Guinness Asian Equity Income Fund

INVESTMENT COMMENTARY – September 2021

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

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.

This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions.

Performance (in GBP)

31/08/2021

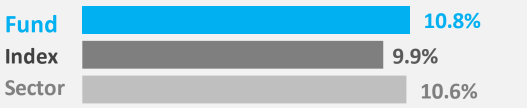
Past performance does not predict future returns

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	6.9	19.7	119.7
Index	-1.1	12.3	106.6
Sector	3.2	18.1	117.8

Annualised % total return from launch (GBP)



Risk analysis (annualised, weekly, from launch)

	Index	Sector	Fund
Alpha	0	1.7	2.5
Beta	1	0.9	0.9
Info ratio	0	0.2	0.2
Max drwdn	-26.4	-24.5	-24.8
Tracking err	0	3.5	6.4
Volatility	15.5	14.2	14.5
Sharpe ratio	0.4	0.5	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™

Fund & Market

- The Fund rose 1.3% in GBP (0.7% in EUR, and 0.2% in USD) in August, as measured by the Y share class compared to MSCI AC Pacific ex Japan Net Total Return Index which rose 2.2% in GBP (1.6% in EUR, 1.1% in USD).

- Market volatility saw the benchmark down -3% in GBP terms at the trough in mid-August (-3.7% in EUR, -5% in USD) before recovering into positive territory. The fund however, held up well through the period.

- The best performers in the portfolio were Tech Mahindra, China Overseas Land & Investment, Tisco Financial, China Merchants Bank and Elite Material.

- The weakest performers were Ping An Insurance, Nien Made Enterprise, Novatek Microelectronics, Zhejiang Supor and BOC Hong Kong.

- The Thai, Philippines and Indian stock markets performed best in August while Korea was the weakest and China was little changed. Sector performance was best amongst Industrials, Financials, Energy and Staples. Materials were notably weaker.

Events

- At the Jackson Hole meeting, the FOMC chair was dovish in tone but kept to the path of an expected reduction in bond purchases, (tapering) later this year. At present, it is still buying at a rate of around $120 billion per month ($80 billion of Treasuries and $40 billion of Agency Mortgage-Backed Securities).

- US personal spending growth was weaker than expected in July, rising just 0.3%. This follows a downward revision in the June number to 1.1%

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growth. Sales of retail goods and vehicles were weaker while services rose.

- China's industrial profit growth slowed to 16.4% YoY in July compared to 20% YoY in June. One-off factors may have contributed but production bottlenecks that hit volumes are also an ongoing problem. A rolling 2-year average, that evens out short-term COVID distortions, shows by contrast, a pick-up in July to 18% compared to 15.7% in June.

- The bank of Korea raised its benchmark interest rate to by 0.25% to 0.75%. Worries about growing household debt begin to supersede economic pressure from the pandemic.

- The composite Purchasing Managers Index (PMI) eased a little in August, to 59.5 from 60.2, with Manufacturing falling back a little but Services unchanged. The UK, however, is feeling the effects of supply side shortages and the PMI has slowed sharply from 59.2 in July to 55.3 (Numbers over 50 = expansion, below 50 = contraction).

- The government of Malaysia has resigned, rather than wait for a confidence vote in September. This is part of an ongoing political crisis that began with the ousting of Mohammad Mahathir's government in February 2020.

Market Review

The economic environment remains uncertain as COVID cases rise again. Inflation concerns are falling, as we thought they might, in the face of uneven consumer demand. The Federal Reserve has retained its cautious stance on interest rate increases but is still on track to reduce its bond purchases later this year. In Asia, supply shortages in the technology space, margin pressure due to higher raw materials prices, patchy consumer spending, Chinese regulatory pressure in the technology space and a slowing property market have been evident in the last six months and is showing up in manufacturing volumes. Recent Purchasing Managers Index (PMI) data indicate slower manufacturing in China, Australia and Korea while Service industries have yet to recover to pre-pandemic levels. In an interesting development, the Bank of Korea has increased its benchmark interest rate by 0.25% to 0.75%, with concerns over rising household debt taking precedence over COVID stimulus efforts.

