration risk had been a core market concern over 2026 so far, given the majority of the firm's backlog is tied to OpenAI. Commercial Remaining Performance Obligations increased 84% year-on-year to $678bn, but all sequential growth came from customers outside of this 'frontier' group. Additionally, M365 Copilot surpassed 30 million paid seats – a doubling of net seat additions since last quarter – in another demonstration of strong traction for generative AI applications.

Perhaps just as importantly for sentiment, the results contained no negative surprise on capital expenditure, and a significant positive surprise with respect to free cash flow. Capex came in $1bn below expectations, and free cash flow beat expectations by $4.7bn (free cash flow margin of 21.8% vs 17.2% expected). Investors had become increasingly concerned that Microsoft would need to further raise its already substantial spending plans of $190bn for the 2026 calendar year due to rising hardware costs. While AI infrastructure continues to place pressure on gross margins, disciplined operating expenditure and strong operating leverage have allowed Microsoft to absorb much of this impact while maintaining very high levels of profitability. Taken together, the quarter provided convincing evidence that Microsoft is beginning to monetise its AI investments at scale, helping shift the market's focus away from the cost of the build-out and towards the considerable revenue opportunity it is creating.

KLA (-39.4% USD), Lam Research (-32.4% USD), Applied Materials (-29.8% USD)

It was an extraordinary H1 for the Fund's three semiconductor equipment manufacturers, each of which delivered returns over 100%. However, they ended July as the Fund's bottom-performing holdings in the context of a broad pull-back in semiconductor sentiment, with the Philadelphia Semiconductor Index (the 'SOX') falling 20.6%. Over 2026, these stocks were viewed as some of the key beneficiaries of rising capex expectations from the hyperscalers. Each is exposed to a different area of the semiconductor manufacturing value chain and is an industry leader in its space. **Lam Research** is a specialist in etch and deposition (adding, patterning, and removing materials on a silicon wafer). **KLA** is focused on process control (monitoring and identifying areas to increase yield and ensure quality), and Applied Materials is a larger but broader player, which competes not only in etch and deposition and process control, but also front-end (transistor and interconnect formation, chemical mechanical planarization, etc.) and back-end processes (advanced packaging). The AI infrastructure build-out is a significant tailwind for these firms as hyperscalers require greater volumes of increasingly complex chips, driving chipmakers to invest heavily in capacity and cutting-edge technologies.

Wafer Fab Equipment Holdings - Total Return vs SOX Index
2026 year-to-date



Source: Bloomberg. Data as of 31.07.2026

As discussed earlier in this commentary, semiconductor sentiment suffered during the month amid concerns that the AI rally had run too far too fast, questions over the sustainability of hyperscaler capex, the risk of future oversupply as chipmakers unveiled aggressive expansion plans, and continued progress from Chinese AI players – in particular, Moonshot, whose latest model, Kimi K3 introduced questions over the trajectory of hyperscaler spending plans. These concerns were compounded by the unwind of the highly leveraged hedge fund Situational Awareness. From a stock-specific perspective, however, fundamentals remained strong, with both KLA and Lam Research reporting robust results during the month.

KLA delivered another beat-and-raise quarter, supported by strong growth in its core process-control business, services and advanced packaging, while management once again upgraded its expectations for industry spending on wafer fabrication equipment (WFE). Importantly, KLA's backlog rose materially, and management expects growth to accelerate into 2027 as new fab capacity comes online and spending broadens across leading-edge logic, DRAM/HBM and advanced packaging.

Lam Research also reported an exceptional quarter, with record revenues, 20-year-high gross margins and guidance materially ahead of consensus. Growth was broad-based across NAND, DRAM and leading-edge Foundry/Logic, while continued share gains in etch and deposition, alongside strong growth in its installed-base services business, left Lam particularly well positioned to benefit from rising semiconductor manufacturing complexity and higher capital intensity.

Applied Materials is yet to report its latest results, with earnings due on 13 August. We will watch closely for evidence that the same strengthening WFE environment is translating into robust demand across its broad exposure to leading-edge logic, memory and advanced packaging, as well as for management's latest view on the sustainability of semiconductor capital expenditure into 2027.

We thank you for your continued support.

