Guinness Global Equity Income Fund

Investment Commentary - January 2022

About the Fund

Fund size	£1785m
Launch date	31.12.10
Historic OCF (Y Class)	0.80%
Current OCF (at fund size)	0.80%
Historic Yield (Y Class)**	2.2%
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens Will van der Weyden

Aim

The Guinness Global Equity Income Fund is designed to provide investors with global exposure to dividend-paying companies. The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

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

Performance*

Fund	Guinness Global Equity Income (Y Cls)
Index	MSCI World Index
Sector	IMA Global Equity Income

	1 Yr	3 Yrs	5 Yrs	Launch
Fund	23.3	61.5	78.3	248.6
Index	22.9	69.5	83.8	260.9
Sector	18.7	45.4	51.1	161.0

Annualised % total return from launch (GBP)

Source: FE, bid to bid, total return. Y Class 0.80% OCF.
*Simulated past performance. Performance prior to the launch date of the Y class of the fund (11.03.15) is a composite simulation for Y class performance being based on the actual performance of the Fund's E class (1.24% OCF), which has existed since the Fund's launch on 31.12.10. The Fund's E class is denominated in USD but the performance data above is calculated in GBP.
**Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charges. Investors may be subject to tax on the distribution

Summary

In 2021 the Guinness Global Equity Income Fund produced a total return of 23.32% (in GBP), compared to the MSCI World Index return of 22.94% (in GBP). The Fund therefore outperformed the Index by 0.38%.

The IA Global Equity Income Sector returned 18.70% (GBP), and the Fund outperformed its peer average by 4.62%.

- Since launch 11 years ago, the Fund ranks 1st out of 12 Funds in the IA Global Equity Income Sector:
    - It has produced a cumulative total return of 248.60% (TR in GBP) compared to the sector average of 161.01% – an outperformance of 87.59%.
    - The Fund has outperformed its sector peers in 9 of the 11 years the Fund has been in existence and has provided positive returns in each of the last 11 years.
- Covid-19 statistics, tiered lockdowns, unprecedented inflation, supply chain shortages and interest rate expectations dominated financial headlines for most of the year, yet equity markets were fixated on central bank stimulus, vaccine optimism and corporate earnings growth as they ended 2021 with stronger-than-average returns.
- Over the course of the year, strong stock selection in Industrials, IT and Healthcare more than offset the allocation drag from owning no banks and no Energy stocks (which both performed well over the year) and from being overweight Consumer Staples, which generally lagged the market in 2021.
- Dividend payments have been front of mind in the current market environment where we have seen significant Covid-induced demand shocks in many sectors of the equity market, leading to a significant proportion of companies suspending or reducing their dividend payments.

  - In the Fund, however, our focus on quality companies with strong balance sheets and long histories of high return on capital meant that 31 out of our 35 holdings grew their dividends in 2021, three kept their dividends flat, only one company reduced its dividend, and zero companies completely cancelled their dividends.

  - This follows on from 2020, when 28 companies grew their dividends, six keep theirs flat, one company cut, and zero completely cancelled their distributions.

- As income investors we target a moderate yield but look for good potential for dividend growth. In January 2022 the Fund declared its final dividend, which represented the income we received in the second half of 2021. The total dividend distributed for the full year 2021 grew 1.5% compared to 2020 (Class Y GBP), and the annualised growth of the dividend since launch is now 4.6%. We note the strength in sterling over the year reduced the dividends received from our non-UK holdings in GBP terms; the Fund grew its distribution 4.9% in EUR terms (Class Y EUR) and 8.9% in USD terms (Class Y USD). The trailing 12-month dividend yield today is 2.2% (net) which compares to the benchmark MSCI World Index yield of 1.7% (gross).

- The philosophy and process behind the Fund has been the same since we launched the Fund in late 2010:

  - We look to invest in good quality businesses with persistently high returns on capital, strong balance sheets, that are highly cash generative, and that are trading at attractive valuations. We believe that such businesses are best placed to pay a sustainable and growing dividend in the future.

  - We take a long-term view, holding companies for 3-5 years on average, and the Fund holds a concentrated portfolio (with 35 stocks) of equally weighted positions with an active share typically over 90% vs the benchmark.

  - We believe the balanced approach of the Fund – seeking a return from a combination of cash flow growth, multiple expansion, and dividends – alongside a focus on quality characteristics makes it well placed for any market direction in 2022 and beyond.

Performance

In 2021 the Guinness Global Equity Income Fund produced a total return of 23.32% (in GBP), compared to the MSCI World Index return of 22.94% (in GBP). The Fund therefore outperformed the Index by 0.38%. The Fund ranked 10/53 funds in the IA Global Equity Income Sector and outperformed the average peer fund by 4.62%.

	1 year	3 years	5 years	10 years	Since Launch (31/12/2010)
Guinness Global Equity Income Fund	23.3%	61.5%	78.3%	239.4%	248.6%
MSCI World Net TR Index	22.9%	69.5%	83.8%	279.2%	260.9%
IA Global Equity Income Sector	18.7%	45.4%	51.1%	166.5%	161.0%
Position in IA Sector	10/53 funds	9/47 funds	5/42 funds	3/19 funds	1/12 funds
Quartile	1st	1st	1st	1st	1st

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

We are pleased that since launch at the end of 2010, the Fund ranks 1st out of 12 funds in the IA Global Equity Income Sector.

The Fund also ranks in the top quartile of the sector over one, three, five and 10 years.

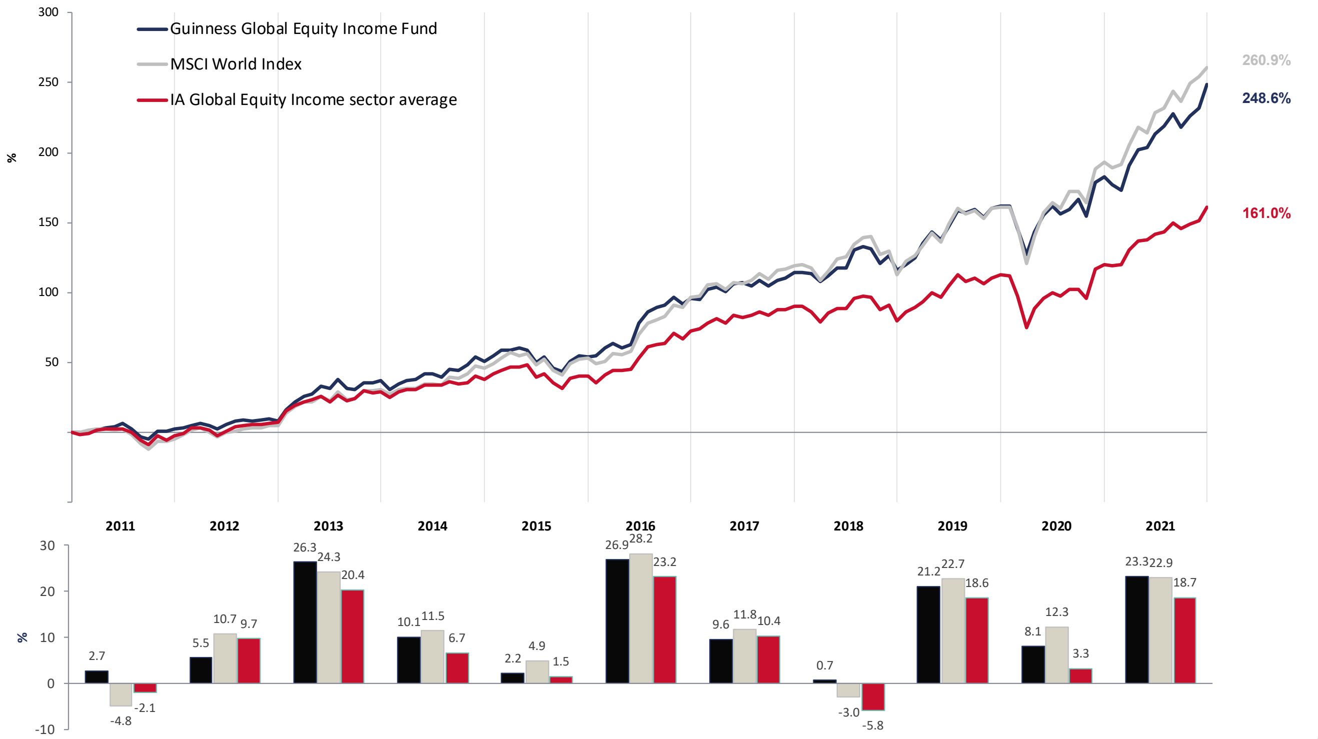
Guinness Global Equity Income Fund

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Global Equity Income Fund	2.7%	5.5%	26.3%	10.1%	2.2%	26.9%	9.6%	0.7%	21.2%	8.1%	23.3%
MSCI World Net TR Index	-4.8%	10.7%	24.3%	11.5%	4.9%	28.2%	11.8%	-3.0%	22.7%	12.3%	22.9%
IA Global Equity Income Sector	-2.1%	9.7%	20.4%	6.7%	1.5%	23.2%	10.4%	-5.8%	18.6%	3.3%	18.7%

Calendar year total return in GBP, as of 31st December. Source: Financial Express

The Fund has now outperformed its sector peers in nine of the 11 years the Fund has been in existence and has provided positive returns in each of the last 11 years.

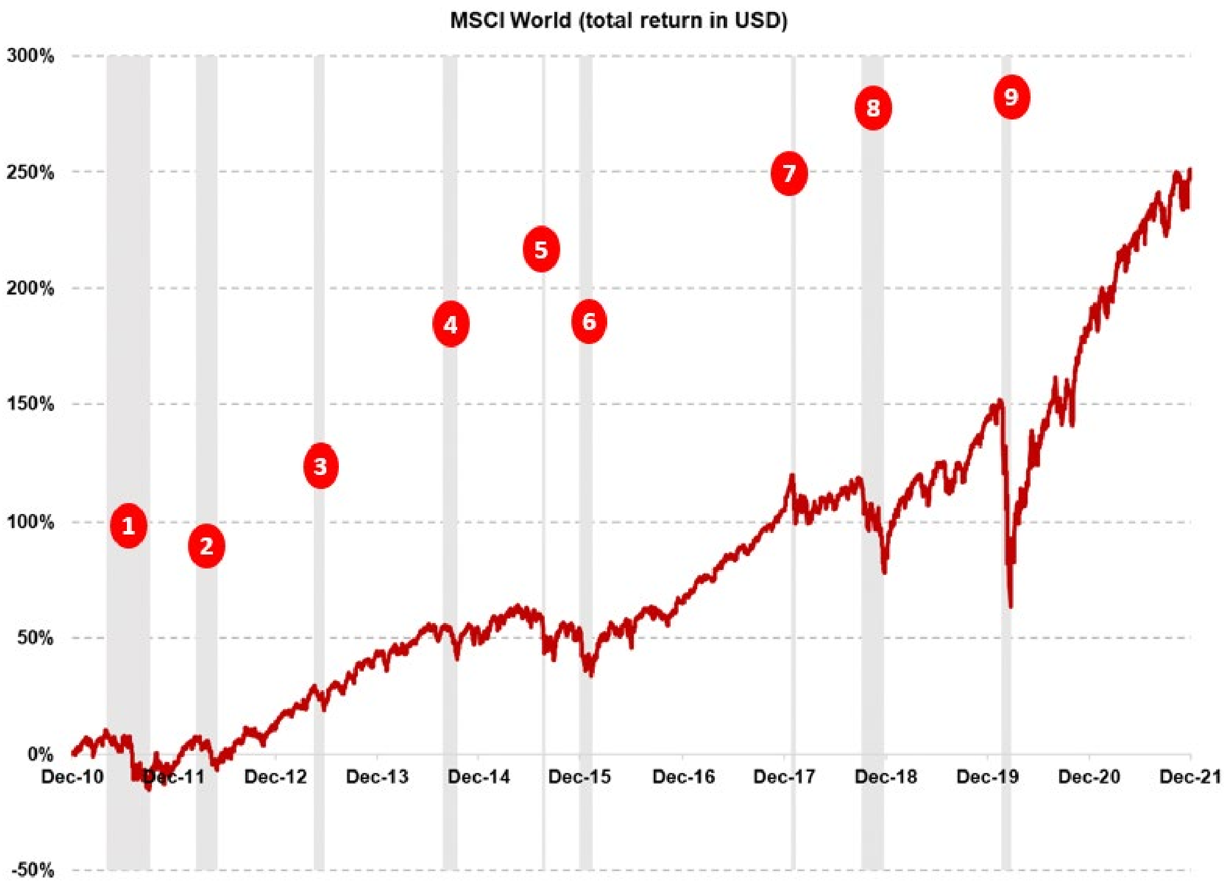
Since launch the Fund has produced a cumulative total return of 248.6% (TR in GBP) compared to the sector average of 161.0% – an outperformance of 87.6%.



