

Guinness Global Innovators Fund

Innovation | Quality | Growth | Conviction

INVESTMENT COMMENTARY – June 2021

About the Fund

The Fund is a global growth fund designed to provide exposure to companies benefiting from innovations in technology, communication, globalisation or innovative management strategies. The Fund holds a concentrated portfolio of large and medium-sized companies in any industry and in any region.

Fund size	£450m
AUM in strategy	£600m
Fund launch date	31.10.14
Strategy launch date	01.05.03

Managers Dr. Ian Mortimer, CFA
Matthew Page, CFA

Analysts Sagar Thanki
Joseph Stephens
William van der Weyden

Performance 31.05.21

Cumulative % total return (GBP)	1 year	3 years	5 years	10 years
Strategy*	29.5	55.1	150.4	362.9
Index	22.3	40.2	99.2	209.0
Sector	24.6	37.8	94.8	163.6
Position in sector	100 /433	52 /378	19 /316	9 /202

Annualised % total return from strategy inception (GBP)

Strategy*	13.67%
Index	10.30%
Sector	9.62%

Strategy Guinness Global Innovators*

Index MSCI World Index

Sector IA Global

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. *Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14. Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same team using the same investment process as applied to the UCITS version. Source: Financial Express 0.99% OCF, bid to bid, total return, in GBP.

ELITE RATED
by FundCalibre.com



Summary performance

For the month of May, the Guinness Global Innovators Fund provided a total return of -2.49% (GBP) against the MSCI World Index net total return of -1.20% (GBP). Hence the fund underperformed the benchmark by -1.29% (GBP). Year to date, the fund has produced a total return of 5.97% (GBP) against the MSCI World 7.11% (GBP).

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 (as it signals a growing, stable economy) – so any inflation 'concerns' need to be tempered by an analysis of the level and speed of any increase.

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Guinness Global Innovators Fund

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, which the fund has no exposure to.
- Stock selection from the fund’s consumer discretionary exposure was a drag on relative performance, although primarily a consequence of one stock, New Oriental Education, which fell 33.0% (USD) over the month.
- 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.

While growth stocks have lagged value YTD, the fund’s performance remains strong long-term, sitting in the top quartile versus its IA Global Equity sector peers over 1, 3, 5, and 10 years.

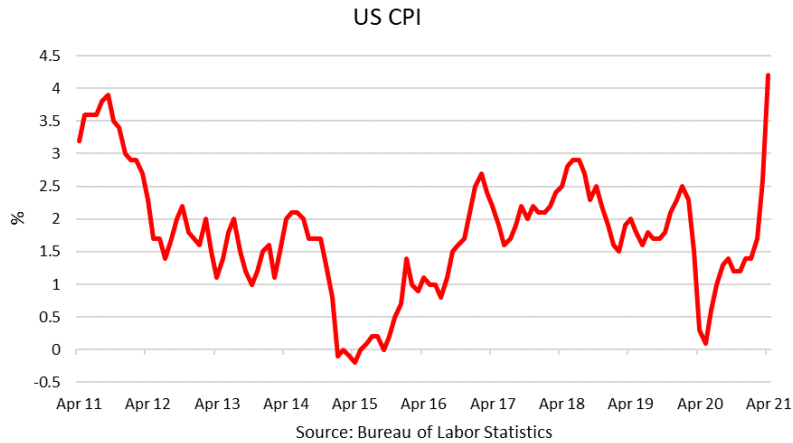
	YTD	1 year	3 years	5 years	10 years
Global Innovators	5.97	29.49	55.11	150.42	362.93
Index	7.11	22.30	40.18	99.16	208.96
Sector	6.40	24.59	37.76	94.76	163.64
Position in sector	255/450	100/433	52/378	19/316	9/202
Quartile	3rd	1st	1st	1st	1st

Source: Financial Express. Cumulative Total Return in GBP, as of 31st May 2021

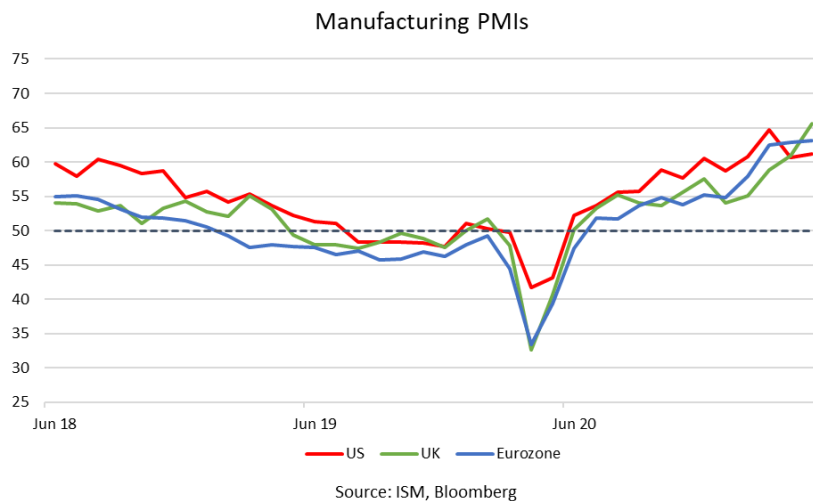
May in Review

Despite the closing of Q1 earnings season which saw S&P 500 companies report earnings growth of 47% year-on-year (yoy) growth relative to consensus 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) which 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 a 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.