Portfolio Managers	**Investment Analysts**	
Matthew Page, CFA	Sagar Thanki, CFA	Loshini Subendran
Dr Ian Mortimer, CFA	Joseph Stephens, CFA	Eric Santa Menargues, CFA
	William van der Weyden	Laura Neill, CFA

GUINNESS GLOBAL INNOVATORS FUND - FUND FACTS

Fund size	$1336.2m
Fund launch	31.10.2014
OCF	0.79%
Benchmark	MSCI World TR

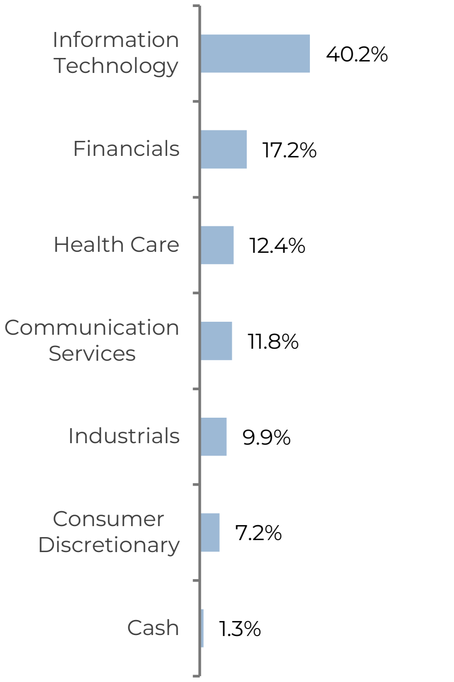
GUINNESS GLOBAL INNOVATORS FUND - PORTFOLIO

Top 10 holdings

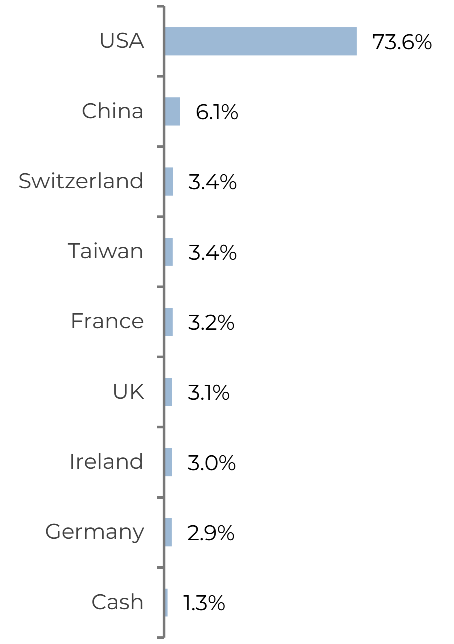
Amazon.com	4.0%
Broadcom	3.8%
Nasdaq	3.7%
Alphabet	3.6%
Visa	3.6%
Microsoft	3.6%
Roper Technologies Inc	3.5%
Apple	3.5%
Thermo Fisher Scientific	3.5%
Mastercard Inc	3.5%

Top 10 holdings	36.4%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

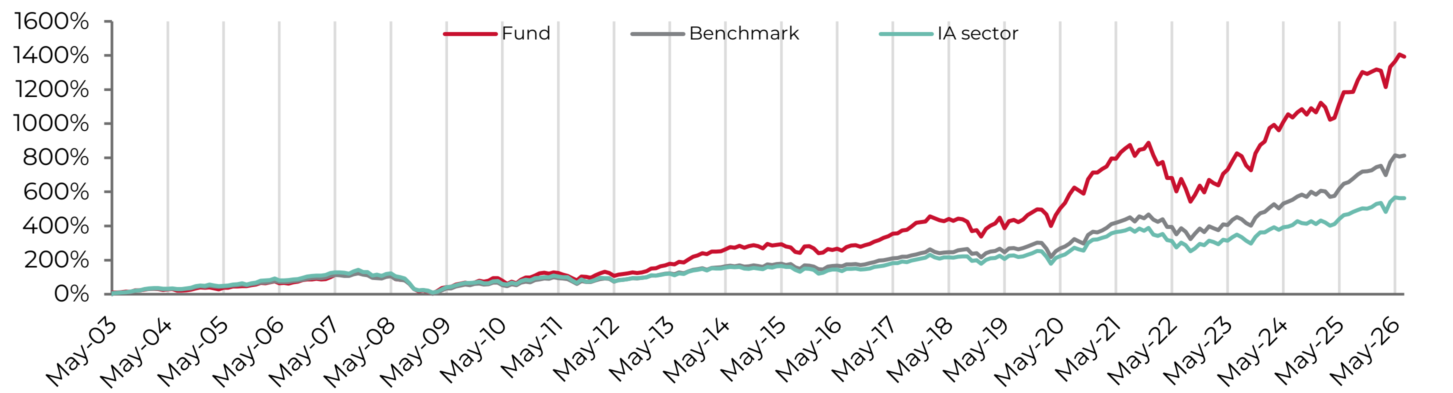
GUINNESS GLOBAL INNOVATORS FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-2.2%	+6.2%	+14.2%	+54.4%	+61.5%	+291.1%
MSCI World TR	-0.9%	+10.2%	+18.4%	+57.6%	+75.6%	+226.9%
IA Global TR	-1.2%	+8.8%	+14.8%	+41.4%	+44.9%	+163.2%
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-0.9%	+6.3%	+16.2%	+61.4%	+56.4%	+296.7%
MSCI World TR	+0.5%	+10.3%	+20.4%	+64.9%	+70.0%	+231.4%
IA Global TR	+0.2%	+8.9%	+16.7%	+47.9%	+40.2%	+166.8%
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-1.5%	+8.5%	+15.6%	+54.7%	+61.2%	+285.3%
MSCI World TR	-0.1%	+12.5%	+19.8%	+58.0%	+75.2%	+222.1%
IA Global TR	-0.4%	+11.1%	+16.1%	+41.8%	+44.5%	+159.3%