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

Every year – and few more so than 2021 – brings with it many uncertainties and surprises and we seek to position the Guinness Global Equity Income Fund so that it is capable of weathering whichever direction the market takes. The Fund has historically outperformed in falling markets but has kept up well with rising markets. Since the launch of the Fund it has outperformed in each of the largest drawdowns in the last 11 years:

Guinness Global Equity Income Fund

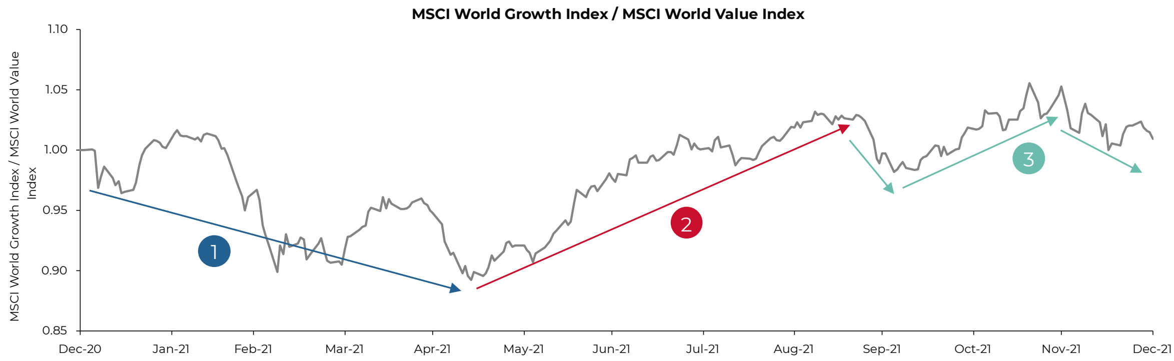


Largest drawdowns in global equity markets since Fund launch (31st December 2010). Source: Bloomberg

	Start date	End date	MSCI World Index	Guinness Global Equity Income	Fund relative performance	Reason for sell off
1	02/05/2011	04/10/2011	-22.0%	-15.6%	6.4%	European crisis / Greece
2	19/03/2012	04/06/2012	-12.5%	-8.9%	3.5%	US credit rating downgrade
3	21/05/2013	24/06/2013	-7.7%	-5.2%	2.5%	"Taper tantrum"
4	27/08/2014	16/10/2014	-8.8%	-8.3%	0.5%	Oil price sell off
5	17/08/2015	25/08/2015	-9.4%	-8.5%	0.9%	Chinese stock market decline
6	31/12/2015	11/02/2016	-11.5%	-6.1%	5.4%	China growth concerns
7	26/01/2018	08/02/2018	-9.0%	-7.1%	2.0%	Volatility spike / inflation concerns
8	03/10/2018	25/12/2018	-17.5%	-12.0%	5.5%	Tech sell off / US-China trade issues
9	19/02/2020	23/03/2020	-34.0%	-32.5%	1.4%	Coronavirus

Performance of Fund vs benchmark in the largest drawdowns since fund launch, in USD. Source: Bloomberg

Looking in more detail at the market and Fund performance in 2021, we identify three broad trends in terms of style/rotation:



Source: Bloomberg, data as of 31st December 2021

(1) At the start of year to mid-May (31.12.2020 to 14.05.2021), value outperformed growth in the 'reflation/reopening trade' that started in November 2020, when the news of a successful vaccine was released and both economic growth-sensitive value stocks (such as Energy and Industrials) and rate-sensitive value stocks (like banks) did well. Overall, the Fund outperformed the benchmark by 0.8% (in USD) over this period with our holdings in Industrials (ABB, Eaton, Raytheon) and Financials (Aflac, CME, Arthur Gallagher, Blackrock) performing well.

(2) From mid-May (14.05.2021) to late-September (21.09.2021), this 'reflation' trend reversed and growth outperformed value as the delta variant came to prominence. We started to see a slowdown in the economy and a coincident fall in rates, with US 10yr treasury yields dropping from 1.7% back to 1.2%. The Fund underperformed the benchmark by 2.9% in this period (as we might expect in a growth-led rally), but 'quality' companies also performed well as the market focused on a slower-growth outlook and increased market uncertainty – which aided Fund performance. IT companies held such as Microsoft, Broadcom and Paychex performed strongly, as did Healthcare stocks such as Novo Nordisk, Sonic Healthcare and Roche. Over the period the MSCI World Growth Index was up 15.19% (in USD) vs the MSCI World Value Index up 1.34% – a 13.85% differential.

(3) From late September (21.09.2021) to the year-end (31.12.2021), value and growth switched in and out of vogue as markets dealt with another Covid-19 variant, supply chain shortages, higher inflation, a more hawkish Fed 'pivot', and increased worries around China and global growth in general. The risk-off mood in markets aided the Fund's relative performance given its high-quality, defensive attributes. By seeking companies with persistently high profitability, strong balance sheets, robust competitive advantages and attractive valuations, the Fund's holdings held up better in the bouts of selling which dragged on those companies that bore relatively greater Covid, inflation and interest rate risk. Such stocks included travel companies (airlines/hotels), companies with little pricing power, growth stocks with extreme valuations, and companies with high debt levels. In this period the Fund's holdings weathered the various uncertainties and outperformed the MSCI World Index by 2.6% (in USD).

It is pleasing that the Fund navigated these different market environments well – generally outperforming the MSCI World High Dividend Yield Index and peers.

Dividend Review

The economic 'sudden stop' induced by the pandemic saw significant cuts to dividend distributions in 2020 and much-reduced distributions at the index level in many regions (for example a drop of -41% in the FTSE 100 Index dividend, -36% for the STOXX 50 Index, and -12% for the MSCI World Index), although the US was relatively unscathed with S&P 500 growth of 0.4%. Broadly, the dividend cuts were concentrated in companies affected by (i) significant loss of revenues from Covid lockdowns (airlines, travel & leisure, retail, energy), (ii) regulatory pressure (European banks, insurance), (iii) government pressure (French state-owned businesses in particular), and (iv) companies with weak balance sheets conserving capital by reducing or cancelling dividend payments.

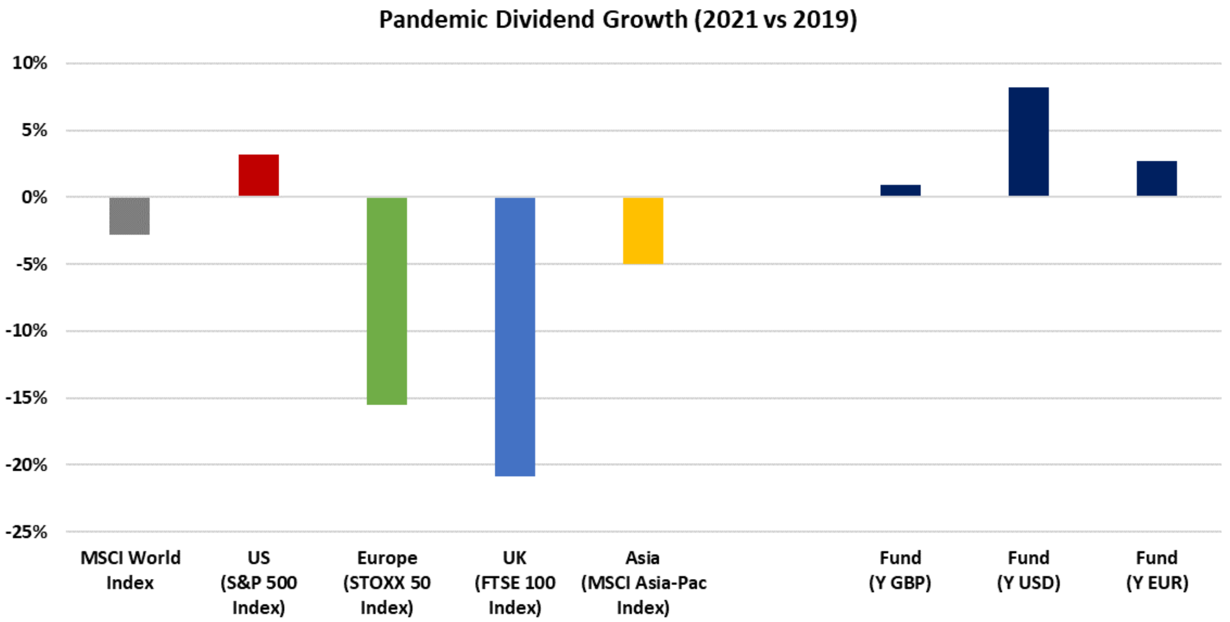
In 2021, aided by the global economic recovery, many dividend payments were re-introduced (albeit often at lower levels) and consequently there was a recovery in dividend growth alongside. These strong increases across regions, however, come in light of the previous year's low base and in many cases have not yet fully restored the distributions back to 2019 levels.

- In Europe, the overall STOXX 50 Index dividend increased by 31.4% in 2021, having declined by 35.7% in 2020.
  - Compared to 2019, the overall dividend in 2021 was 15.5% lower.

- In the UK, the FTSE 100 Index dividend for 2021 increased by 34.2%, having declined by 41.1% in 2020.
  - Compared to 2019, the overall dividend in 2021 was 20.9% lower.
- In the US, the S&P 500 dividend increased by 2.7% in 2021, having grown by 0.4% in 2020. These respective figures reflect a greater focus on share buybacks (which are often reduced before the dividend) and more conservative payout ratios.
  - Compared to 2019, the overall dividend in 2021 was 3.2% higher.
- For the MSCI World Index, the dividend distribution increased by 10.7% in 2021, having declined by 12.2% in 2020.
  - Compared to 2019, the overall dividend in 2021 was 2.8% lower.

For the Fund, the overall dividend distribution increased in 2021 by 1.5%, having declined modestly by 0.6% in 2020 (Class Y GBP). Compared to 2019, the overall dividend in 2021 was 0.9% higher.

The strength in sterling over the year reduced the dividends received from our non-UK holdings in GBP terms; the Fund grew its distribution 4.9% in EUR terms (Class Y EUR) and 8.9% in USD terms (Class Y USD), which compares to the change in average FX rates of 3.3% for GBPEUR and 6.7% for GBPUSD for 2021 vs 2020.

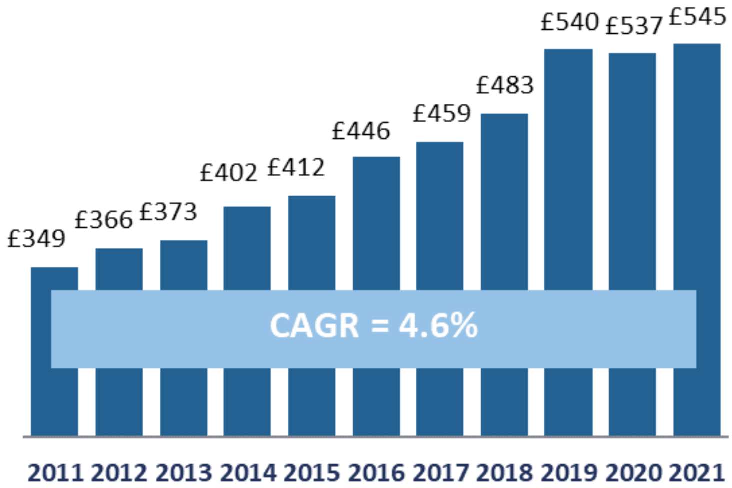


% change in dividend distribution for regional indices and the Guinness Global Equity Income Fund.