Reading the economic tea leaves is not getting any easier. However, even if we cannot map out the path exactly it seems likely to us that bond yields and interest rates, especially in developed markets, will move higher over the next two years, whether because of lower asset purchases by the Fed or inflationary pressures due to higher raw materials prices and/or supply disruptions. The nature of the pandemic suggests that consumer patterns are likely to remain subdued or at least, uneven, for some time yet and that the bounce we saw earlier in the year is unlikely to be fully sustained. All of this leads us to believe that stock market valuations based on higher growth assumptions – unless these assumptions are well-supported and backed up by near-term earnings – will remain under pressure. We think that these are conditions to which the Fund is well-suited. Portfolio cash flows, earnings and dividends are increasing which speaks well for the operational strength of the companies. At the same time the portfolio valuation remains attractive, at a 21% discount to the benchmark, trading on Price/earnings Ratio of 11.8 x 2021E earnings, and a low growth component in those valuations.

Twenty-four companies out of the thirty-six held in the portfolio reported quarterly, interim or full-year results. Sixteen of them were due to declare dividends. The rest pay annual dividends which were received in the first half of the year. Of the sixteen dividends declared, ten increased compared to last year, three were unchanged, two were down and Corporate Travel Management omitted once again, in line with expectations. The results have been overwhelmingly positive and none contained any unpleasant surprises. We hold a diverse range of companies in the Fund and these results have given us a useful insight into operating conditions in Asia as the problems caused by COVID continue to oscillate. The interesting aspect, however, is the way individual companies have dealt or are dealing with these issues.

For the most part the conclusion seems to be that companies with strong management teams, that have built a strong capital base, and have invested and positioned the business effectively are now reaping the benefits. DBS in Singapore, for example, has been investing in its technology platform for the last five years and has been able to diversify its income stream, reduce its costs and curtail risk. As a consequence, it has reported better results than its peers, limited its bad debt exposure and fully resumed its dividend. China Merchants Bank offers a similar story of investment in technology and focus on private banking and high-net-worth customers. Its fee income is growing strongly, and bad debts are low.

Amongst the manufacturers, Nien Made Enterprise, a manufacturer of shutters and blinds is among the most exposed to higher raw materials prices. In the last few years, the company has been investing in new, more efficient facilities and has also been positioning to offer more bespoke types of product which command higher prices and can offset the now higher materials costs. Investment in more efficient facilities has also borne fruit for Shenzhou international, a textile maker. COVID has disrupted its Vietnam operations and materials prices too have exerted pressure, but a 14% gain in worker efficiency due to increased capital investment in recent years is helping.

We have provided a brief commentary below on the companies that have reported in the past month:

Stock Review

- **Ascendas REIT announced results for the first half (1H21)**, with a distribution up 5.4% year on year (YoY). Growth has come from acquisitions: European data centres, two office buildings in San Francisco and an Australian business park. Positive 3.8% rental reversions last year have also contributed to results. Management is seeking further acquisitions in logistics and data centres in the UK, Europe and US.

- **BOC Hong Kong reported 1H21 results** slightly below market expectations. Net profit was 17% lower partly due to a contraction in Net Interest Margin to 1.08% form 1.13% in 2H20 and partly down to a high base comparison for trading gains last year. Fee income growth was solid, up 22% and a decline in credit costs associated with bad debt. Lower margins have meant the bank has been among the weaker performers among the large Hong Kong banks, but its capital strength and market position leaves it better placed in our view for a post-COVID recovery on the back of ongoing market share gains in loans and deposits as well as its position to benefit from further development of the Bond Connect scheme. The interim dividend was maintained unchanged from 2020 but is still 18% below that of 2019. The market, however, is forecasting a decent pick-up in the 2H21 dividend which will be declared next year.

- **Catcher Technology reported results for the second quarter 2021 (2Q21)** that included weaker than expected sales growth and net profit but a sequential improvement in gross margin. The company sold its smartphone casing business last year and it will take time for new business channels in automotive, healthcare and 5G consumer device thermal solutions to contribute meaningfully. The main contributions now come from Notebook and Tablet demand, which remains strong for now although component shortages have restricted supply which resulted in slower sales in the past quarter.