GUINNESS GLOBAL INNOVATORS FUND - ANNUAL PERFORMANCE

(GBP)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Fund	+12.1%	+21.9%	+32.1%	-20.7%	+22.6%	+32.1%	+31.3%	-11.9%	+22.0%	+27.7%
MSCI World TR	+12.8%	+20.8%	+16.8%	-7.8%	+22.9%	+12.3%	+22.7%	-3.0%	+11.8%	+28.2%
IA Global TR	+11.2%	+12.6%	+12.7%	-11.1%	+17.7%	+15.3%	+21.9%	-5.7%	+14.0%	+23.3%
(USD)	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Fund	+20.4%	+19.7%	+40.0%	-29.6%	+21.5%	+36.3%	+36.6%	-17.0%	+33.6%	+7.2%
MSCI World TR	+21.1%	+18.7%	+23.8%	-18.1%	+21.8%	+15.9%	+27.7%	-8.7%	+22.4%	+7.5%
IA Global TR	+19.4%	+10.6%	+19.4%	-21.0%	+16.6%	+18.9%	+26.8%	-11.2%	+24.8%	+3.4%
(EUR)	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Fund	+6.1%	+27.7%	+35.2%	-25.0%	+30.7%	+25.0%	+39.1%	-12.8%	+17.3%	+10.2%
MSCI World TR	+6.8%	+26.6%	+19.6%	-12.8%	+31.1%	+6.3%	+30.0%	-4.1%	+7.5%	+10.7%
IA Global TR	+5.3%	+18.0%	+15.4%	-15.8%	+25.5%	+9.1%	+29.2%	-6.8%	+9.6%	+6.5%

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 net of fees to 31.07.26. 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 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. Graph data is in USD from 01.05.03.

WS GUINNESS GLOBAL INNOVATORS FUND - FUND FACTS

Fund size	£25.0m
Fund launch	30.12.2022
OCF	0.79%
Benchmark	MSCI World TR

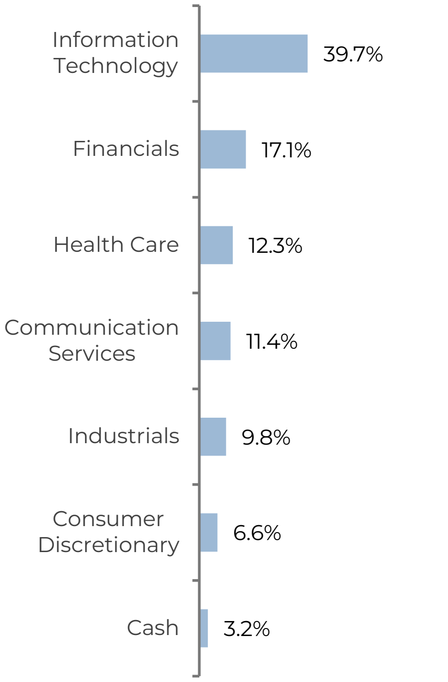
WS GUINNESS GLOBAL INNOVATORS FUND - PORTFOLIO

