Guinness Global Innovators Fund

Investment Commentary - January 2022

GUINNESS GLOBAL INVESTORS

Innovation. Quality. Growth. Conviction.

About the Fund

Fund size	£567m
AUM in strategy	£735m
Fund launch date	31.10.2014
Strategy launch date	01.05.2003
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens Will van der Weyden
Aim	

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.

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

Performance*

Strategy	Guinness Global Innovators*
Index	MSCI World Index
Sector	IA Global sector average

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Strategy*	22.6	112.6	128.6	479.5
Index	22.9	69.5	83.8	279.2
Sector	17.7	65.4	77.8	221.3

Annualised % total return from inception (GBP)

Strategy*	14.1%
Index	10.8%
Sector	9.9%

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.

Summary

- In 2021, the Guinness Global Innovators Fund produced a total return of +22.6% (in GBP), compared to the MSCI World Net TR Index return of +22.9%, therefore underperforming by 0.3%.

- After a strong 2020, with the fund outperforming the MSCI World Index by 20.1%, it is pleasing that the fund continues to perform well through these uncertain times. Over the last two years, the fund has returned +61.9% compared to the MSCI World Net TR Index return of +38.1%, therefore outperforming by 23.8%.

  - While 2020 saw growth significantly outperform value stocks, 2021 was much more mixed: over the course of 2021, value and growth stocks rotated in and out of favour, driven by changes in the outlook for the Covid-19 pandemic, rising inflation, supply-chain shortages, and central bank policy. However, quality stocks outperformed both styles, and with less volatility. While this led to periods of underperformance when value was particularly strong, the fund's emphasis on quality stocks supported it throughout.

  - Further, although many non-profitable tech stocks had a very strong 2020, 2021 brought a sharp reversal – the Goldman Sachs Non-Profitable Tech basket returned -20.7% over 2021. While the fund did underperform this basket in 2020, it did outperform considerably over 2021. This highlights the volatility that these non-profitable and somewhat speculative businesses can exhibit.

- Over 2021, fund performance versus the MSCI World Net TR Index can be attributed to the following:

  - IT, the fund's largest sector exposure, was the largest positive contributor to the fund's relative performance particularly through the exposure to semiconductors - four of the top five performers in the fund were semiconductor stocks (Nvidia +125.5%, Applied Materials +83.6%, KLA Corp +68.0%, Lam Research +53.7%, all TR in USD).

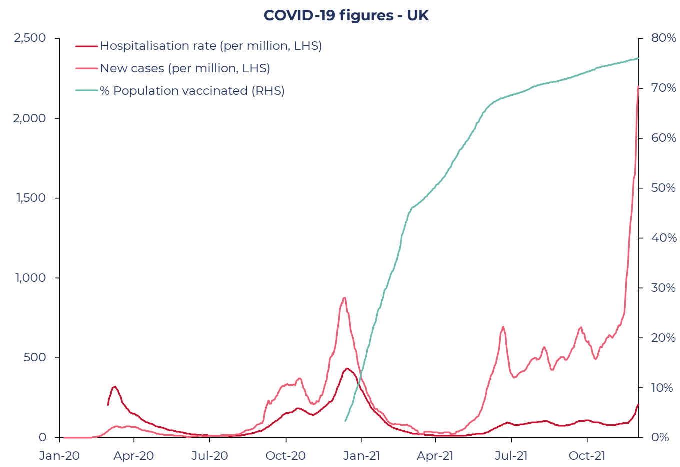
- Fund exposure to Industrials was the second-largest contributor through positive stock selection to clean energy and sustainability-related stocks including ABB (+40.2% TR in USD) and Schneider Electric (+38.5%).
- Consumer Discretionary was the largest drag, primarily through the fund's holding of Chinese stocks New Oriental Education (-59.2% TR in USD, until sold in Q2) and Anta Sports (-4.7%).
- Additionally, not owning any Energy stocks – the best-performing sector over 2021 - was a drag on performance.
- For 2021 the fund ranked in the 2nd quartile vs peers in the broad IA Global Sector and outperformed the average fund in the sector. The fund remains in the 1st quartile over three, five and 10 years, ranking 5th out of 214 funds over the 10-year period and 5th out of 97 funds since launch.