- **China Construction Bank reported 2Q21 results** that were ahead of market expectations with net profit up 24% YoY. Net interest margin was unchanged at 2.13%, but was better than its peers while improving asset quality reduced the need for further provisioning and improved existing bad debt coverage. Non-performing Loan (NPL) ratios dropped in almost all segments bar real estate (up 0.25% compared to last year) and mining which rose 4.7%; but these rises were more than offset by improvements in loan quality to manufacturing, transport, retail & wholesale as well as personal lending.

- **China Lilang reported 1H21** revenue recovery continued, rising 23.9%, but still 12% below the same pre-pandemic period in 1h19, and net profit up 0.9%. Gross margins were strong, rising 10% to 49.5%. However, selling expenses increased due to the business model switch in 2H20 from franchise to self-operated distribution which, combined with store renovations, pushed store operating expenses higher. Lilang continues to optimise its 2,708-store portfolio, closing 53 stores and opening 18 in quality malls. The company completed renovations on 100 stores in 1H21 and plans to complete 400 more in 2H21. The company declared a dividend of HK$0.18 per share, 6% higher than 2020, but still 30% below 2019.

- **China Medical System reported another good set of results** for 1H21 with revenue up 23.6% YoY and net profit up 27.2% YoY. Dividend per share rose 25.5%. Direct sales of medicines grew strongly, led by sales of cardio-cerebrovascular products (heart disease/stroke), which account for over half that division's revenue, up almost 30%. The digestion line, accounting for 34% of divisional revenue, rose 26% followed by 46% growth in ophthalmology and 54% growth in dermatology. The company has been developing new business lines and began independently operating its dermatology and medical aesthetic business this year. The division employs 500 people, acquired a 65% stake in carnation, which operates an ultrasound technology platform and began a collaboration with EC Healthcare to establish a divisional marketing operation. Finally, its programme of new products, focusing on delivery methods, rather than new compounds, remains on track and the company expects its Diazepam Nasal Spray (for anxiety disorders & muscle spasms) and Tildrakizumab solution for injection (for eczema/psoriasis) to be approved in 2022.

- **China Merchants Bank reported second quarter profits** up 32% YoY and pre-previsioning operating profit (PPOP) up 18.5%. Fee income growth of 24% benefitted from strong growth in AUM in the asset management business. Fee income and a growing retail franchise, especially in Private Banking and High Net Worth have been supported by growing demand deposits (a cheap source of funding) and investment in technology are the main growth drivers for this business. The bank's net interest margin was 2.46%, the ratio of non-performing loan to total loans was 1.01% and these are more than 4x covered by provisions.

- **China Overseas Land & Investment (COLI) reported 1H21 results** with core net profit (excluding the effects of investment property revaluation and FX) up 2%, in line with expectations. The interim dividend was held at HK$0.45 in line with 2019 and 2020. At the time of writing the stock offers a yield of 6.6%. The Chinese real estate sector can be a worrying sector, but COLI is easily the best positioned in our view. It has the lowest debt ratios of its peers (Debt to equity 67%, net debt to equity 33%) and its investment grade credit rating, also the best in the sector, gives access to the lowest cost of funding at 3.6%. COLI's business is property development with 40% of its landbank in Tier 1 cities (Beijing, Shanghai, Hong Kong etc) and in urban renewal projects. The stock offers a combination of strong balance sheet, good market position, and a stabilizing margin trend that suggests earnings growth is likely to track sales growth more closely.

- **China Resources Gas increased net profit** in the first half up 35.6%, largely in line with expectations and helped by a strong rebound of 29.5% in gas sales volumes. New residential connections in the first half were 1.3m, with management guiding for at least 3.2m for the full year. Margins in the period were stable but may see some pressure in the second half from high LNG prices. Capex guidance increased slightly for the year, due to an increased M&A budget as the company expects acquisition opportunities to materialise.

