

# Guinness Sustainable Global Equity Fund

## INVESTMENT COMMENTARY – June 2021

### About the Fund

The Fund is a global growth fund designed to provide exposure to high quality growth companies, with sustainable products and practices. The Fund holds a concentrated portfolio of midcap companies in any industry and in any region.

**Fund size** £8.1m

**Fund launch date** 15.12.2020

**Managers** Sagar Thanki  
Joseph Stephens

### Performance

Since the fund was launched on 15.12.2020 there is insufficient data to provide a useful indication of past performance to investors

**Strategy** Guinness Sustainable Global Equity

**Index** MSCI World Index

**Sector** IA Global

### Summary performance

Ongoing vaccine rollouts, the reopening of many economies, and continued fiscal and monetary support from governments continued into May. And as was the case in April, inflation continued to be a hot topic, with US inflation coming in at 4.2% - above expectations and well above the US Fed's long-term targeted 2%. Markets were, however, more muted to the move as it remains to be seen if this period of inflation is more transitional. This, together with broadly strong economic data across the month reiterated strength in the so-called 'Reflationary trade' or 'Reopening trade', as Banks and Energy stocks continued to lead markets, while IT and consumer discretionary lagged. This resulted in the MSCI World Value index up 3.0% over the month vs the MSCI World Growth down 0.1%. It should be noted, however, that inflation is not necessarily 'bad' per se – rising inflation from a low level and in a gradual manner would likely be good for equity markets (signals a growing, stable economy).

Overall, fund performance vs the benchmark can be attributed to:

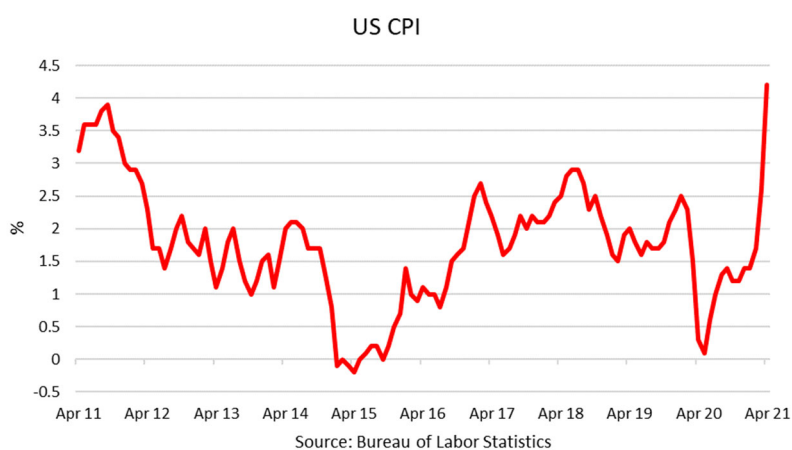
- The rotation into value-orientated sectors was a drag on the portfolio over the month – Banks and Energy finished the month as the top performing industries for which the fund has no exposure to.
- The fund's exposure to Industrials was the largest positive contributor to performance. Overweight exposure resulted in a positive asset allocation, and positive stock selection came particularly from the fund's European industrial exposure, where economic PMIs have continued to point to expansion.

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.

- IT, which lagged over the month created a drag from an asset allocation perspective. However this was more than offset by positive stock selection within the sector, particularly from the fund's semiconductor holdings which were a bright subset of broad IT weakness.
- Additionally, not owning Apple in the fund, the benchmark's largest constituent, was a positive for the fund as the stock fell 5% over the month.