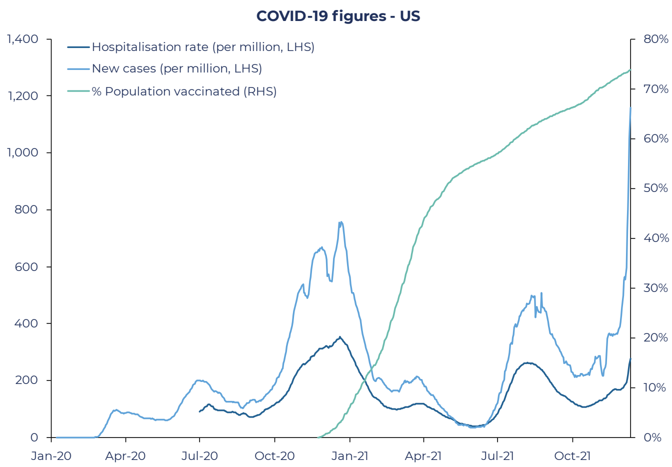
Cumulative % total return, in GBP, to 31/12/2021	1 year	3 years	5 years	10 years*	Launch*
Guinness Global Innovators Strategy	22.57	112.6	128.56	479.48	1073.11
MSCI World Index	22.94	69.50	83.75	279.22	575.84
IA Global sector average	17.68	65.39	77.80	221.28	482.20
IA Global sector ranking	122/451	15/380	26/318	5/214	5/97
IA Global sector quartile	2	1	1	1	1

Source: Financial Express, as of 31.12.2021
* Simulated Past Performance as outlined on the first page of this document

2021 in Review

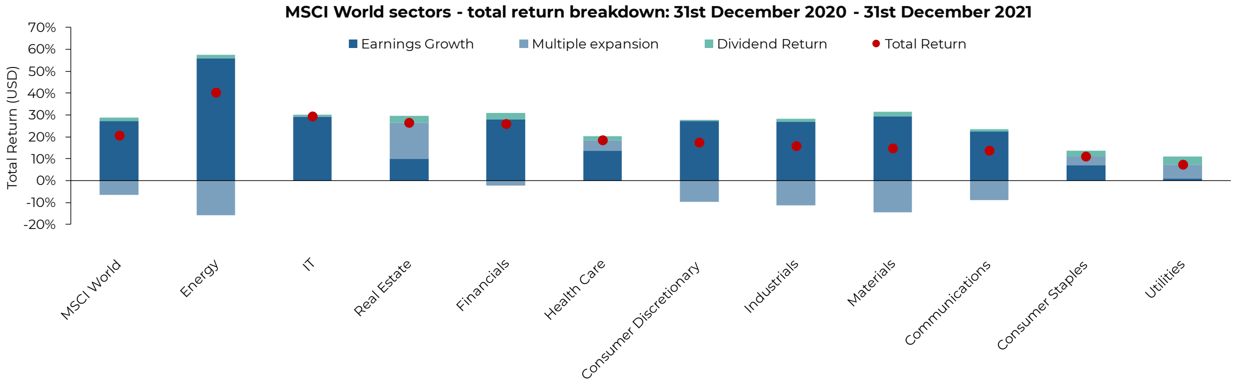
As we exit the second calendar year of Covid-19, great strides have been made in combating the virus across the world. Although variants remain a key threat, large-scale vaccine roll-outs across the globe, combined with mobility restrictions, have gone a long way in enabling many nations to return, cautiously, towards a form of normality. Indeed, while the latest variant, Omicron, continues to threaten new lockdown measures, the vaccination roll-outs – with subsequent booster jabs – have shown strong signs of breaking the link between infections and hospitalisations. In the UK, for example, 76% of the population has had at least one vaccination, and as can be seen on the left-hand chart below, despite the new wave of infections arising from Omicron, hospitalisation rates have continued to hold relatively low.