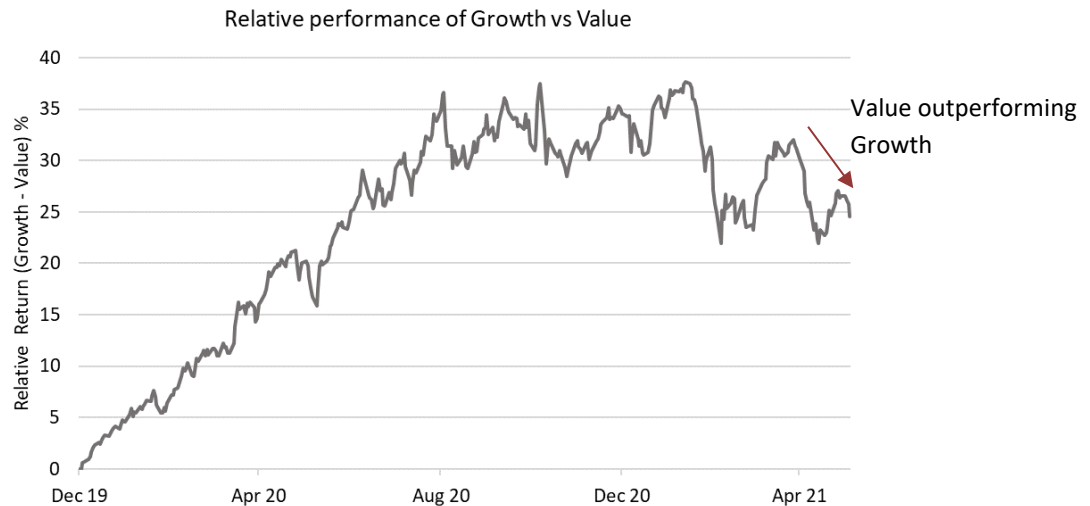
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Away from inflation, economic data continued to be positive with US manufacturing and service PMIs both beating expectations. Similarly, across Europe and the UK, the story was comparable with PMIs well into expansionary territory (above 50 indicating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



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 was a drag on the portfolio as we continue to hold no exposure in these areas.



Source: Bloomberg

Stock Performance

Anta Sports (+14.0% USD):

Anta Sports, the largest domestic sportswear brand in China, was the fund’s best performing stock over the month as Chinese retail sales continued to benefit from the opening up of the economy. Although Chinese retail sales missed estimates for April (up 17.7% yoy vs estimated 25.0%), there was increased optimism that the government would roll out new policy support measures for the industry to boost consumption. Expected policies were further supported as concerns over China’s aging population grew, with the latest census data showing China was on the cusp of population stagnation after years of rapid growth. This led to the announcement during May, that married couples could now have up to 3 children – 5 years after China ended its ‘one-child policy’. Elsewhere, there was also optimism that Anta has, and would continue to take market share from Western competitors Nike and Adidas, as the fallout from the avoidance of Xingjiang cotton persisted - albeit slightly more muted.



Nvidia (+8.2% USD):

Chip designer Nvidia was a top performer for the fund this month. The announcement of a 4-for-1 stock split in mid-May saw the beginning of a rally - the first split in four years following a 1,600% gain. Nvidia has been a key beneficiary of the pandemic-induced global chip shortage, with the resumption of the manufacturing sector causing demand to sky-rocket and prices to surge. This resulted in another record quarter for the firm, with EPS (\$3.66) and revenue (\$5.66bn) beating analyst expectations by +11% and 5% respectively, causing a further rally in the stock. Crypto-currency miners have contributed to shortages of GPU’s in Nvidia’s largest segment, Gaming, resulting in the release of a purpose built crypto-mining chip, the CMP Card. This will ease some supply shortage that has negatively affected gamers, alongside drive growth in the Crypto segment. Nvidia’s Datacentre segment (c. 40% of sales) is well positioned for further growth, following the release of the firm’s first



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CPU chip, Grace. Further CPU activity could follow should the acquisition of ARM get the green light, although this is currently facing multiple regulatory hurdles.