Local currencies for indices used (Europe in EUR, UK in GBP, all others in USD)

Source: Guinness Global Investors, Bloomberg, as of 31st December 2021

The compound annual growth rate of the dividend distribution since launch is now 4.6%.



Class Y GBP dividend distribution. Source: Guinness Global Investors.

Based on year-end prices, the Fund had a 12-month trailing dividend yield of 2.2% (net of withholding taxes), 29% higher than the benchmark MSCI World Index dividend yield of 1.7% (gross of withholding taxes).

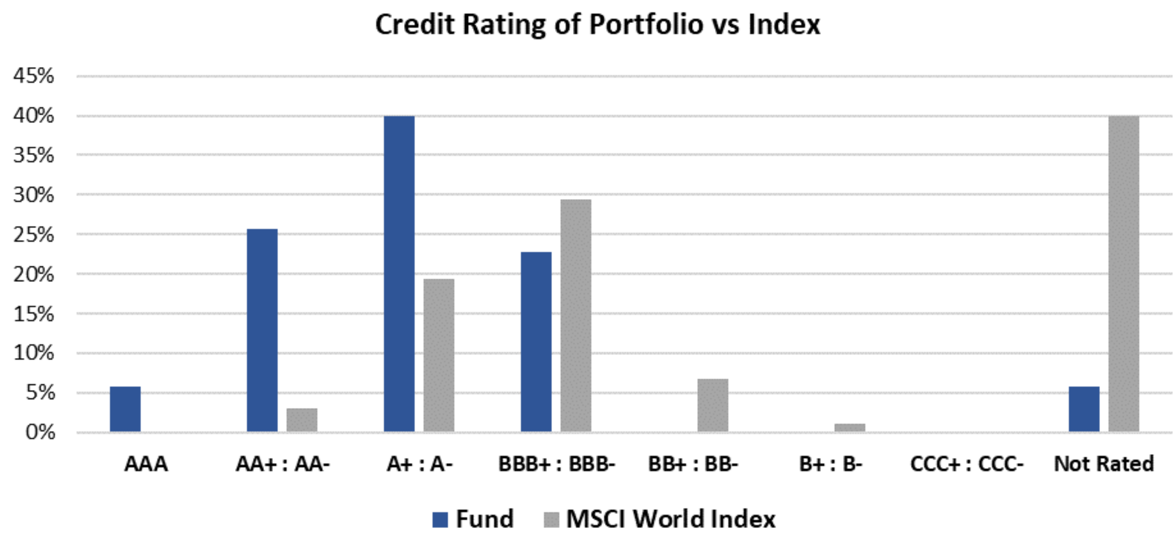
The moderate dividend yield – albeit much higher than the Index – is characteristic of the Fund given that our focus is not on simply finding the highest-yielding companies, but instead on finding high-quality, cash-generative businesses which can consistently grow their dividend stream year-on-year.

Explicitly screening for persistently profitable companies also means that many industries – including regulated sectors such as Utilities, Telecommunications and banks, and commodity-led sectors such as Energy and Materials – typically feature only slightly in our investible universe. These excluded industries often contain companies that exhibit the highest dividend yields, though we believe these also have a relatively high risk of dividend cuts and are less likely to grow their dividends over time.

We currently have 45% of the portfolio in Consumer Staples and Healthcare companies (vs 20% in MSCI World Index). These sectors tend to be more defensive, with earnings and therefore dividends less sensitive to growth in the economy. The other half of the portfolio is invested in more economically sensitive areas such as Industrials, IT, and Consumer Discretionary, but within these sectors we seek the 'quality cyclicals' – those that have strong balance sheets and still demonstrate high and persistent returns on capital.

The chart below shows that our holdings currently have strong credit ratings vs the MSCI World Index, giving us confidence that they are better positioned to continue rewarding shareholders through dividends and to potentially use any weakness in their competitors to take market share or improve their long-term prospects.

71% of our portfolio companies have a credit rating of at least A+ : A-, compared to only 23% in the MSCI World Index.



Source: Bloomberg, S&P Credit Ratings, as of 31st December 2021

Dividend Actions

In 2021, out of our 35 holdings:

- 31 companies grew their dividend
- 3 companies kept their dividend flat
- 1 company cut its dividend
- 0 companies cancelled their dividend

This follows on from 2020, which saw 28 companies grow their dividend, 6 keep their dividend flat, only 1 company cut, and 0 cancellations.

In the Fund, the average dividend growth across all 35 companies was 6.3%, and generally we saw dividend payments surprise to the upside.

The largest dividend growth came from Otis Worldwide, which increased its dividend by 20% year-on-year. As the world's largest manufacturer (by revenue) of elevators and escalators, Otis has an installed base of over two million elevators under service. 45% of revenue is from new equipment installations, while 55% is recurring maintenance revenues. Servicing the installed base has three times higher profits, and competitive advantages have ensured a high client retention rate (c.80%). Overall, this contributes to high revenue and cashflow growth, enabling Otis's higher dividend distributions and making it a good example of the 'quality cyclical' companies we seek.

Our Financial holdings were also among the companies with the largest year-on-year dividend increases:

- Aflac: Grew its dividend by 17.9% in 2021. This follows the 3.7% growth in 2020.
- Blackrock: Grew its dividend by 13.8% in 2021. This follows the 10.0% growth in 2020.
- Arthur Gallagher: Grew its dividend by 6.7% in 2021. This follows the 4.7% growth in 2020.
- CME Group: Grew its dividend by 5.9% in 2021. This follows the 13.3% growth in 2020.
- Deutsche Boerse: Grew its dividend by 3.4% in 2021. This follows the 7.4% growth in 2020.

The three companies which held their dividend flat for 2021 – Henkel, Reckitt Benckiser, and ABB – all cited caution and uncertainty as reasons for capital preservation. These companies continue to have strong balance sheets and low leverage, and we believe they have the ability to grow their dividend in the future.

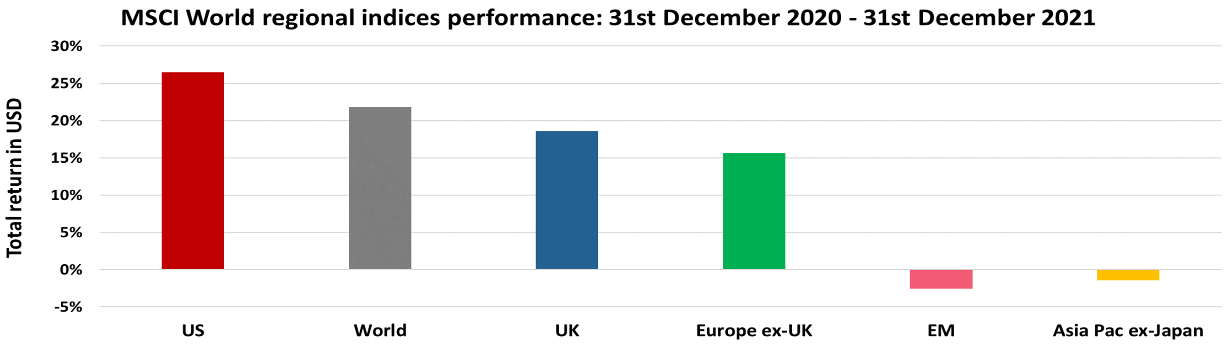
- Henkel and ABB both have a low net-debt-to-equity of 6% and 11% respectively.
- Reckitt Benckiser's figure stands at 97%, though this is as a result of the company re-leveraging to finance the $18bn acquisition of Mead Johnson. The debt is very manageable given the cash-generative nature of the business and the interest expense is covered eight times by earnings.

Danone, the only holding to announce a cut in its dividend (by 7.6%) for 2021, grew its dividend in 2020 (by 8.3%). The global food and beverage company is organised into Dairy & Plant-based products, Specialised Nutrition, and Water, and enjoys a leading market share in a range of niche product categories (such as yoghurt, soy milk and out-of-home water). This in turn means that brands such as Activia, Actimel, Alpro, Evian and Volvic dominate prime retail shelf space. In recent years organic growth has come via strong demand in China and greater direct-to-consumer sales online. However, Danone has lagged other

Consumer Staples businesses in growth and profitability, which is reflected in lower valuation multiples paid for the stock today. To address this, and boost both gross and net margins, the company announced plans to cut costs by €1bn over the next few years. Combined with continued efforts to deleverage, this further strengthens the company's balance sheet for the future, but in the short term has meant that management has decided to reduce the dividend payment to reflect 2020's lower earnings. The reduced dividend in 2021 (€1.94/share) is exactly the equivalent of the dividend paid by the company in 2019, and 7.6% less than 2020 (€2.10/share). This reflects the company's 13.2% decline in earnings in 2020 (from €3.85/share in 2019 to €3.34/share in 2020).

2021 in Review

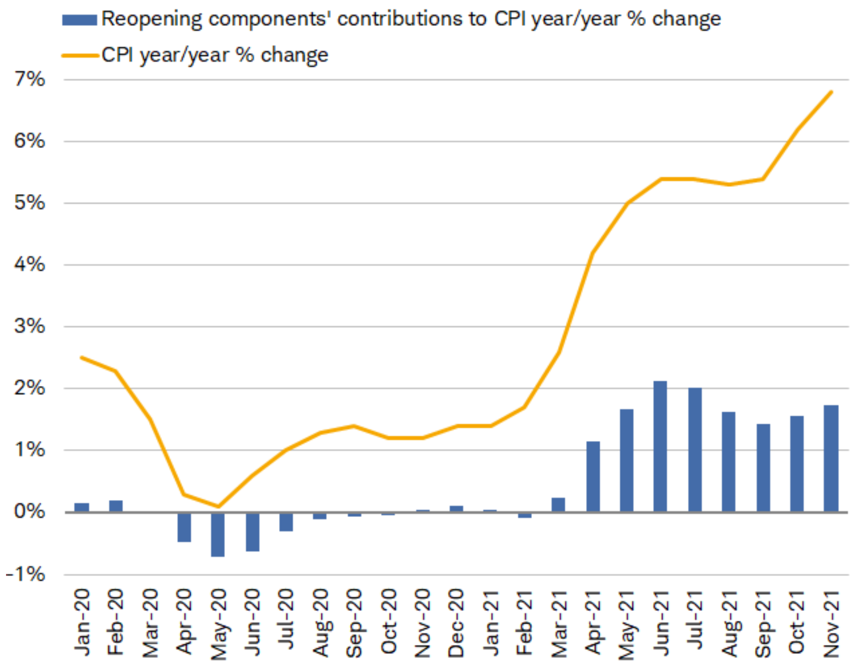
A year after Covid-19 catapulted the world economy deep into recession, 2021 witnessed a much faster rebound than most had anticipated. Behind the bounce was the successful provision of vaccinations and the ending of lockdowns, re-engaging so much of the world economy. The MSCI World Index rose 21.8% (in USD), and regional performance was led by US equities.



Regional Performance (TR in USD). As of 31st December 2021. Source: Bloomberg

Helped by massive stimulus from central banks, coupled with unprecedented welfare programmes and government spending, US GDP is estimated to have grown 5.6% in 2021. Together with excess savings and pent-up demand, the rapid recovery in 2021 left many economies short of supplies and staff. Ports from Los Angeles to Shanghai became increasingly congested as companies battled to get hold of vital materials, while labour markets also tightened as companies faced skills shortages and in turn offered higher wages. The US unemployment rate ended the year at 4.2%, compared to 14.8% at the nadir of 2020, and accompanying the decrease came an explosion in inflation.