Source: Our World in Data, as of 31.12.2021

Despite Covid-19 remaining ever present, developed equity markets marked another strong year and the MSCI World Index returned its third consecutive year of double-digit returns. With equity valuations broadly above their historic averages at the end of 2020, the recovery in earnings, which has generally more than offset the contraction in equity market valuations, has driven positive returns in 2021.



Source: Bloomberg, as of 31.12.2021

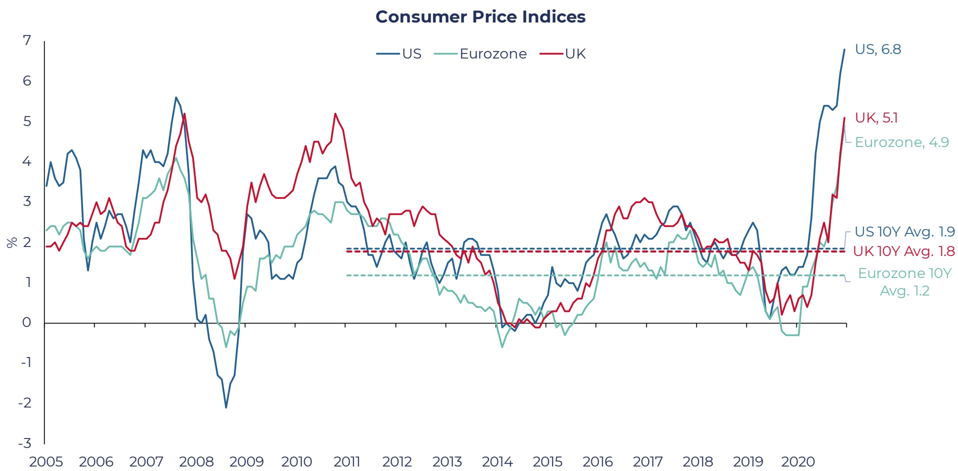
Nevertheless, the year was marked by various new pandemic-related risks including supply chain disruptions, persistently high inflation, and rising energy and commodity prices.

Supply vs demand

While economic demand has rebounded relatively well, supported by low interest rates, monetary easing, large fiscal stimulus packages, and pent-up consumer savings, the varying degrees to which nations have experienced new waves of infection as well as their vaccination roll-outs, has led to supply constraints and bottlenecks for businesses. Possibly none is more affected than the semiconductor industry, where the combination of an influx in demand for new chips and supply constraints has led, most notably, to pain for the automotive industry. However, constraints have not been confined to semiconductors; shipping container shortages and local lockdowns in Vietnam and Indonesia led to supply chain issues for apparel businesses including fund holding Nike. While the holdings within the fund are not immune to these disruptions, we had relatively little exposure and we believe they are broadly managing them well – as outlined in the fund's November update.

Inflation and interest rate rises

Further, a rebound in economic activity, alongside localised energy constraints have led to a large rise in oil and energy prices. This rebound in the oil price in 2021 from the new lows of 2020 and the changing inflation outlook meant Energy was the best-performing sector over the year, which was a drag on fund performance with its lack of exposure. Rising energy prices alongside other price increases for select goods and services from the economic rebound have led to decade-high inflation figures in many regions.



Source: Bloomberg, as of 31.12.2021

The immediate question for investors and central banks at the beginning of 2021 was whether higher levels of inflation would be transitory or persistent. It became clearer by the second half of 2021 that companies were raising their prices in response to higher input costs and that higher levels of inflation were going to persist for longer than many had anticipated. Indeed, by the end of the year, Jerome Powell, the US Fed Chairman, told Congress that the central bank was now "retiring" the word "transitory". Major central banks are now beginning or at least planning to reduce their monetary easing programmes and increase the possibility of higher interest rates in the near term. The UK's central bank deviated from its US and European counterparts in Q4 by increasing its target interest rate by 25bps, whereas the US and EU remained steady, for now.