Top 10 holdings

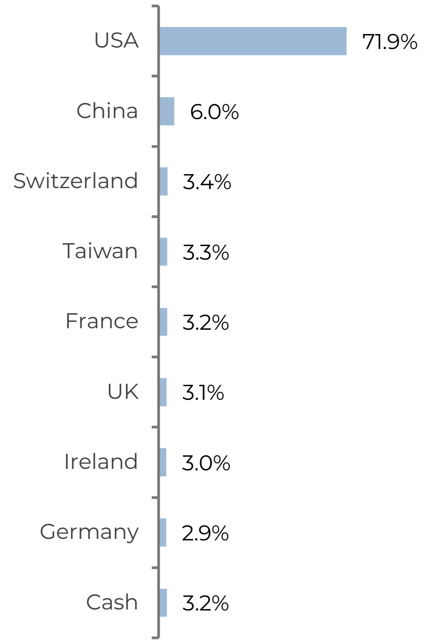
Broadcom	3.8%
Apple	3.8%
Nasdaq	3.7%
Visa	3.6%
Amazon.com	3.5%
Thermo Fisher Scientific	3.5%
Mastercard Inc	3.5%
Microsoft	3.4%
Roper Technologies Inc	3.4%
AMD	3.4%

Top 10 holdings	37.3%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

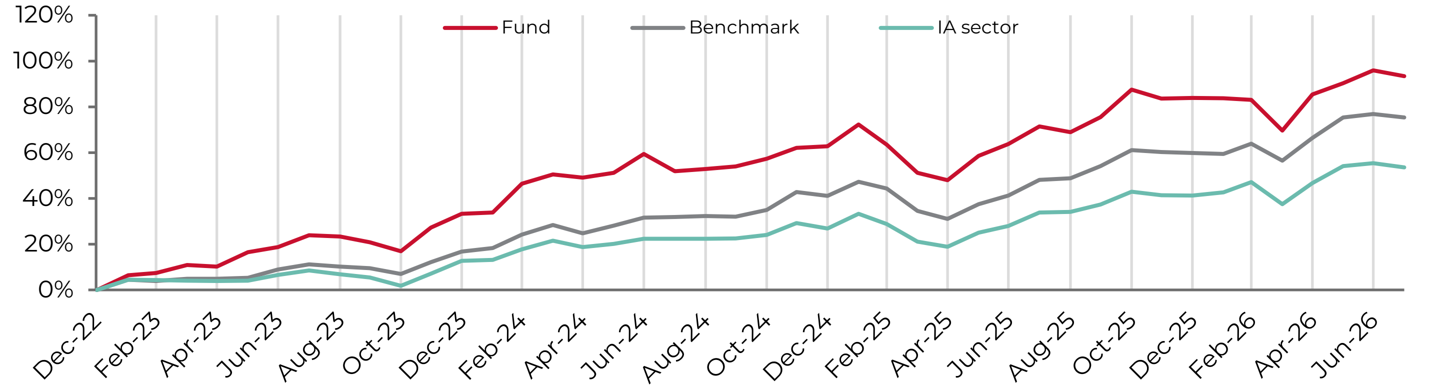
WS GUINNESS GLOBAL INNOVATORS FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-1.3%	+5.1%	+12.8%	+56.1%	-	-
MSCI World TR	-0.9%	+10.2%	+18.4%	+57.6%	-	-
IA Global TR	-1.2%	+8.8%	+14.8%	+41.4%	-	-

WS GUINNESS GLOBAL INNOVATORS FUND - ANNUAL PERFORMANCE

(GBP)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Fund	+13.0%	+22.2%	+33.3%	-	-	-	-	-	-	-
MSCI World TR	+12.8%	+20.8%	+16.8%	-	-	-	-	-	-	-
IA Global TR	+11.2%	+12.6%	+12.7%	-	-	-	-	-	-	-

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



Source: FE fundinfo net of fees to 31.07.26. 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 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 and registered with the Securities and Exchange Commission ("SEC"). SEC registration does not imply a certain level of skill or training.

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.

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GUINNESS GLOBAL INNOVATORS FUND

Documentation
The documentation needed to make an investment, including the Prospectus, Supplement, 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, including collective redress mechanisms, 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, REYL & Cie S.A., Rue du Rhône 4, 1204 Geneva, Switzerland. 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: wtas-investorservices@waystone.com
Dealing: ordergroup@waystone.com

Waystone Management (UK) Limited is authorised and regulated by the Financial Conduct Authority.

Residency
This Fund is registered for distribution to the public in the UK but not in any other jurisdiction. In other countries or in 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.

Glossary of Terms: A glossary explaining key investment terms used in our marketing materials is available here: https://www.guinnessgi.com/glossary

Telephone calls will be recorded and monitored.