Guinness Asian Equity Income Fund

INVESTMENT COMMENTARY – July 2021

Launch date	**19.12.2013**
Team	**Edmund Harriss** (manager) **Mark Hammonds** (manager) **Sharukh Malik** (analyst)

Aim

The Guinness Asian Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Asia Pacific region. The Fund aims to provide long-term capital appreciation and a source of income that has the potential to grow over time.

Performance (in GBP)

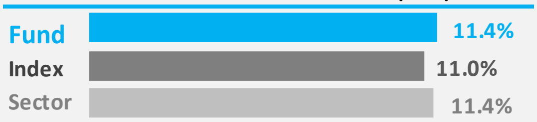
30/06/2021

Fund	Guinness Asian Equity Income (Y)
Index	MSCI AC Pacific ex Japan Index
Sector	IA Asia Pacific ex Japan

	2020	2019	2018
Fund	4.8	14.4	-10.3
Index	19.2	15.7	-9.2
Sector	20.0	15.8	-9.8

	YTD	1 year	From launch
Fund	9.9	25.7	125.9
Index	5.2	23.3	119.7
Sector	6.6	27.1	124.9

Annualised % total return from launch (GBP)



Risk analysis (annualised, weekly, from launch)

	Index	Sector	Fund
Alpha	0	1.4	1.9
Beta	1	0.9	0.9
Info ratio	0	0.1	0.1
Max drwdn	-26.4	-24.5	-24.8
Tracking err	0	3.5	6.2
Volatility	15.4	14.2	14.6
Sharpe ratio	0.5	0.6	0.5

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations.

Source: Financial Express, Y class 0.89%, bid to bid, total return. Returns for share classes with a different OCF will vary accordingly. Please refer to the penultimate page of this document for full performance details.

ELITE RATED by FundCalibre.com

Summary

Performance

In **June**, the Fund rose 1.7% (Y share class, in GBP) compared to the MSCI AC Pacific ex Japan Net Total Return Index benchmark which rose 2.6%.

The fund declared a GBP **dividend for the first half** of 2021 of £0.1882 per Y share, which is 29% above 2020 and 1% below 2019. (The USD dividend is 5.7% higher than that of 2019 and the growth difference between the GBP and USD dividend is attributable to Sterling's 7% appreciation against the dollar in 2021). Please see the performance section on page 21 for historical dividend data.

- Value stocks, as measured by MSCI AC Asia Pacific ex Japan Value Net Total Return Index, rose 2.2% (in GBP) whereas a resurgence in Growth stocks produced 4.8% in June.
- High dividend stocks as measured by MSCI AC Asia Pacific ex Japan High Dividend Net Return Index rose 1.2%.

In the **Second Quarter**, the Fund rose 1.7% (in GBP) compared to the benchmark which rose 3.7%.

- Value stocks rose 4.2% and Growth stocks rose 3.8%.
- High dividend stocks rose 1.4%.

The Fund invests in shares of companies that have delivered returns on capital that have been above the cost capital for at least eight years consecutively, which we think will persist but whose shares are priced as if they will not. This is the valuation anomaly we seek to capture.

We made one change in the quarter buying China Overseas Land & Investment (COLI) in place of China

Mobile. Both stocks offer a similar yield but COLI looks superior with higher return on capital, stronger historic dividend growth, plenty of scope to increase the proportion of earnings it pays out and a lower valuation.

The Fund and the Index changed very little in April and May; the main moves came in June.

- Inflationary pressures and a shift in interest rate expectations in the US was reflected in higher commodity prices and an improved outlook for bank earnings, especially in Australia.

- Growth stocks put on a burst of performance later in last week of June; a combination of stronger earnings expectations and a resurgence in COVID cases in Asia may be the explanation.

- After strong performance in the first quarter, the Fund's performance was subdued but still positive.

The Market continues to weigh the risks of higher inflation, clearly evident in manufacturing cost prices, seeping into and persisting in consumer price inflation. While the US Federal Reserve continues to view these pressures as transitory, there appears to be a shift toward both an acceptance of higher inflation in the shorter term and a greater readiness to move on interest rates.

Asian markets have also had to address a resurgence in COVID with case numbers up in Korea, Taiwan, Malaysia, Thailand and Vietnam and of course, India. China too has reported further outbreaks. The southern Chinese port of Yantian, in Shenzhen, was partially closed from 25 May – 24 June. It is one of China's largest ports, handling 13 million containers a year (the port of Los Angeles handles 8 million) and given the tightness of supply chains, has created severe issues. According to The Leman Group, a freight forwarding business headquartered in Denmark, the disruption is now greater than that caused by the blockage in the Suez canal; the effect on Yantian and congested neighbouring posts will last for up to five weeks and "rates are expected to continue the dramatic increases (sic) for both Transpacific and European trade lanes". (Source: Largest port in South China partly closed (leman.com) This is clearly an issue for Chinese exporters but also contributes to global inflation pressures, although is arguably transitory.

Dividends

The fund had another quarter of good dividend reports (in local currency terms):

- Eight companies reported final dividends,
  - seven rose (4 of them by 20% or more)
  - one fell 3% on last year.

- Eight companies reported quarterly dividends,
  - seven rose
  - one (DBS Group) was unchanged on last year.

The highest dividend growth came from Tech Mahindra and Novatek Microelectronics which increased their payments by 100% and 49% respectively over 2020 and by 114% and 77% over their 2019 dividends.

Metcash reported surprisingly strong growth; the company had already said it would increase its payment from 60% to 70% of earnings but the 46% increase was still ahead of market expectations. The only company to report a decline was Zhejiang Supor Cookware, which although down 3% was still in line with earnings. The first half of 20202 was a challenging period for the company but sales re-accelerated from the middle of the year and recent sales performance in 2021 gives us no cause for concern.

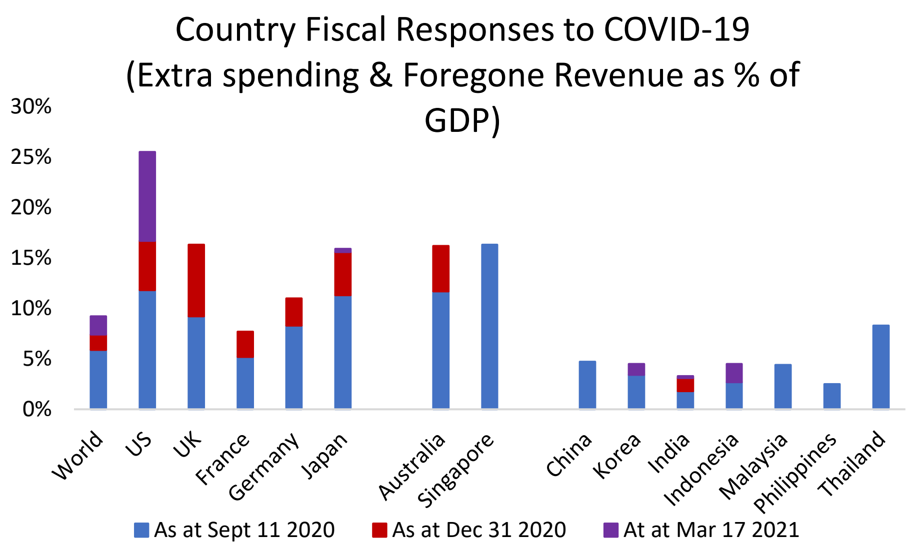
Eight companies reported quarterly dividends and these, therefore, relate to performance in the first three months of 2021. NetEase reported 30% growth over the same period last year while Aflac's payment was 18% higher and TSMC's dividend rose 10%. Hanon Systems raised its quarterly dividend for the first time in two years, up 12.5%. DBS Group was the only one to leave its quarterly dividend unchanged, but this relates to the prudential measures required of Singapore banks by the Monetary Authority of Singapore. This restriction will soon expire and DBS, with its string capital position and robust asset quality and growing earnings, is expected to resume dividend increases soon.

Quarter Review

Macro Review

The macroeconomic issues that came to the fore at the start of the year remain in place. Substantial support from governments, especially the US, have altered expectations on inflation and also raise longer term concerns about how the extra indebtedness will supported as interest rates rise.