Not only has the US Consumer Price Index (CPI) increased at a 6.8% annual rate – the fastest since 1982 – but the CPI components associated with the economic reopening after Covid-19, such as car prices and airfares, have become bigger contributors to overall inflation after seeing their impact wane throughout 2020.



Source: Bloomberg Economics, Bureau of Labor Statistics (BLS), as of 11th November 2021.

Reopening components include used cars/trucks, rental cars/trucks, vehicle insurance, lodging, airfares, and food away from home.

For most of 2021, Federal Reserve Chair Jerome Powell argued that the inflation spike was "transitory", before lately acknowledging that the price pressures seem more enduring. While the Federal Open Market Committee (FOMC) voted to maintain the current federal funds target rate at a range of 0.00% – 0.25%, it announced plans to accelerate the tapering of asset purchases from $15 billion to $30 billion per month, beginning in January 2022. This suggests the FOMC will conclude tapering by March 2022, paving the way for additional rate hikes next year, with the median member now forecasting three hikes in 2022.

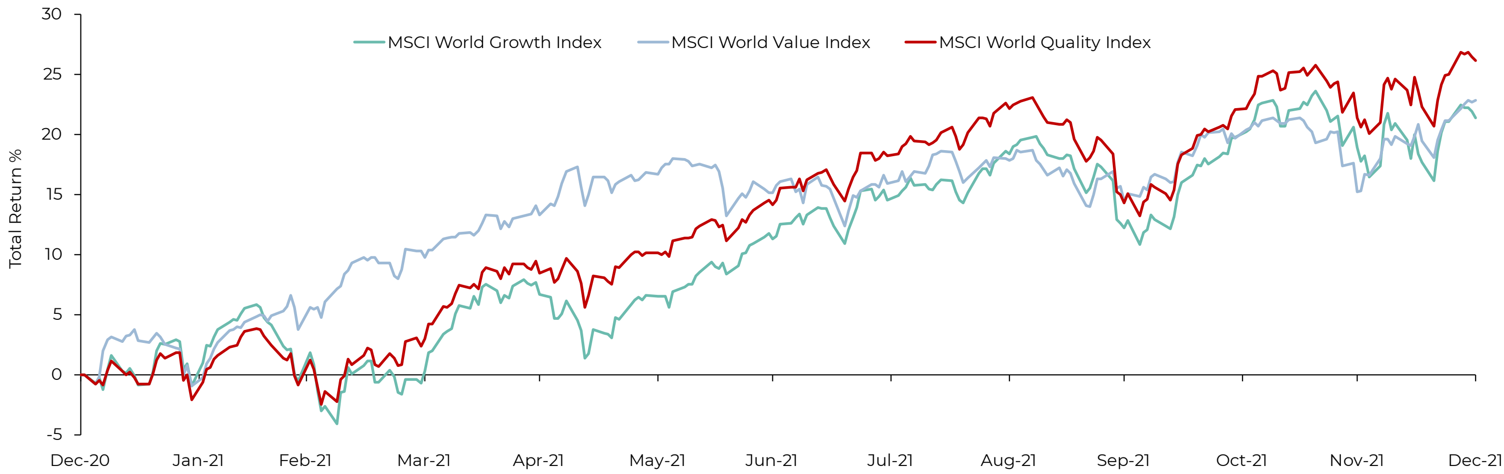
In the UK, CPI rose to 5.1% year-over-year and the unemployment rate dropped to 4.2%. A new record in job vacancies of 1.2 million is a clear indication of increasing labour market tightness that could cause further wage increases, potentially fuelling further price increases. The Bank of England reacted by raising interest rates by 0.15%, to 0.25%, despite the rapid spread of the omicron Covid variant. The European Central Bank (ECB) confirmed that the pandemic emergency purchase programme (PEPP) would end in March, reducing purchases to roughly €40 billion per month via the asset purchase programme in Q2 2022, €30 billion per month in Q3 2022 and then €20 billion per month until shortly before the first rate rise. Waning central bank support and persistent inflation pressure continue to be headwinds for markets as 2022 begins.

Meanwhile, with regards to monetary policy, China is heading the opposite way. The People's Bank of China (PBOC) showed more easing bias in its operations, while staying cautious on the aggregate level of leverage in the economy. In early December, after cutting the reserve requirement ratio (RRR) by 50 basis points (bps), the PBOC lowered the re-lending rate by 25 bps to support agricultural and small enterprises. The easing bias of the PBOC reflects the growing concerns of Chinese policymakers about downside risks to the economy, suggesting that supportive fiscal and monetary policy, which have been recently reintroduced, might continue at a larger scale in 2022.

In 2021, Asia Pacific and emerging markets were markedly the worst-performing regions after negative news from China weighed heavily on performance. First, China's announcement of a new regulatory framework for its education sector – turning private tutoring companies into non-profit organisations – went much further than markets had anticipated, and this was the main catalyst for the sell-off. Investors became concerned that regulatory investigations, which previously only impacted the internet sector, could intensify or be widened to other industries. This was followed by more regulations on the technology sector, including a ban on children playing computer games for more than three hours per week. Further, investors were also spooked by the potential default of Evergrande, a large Chinese property developer with over $300bn in liabilities. The company warned it might not have enough cash to pay its debt and would need to raise new debt or sell assets. Fears of contagion increased after Evergrande missed a bond coupon payment for the first time, and the Chinese government's silence and lack of a bailout hinted that the company was not 'too big to fail'. This raised questions regarding the potential spill-over effects for the Chinese – and potentially worldwide – financial system. In the Fund, Evergrande is screened out of our investment universe by its high level of debt and lack of persistently high profitability.

Overall the Fund benefited from its very limited exposure to Chinese stocks in the year. Within the Asia Pacific region, we have one company listed in Taiwan (Taiwan Semiconductor Manufacturing) and one company listed in Australia (Sonic Healthcare). We had one company listed in Hong Kong (Anta Sports), which we sold early in the third quarter. Anta Sports was not caught in the regulatory crossfire and our decision to sell was based on valuation, as described further below.

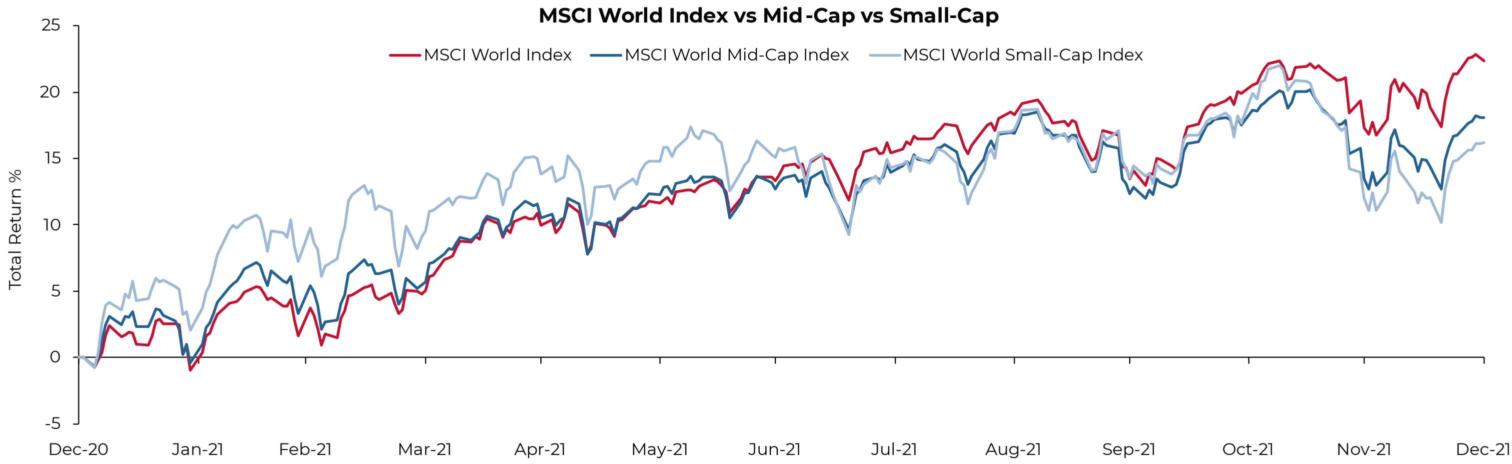
MSCI World Growth vs Value vs Quality



In terms of style, over the course of 2021, while value and growth stocks rotated in and out of favour – based on the outlook brought about by Covid-19 variants and lockdowns, rising inflation, supply-chain shortages, and central bank rhetoric – quality stocks outperformed both styles, and with less volatility. This benefited the Fund's relative performance.

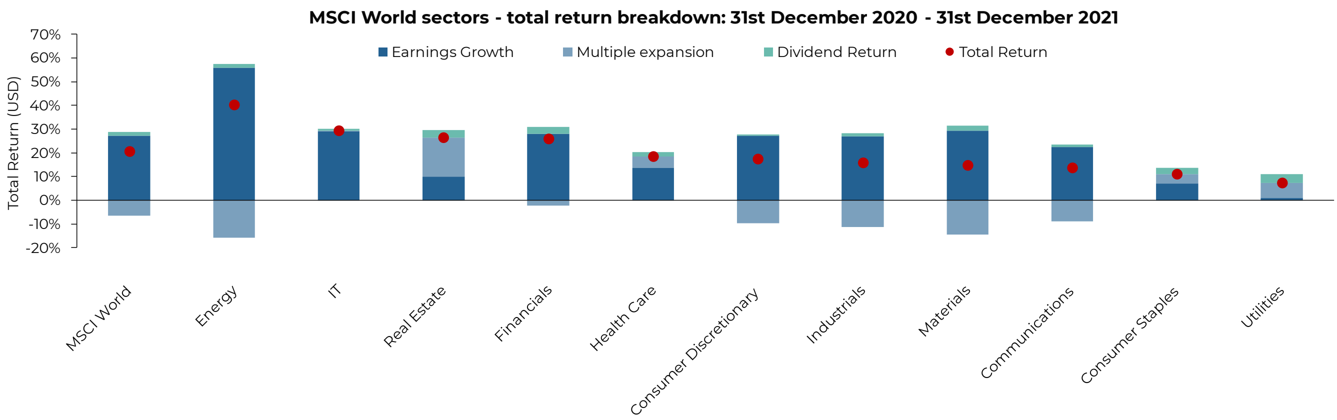
Source: Bloomberg, data as of 31st December 2021

Large-cap stocks and developed markets also broadly outperformed as investors seemingly sought greater safety in large companies with less growth uncertainty.



Source: Bloomberg, data as of 31st December 2021

With stock valuations broadly higher compared to their historic averages, equity market performance across all sectors was generally driven by higher earnings growth as companies recovered from the lockdown-induced slowdowns experienced in 2020.



Source: Bloomberg, data as of 31st December 2021

Since 2001, when Bloomberg began compiling sector data, last year marked the first time that all 11 sectors posted double-digit returns. Among the best performers were the Energy, Real Estate and Financials sectors, which were the only three to see negative returns in 2020.

Over the course of the year, for the Fund, strong stock selection in Industrials, IT and Healthcare more than offset the poor allocation effect from owning no banks, REITs or Energy stocks, and from being overweight Consumer Staples, which generally lagged the market through 2021. Our underweight to Utilities (c.3%), Consumer Discretionary (c.10%), and to Communication Services (c.8%) also aided the Fund's relative performance.