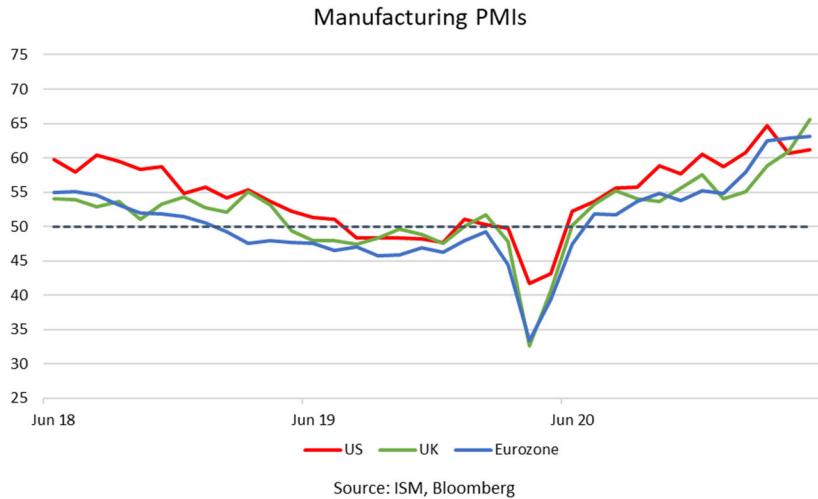
### May in Review

Despite the closing of Q1 earnings season, which saw S&P 500 companies report earnings growth of 47% year-on-year (yoy) relative to the consensus growth of 20%, markets were much more muted as investors continued to grapple with inflationary concerns leading to weakness in growth stocks (particularly IT and Consumer Discretionary). These weighed on global benchmark performances. Indeed, US headline inflation rose 4.2% yoy in April, well above expectations, echoing concerns that economies could become over-heated, which may lead to the consequential dialling back of monetary support. Treasury Secretary Janet Yellen's comments at the beginning of the month on the potential need for interest rate hikes (before backtracking a day later) only sought to raise those concerns. However, looking under the hood, the relatively high inflation figure continues to be propped up by certain areas of the market, most notably US car prices which rose 21% in April.

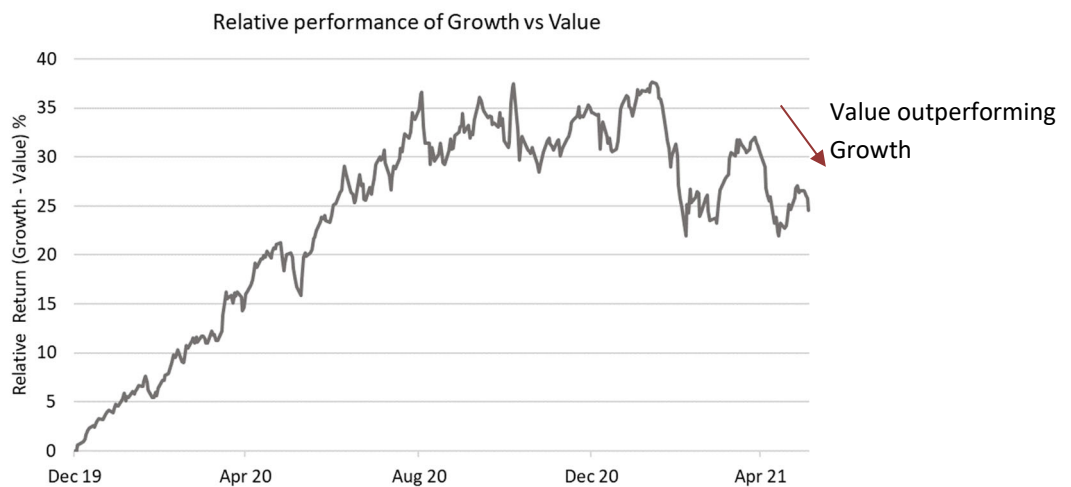


Away from inflation, economic data continued to be positive with US manufacturing and service PMIs both beating expectations. Similarly, across Europe and the UK, the story was comparable with PMIs well into expansionary territory (above 50 indicating expansion).

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This alongside continued strength in the vaccine rollout across the UK and the US - while Europe made significant headway in catching up - made for continued force in the rotation out of growth stocks and into value-oriented industries. This was subsequently a drag on the portfolio from an asset allocation perspective, as IT, the fund's largest overweight exposure, ended the month as the second worst performing sector. Similarly the sustained strength in Banks and Energy stocks – industries set to benefit from the re-opening-reflation bet – was a drag on the portfolio as we continue to hold no exposure in these areas.



Source: Bloomberg

However the positive economic data releases in Europe benefitted the fund's European industrials with Interroll, Spirax-Sarco, and Legrand finishing the month as 3 of the fund's top 5 holdings in terms of performance.