- **Corporate Travel reported results** for the second half of their financial year (June year end), marked by a return to profitability at the EBITDA level. June was a post-Covid record month, despite it typically being seasonally weaker. The company has gained market share recently in a struggling sector – for CTM, volumes are currently around 40% of pre-Covid levels (this is significantly higher than some peers). CTM is benefitting from the higher vaccination levels in the US and UK, which account for a large proportion of revenues. Cost cutting efforts earlier in the pandemic leave the company well placed for profits to rebound sharply as activity picks up again.

- **DBS announced good results for the second quarter** despite a contraction in net interest margin to 1.45%. However, a 27% increase in fee income, cost control, and better asset quality that meant a 91% drop in provisioning expenses combined to deliver a 37% increase in net profit. The news that the Monetary Authority of Singapore had lifted its restrictions on bank dividends allowed DBS to reinstate the full dividend to S$0.33 from S$0.18. New NPL formation has fallen back to pre-pandemic levels in contrast to their peers. Investment in technology over the last few years has enabled the bank to generate income from more sources while keeping a lid on costs and expenses through better risk management and greater efficiency.

- **Hon Hai Precision reported 2Q21 profits** that were a little better than consensus forecasts. Sales were up 20% versus a weaker comparison period in 2020. Growth in the short term is related to the production of the iPhone 13 but with tight component supply this is unlikely to come before the 4Q21. Gross margin expansion is likely to pause in the short term at around 6% but management expects a resumption next year driven by a wider product mix. Management is talking about an EV market worth $600 billion from which they target a 10% share by 2025 and a 10% gross margin. However, there needs to be greater clarity on how this is to be achieved before this can start to be priced into the stock.

- **Hanon reported second quarter results** that were impacted by the shortage of computer chips at its US and European customers. Increased raw materials costs for the company's components were also a drag, impacting operating margins by around 1%. The outlook for the second half, however, is good, with a recovery expected as chip shortages decline and continued expansion of electric vehicle sales (EV revenues currently contribute around 21%). New orders have also been strong, with management increasing annual new order guidance by 10%.

- **JB Hi-Fi reported full year results for FY21.** Sales were up 12% in JBH Australia, up 13% year on year in comparable terms. Sales growth versus FY19 was 26%. The Good Guys division continues to benefit from a strong housing cycle, with revenues up 13.7% year on year. Final dividend of A$1.07, equates to total dividend for the year of A$2.87, up 52%.

- **Korean Re reported a decent set of results** for the second quarter. Net profit declined by 13%, but importantly, underwriting performance was strong with the combined ratio of 97.7% marginally improved from 97.9% in the prior year. The company has a good track record of lowering underwriting volatility each year, implying good allocation of capital. Given the underwriting performance, strong performance in the investment segment could result in a higher level of profits distributed as dividends.

- **KT&G reported results that missed** expectations on lower margins. Exports in particular were weaker, and the pandemic continues to impact domestic (Korean) duty free sales. Increased roll-out of heat-not-burn products, which continues, should improve investor sentiment over the rest of the year.

- **NetEase reported a good set of results for 2Q21.** Revenue was up 13% YoY. Online gaming revenue, which accounted for 70% of total revenue, rose 5% YoY which, without a new game and coming against a high base for comparison, was encouraging in our view. Innovative businesses (which includes advertising and NetEase Cloud Music) accounted for 20% of revenue and rose 26% YoY. Youdao, the search engine business, saw revenue more than double. Net income was down 20% YoY, pulled down by FX translation losses and higher R&D and marketing expenses. Excluding the FX loss, net profit fell 10% YoY. The dividend came in at US$0.24 per share, a drop of 20% in line with reported net income. Recent news that China is clamping down further on game time for younger children is expected to have little impact given management's disclosure that less than 1% of revenue comes from this group.

- **Nien Made reported results for the second quarter**, with gross profit margin of 53.9% beating consensus expectations of 51.9%. Offsetting gross margins was a large FX loss, which lowered net income growth to 2% year on year. Management is seeing increases in commodity prices leading to inflation; however, it's passing this on with higher prices for both custom-made and ready-made products in the second half.