Our largest overweight in the Fund is to the Consumer Staples sector, with approximately 27% of holdings (c.20% overweight vs benchmark). While this proved a drag on performance in the year, we believe that most developed global markets have now likely passed through the 'recovery phase' of the economic cycle, where companies that see the fastest recovery in their earnings outperform. We believe we are now in the phase of the cycle where fundamentals will drive returns, i.e. companies that offer steady compounding earnings and reasonable valuations will be rewarded. We continue to see many high-quality

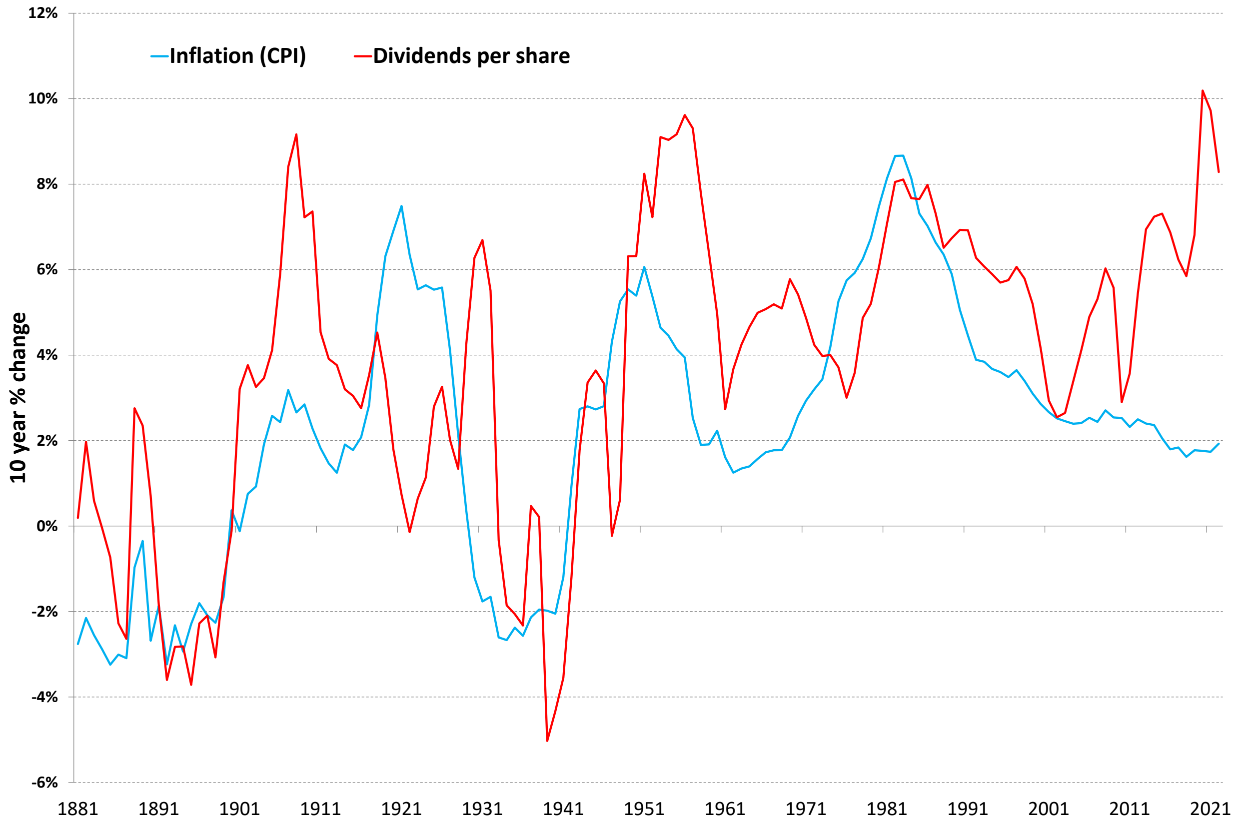
Consumer Staples companies trading at valuations around their five or 10-year average, which we do not see as much in other sectors.

Energy was the best-performing sector in 2021 with both WTI and Brent Crude Oil prices hitting new highs in the year. Real Estate and Financials also did well as banks benefitted from higher inflation and interest rate expectations. As these sectors participated in the reflationary trade, they helped markets like the UK perform strongly due to their higher exposure to these sectors. In the Fund, we have no exposure to the Energy or Real Estate sectors and we have never owned any banks. Companies in these sectors tend not to appear in our investible universe due to our focus on persistently high returns on capital and strong balance sheets. Our stringent quality criteria exclude most companies within the commodity-based and regulated sectors, where a company's profitability can be particularly sensitive to exogenous factors.

Despite no exposure to these sectors, we still believe that the Fund is somewhat naturally hedged against inflation given its focus on dividend-paying – and specifically dividend-growing – companies. Since the 1940s, over rolling ten-year periods to each year end, the average growth in the S&P 500 companies' dividends per share is 4% per year. Over the same period, inflation grew at 2% (consumer price index (CPI) calculated by the US Bureau of Labor Statistics). Indeed, looking at the correlation of dividend growth to inflation over rolling ten-year periods, as shown in the figure below, we can see a strong relationship overall (correlation 0.80). This shows that investing in divided-paying companies can, over the long term, provide an inflation hedge, in the sense that the income received in the form of dividends grows in line with (or often at a higher rate than) inflation.

Rolling 10-year growth in inflation (CPI) and S&P500 dividends per share

January 1881 to September 2021



Source: Robert J. Shiller, stock market data used in "Irrational Exuberance", Princeton University Press,

Data as of 31st December 2021

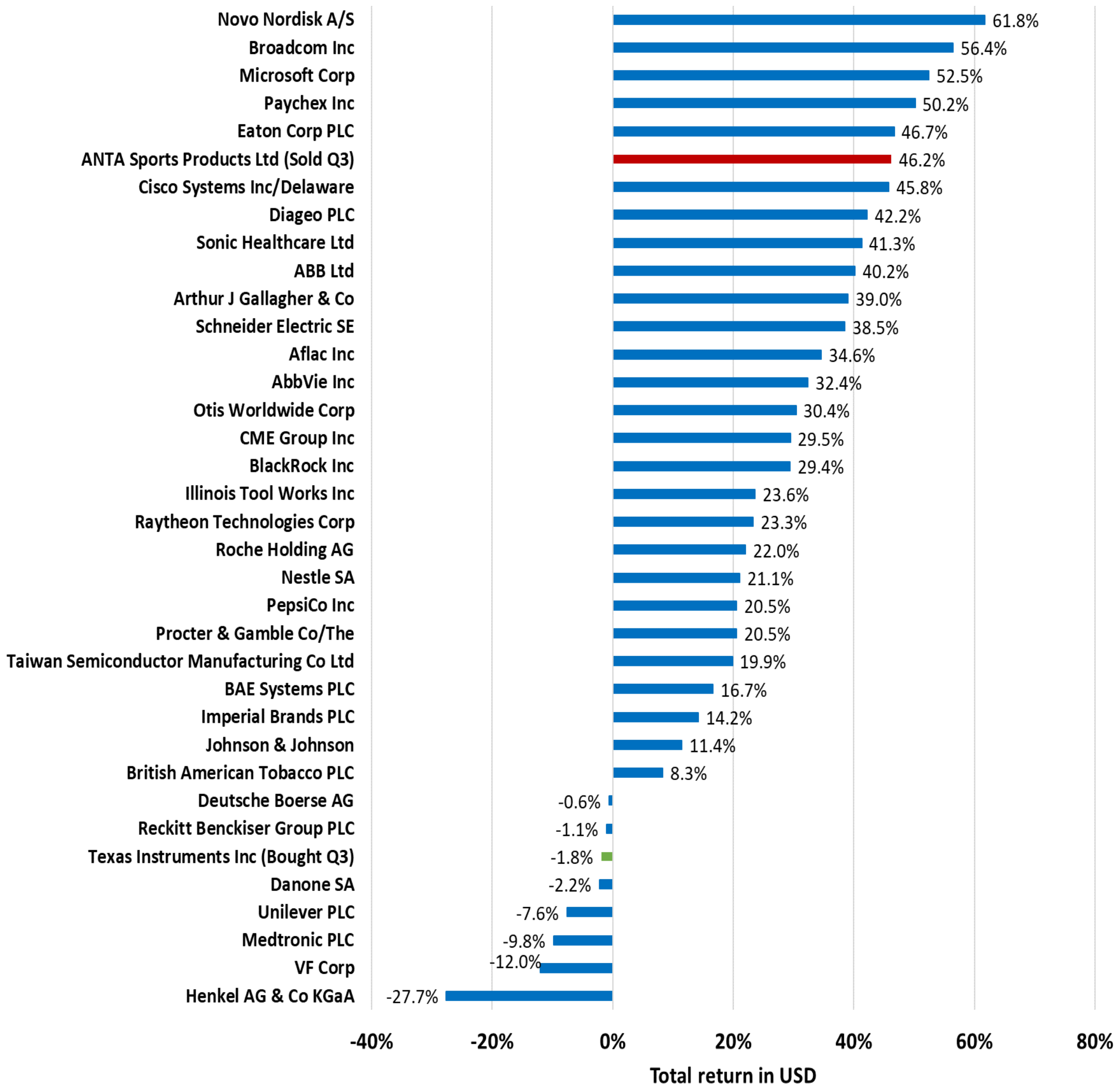
We are confident that all the companies we hold in the Fund have persistently high profitability, low leverage, trade at reasonable valuations, and have good potential for dividend growth. With this in mind, we believe there are several reasons why the Fund protects against potentially higher inflation and higher interest rates:

- We seek companies that have persistently generated a return on capital greater than cost of capital. Companies that have achieved this feat tend to have done so because their competitive advantages – or 'moats' – allow them pricing power (which insulates them from inflation) since higher input costs can be passed on to consumers.
- We seek companies which have low leverage. These companies tend to be cash-generative and do not need to borrow excessively to fund their operations or fuel their growth (or return capital to shareholders). Highly leveraged companies are at risk of having to make higher interest payments should interest rates rise. Refinancing debt would also be at comparatively unfavourable terms, and this has opportunity costs for the use of the company's capital.
- We seek companies capable of sustainably growing their dividends. Although we are income investors, we look only for companies capable of growing their dividend over time, which gives some protection from inflation compared to assets which generate fixed or slowly growing income. It is also worth noting that over the long term, dividend growth tends to match or better inflation, meaning this income stream generally continues to grow in real terms.
- We seek companies trading at reasonable valuations. Higher interest rates – and the associated higher discount rates – reduce the present value of future cashflows. This tends to disproportionately affect growth companies, which can trade on lofty valuations because of their higher expected future growth.

Individual Stock Performance

When we look at how individual companies within the portfolio performed in 2021, we see that out of the top 10, we have four IT, two Health Care and two Industrial stocks, one Consumer Staple stock and one Consumer Discretionary stock. This highlights the benefit of our moderate dividend yield and sector-agnostic approach, which can identify opportunities outside of the traditional high-yield or 'defensive' areas typically associated with income funds.

Individual Stock performance over year (total return USD)



Individual stock performance over holding period during 2021 (TR in USD). As of 31st December 2021. Source: Bloomberg

Novo Nordisk was the best performer in the year (+61.8% in USD). The Danish pharmaceutical company is a leader in the $20bn global insulin market – with 50% market share – and has maintained a concentrated yet market-leading portfolio of drugs targeting diabetes and obesity. The company received a boost after gaining US Food and Drug Administration approval for its weight-loss injection, Wegovy, which will be available to obese adults. In four late-stage clinical trials, most patients taking Wegovy alongside interventions like diet and exercise, lost at least 5% of their body weight, with an average reduction of about 15%. This news came alongside encouraging earnings results which showed better-than-expected earnings and sales growth, with management also increasing 2021 guidance to 10-13% top line growth (from 6-10% at the start of the year). Novo Nordisk's strong pipeline of patent-protected drugs and intellectual intangibles gives it a wide moat and provides a high barrier to entry for competitors, hence gross and operating margins are very high, and the company has a very strong balance sheet with little debt.