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## Stock performances

**Sonova (+20.0% USD):**



Sonova, the European leader in hearing aids and implants, reported quarterly results over the month that pointed to sustainably new and higher margins, and resulted in large upgrades by brokers. Indeed, management guidance implied 26% EBITDA margins – 4% higher than their peak margins in 2014, and 2.5% higher than 2019 – with cost saving programmes which began pre-covid, the primary driver. This was positive news for the industry as margins in the hearing aid space have been flat for several years even with cost saving plans underway. This new sustainable level indicates a new margin expansion story for the company which should drive higher valuations.

**Interroll (+17.7% USD):**



Interroll is the European provider of material handling solutions such as rollers and conveyors for applications from postal services to more complex logistics and ecommerce warehouses. The company has been a beneficiary of an acceleration in the automation of supply chains as COVID-19 forces companies to rethink their operations. And indeed, over the month, management commented that, *“Due to continuous high customer demand, the Interroll Group expects to see very strong growth in sales and profitability for the first half of financial year 2021, compared to the same period of the previous year. The Group is cautiously optimistic about the further development of financial year 2021.”* The comments prompted the share price to rise 4.4% (USD) on the day, ending the month as the fund’s second-best performer.

**Fisher & Paykel (-16.0% USD):**



Fisher & Paykel has been a beneficiary of the COVID-19 outbreak, providing respiratory equipment required in hospitals to provide care for patients. However, with hospitalisation rates in most developed regions slowing, this temporary tailwind looks to be winding down. While, the company remains exposed to structural healthcare trends including leadership in sleep apnea, the potentially tailing off of the COVID-19 demand driver has investors re-evaluating the company’s short-term growth prospects. This is not a surprise and we remain confident in Fisher & Paykel’s underling leadership in respiratory technology.

We thank you for your continued support.

### Portfolio Managers

Joseph Stephens  
Sagar Thanki

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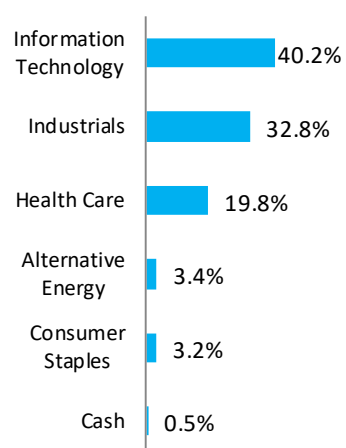
### PORTFOLIO

31/05/2021

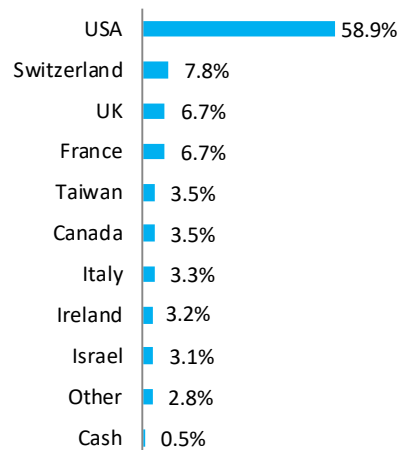
#### Fund top 10 holdings

Sonova	4.0%
Interroll Holding	3.8%
Teradyne Inc	3.6%
Delta Electronics Inc	3.5%
Entegris Inc	3.5%
WSP Global Inc	3.5%
KLA-Tencor	3.5%
Aptiv PLC	3.4%
Spirax-Sarco Engineering	3.4%
Worldline	3.4%
% of Fund in top 10	34.5%
Total number of stocks	30

#### Sector analysis



#### Geographic allocation



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## 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 Guinness Global Sustainable Equity 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 Global Sustainable Equity 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. Details on the risk factors are included in the Fund's documentation, available on our website.

### **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](http://www.guinnessfunds.com), or free of charge from:-

- the Manager: Link Fund Manager Solutions (Ireland) Limited, 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](http://www.carnegie-fund-services.ch). The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 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.

**GUINNESS**

ASSET MANAGEMENT

Guinness Asset Management Ltd is authorised and regulated by the Financial Conduct Authority

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