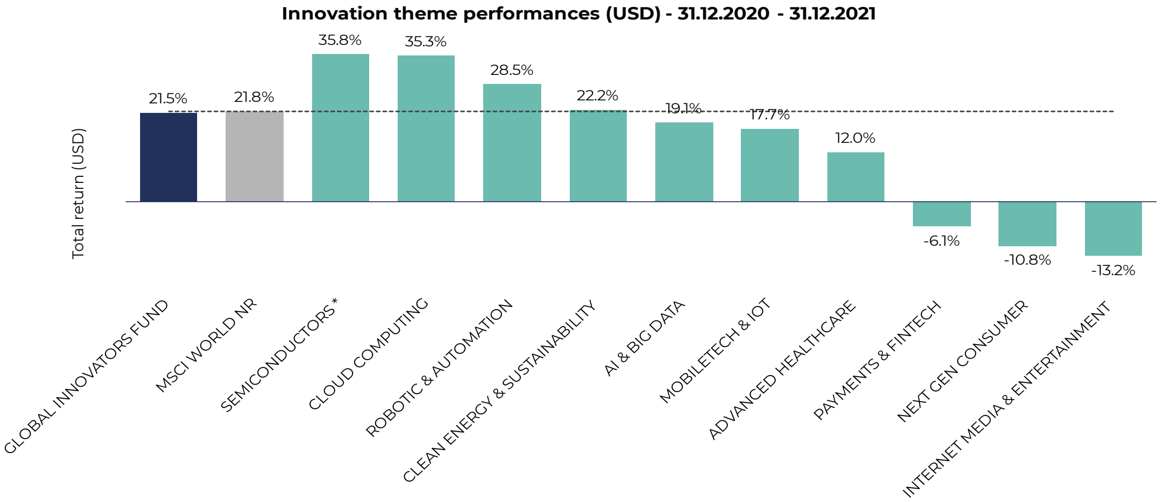
The possibility of higher interest rates has led investors to become cautious on higher-duration stocks, such as faster-growing IT stocks where much of their value is based on expectations of future growth. This was most keenly felt towards the end of the year in non-profitable technology companies and with central bank policies shifting towards more hawkish stances this will be something to watch in 2022. While our high exposure to the IT sector means we are not immune from the potential impact of rising rates on valuations, our investment philosophy has always been to seek out companies delivering profitable growth. This steers us away from companies that are the most sensitive to changes in interest rate expectations.

Chinese clampdown

Contrary to most Western markets, Chinese equities were down 21.7% (TR in USD) over the year as GDP slowed more than anticipated, regulators continued their crackdown on multiple fronts, and fears over the solvency of Evergrande, China's largest property developer, highlighted a highly indebted sector. Indeed, over the latest three quarters, China's GDP disappointed investors as new COVID waves with localised lockdowns hampered the recovery. Most prominently from the fund's perspective was the on-going regulatory tightening of certain sectors. Going into year, the fund owned three Chinese equities: Anta Sports, Tencent, and New Oriental Education. However, as discussed later (under Changes to the Portfolio), we felt that the tightening regulations and scrutiny over New Oriental Education and Tencent led to potential downside in the near term and as such we exited those two positions. As a result, Anta Sports is the fund's only Chinese equity. However, we feel confident Anta Sports, and the broader apparel industry, is unlikely to be placed under regulatory scrutiny in the near term – particularly as China hosts the 2022 Winter Olympics with Anta Sports the official sportswear partner.

Innovation Themes

Finally, we look at how our innovation themes performed over the year. In contrast to 2020, where 9 out of our 10 themes outperformed the benchmark, 2021 was a much more mixed picture. In 2021, 6 out of 10 themes underperformed the benchmark as a number of companies within these themes saw valuations contract and growth expectations become more realistic. Despite the relatively weaker performance among several of our themes in 2021, the fund still managed to keep up with the broad benchmark thanks to our stock selection.



Source: Guinness Global Investors, Bloomberg, as of 31.12.2021

*Semiconductors is not one of our innovation themes, but because these companies fit into multiple themes we find it beneficial to include in this analysis.