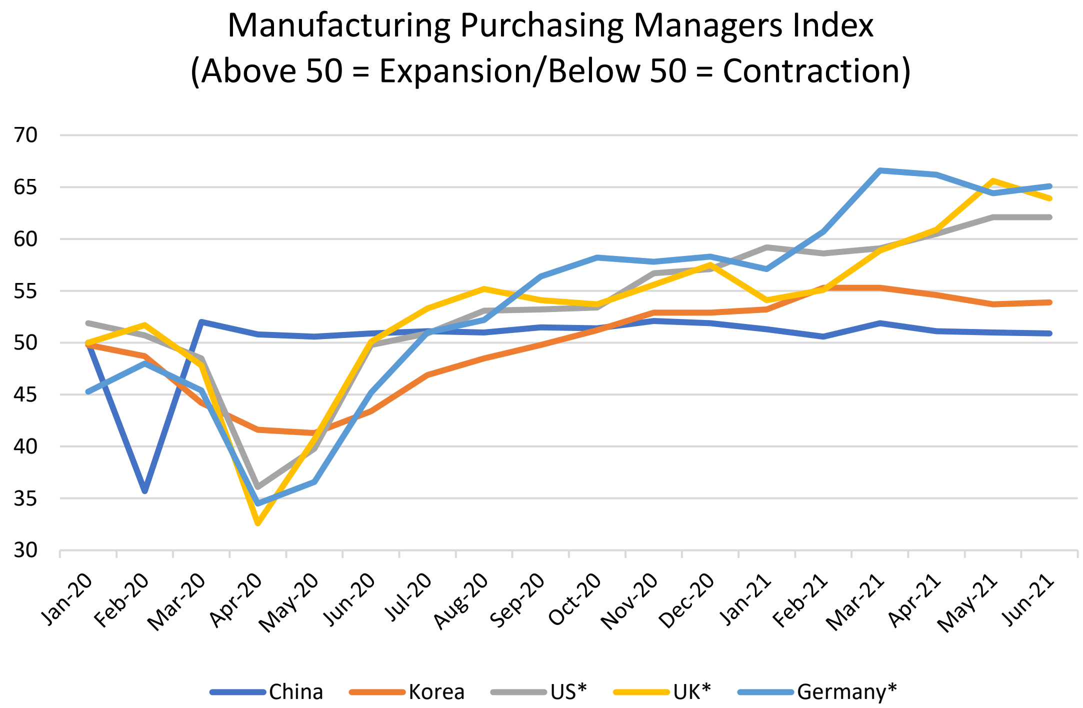
The chart below serves to emphasis the difference between developed market economies and Asia in terms of the support provided. In our view, the lower fiscal response in Asia, relative to the sizes of their economies implies a lower fiscal burden in the years ahead.



Source: IMF Fiscal Monitor - Database of Country Fiscal Measures in Response to the COVID-19 Pandemic. Data as at 17 March.

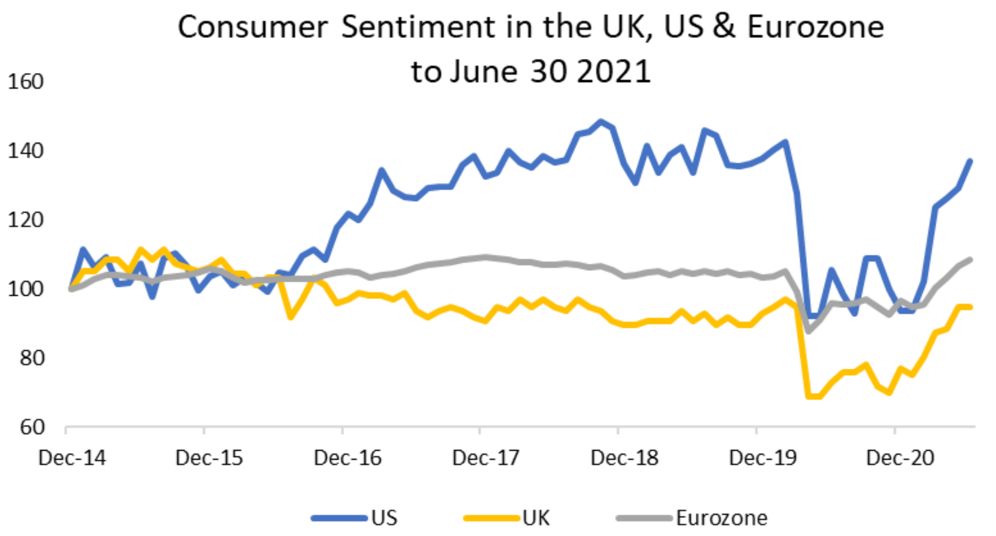
The size of the US response, recorded by the IMF and shown in the chart above does not include further spending plans contemplated by the Administration. After a forty-year absence, the era of big government spending now seems to be back and politically, appears to be both acceptable and desirable. This could have implications for a changed inflationary, monetary and investing environment in the years ahead.

Inflationary pressures are also emerging as economies begin to re-open. We need hardly remind readers that there have been and remain some significant disruptions to the supply and movement of materials and goods. Businesses have shown a marked pick-up in confidence in anticipation of renewed spending. Inventories were run down and the sharp rise in business activity is evident from the Purchasing Managers' Indices which have moved firmly into expansion territory (over 50 on the chart). This has emphasised the impact of supply chain bottlenecks, which were further exacerbated by the recent blockage of the Suez Canal.



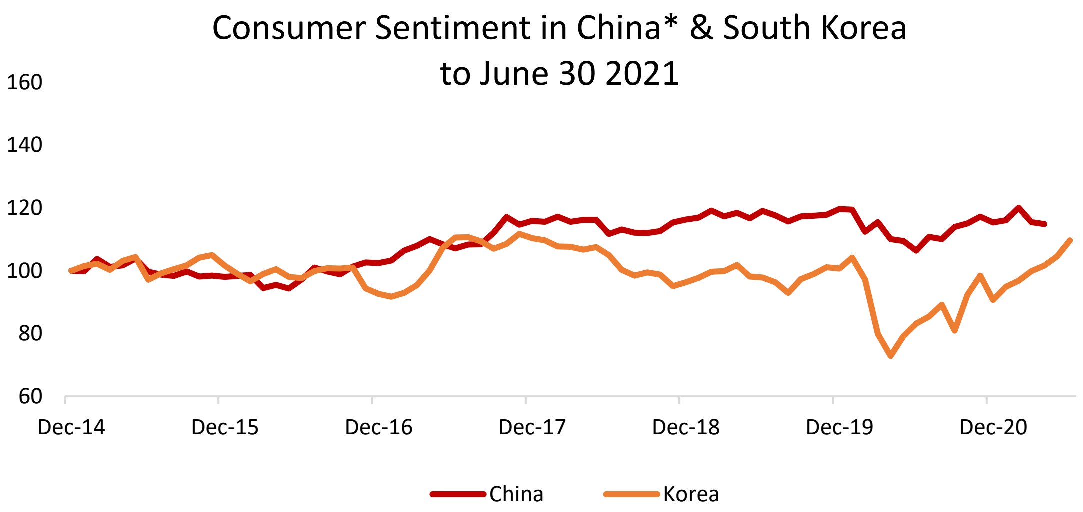
Sources: China - National Bureau of Statistics; Korea, US, UK, Germany – Markit. Data to 30 June 2021. *denotes estimated June figure.

The success of the vaccine rollout programme in the UK, Europe and the US is evident in the recovery in consumer confidence. European consumers were still subdued back in March but in the last three months they have become significantly more optimistic, as indeed have those in the UK and the US.



Sources: US - Conference Board; UK - GFK; Europe - European Commission. Rebased to Dec 2014 = 100, Guinness Asset Management calculation.

The same is true in Asia with Korean consumer confidence also ticking higher, but it is not quite so certain in China. We only have Chinese data as far as April 2021 but anecdotal evidence tells us that optimism amongst consumer still lags that of business.