- **Ping An Insurance Group reported interim results for 1H21** that were better than forecast with net book value and operating profit above expectation. The dividend was increased by 5%. The value of new business in the life insurance segment dropped significantly as a result of declining first year premiums and lower margins. This is consistent with Ping An's drive to reduce the number of sales agents but to increase productivity, which remained unchanged on last year but with an 11% lower headcount. This lies behind the improvement at the operating profit level. Property & Casualty however, was a highlight with credit and guarantee insurance leading the way resulting in a Combined ratio (Costs and expenses divided by revenues earned) falling to 95.9%, thereby increasing profits. Another strong contribution from Ping An Bank and the announcement of a share buyback makes for a good set of results.

- **Public Bank reported 1H21** net profit rose 25% YoY. Operating profit before the provision charge against non-performing loans was 36.2%. A deterioration in asset quality was evident, especially in the second quarter and management has turned more cautious. Nevertheless, to place this in some context, the ratio of NPLs to gross loans is only 0.35%. Steady loan growth, good cost control and cheaper funding costs are all supportive. Net interest margins have expanded to 2.15% from 1.99% in 2020 while the ratio of costs to income declined to 31.6% compared to 34.6% in 2020. The dividend increased by 14% above the same period in 2019, having been omitted in the same period in 2020 (the omission was 'made good' earlier this year).

- **Shenzhou reported 1H21 earnings that were down 11% YoY.** If the impact of foreign exchange movements was excluded, net profit would have been flat. We are still very positive on the stock with volume growth up 14% with sales to Puma, Uniqlo and Nike up 39%, 22% and 12% respectively. Efficiency gains and increased production volumes on a solid order outlook has prompted the company to increase the dividend pay-out ratio to 60%, resulting in an 18% dividend increase. Production in Vietnam remains hampered by COVID and this is prompting the company to build more integrated facilities in other overseas markets.

- **Sonic Healthcare reported strong 2H21 results** having received a significant boost from COVID testing revenue. Revenue for the full year, ended June 2021, was A$8.75 billion, up 28% YoY, of which COVID testing contributed A$2.1 billion. Earnings per share rose 141%. The dividend increased 8% and this moderate rise reflects the desire for more merger and acquisition activity, in recognition that COVID related revenue will subside and that permanent value creation will have to come from expansion.

- **Suofeiya Home Collection reported 1H21** sales that rose 69% YoY and net profit that increased 30% YoY. In 2Q, revenue grew 42%, lifted by increased sales to property developers, which can quickly lift scale, and to a recovering wardrobe business through an increased number of distribution partnerships. Margins however contracted 3.1% during the second quarter due to this change in channel mix and due to more promotion of Milanla, the lower-end brand. The stock is trading at trough valuations and the reason is the risk of a write down in some of its accounts receivable. Exposure to Evergrande, a highly indebted real estate developer undergoing restructuring, was CNY 194 million with a bad debt provision of only CNY 9 million. There is therefore downside risk to earnings of around 12% if the balance is written off, something we think is more than priced in.

- **Zhejiang Supor reported results for the first half of 2021**. Revenue rose 27% and net profit increased by almost 30% on greater cost control and increased pricing power. Gross margin on domestic sales recovered to 31.7%, the pre-pandemic level. Export sales were also strong, up 68.6% compared to the same period last year. Most of these sales are to its parent, French-owned SEB whose sales to North America rose 66% year-on-year with rising market share, and to Western Europe which rose 22%. Higher raw materials costs affected revenues from export sales because products were not re-priced. That is likely to change during the second half and into 2022, pushing gross margin on this segment up from 14% in the last reported period back toward 18%.

Outlook

As discussed above, we think that in the face of prolonged disruption and uncertainty, investors will be more likely to reward those companies that are demonstrably prospering: whose market positioning and capital strength are translating into growing cash-based profits. By contrast, we think the market will be less willing to pay up for growth businesses whose cash flow growth remains some way out into the future. In this environment, we think that companies that are growing earnings and growing dividends on the back will look increasingly attractive. This is not to say the growth style has no place, but that the more hopeful/speculative assumptions are being reined in and there is a greater focus valuation.