Clean Energy & Sustainability

Building upon a very strong 2020, clean energy continued its strength into 2021 (albeit relatively weaker). Governments' prioritisation of clean energy projects in the recovery from the pandemic was further emphasised by 2021's UN Climate Change Conference of the Parties (COP26), held in Glasgow, in which nations agreed a new 'Glasgow Climate Pact' to reduce coal usage. The talks also saw pledges from Brazil to reverse deforestation by 2030 (although later clarified to only illegal deforestation), and for India to draw half its energy requirement from renewable sources by 2030. With 140 countries now pledging to reach net-zero emissions – around 90% of current global greenhouse gas emissions – the emphasis now is on how these nations will reach these ambitious goals. US President Biden recently signed the historic $1tn Infrastructure bill which, among other things, includes $50bn for climate resilience and weatherisation, $65bn for clean energy and grid-related investments, and $55bn to expand access to clean drinking water. The bill also clears the way for Biden's more ambitious climate bill dubbed the 'Build Back Better Act', which aims to invest $555bn to combat climate change and cut greenhouse emissions. Notable fund beneficiaries should include Schneider Electric, ABB, and Infineon.

Semiconductors

2021 ended as another good year for the semiconductor industry with 4 of the fund's 5 best-performing stocks coming from the industry. Supply chain constraints did little to subdue stock performance amidst ever-increasing demand from current and new use cases. Indeed, the world's foundries have vastly expanded their capital expenditure plans to accommodate the need for extra capacity. These include the following:

Company	Proposed Outlay	Period
TSMC	$100bn	3 years
Intel	$20bn	2 new fabs in Arizona
Samsung	$116bn	Over a decade

Source: Company data

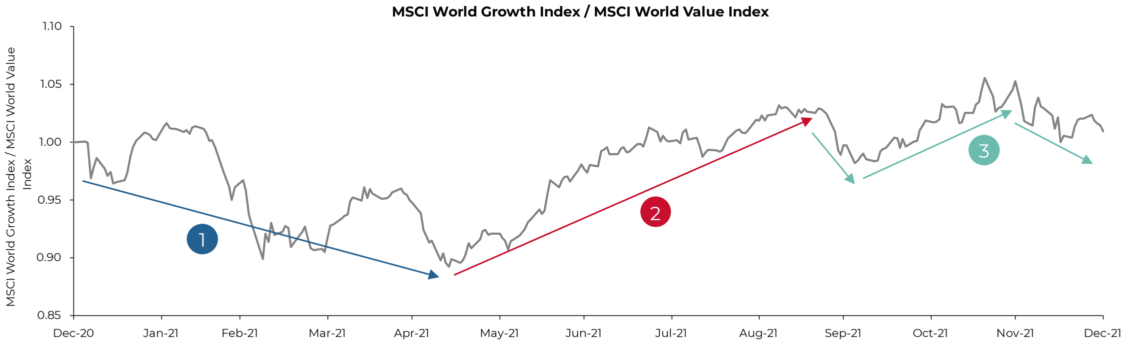
This ramp-up in capital expenditure has been particularly beneficial to the fund's semiconductor equipment manufacturers, Applied Materials (+83.6% USD in 2021), KLA Corp (+68.0%), and Lam Research (+53.7%), which supply foundries with the equipment required to fabricate semiconductor chips. While the semiconductor industry has historically been highly cyclical, the on-going acceleration in demand from expanding user cases has at the very least lengthened the expansion phase of this cycle and potentially reduced the degree of cyclicality in the industry.

Advanced Healthcare

The worst-performing theme over the last two years has been Advanced Healthcare (weakest over 2020 and seventh-weakest in 2021). Although it has been prominent in the fight against Covid-19, the sector has suffered from elective surgeries and drug trials being postponed. A few diagnostics and pharmaceutical companies have been able to service consumers through Covid-19 testing and vaccinations, but the majority have not. These postponements should be temporary, however, with the easing of national mobility restrictions and Covid-19 hospitalisations enabling patients and companies to begin their normal routines once more.