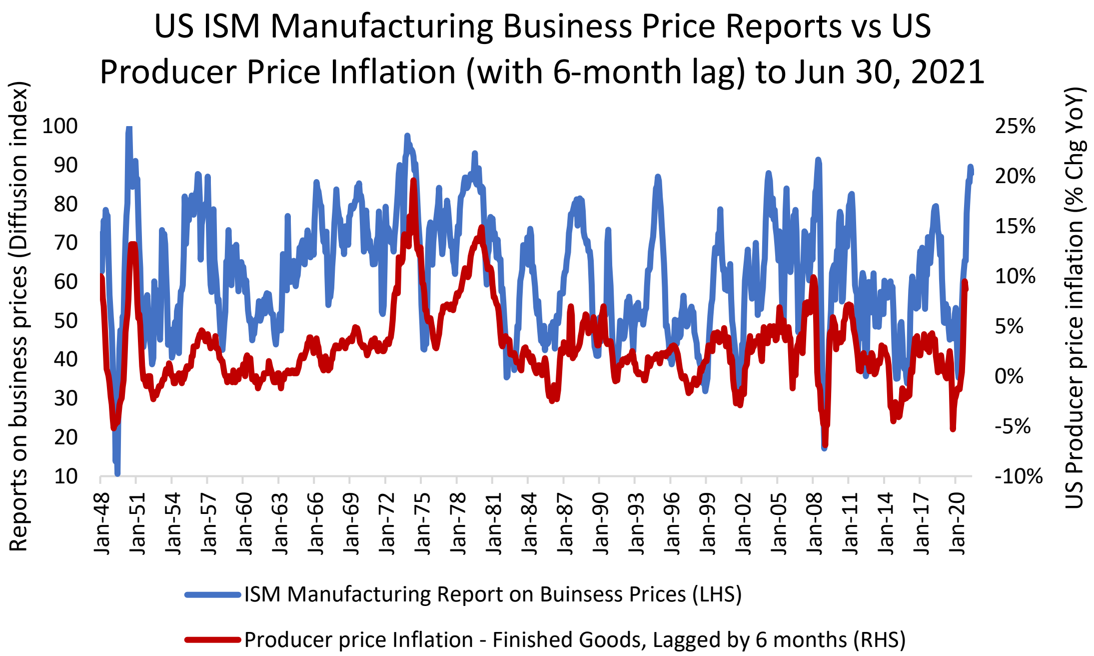
***Latest China data as of April 30, 2021**
Sources: China - National Bureau of Statistics; Korea - Bank of Korea. Rebased to Dec 2014 = 100, Guinness Asset Management calculation.*

During the recent Dragon Boat Festival holiday tourist movements and spending were still around 75% of pre-COVID levels. Looking at China's passenger car sales, we can see a rebound this year with 8.4 million passenger cars sold in the first five months of the year compared to 6.1 million in 2020, but this is unchanged from 2019. Consumer recovery and spending patterns are clearly patchy. At a regional level, it would appear that North Asia is looking brighter with a 9%-10% recovery over last year and 6%-7% over

2019 in Korea and Taiwan. South-east Asia was more affected; Thailand's retail sales are still contracting but Singapore reported its first significant bounce in April, with sales up 54% year on year.

Inflationary pressures are for the most part being driven by higher commodity prices with costs of energy, oil-based products, copper, iron ore, timber and cotton all on the rise. And this has collided with increased business confidence. This has pushed producer price inflation (the prices manufacturers pay for their materials) higher.

The chart below shows US Business Price Reports from the Institute for Supply Management, plotted against Producer Price Inflation for Finished goods, with a 6-month lag. The lag is an allowance for the time taken for higher input costs to be reflected in final goods prices.

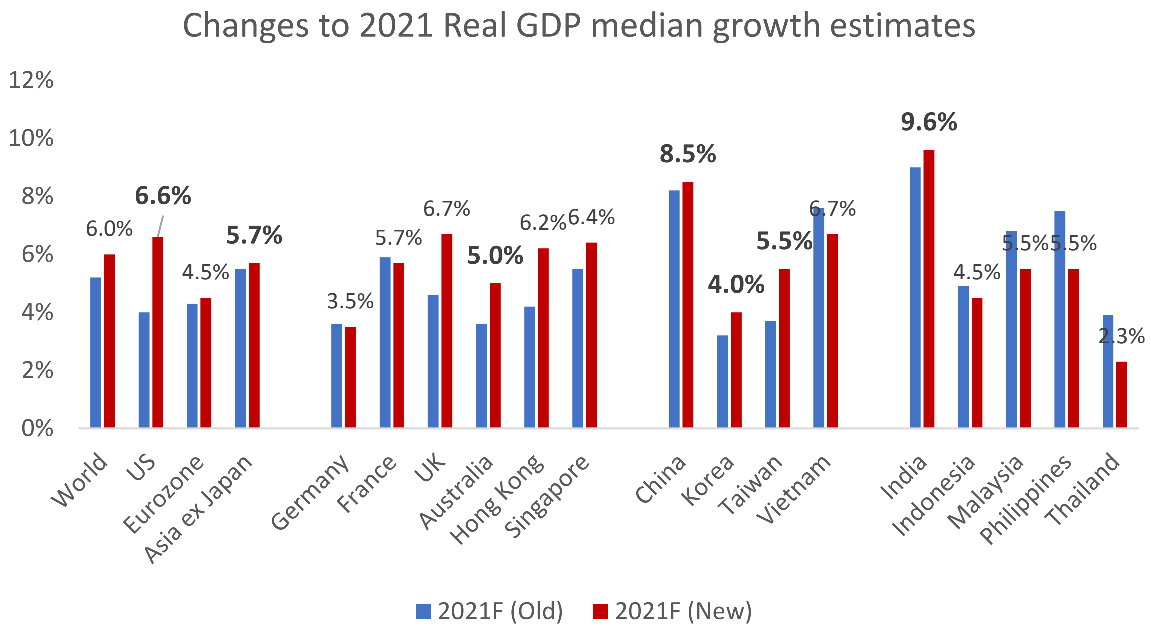


Sources: Institute for Supply Management, US Bureau of Labor Statistics, Guinness Asset Management.

We can see rising producer price inflation (PPI) play out across Asia, Europe and the US. PPI in China and the US is running at about 9% year on year, in Germany it is running at around 7% and in Korea and Thailand at around 6%. Two years ago, in 2019, producer price inflation in May was running between 1% and 3%. There are questions over how persistent this inflation is likely to be and how far it will translate into higher consumer price inflation (CPI). In some positive news, most commodity prices (with the exception of oil) peaked in May and fell back in June.

When looking at the sources of consumer price pressures, most notably the 5% rise in US CPI, it appears that when we exclude energy which accounts for 40% of that increase, more is associated with economic reopening: the 100% increase in the price of used cars, for example, reflects the shortage of new vehicle manufacturing during the COVID pandemic. This is evident too in the supply of household appliances in both Europe and the US which has pushed up the prices of washing machines in the US by 26% year on year. To higher materials prices, manufacturing hiatus and low inventories, we can also add supply chain disruptions. Shipping costs have rocketed, as have delays due to disruptions such as the incident in the

Suez Canal and the partial closure of Yantian. Supply chains are tight and they are busy; it does not take much for queues of ships to build and for congestion elsewhere to wreak havoc and have significant spillover.



Source: Bloomberg. New estimates as of 30 June 2021.

Economic growth forecasts have changed a little since the last quarter. US economic growth estimates been revised higher with the median estimate at 6.6%, up from 5.8% at the end of March. China's growth forecast remains unchanged while that for India has been scaled back from 11% expected at the end of March.

As an aside, but nonetheless important, China is using this period of economic strength to tackle once again company debt accumulation and to force heavily indebted conglomerates to meet their obligations or face restructuring. Criticism of China's debt policies usually reaches a peak when China's economy is stuttering, when the authorities are reluctant to press, and investors are most worried. Renewed efforts on China's part tend to come when growth is strong, when investors appear to be less concerned, and it passes almost unnoticed.