Broadcom also performed very well in the year (+56.4% in USD). The fabless producer of digital and analogue semiconductor chips sells products for data centres and telecom & networking applications, including ethernet switches, routers, and custom chips for cloud vendors, as well as products used for wireless communication in smartphones (such as WiFi and Bluetooth). A market leadership position and expertise in producing niche but vital chips make Broadcom a bellwether of the semiconductor industry. Apple is its biggest customer, contributing c.20% of 2021 revenue, and recent performance for Broadcom's stock price was particularly strong after Apple announced better-than-expected demand for its iPhone 13. For Broadcom, 5G phones provide a solid growth runway by increasing the company's dollar content per phone, as more radio frequency filters are required. Furthermore, in its November Investor Day, Broadcom's management spoke positively regarding its software business – a previously slower-growth area – and this led to analysts raising earnings estimates for 2022. More specifically, management highlighted that the number and size of software contracts has increased, the length of contracts has increased c.50% to 2.3 years, 50% (and growing) of contracts are now on a subscription model, and gross and operating margins for this segment of the business have improved to 91% and 70% respectively over the last four quarters.

Henkel was the worst-performing stock over the year (-27.7% in USD). Henkel manufactures chemical products used in laundry and homecare (Persil, All, Pril), cosmetics and toiletries (Schwarzkopf, Dial, Syoss) and adhesives (Loctite, Pritt, UniBond). Henkel's business is centred in Europe, with a growing presence in developing economies. The company has a diversified revenue stream with Adhesive Technologies accounting for around 45% of sales, Laundry and Homecare around 35%, and Beauty Care around 20%. Recent underperformance comes after supply-side issues and raw material costs negatively affected the bottom line. Despite reducing EBIT margin guidance to 13.5%-14.5% (from 14.0%-15.0% at the start of the year), the firm increased its full-year sales guidance to 6%-8% growth (from 4%-6%), with revenues already back above pre-pandemic levels. We see supply constraints as potentially short-term in nature and believe that over the medium term Henkel will be able to pass on costs; we remain confident that its scale, brand strength and portfolio optimisation strategy will support the share price into the long term.

VF Corp also performed poorly (-12.0% in USD). The global clothing manufacturer, whose line-up of high-profile brands includes Vans, The North Face, Timberland, and Dickies, reported results over the year that disappointed and raised concerns regarding gross margins; the company cited air freight costs and supply chain shortages as key factors. There was also some disappointment with Vans' sales; while revenues were modestly higher globally than the previous year, they were down in North America.

The market took this negatively given that Vans' makes up 40% of revenue, is VF Corp's fastest growing brand, and the US is the largest revenue region (60%). Behind the headline numbers, however, the lower Van's sales growth was a function of low inventory levels rather than soft demand. As such, we still have confidence in VF Corp's long-term prospects, and this was echoed by management in that guidance for Vans full-year growth was raised to 9-10% (from 7-9%).

Looking ahead, VF Corp, which is a dividend aristocrat with 49 years of consecutive years of dividend growth, once again announced growth in its dividend this year and also lifted full-year 2022 guidance. The company expects 30% revenue growth (up from its previous estimate of 28%) and 144% earnings growth in the next year, with growth from all regions and particular strength in direct-to-consumer sales channels.

Changes to the Portfolio

In 2021 we sold one position and replaced it with one new position, leaving the portfolio with 35 positions at the end of the year.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Buys	8	4	7	2	7	4	5	4	4	3	1
Sales	9	3	8	3	6	4	5	4	4	3	1
Total holdings	35	36	35	34	35	35	35	35	35	35	35

Number of changes to the portfolio

In the third quarter, we made one change to the portfolio: We bought a new position in Texas Instruments and sold our holding of Anta Sports Products.

ANTA

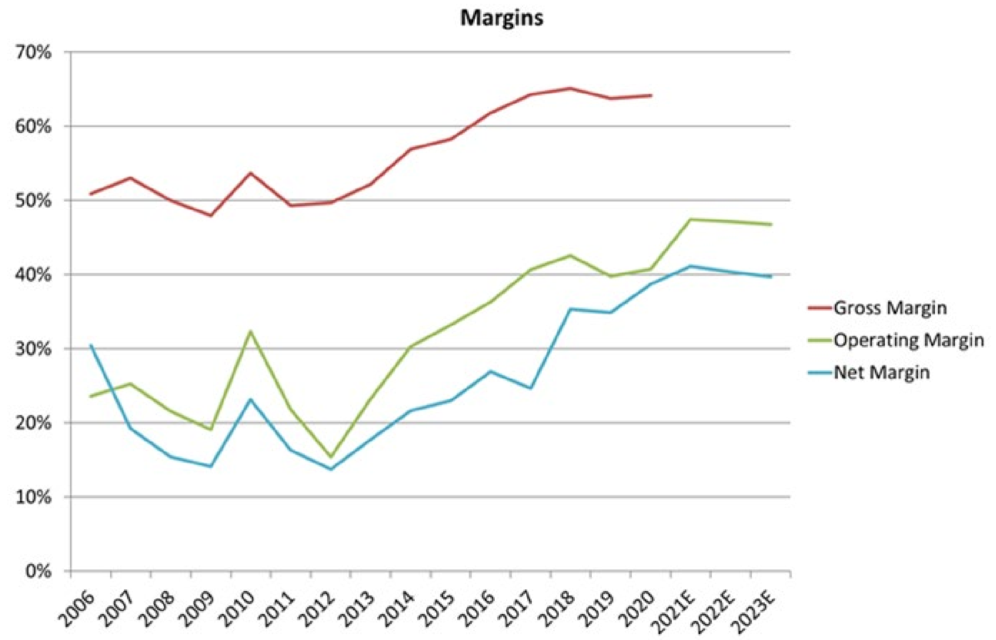
Anta Sports, the leading Chinese sportswear brand has c.15% domestic market share and generates revenue through the manufacture of sporting goods, including footwear, apparel, and accessories. This includes products under the ANTA brand and other popular brands such as Fila and Descente, but also Salomon and Arc'teryx – both owned by Amer Sports, which ANTA acquired in 2019. While the business continues to have a high revenue growth runway, we decided to sell our full position and take profits given the steeper valuation the company carried at time of sale.

We originally bought ANTA Sports in June 2017 when it offered a dividend yield of 3.5% and was trading on a forward P/E ratio of 20.6x. At sale, the stock traded on a dividend yield of 0.8% and a forward P/E of 47x. Since we originally bought into the company it generated a total return of over 640%, with a significant proportion of that return generated in the 12 months before sale.

Texas Instruments

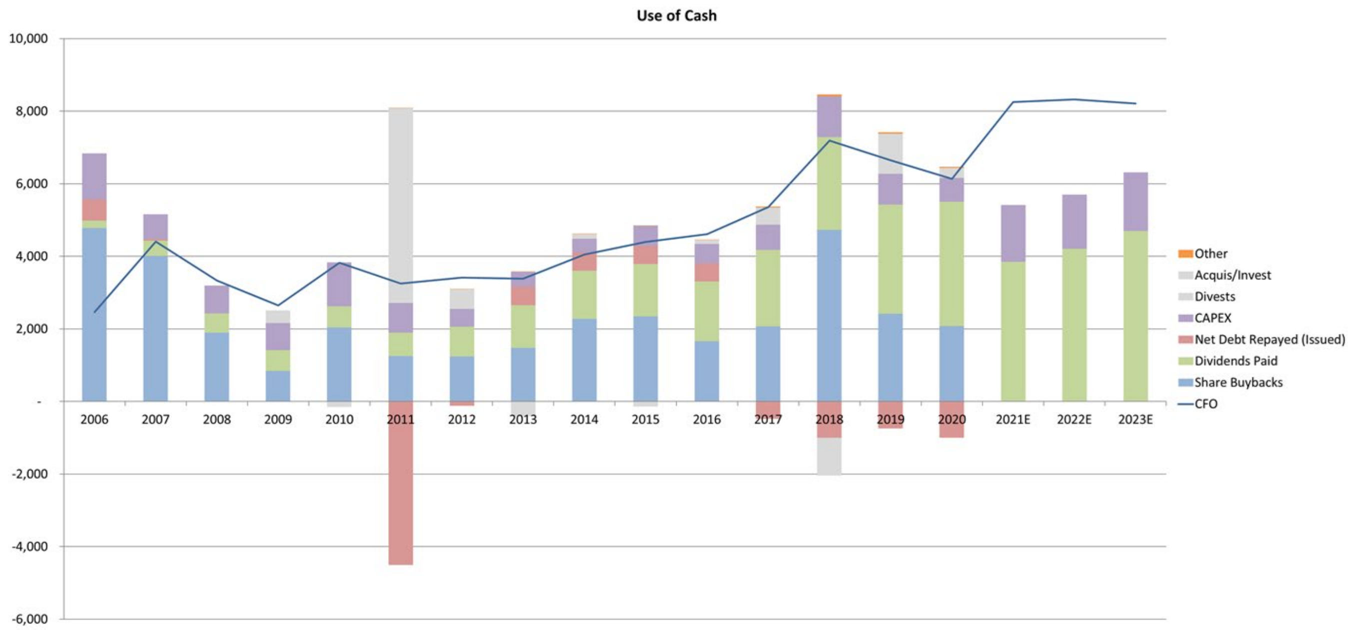
As part of our one-in-one-out process, we replaced our sold position with a new one in Texas Instruments, the world's largest manufacturer of analogue semiconductors (those which turn analogue inputs such as sound, temperature, etc into digital signals). The chips they make are based on 'lagging edge' technology, i.e. not the 'leading edge' tech being manufactured by TSMC's latest processes. Analogue semis have a strong growth outlook driven by demand from areas such as the automotive sector, industrial automation, and internet of things.

The company boasts several characteristics that we typically seek in the Fund. Return on capital is not only well above the industry average but has been growing, driven by strong margin expansion:



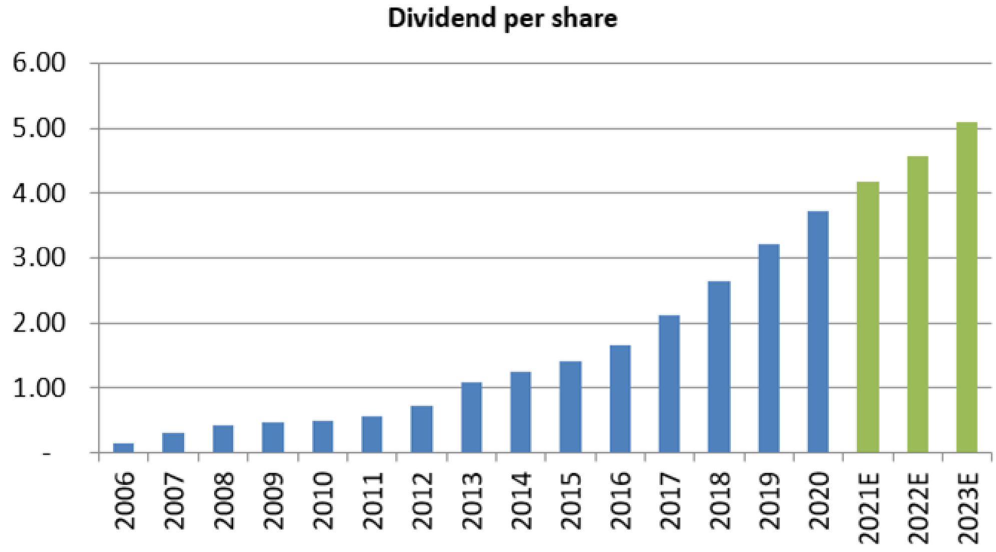
Source: Bloomberg. As of 31st July 2021

Texas Instruments has a strong capital budgeting discipline, as shown in the chart below. The company tends to make small acquisitions (grey bars below), with the exception of National Semiconductor in 2011, has consistent reinvestment in CAPEX (purple bars), and generally distributes excess cash back to shareholders in a mix of variable share buybacks (blue) and consistent dividend growth (green).



Source: Bloomberg. As of 31st July 2021

This has led to excellent levels of dividend growth, which have averaged 39% per annum over the last five years.



Dividend Growth	
1 Yr	16%
3 Yr (annualised)	21%
5 Yr (annualised)	39%

Source: Bloomberg. As of 31st July 2021

At purchase, the company traded on a forward P/E multiple of 23x and a dividend yield of 2.2%. While the P/E multiple was very similar to that of the S&P 500 Index, the 2.2% dividend yield was 60% higher than the Index's figure of 1.4% (and Texas Instruments has faster dividend growth).