Review of 2021 fund performance

Over the course of 2021, we have seen three broad trends in terms of style/rotation:



Source: Guinness Global Investors, Bloomberg, as of 31.12.2021

(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 Industrials) and rate-sensitive value stocks (like banks) did well. Overall, the Fund underperformed the benchmark over this period given that those lower growth, lower quality stocks – that had previously been hit hardest from COVID lockdowns – were the ones driving benchmark gains.

(2) From mid-May (14th) to mid-September (21st) 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%. Quality companies also performed well as investors focused on a slower-growth outlook and increased market uncertainty. The Fund outperformed the benchmark in this period, as we might expect in a growth-led rally.

(3) From mid-September (21st) to the year-end, 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, and increased worries around China and global growth in general. In this period the Fund's high-quality companies – with secular growth themes – weathered the various uncertainties well. The fund underperformed the MSCI World Index but was in line with the MSCI World Growth Index and ahead of the Goldman Sachs Non-Profitable Tech basket, which sold off sharply over this period.

More broadly, over the entire 2021, fund performance can be attributed to the following:

- IT, the fund's largest sector exposure, was the largest positive contributor to the fund's relative performance particularly through the exposure to semiconductors – 4 of the top 5 performers were semiconductor stocks (Nvidia +125.5%, Applied Materials +83.6%, KLA Corp +68.0%, Lam Research +53.7%, all TR in USD).

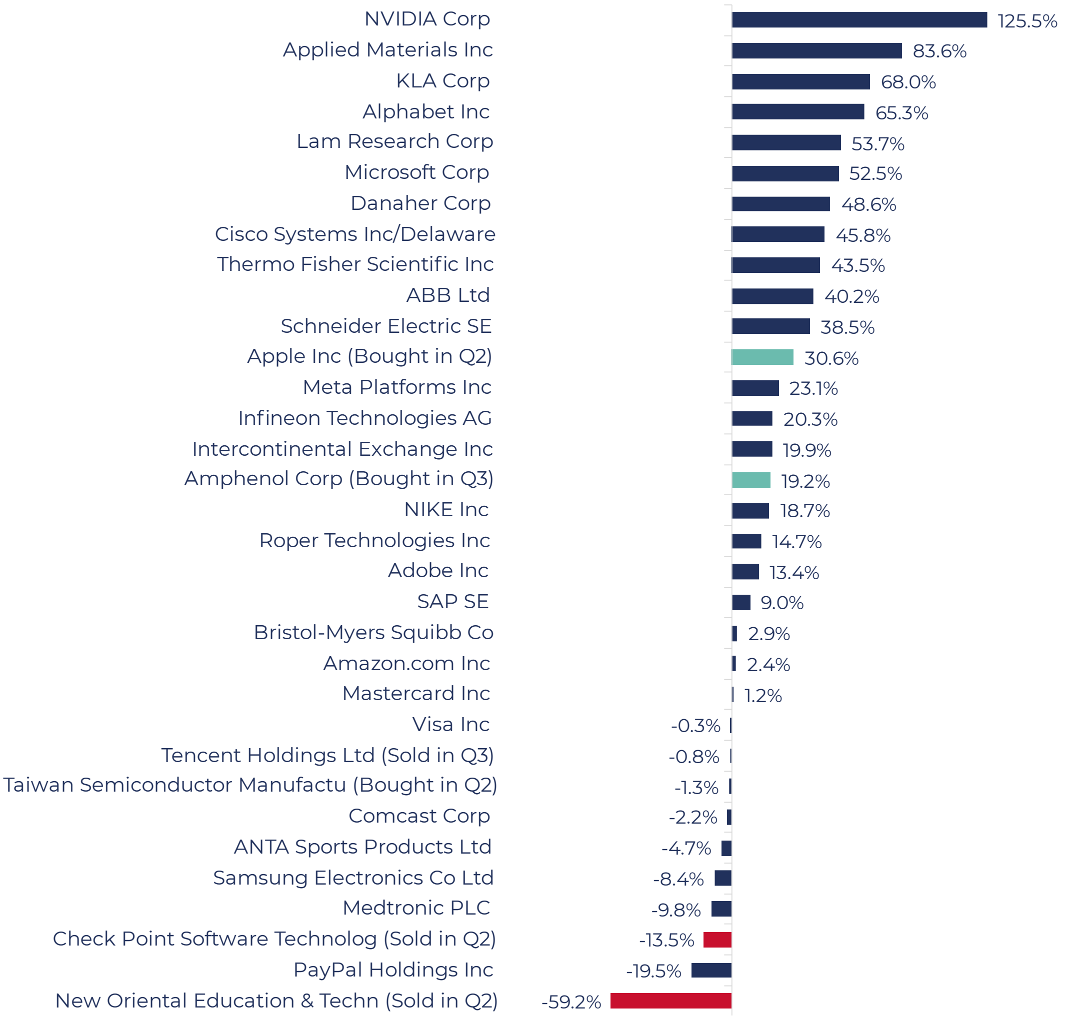
- Fund exposure to Industrials was the second largest contributor through positive stock selection to clean energy & sustainability-related stocks including ABB (+40.2% TR in USD) and Schneider Electric (+38.5%).