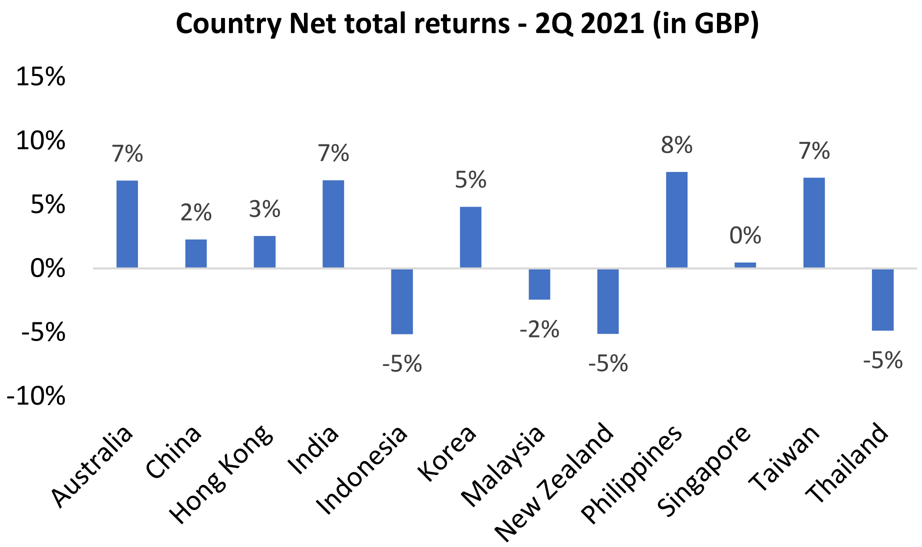
Trade growth remains Asia's biggest growth driver. Chinese trade in the first five months of 2021 is up 29% over the same period in pre-pandemic 2019. Across the region we see trade growth over the same period: Taiwan up 32%, Korea up 9%, Singapore up 13% and Thailand up 7%. It is worth drawing the distinctions between Chinese, Taiwanese and Korean trade. Taiwan is focused heavily on technology components and finished devices. China has great breadth but is still heavily weighted toward mass market, lower cost consumer items, although higher end products have been taking a steadily increasing share. Korea's exports range from high-end steel, to machinery, plant equipment, cars, ships, consumer durables and technology. Car sales act as a good indicator of overall economic health; Korea's trade figures provide a similarly useful guide to world economic health, in our opinion.

Asian markets review

The majority of the 3.7% increase in Asian markets in the second quarter, as measured by MSCI AC Pacific ex Japan Net return Index, in GBP, came in June with a 2.7% rise. This was led by China, Korea and Taiwan and mostly by stocks in the Consumer discretionary and industrials sectors which were up 8% and 6.9% respectively, followed by energy which rose 5.1%. The most influential areas on benchmark performance were the growth stocks in China's Consumer discretionary sector, which otherwise have had a subdued quarter. On the weaker side, the 1% decline in Australian materials reflected the pull back in metals prices in June, referred to earlier.

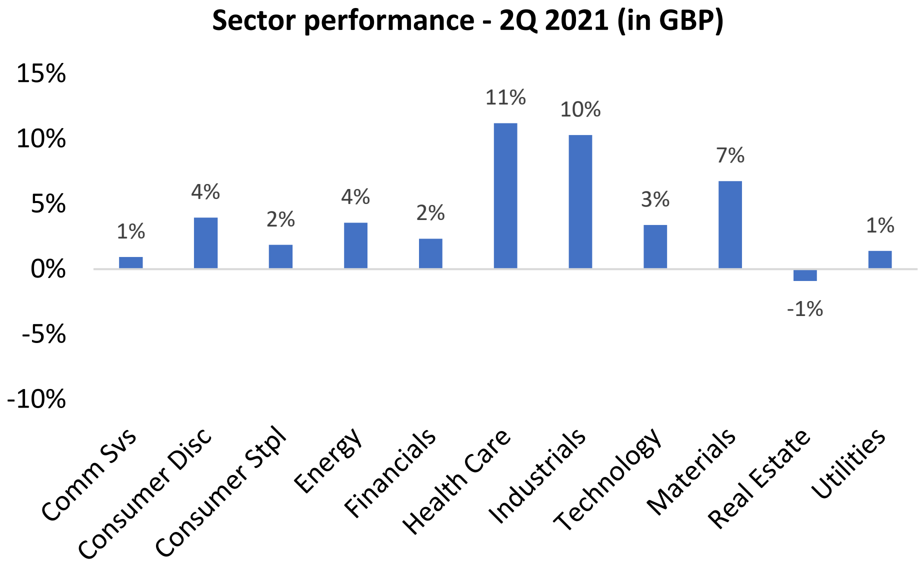
The charts below show the country and sector performances over the second quarter:

China has been notably weaker while market leadership has been taken up Australia, India, Korea and Taiwan.



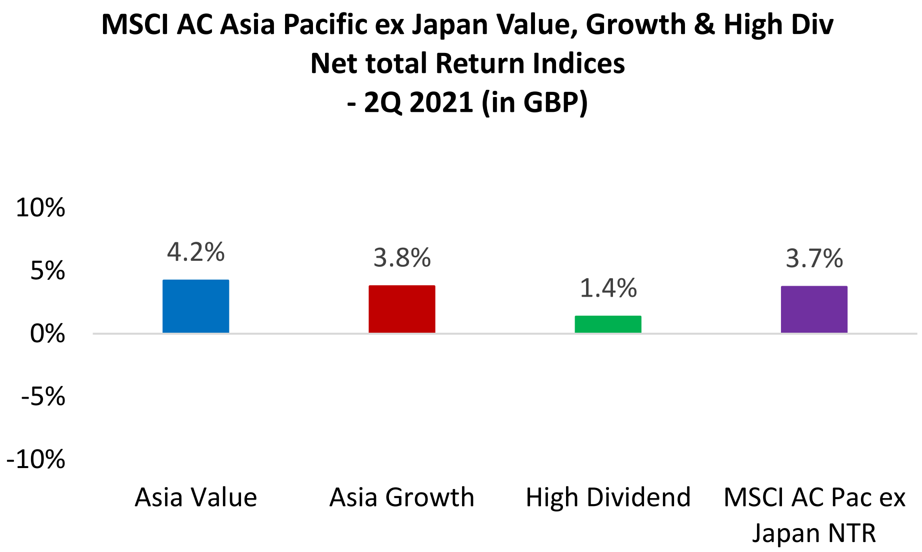
Source: Bloomberg. MSCI Country Index performance data as of 30 June 2021.

Sector performance is shown in the chart below:



Source: Bloomberg. MSCI AC Pacific ex Japan sector performance data as of 30 June 2021.

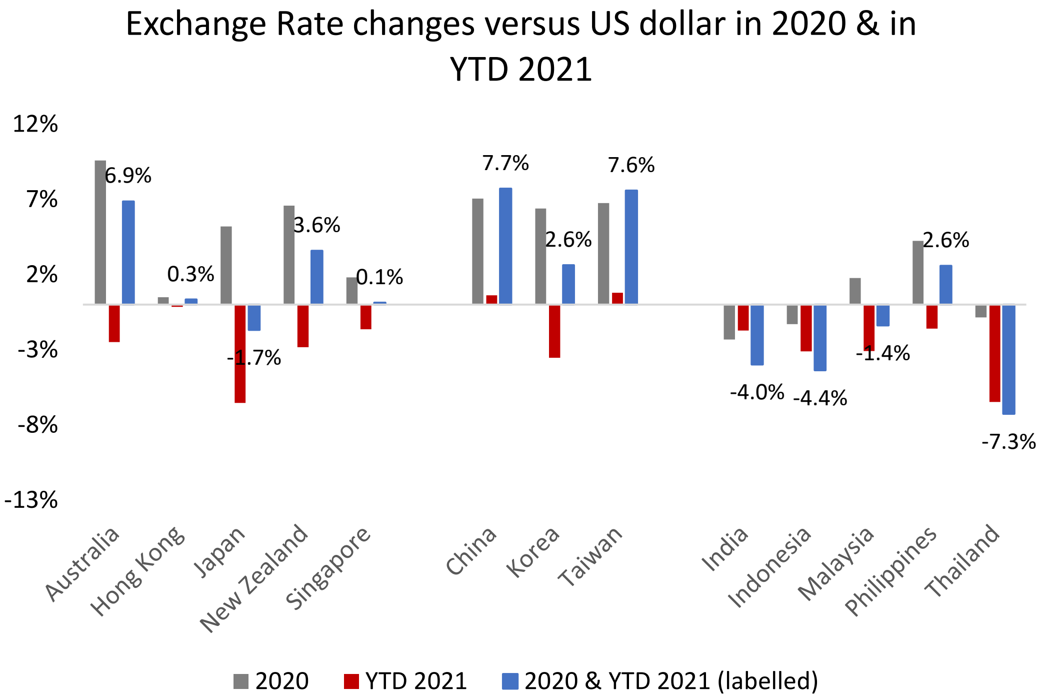
The health sector has been led by a broad rebound in China healthcare stocks and by India while Industrials have been led by Taiwan container shipping companies (Evergreen Marine, Wan Hai Lines, Yang Ming Marine). Materials have been driven by primary source companies like the Australian miners although these have faded a bit in June with leadership passing to downstream companies especially steel producers including China Steel in Taiwan and JSW Steel in India and Angang Steel in China.