In the portfolio, consensus estimated earnings growth over the next 3 years are 10.6% per annum. This may be less than the overall market (though it should be remembered the companies are paying out just over 50% of the earnings in dividends) but our companies are tending to meet or beat expectations. Furthermore, investors are not being asked to pay up, or over-pay, for these stocks. The Fund is trading on PE of 11.8x 2021E earnings and 10.7x 2022E earnings compared to the benchmark, which is trading on 14.9x and 13.9x consensus estimated earnings.

Edmund Harriss
Mark Hammonds
Portfolio Managers

Data sources

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

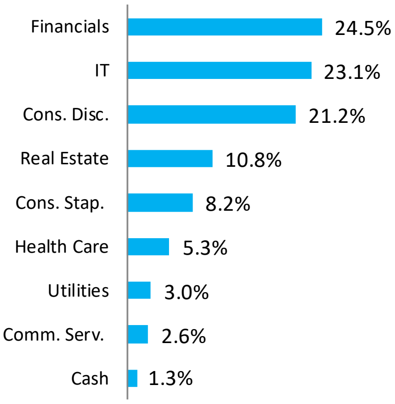
Index and stock data: *Bloomberg*

PORTFOLIO **31/08/2021**

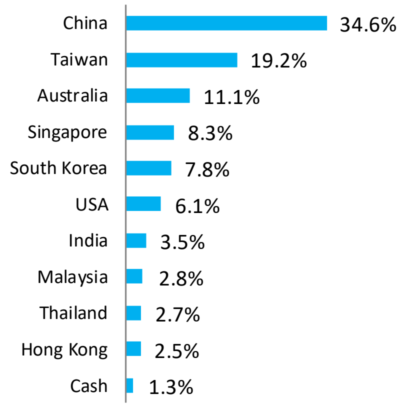
Fund top 10 holdings

Tech Mahindra	3.5%
Corporate Travel Management	3.1%
Aflac	3.1%
Qualcomm	3.0%
China Merchants Bank	3.0%
Elite Material	3.0%
China Resources Gas Group	3.0%
Sonic Healthcare	2.9%
CapitaLand Integrated Commer	2.9%
Inner Mongolia Yili Industrial	2.8%
% of Fund in top 10	30.4%
Total number of stocks in Fund	36

Sector analysis



Geographic allocation



PERFORMANCE (Past performance does not predict future returns) **31/08/2021**

Discrete years % total return (GBP)	Aug '21	Aug '20	Aug '19	Aug '18	Aug '17
Fund (Y class, 0.89% OCF)	19.7	-4.1	-0.2	1.2	25.6
MSCI AC Pacific ex Japan Index	12.3	8.9	1.9	1.8	25.8
IA Asia Pacific ex Japan	18.1	7.8	3.3	1.6	23.3

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.89% OCF)	1.3	6.9	19.7	14.6	45.7	119.7
MSCI AC Pacific ex Japan Index	2.2	-1.1	12.3	24.6	59.6	106.6
IA Asia Pacific ex Japan	2.7	3.2	18.1	31.5	64.6	117.8

Annualised % total return from launch (GBP)

Risk analysis - **Annualised, weekly, from launch on 19.12.2013, in GBP**

31/08/2021	Index	Sector	Fund
Alpha	0	1.70	2.46
Beta	1	0.89	0.86
Information ratio	0	0.22	0.17
Maximum drawdown	-26.36	-24.54	-24.84
R squared	1	0.95	0.83
Sharpe ratio	0.39	0.48	0.50
Tracking error	0	3.51	6.35
Volatility	15.50	14.18	14.53

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 in English from www.guinnessfunds.com or free of charge from:-

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

LFMSI, as UCITS Man Co, has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive.

Investor Rights
A summary of investor rights in English is available here: https://www.linkgroup.eu/policy-statements/irish-management-company/

Residency
In countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful, the Fund should not be distributed to resident Retail Clients. **NOTE: THIS INVESTMENT IS NOT FOR SALE TO U.S. PERSONS.**

Structure & regulation
The Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and authorised and supervised by the Central Bank of Ireland, which operates under EU legislation. If you are in any doubt about the suitability of investing in this Fund, please consult your investment or other professional adviser.

Switzerland
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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.