With the switch out of ANTA Sports and into Texas Instruments we have improved many of the metrics of the portfolio, including the valuation, dividend yield, margins, and ESG rating (MSCI ESG research rates Texas Instruments AAA and Anta Sports BB).

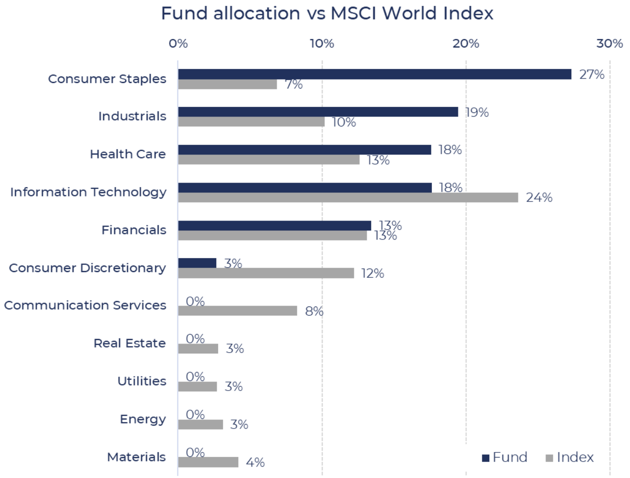
Portfolio Positioning

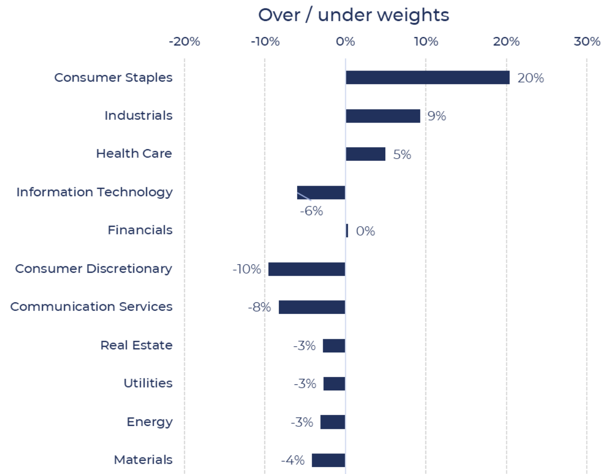
We continue to maintain a fairly even balance between quality defensive and quality cyclical/growth companies. We have approximately 45% in quality defensive companies (e.g. Consumer Staples and Healthcare companies) and around 55% in quality cyclical or growth-oriented companies (e.g. Industrials, Financials, Consumer Discretionary, Information Technology, etc.)

While the defensive names tend to have lower beta and hold up better when markets are falling, the cyclical holdings allow the Fund to maintain performance when markets are rebounding and rising. We believe that within these more cyclical sectors we are owning the 'quality' businesses. All the companies we seek to invest in have strong balance sheets and a history of performing well in difficult market environments. Within Financials, for example, while we do not own any banks, which helps to dampen the cyclicality of our Financials, we do own exchange groups such as CME and Deutsche Boerse (which do well in periods of market volatility as volumes tend to increase at these times which results in higher revenues for the exchanges).

The Fund also has zero weighting to Energy, Utilities, Materials, Real Estate and Communications. The largest overweight is to Consumer Staples.

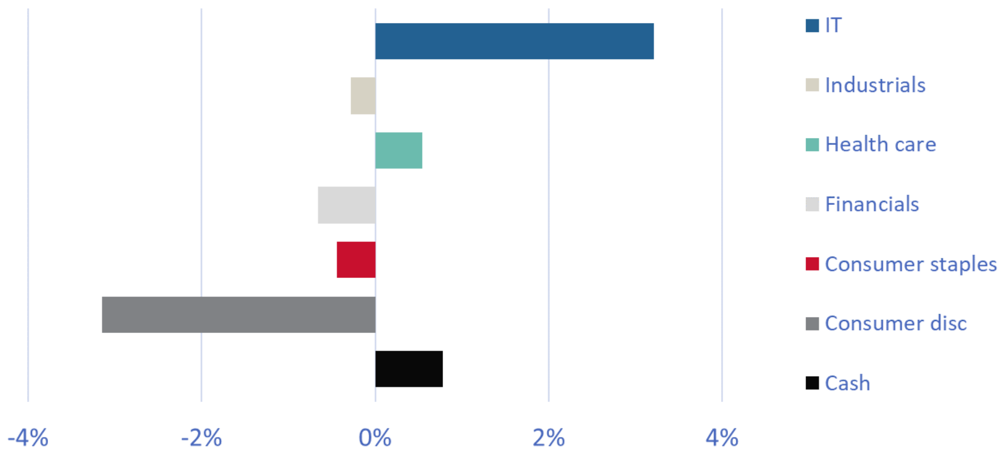
Guinness Global Equity Income Fund





Sector breakdown of the Fund versus MSCI World Index.

Source: Guinness Global Investors, Bloomberg. Data as of 31st December 2021

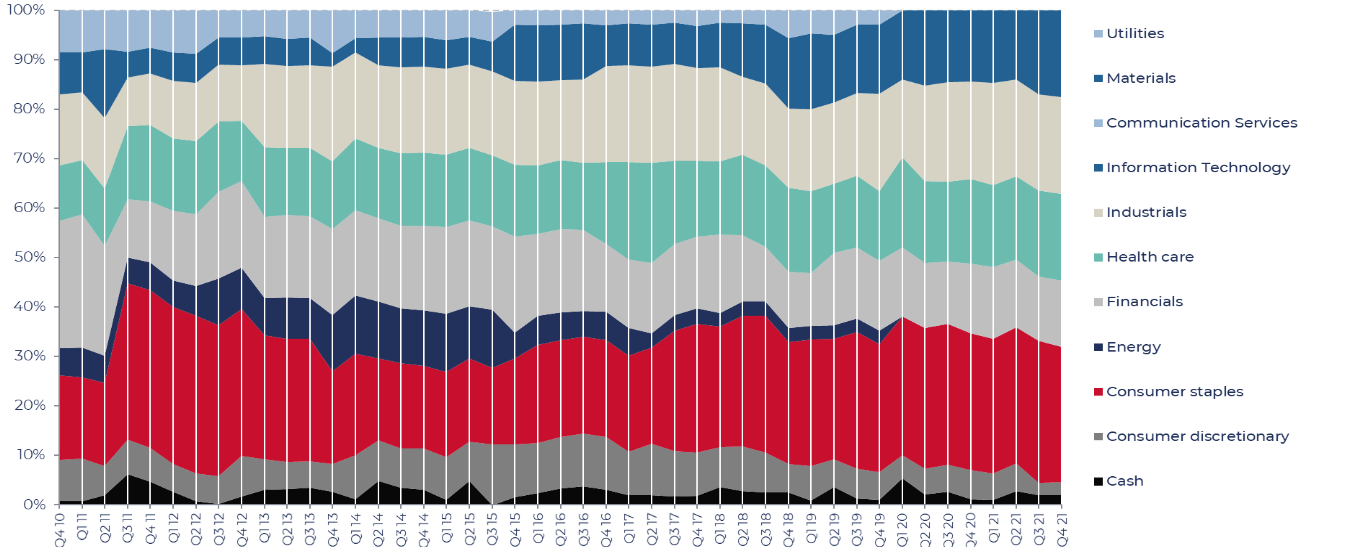


Year-on-year change in sector breakdown (31st December 2021 vs 31st December 2020).

Source: Guinness Global Investors

Guinness Global Equity Income Fund

The chart below shows how the sector exposure of the Fund has evolved since we launched the strategy in 2010.

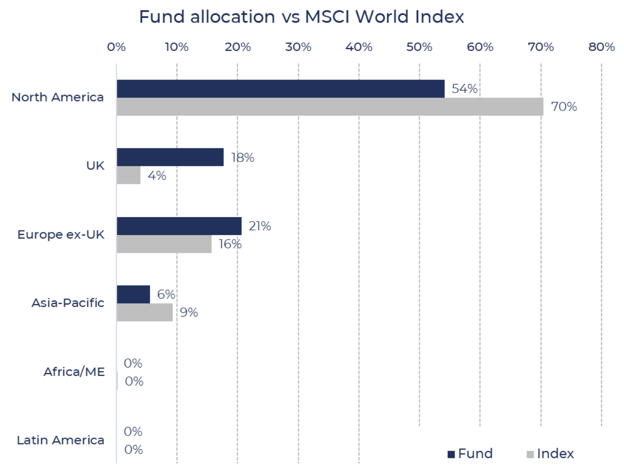


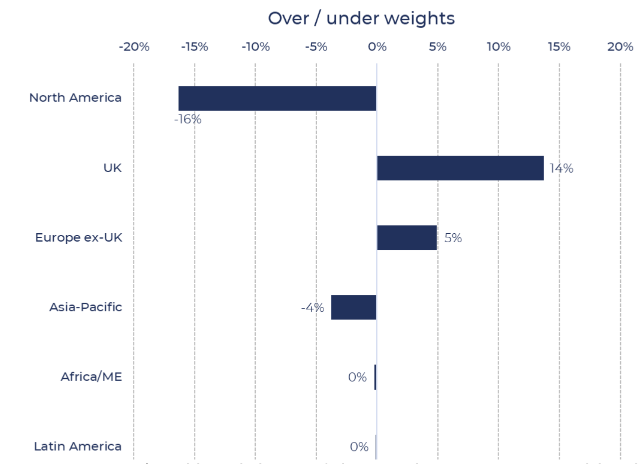
Sector breakdown of the Fund since launch.

Source: Guinness Global Investors. Data as of 31st December 2021

In terms of geographic exposure (chart below), the largest difference between the Fund and the benchmark is our exposure to the US (as measured by country of domicile). The Fund at year end had c.54% weighting to North America which compares to the Index at c.70%. Although North America was the best-performing region in 2021, there was no meaningful effect on attribution and any drag on the allocation effect was somewhat offset by good stock selection. In fact, out of the top five stocks in the Fund, four were US-domiciled.

The largest geographic overweight remains Europe ex-UK and the UK, though we are diversified around the world with 54% in the US, 39% in Europe and 6% in Asia-Pacific. Within the Asia-Pacific region we have one company listed in Taiwan (Taiwan Semiconductor) and one company listed in Australia (Sonic Healthcare).

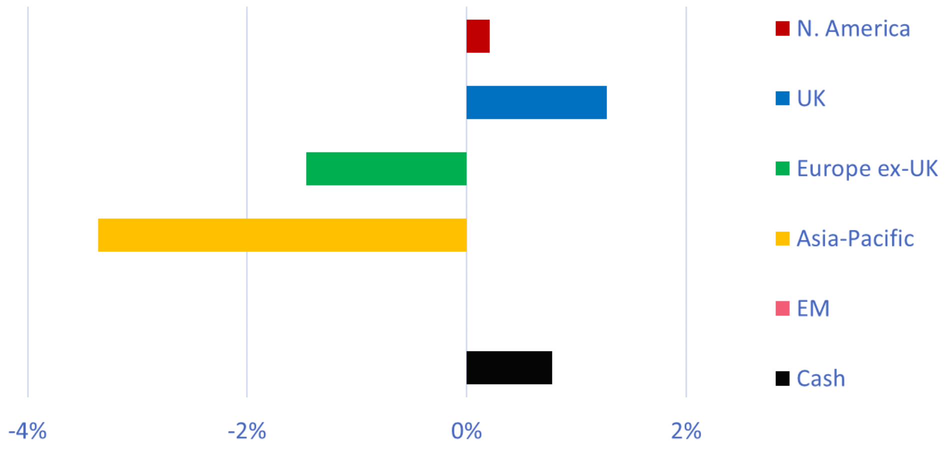




Regional breakdown of the Fund versus MSCI World Index.