Source: Bloomberg. Data as of 30 June 2021.

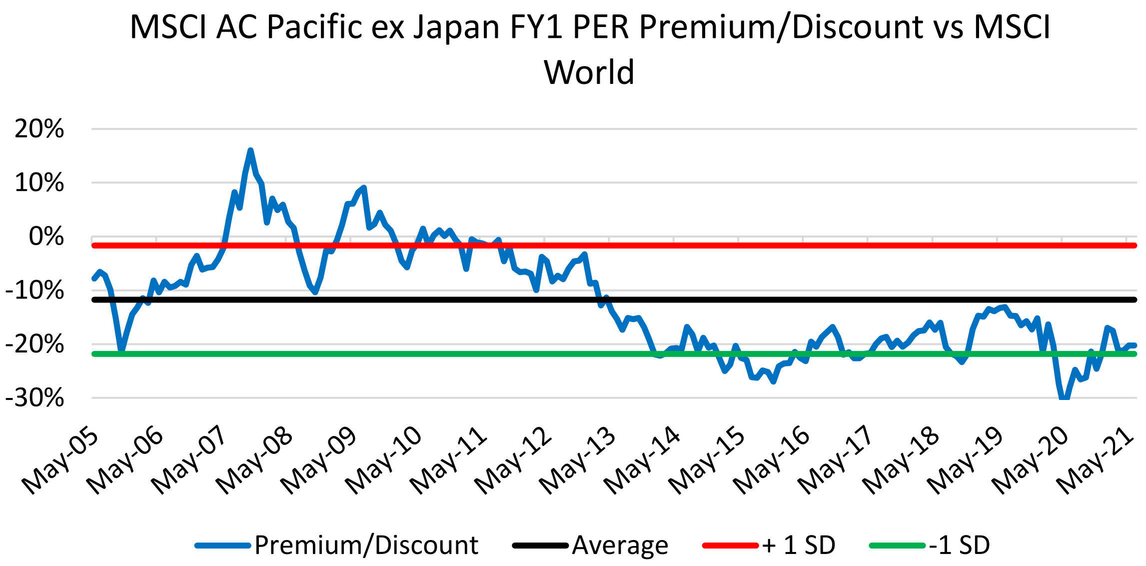
The performance of Asian growth and value indices has been similar over the quarter but, as discussed earlier, growth performance received a significant boost in June.

The chart below shows the behaviour of Asian currencies in 2020, in the first six months of 2021 and over the last 18 months. Asian exchange rates have generally been weaker against the US dollar. We think this is mostly due to expectations of higher interest rates in the US which has pushed dollar strength. We think it is dollar strength rather than fundamental Asian weakness that accounts for the moves. Economies in the region remain, by and large on a sound footing, India and the Philippines excepted. China renminbi has appreciated a little this year and has held on to the gains made last year, as have most of the economies in developed and north Asia.



Source: Bloomberg. Data as of 30 June 2021.

Asian market valuations as measured by the MSCI AC Pacific ex Japan Index are little changed from the end of the first quarter and were trading on 12-month forward Price earnings (PE FY1) multiple of 16.1x consensus estimated earnings and a 24-month forward Price earnings (PE FY2) multiple of 14.67x consensus estimated earnings. The region's PE FY1 valuation discount to the developed world is at the lower end of its range, defined here as one standard deviation either side of the average (+/- 1 SD), which is where statistically, the values fall two thirds of the time:



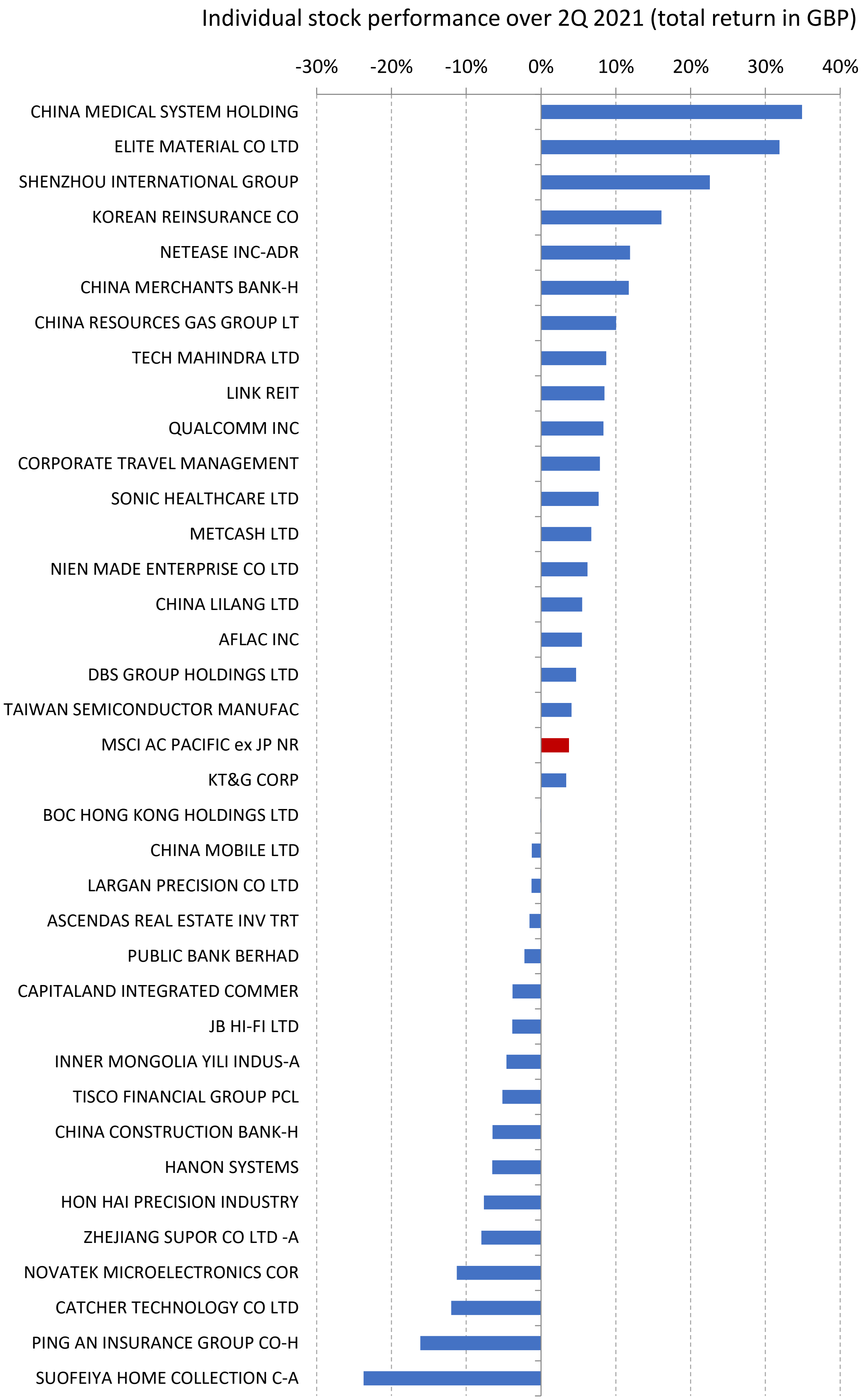
Sources: Bloomberg consensus earnings estimates, MSCI, Guinness Asset Management. Data as of 30 June 2021.