Amazon (-7.0% USD):

Despite Amazon’s blowout Q1 results on the last day of April, positive sentiment was short-lived as the tech sector slid at the beginning of May. Investors rotated towards more defensive areas of the market, following Treasury Secretary Janet Yellen’s comments on the potential need for interest rate hikes, before backtracking a day later. Investors were also spooked by the issuance of \$18.5 bn debt, Amazon’s biggest bond sale ever, the same day as inflation fears swept through Wall Street, sending the stock down 3%. Amazon announced the acquisition of MGM Studio’s for \$9bn, a move met with limited enthusiasm by investors. Despite this difficult month, Amazon’s Q1 results at the beginning of the period give emphasis to the underlying strength of the business, with an acceleration of growth in some of their most important lines (AWS +32% revenue, Advertising +77%, Online retail +44%) contributing to their highest margin quarter ever (operating margin 8.2%).



New Oriental Education (-33.0% USD):

Having seen its share price peak in February, New Oriental Education, China’s second-largest after-school tutoring (AST) provider, has seen sustained weak share price performance as investors grapple with continued news surrounding possible tighter AST regulation. Whilst increased regulation is not new to the Chinese education industry, more recent speculation has sent broad education share prices down. During the month, the State Council and Ministry of Education held a press conference to discuss the 14th Five-Year Plan on education in which they commented on ‘outstanding problems’ within the industry including false or inaccurate advertising, teacher certificates, and teaching contents. Whilst we believe tighter regulations could impact New Oriental’s growth and costs, ultimately with a highly fragmented market such as Chinese tutoring, regulation should drive out smaller competitors, solidifying leaders such as New Oriental Education.



We thank you for your continued support.

Portfolio Managers

Dr Ian Mortimer, CFA
Matthew Page, CFA

Analysts

Joseph Stephens
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William van der Weyden

Data sources

Fund performance: *Financial Express, Total return in GBP*
Index and stock data: *Bloomberg*

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Guinness Global Innovators Fund

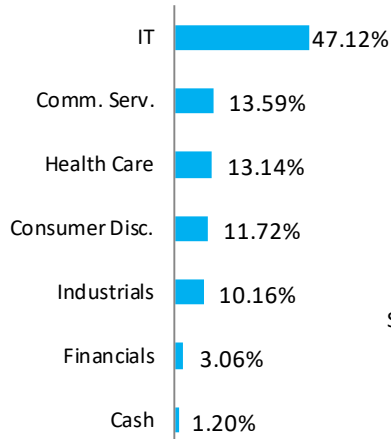
PORTFOLIO

31/05/2021

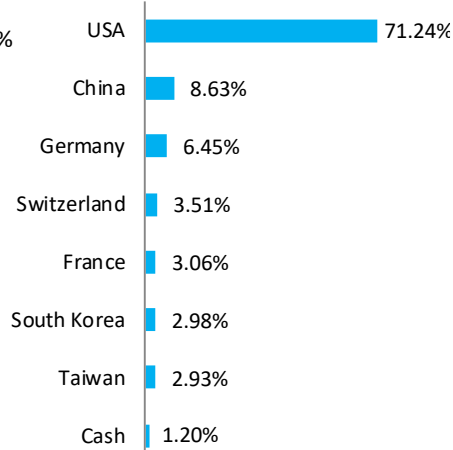
Fund top 10 holdings

Nvidia Corp	4.0%
Facebook	3.9%
Applied Materials	3.7%
Anta Sports Products	3.7%
Roper Industries Inc	3.6%
Cisco Systems	3.6%
Lam Research	3.5%
ABB	3.5%
Alphabet	3.5%
Medtronic	3.4%
% of Fund in top 10	36.4%
Total number of stocks	30

Sector analysis



Geographic allocation



31/05/2021

Annualised % total return from strategy inception (GBP)

Guinness Global Innovators strategy*	13.67%
MSCI World Index	10.30%
IA Global sector average	9.62%

Discrete years % total return (GBP)

	May '21	May '20	May '19	May '18	May '17
Guinness Global Innovators strategy*	29.5	26.3	-5.2	15.5	39.8
MSCI World Index	22.3	8.9	5.3	8.2	31.3
IA Global sector average	24.6	7.7	2.7	8.5	30.4
IA Global sector ranking	100/433	20/397	335/375	49/332	23/313
IA Global sector quartile	1st	1st	3rd	1st	1st

Cumulative % total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years	10 years
Guinness Global Innovators strategy*	-2.5	6.0	29.5	55.1	150.4	362.9
MSCI World Index	-1.2	7.1	22.3	40.2	99.2	209.0
IA Global sector average	-1.1	6.4	24.6	37.8	94.8	163.6

RISK ANALYSIS

31/05/2021

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	1.64	4.54
Beta	1	0.83	1.05
Information ratio	0	-0.11	0.71
Maximum drawdown	-24.58	-21.61	-22.23
R squared	1	0.86	0.84
Sharpe ratio	0.73	0.76	0.96
Tracking error	0	5.89	6.98
Volatility	15.37	13.82	17.60

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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 Innovators 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 Innovators 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, 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. 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

Tel: +44 (0) 20 7222 5703

Email: info@guinnessfunds.com

Web: guinnessfunds.com