Source: Guinness Global Investors, Bloomberg. Data as of 31st December 2021

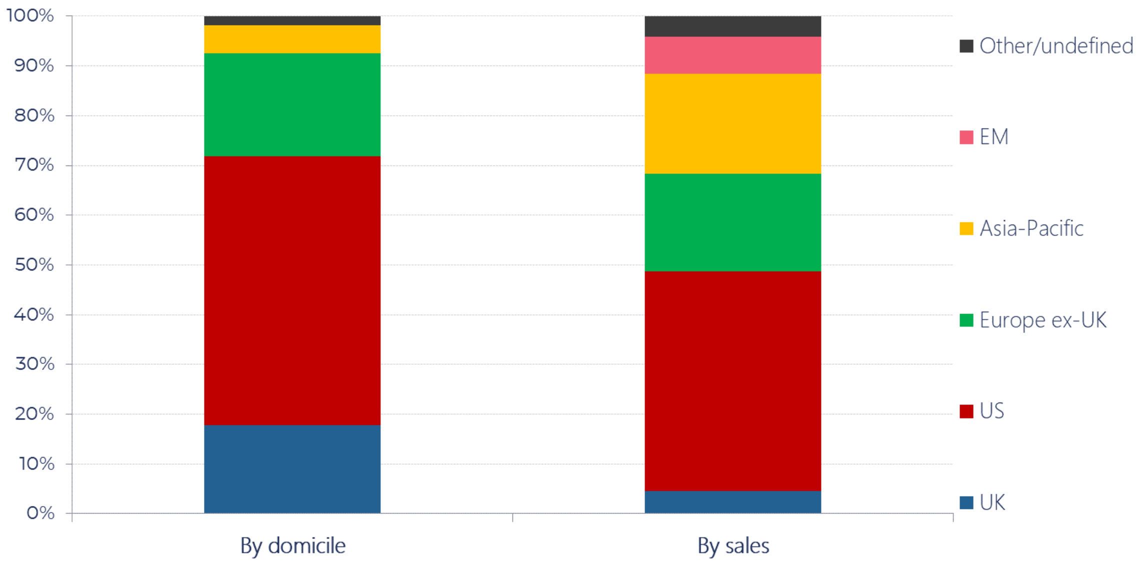
Guinness Global Equity Income Fund



Year-on-year change in geographic breakdown (31st December 2021 vs 31st December 2020).

Source: Guinness Global Investors

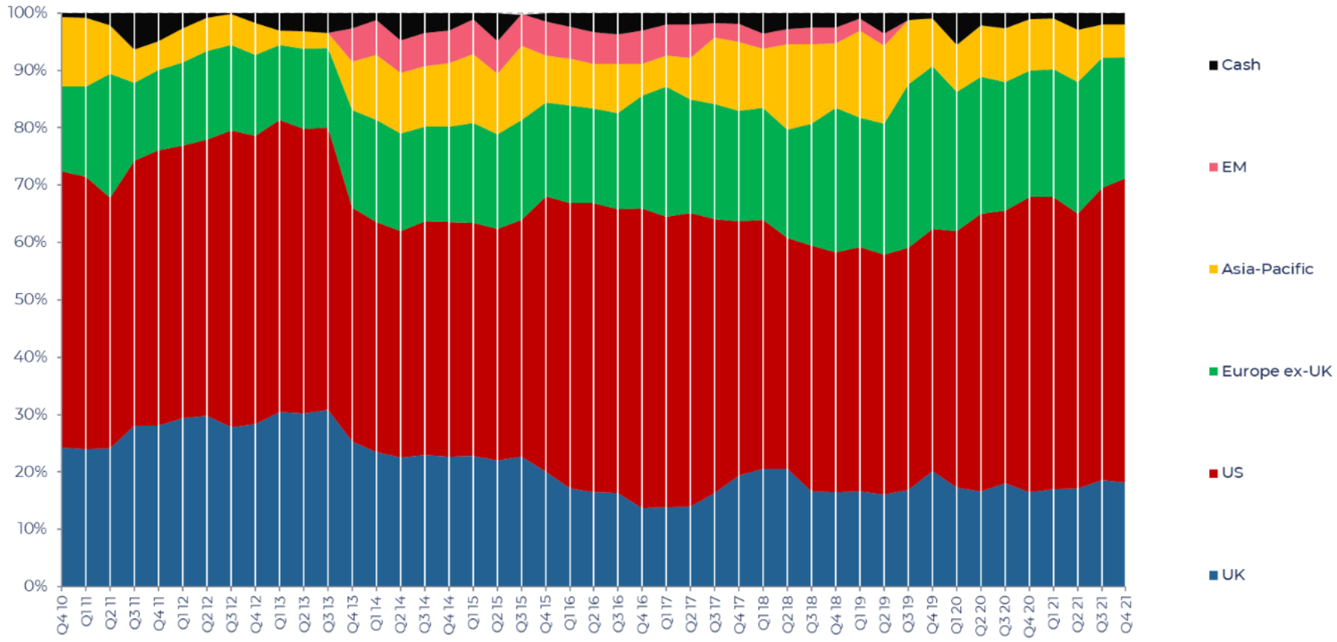
With regards to geographic exposure, we note (i) the Fund has a lower exposure to the UK when considered in revenues (c.5%) versus by domicile (c.18%). This is because we have favoured UK-domiciled companies with a more global exposure (such as Unilever and Imperial Brands). We also point out (ii) there is a larger exposure to Asia-Pacific by revenues (c.20%) than by domicile (c.6%).



Geographic breakdown of the Fund.

Source: Guinness Global Investors, Bloomberg. Data as of 31st December 2021

The chart below shows the evolution of the Fund's geographic exposure since launch in 2010.



Geographic breakdown of the Fund since launch.

Source: Guinness Global Investors. Data as of 31st December 2021

Outlook

The four key tenets to our approach are quality, value, dividend, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will. At the year end, we are pleased to report that the portfolio continues to deliver on all four of these measures relative to the MSCI World Index benchmark.

		Fund	MSCI World Index
Quality	ROE	28%	22%
	Weighted average net debt / equity	57%	67%
Value	PE (2022e)	18.0	20.3
	FCF Yield (LTM)	4.3%	4.8%
Dividend	Dividend Yield (LTM)	2.2% (net)	1.7% (gross)
	Weighted average payout ratio	50%	42%
Conviction	Number of stocks	35	1650
	Active share	90%	-

Portfolio metrics versus index. As of 31st December 2021

Source: Guinness Global Investors, Bloomberg

Based on the measures, overall the Fund has a high-conviction portfolio of companies which are on average better quality at better value versus the Index and with a higher dividend yield. At the end of the year the Fund was trading on 18.0x 2022 expected price-to-earnings; a discount of 11.5% to the broad market, with a dividend yield premium of 29%.

In 2021, the economic recovery continued even as the battle against Covid-19 and its variants continued. With the onset of the omicron variant in late November, it remains to be seen whether lockdowns – and a halt to global economies – will resurface. So far, omicron is showing far greater transmission levels but milder symptoms, as evidenced by daily cases, hospitalisations, and death rates, and stocks moving to record high in the final weeks of 2021 suggests that investors do not expect significant shutdowns. This will continue to be a critical factor in determining the economy's trajectory for 2022.

Moreover, strong earnings were an important driver of 2021's strong stock market performance, and the capacity of companies to absorb higher input costs and pass them onto their consumers will play an important role in future earnings results amid persistent supply chain challenges. Inflation is also proving stickier than many anticipated and the Fed's hawkish view now affirms this. However, inflation should stabilise once the economy completes its reopening, when supply chains are fully operational and labour shortages ease.

As we look ahead to 2022, we are confident that the companies in the portfolio are well placed from a pricing power perspective. The portfolio's defensive nature – with the Fund having outperformed in all market corrections since launch in 2010 – gives us confidence heading into seemingly more volatile markets. We believe the holdings we have selected in the Fund remain very robust and are well placed to weather whatever the new year brings; our constant approach of focusing on quality compounders and dividend growers should continue to stand us in good stead in our search for rising income streams and long-term capital growth.

As ever, we would like to thank you for your continued support, and we wish you all a safe and prosperous 2022.

Portfolio Managers

Matthew Page

Ian Mortimer

Investment Analysts

Sagar Thanki

Joseph Stephens

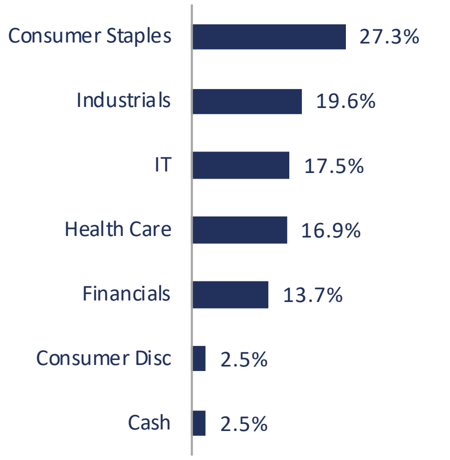
William van der Weyden

Portfolio

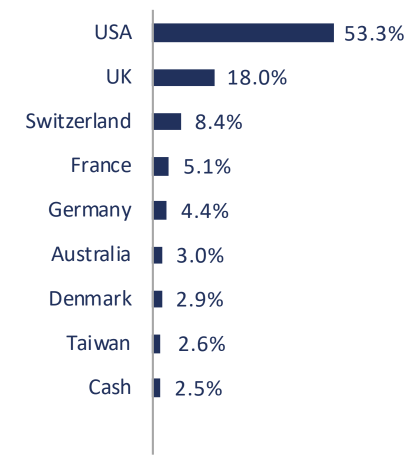
Fund top 10 holdings

Microsoft	3.4%
British American Tobacco	3.3%
Imperial Brands	3.2%
Unilever	3.2%
Paychex Inc	3.2%
Eaton	3.1%
Abbvie	3.1%
BAE Systems	3.1%
Broadcom	3.1%
Sonic Healthcare	3.1%
% of Fund in top 10	31.9%
Total number of stocks held	35

Sector analysis



Geographic allocation



Performance*

Annualised % total return from launch (GBP)

Discrete years % total return (GBP)	Dec '21	Dec '20	Dec '19	Dec '18	Dec '17
Fund (Y class, 0.80% OCF)	23.3	8.1	21.2	0.7	9.6
MSCI World Index	22.9	12.3	22.7	-3.0	11.8
IA Global Equity Income sector average	18.7	3.3	18.6	-5.8	10.4
IA Global Equity Income sector ranking	10/53	11/51	16/48	5/46	26/43
IA Global Equity Income sector quartile	2nd	1st	1st	1st	4th

Cumulative % total return (GBP)	1 M	YTD	1 Yr	3 Yrs	5 Yrs	Launch
Fund (Y class, 0.80% OCF)	5.0	23.3	23.3	61.5	78.3	248.6
MSCI World Index	1.9	22.9	22.9	69.5	83.8	260.9
IA Global Equity Income sector average	4.0	18.7	18.7	45.4	51.1	161.0

RISK ANALYSIS **31/12/2021**

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0.00	-0.22	1.31
Beta	1.00	0.77	0.86
Information ratio	0.00	-0.44	-0.07
Maximum drawdown	-24.58	-22.41	-21.78
R squared	1.00	0.80	0.89
Sharpe ratio	0.61	0.45	0.65
Tracking error	0.00	6.50	4.77
Volatility	14.30	12.27	13.02

*Simulated past performance. Performance prior to the launch date of the Y class of the fund (11.03.15) is a composite simulation for Y class performance being based on the actual performance of the Fund's E class (1.24% OCF), which has existed since the Fund's launch on 31.12.10. The Fund's E class is denominated in USD but the performance data above is calculated in GBP. Source: Financial Express, bid to bid, total return. Fund Y class (0.80% OCF): Fund returns are for share classes with a current Ongoing Charges Figure (OCF) stated above; returns for share classes with a different OCF will vary accordingly.

Important Information

Issued by Guinness Global Investors. Guinness Global Investors is a trading name of Guinness Asset Management Limited which is authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about Guinness Global 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 Global 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. 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.guinnessgi.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
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