Stocks review

Performance

The chart shows stocks' performance over the quarter with China Medical System once again leading performance. The weakest performance came from Suofeiya Home Collection, most of it in June, on concerns surrounding the financial health of one of it largest customers, real estate conglomerate China Evergrande. This could affect up to 20% of Suofeiya's accounts receivable against which, it has already made some provision. In short, while this is a short-term headwind, we do not believe it signifies a long-term problem.

The best performing stock in June, making it the second best over the quarter and the year to date, was Elite Material. We hold Elite because of its skills in PCB laminates. Previously the focus has been on mobile phones; the unnoticed advances have come in IT infrastructure (servers, switches and telecom equipment). We have written about this segment in respect of Elite in our last 2 annual reviews. The prospect of taking a 20%-25% market share in Intel's Whitely server platform is significant, as is the growth in share of high margin 400G network switches used in data centres which provide increased bandwidth/capacity. The stock's dividend has grown by an average 18% a year over the past five years.



Sources: Bloomberg, Guinness Asset Management. Data as of 30 June 2021.

Past performance should not be taken as an indicator of future performance. The value of investments and any income arising from them can fall as well as rise as a result of market and currency fluctuations.

In June, two companies reported final results:

- **The Link REIT** reported revenue and net profit up 0.2% and dividend per unit up 1%. Given the challenges faced by landlords over the past twelve months, we regard this as a good result. Occupancy rates stayed above 96% across the firm's portfolio (except for the Hong Kong office) and overall rental collection rates reached 98% in Hong Kong and the Chinese mainland. Debt levels remain modest at 18.4% of equity (vs. 16.7% last year). Average borrowing costs fell to 2.66% with average 4.3 years of maturity (and 63.5% of total debt being fixed-rate).

- **Metcash**, a wholesaler and retailer in Australia, reported good results for the year ended April 2021. Last year the company reported a loss due to an abnormal item; on a normalised basis the company grew profits by 12.8% on revenue growth of 10.1%. Operating profit in the food and grocery component grew 5% while hardware products rose 60%. The company has increased the proportion of earnings to be distributed to 70% from 60% which has lifted the dividend by 36% from last year.

Results & Dividends over the quarter

We provide below a brief comment on the twenty-eight companies that reported final, semi-annual or quarterly dividends during the period, order from highest growth to lowest:

- **Nien Made Enterprise** 1Q21 results were ahead of expectations with a 57% rise in EPS. The key issue is that while revenues are up, margins are under pressure due to rising input costs. The company's solution is to increase bespoke products but we think the share price will remain under pressure until margins show signs of stabilising/rising. Meanwhile, housing starts in the US remains strong, sales through Home Depot are up and expansion in Mexico and Dallas facilities has been smooth.

- **Catcher Technology** reported 1Q21 profits +4% YoY which was below consensus. Gross margin expanded, however, on better product mix and lower depreciation charges. There are component shortages for Apple's iPad and MacBook which is likely to hinder performance. The company announced a dividend of NT$12, up from NT$10 last year and has guided NT$10 for 2021-23.

- **Public Bank Malaysia** reported record 1Q21 results, +15% on 1Q20. Driven by lower interest costs which more than offset weaker revenue. Credit costs under control and within management guidance. Gross impaired loans are 0.35%, well under 1% guidance and pre-emptive provisioning means loan loss coverage is 2.47x.

- **Hanon Systems** 1Q21 results were weaker than expected on higher shipping costs but EV components sales were strong. Order book remains strong at 5 years+ and diversified across vehicle and customer type. Customers include Hyundai, BMW, Audi, Geely, VW & GM. Private equity business Hahn & Co is preparing to sell its 50.5% stakes; Hankook Tire has a 19.49% stake and right to tag along. The company has increased its dividend to KRW90 (+13% above the prior adjusted run rate, +32% YoY).

- **KT&G** 1Q21 earnings were below expectations with operating profit up 1.2% vs revenue growth of 7.3%. Domestic volumes of normal cigarettes remain flat while heat not burn and export sales are both up. Overseas growth is the main driver; cost of sales and marketing is something to watch.

- **Hon Hai Precision** has had to halve Indian production of the iPhone 12 due to COVID. 1Q21 net income was 15% ahead of consensus and gross margin rose to 5.8% on sales growth. The company noted component supply shortage may persist into 2Q22.

- **Korean Reinsurance** reported 1Q21 profit +26%. A favourable pricing environment in domestic commercial and overseas market is behind the rise.

- **NetEase** 1Q21 results were up strongly and on a high 1Q20 base for comparison. The dividend was up 30% on the same period last year. Overall, revenue +20% and Net Profit +21%. Online game revenue was +11% YoY on a high base, Mobile games +15% and the company is about to enter strong launch cycle of new games this year. There are 30 new games in the pipeline. Innovative Business revenues (Advertising, Cloud Music etc) +40%. NetEase Cloud Music has signed a direct digital distribution partnership with Sony which, following an earlier agreement with Universal Music means they have signed with 2 out of the big 3. The education business, Youdao is still small (6.5% of revenues) but growing fast at 150% YoY, 21% QoQ and its gross margin rose 13% to 57% as scale economies kick in.

- **Tech Mahindra** reported a mixed final quarter with lower revenue than expected but ahead on margins, a very strong pipeline of new business and an increased dividend payout. The company increased its final dividend by 100% with a special dividend and has said that it aims to distribute 70% of Free Cash Flow every year. For us, it is the strong outlook for its largest business areas, Telecom and Manufacturing, that continues to underpin the investment case.

- **Novatek Microelectronics** reported results earlier in the year that surprised the market with the strength in demand for its Display Driver chips across all business areas – smartphones, PCs, Televisions and Autos. The jump in margins looks set to continue and the share price responded positively. Now the company has declared a 49% increase in its dividend in line with its profit growth in 2020.

- **Catcher Technology** declared a 20% increase in dividend. The business has changed significantly since the disposal of its smartphone case manufacturing facilities. Gross margins for the remaining business improved to 30% on a better product mix but the key issue now is how they deploy the cash raised from last year's disposal.

- **Suofeiya Home Collection** reported revenue growth of 9% and EPS growth of 10%. The dividend rose in line, by 9%. The company is a manufacturer of wardrobes and kitchen cabinets. To help target the different segments of the market, Suofeiya has established a new brand called Milana, targeting the mass market. Existing brands Schmidt and Huahe will target the premium end of the market, while Suofeiya will cover the mid-to-high-end. We believe the company can take advantage of rising household incomes which should drive demand for home improvements.

- **Inner Mongolia Yili** reported revenue growth of 7%, EPS growth of 2% and a dividend per share up 1%. Management thinks Yili now ranks as the fifth largest dairy company in the world and is aiming to become the third largest by 2025. Margins for the core business were stable but the group margin was dragged down by newer segments such as fresh milk and cheese which need to scale up Yili is to achieve its growth targets.

- **Zhejiang Supor's** dividend was down 3% on last year, slightly better than the 6% profit decline for 2020. The company had a weak first half in 2020 but since June has been on an accelerating trend. Its results for the first quarter this year have seen it return to pre-pandemic levels.

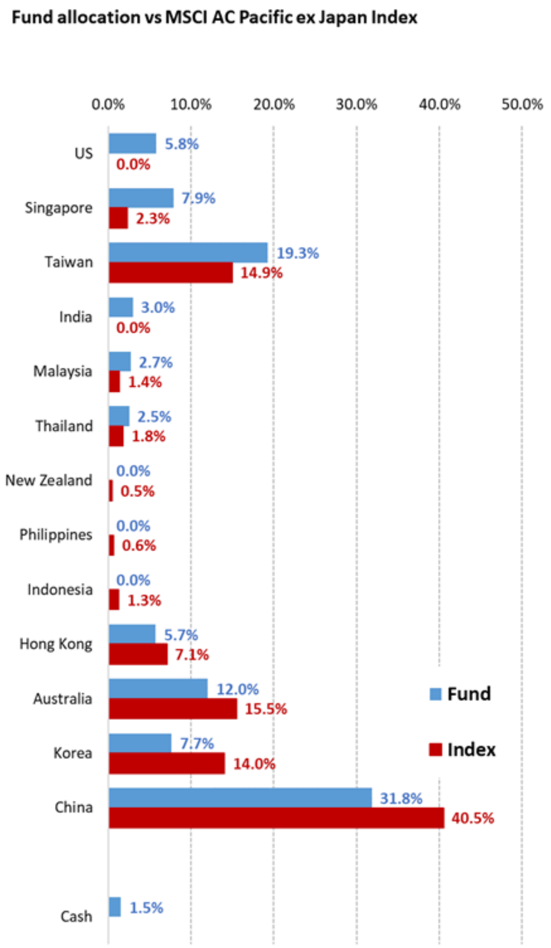
Portfolio review

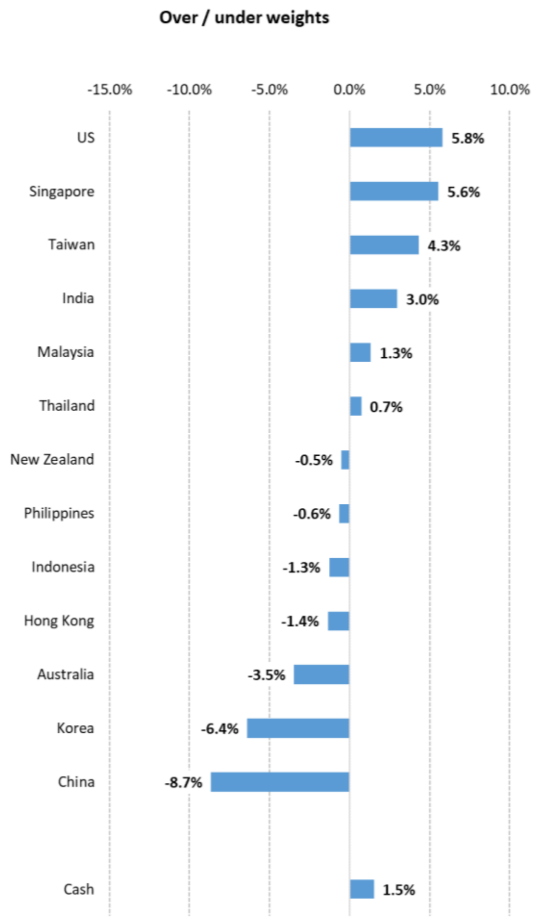
Changes

There was one change to the portfolio during the quarter. We sold China Mobile and replaced it with China Overseas Land & Investment (COLI). Both stocks offer a similar yield but COLI's returns on capital, earnings growth and dividend growth profile are superior to those of China Mobile, in our opinion. COLI also trades at a significantly lower valuation to China Mobile. Over the past five years, COLI has grown its dividend at an average annual rate of 14.1%, paying out 25% of its earnings (25% payout ratio) compared to China Mobile, whose dividend has grown 4% over the same period with a 43% payout ratio.

Positioning

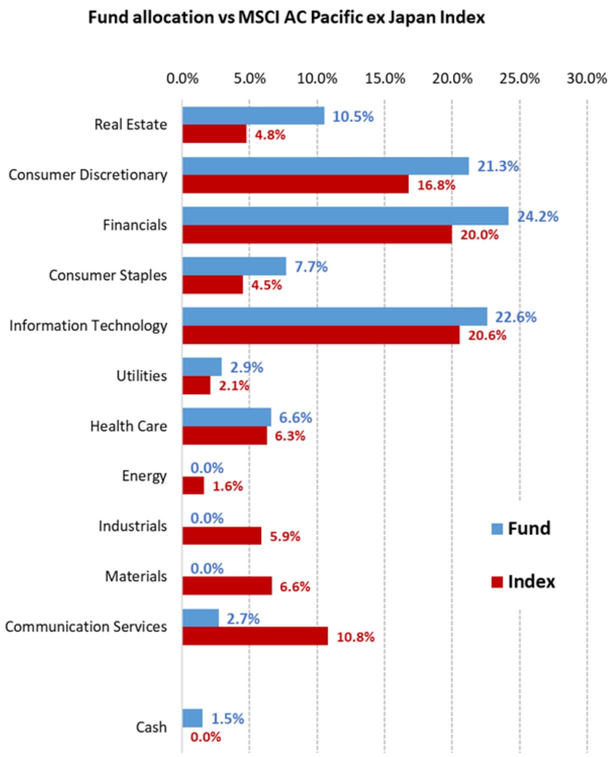
At the end of the quarter, the main country overweight positions were in Singapore and Taiwan (India and the US are not in the benchmark); the main underweight positions were to China and Korea.

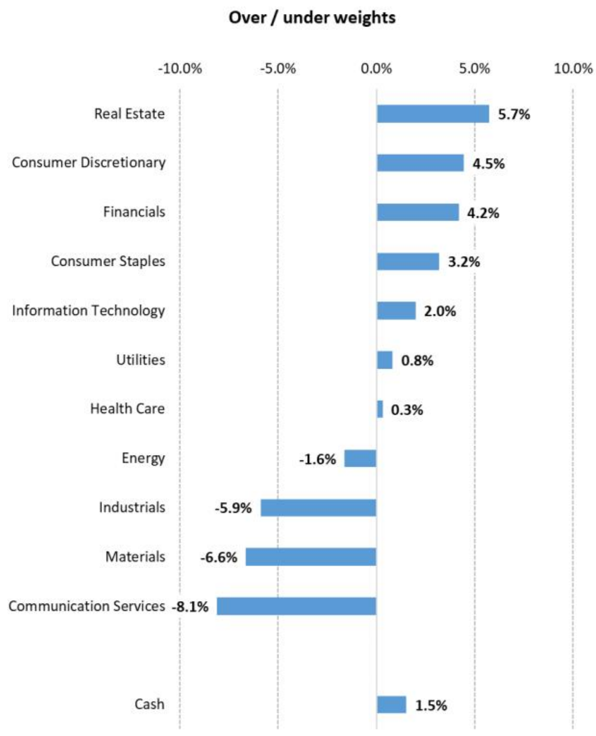




Sources: MSCI, Bloomberg, Guinness Asset Management. Data as of 30 June 2021.

On a sector basis, the main fund overweight positions were in Real Estate (4 positions: 3 Real Estate Investment Trusts and 1 Developer), Consumer Discretionary and Financials (made up of banks and insurers). The main underweight positions were in Communication Services, Materials and Industrials.

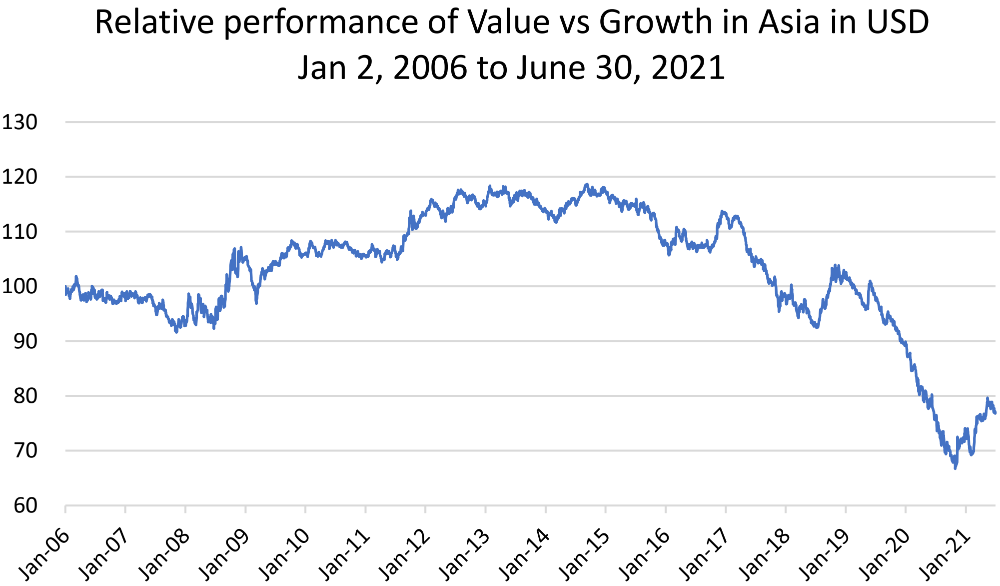




Sources: MSCI, Bloomberg, Guinness Asset Management. Data as of 30 June 2021.

Outlook

Our market outlook is unchanged from last month. We think we are moving into an investment environment that is different from that which has prevailed over the past 10 years, and maybe over the last forty years. Big government spending is back in vogue with Keynesian economics gaining ground against the monetarist approach that has dominated in the US. Supply chain re-ordering, trade frictions and higher input costs all put inflation back onto the agenda. Ultra-low interest rates may have to give way in this new world. The focus of our attention is on companies whose operations command higher margins and whose strengths (management, capital base, product line up and internal cash generation) can form a defence against margin erosion.



Source: Bloomberg, Guinness Asset Management.

Value stocks have had a good run so far this year. Since 9th June 2021, as can be seen in the chart above, growth has picked up but no theme is clearly established. Our focus remains on companies that show evidence of good management, strong market positioning, with pricing power and strong balance sheets. Consumer behaviour following an exit from pandemic conditions is not certain. Recent jobs data from the US for example, showed both strong new jobs creation as one might expect, but it also showed higher unemployment, also as one might expect.

For these reasons we think that an investment strategy based upon strong business models as opposed to cyclical themes has a place in a portfolio.

Edmund Harriss (Portfolio Manager)
Mark Hammonds (Portfolio Manager)
Sharukh Malik (Analyst)

Data sources

Fund performance: *Financial Express, total return, in GBP unless otherwise stated*

Index and stock data: *Bloomberg*

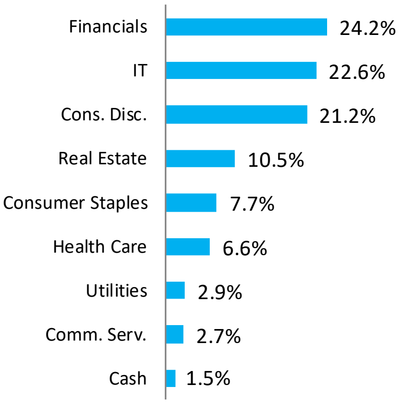
PORTFOLIO

30/06/2021

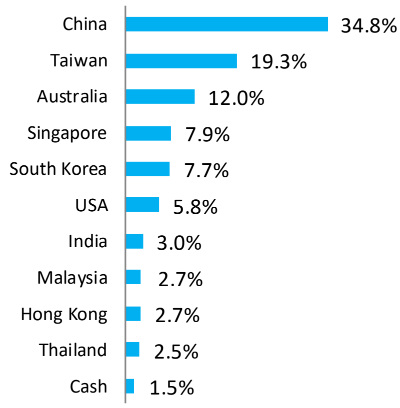
Fund top 10 holdings

Sonic Healthcare	3.4%
Elite Material	3.2%
China Medical System	3.2%
China Merchants Bank	3.1%
BOC Hong Kong	3.1%
Hon Hai Precision Industry	3.0%
Corporate Travel Management	3.0%
Novatek Microelectronics	3.0%
Tech Mahindra	3.0%
Shenzhou International	3.0%
% of Fund in top 10	31.0%
Total number of stocks in Fund	36

Sector analysis



Geographic allocation



PERFORMANCE

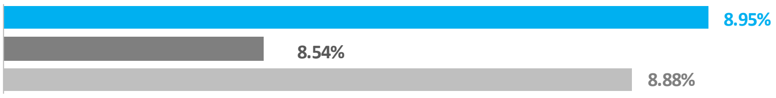
30/06/2021

Discrete years % total return (USD)	Jun '21	Jun '20	Jun '19	Jun '18	Jun '17
Fund (Y class, 0.89% OCF)	40.6	-9.3	1.5	6.7	22.3
MSCI AC Pacific ex Japan Index	37.8	1.3	0.2	9.9	25.6
IA Asia Pacific ex Japan	42.2	-0.4	0.5	9.2	25.1

Cumulative % total return (USD)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.89% OCF)	-1.0	11.1	40.6	29.5	68.8	90.8
MSCI AC Pacific ex Japan Index	-0.3	6.3	37.8	39.9	93.1	85.5
IA Asia Pacific ex Japan	-0.6	7.7	42.2	42.3	94.4	89.8

Annualised % total return from launch (USD)

Fund (Y class, 0.89% OCF)
MSCI AC Pacific ex Japan Index
IA Asia Pacific ex Japan



5 Year Dividend History (per Share)	2020	2019	2018	2017	2016
Y GBP Dist	£0.3671	£0.4311	£0.4187	£0.3978	£0.3660
Y EUR Dist	€ 0.3475	€ 0.4142	€ 0.3987	€ 0.3826	€ 0.3747
Y USD Dist	$0.3650	$0.4250	$0.4302	$0.3973	$0.3794

Risk analysis - Annualised, weekly, from launch on 19.12.2013, in USD

30/06/2021	Index	Sector	Fund
Alpha	0.00	0.92	1.61
Beta	1.00	0.93	0.86
Information ratio	0.00	0.11	0.07
Maximum drawdown	-29.27	-28.84	-33.20
R squared	1.00	0.96	0.86
Sharpe ratio	0.30	0.34	0.36
Tracking error	0.00	3.50	6.19
Volatility	16.65	15.80	15.45

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations. Source: Financial Express, bid to bid, total return (Y Class, 0.89% OCF). Fund launch date: 19.12.2013. Fund returns are for share classes with a current Ongoing Charges Figure (OCF) of 0.89%; returns for share classes with a different OCF will vary accordingly.

Important information

Issued by Guinness Asset Management Limited, authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about equities and equity markets invested in by the Guinness Asian Equity Income Fund. It may provide information about the Fund's portfolio, including recent activity and performance. It contains facts relating to the equity markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report.

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 Fund or to buy or sell individual securities, nor does it constitute an offer for sale.

Risk

The Guinness Asian Equity Income Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. The value of an investment and the income from it can fall as well as rise as a result of market and currency movement, and you may not get back the amount originally invested. The Fund invests only in stocks of companies that are traded on Asian stock exchanges or that do at least half of their business in Asia; it is therefore susceptible to the performance of that region, and can be volatile. Details on the risk factors are included in the Fund's documentation, available on our website. Shareholders should note that all or part of the fees and expenses will be charged to the capital of the Fund. This will have the effect of lowering the capital value of your investment.

Documentation

The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available from the website www.guinnessfunds.com, or free of charge from:-

- the Manager: Link Fund Manager Solutions (Ireland) Ltd, 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland; or,
- the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

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 KIID for Switzerland, the articles of association, and the annual and semi-annual reports can be obtained free of charge from the representative in Switzerland, Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva, Switzerland, Tel. +41 22 705 11 77, www.carnegie-fund-services.ch. The paying agent is Banque Cantonale de Genève, 17 Quai de l'Ile, 1204 Geneva, Switzerland.

Singapore

The Fund is not authorised or recognised by the Monetary Authority of Singapore ("MAS") and shares are not allowed to be offered to the retail public. The Fund is registered with the MAS as a Restricted Foreign Scheme. Shares of the Fund may only be offered to institutional and accredited investors (as defined in the Securities and Futures Act (Cap.289)) ('SFA') and this material is limited to the investors in those categories

Telephone calls will be recorded and monitored.