- Consumer Discretionary was the largest drag, primarily through the fund's holding of Chinese stocks New Oriental Education (-59.2% TR in USD, until sold in Q2) and Anta Sports (-4.7%).

- Additionally, not owning any Energy stocks – the best-performing sector over 2021 - was also a drag on performance.

Individual stock performance in 2021

The chart below shows the performance of fund constituents over 2021 in USD.



Source: Guinness Global Investors, Bloomberg, as of 31.12.2021

Individual companies that performed well over the year included Nvidia (125.5% TR in USD) and semiconductor equipment manufacturers Applied Materials (+83.6%), KLA Corp (+69.0%) and Lam Research (+53.7%)

NVIDIA

Following a stellar 2020 in which Nvidia was up 122.3%, the company was again the fund's top-performing stock, rising another 125.5%. Strength in semiconductor stocks and a series of strong earnings releases drove performance over the year despite regulators in the US, UK and EU all raising concerns over Nvidia's proposed acquisition of ARM. The UK entered a phase 2 investigation into the transaction on public interest grounds, putting further strain on the initial proposed deadline of March 2022. This did not dampen investor appetite, however, as on the same day the US announced concerns over the deal, the stock rose +4.1%. There was also optimism over opportunities in the Metaverse primarily through Meta Platforms where Nvidia's chips would be a key enabler of the required technology. The firm itself spoke about the Metaverse opportunity, its own software platform Omniverse (used to create 3D spaces) giving the firm a head start. Nvidia remains poised for years of growth, with strong demand stemming from key innovation themes such as Artificial Intelligence and Internet of Things, alongside gaming and the Metaverse.

The fund's semiconductor equipment manufacturing names all performed very strongly during the year, with Applied Materials, KLA Corp and Lam Research all featuring in the top five fund holdings. TSMC, the largest chip foundry in the world, announced in January its plans to increase capex from $17bn in 2020 to $28bn in 2021, helping to lift semiconductor equipment manufacturers in general. Applied Materials performed particularly well during Q1, gaining 54.81%. The global chip shortage had prompted chip manufacturers such as TSMC and Samsung to spend more than ever on capacity expansion, with the industry expected to have spent a total of $146 billion in capital expenditures in 2021 – 50% higher than pre-pandemic levels. Upstream of this trend, and its natural beneficiaries, are the semiconductor equipment manufacturers.

Governments around the world are realising how critical semiconductor supply is to their economic growth and consequently billions of dollars of subsidies and tax breaks are being offered in the US, Europe and Asia, providing strong visibility for future growth in equipment manufacturer revenues. LAM, KLA and Applied Materials all carried strong momentum from October into November, fuelled by solid earnings results (strong and broad-based demand but supply constrained) and upgrades to analyst expectations. Demand for chipmaking tools continues to outweigh supply, giving all three firms strong pricing power. While the chip shortage provides a short-term tailwind, we continue to like the long-term outlook for chip equipment manufacturers, with complex chip designs (e.g. 3D NAND Structures), 5G chips going mainstream, data centres, Internet of Things and autonomous driving all requiring higher chip performance and complexity.

Individual companies that were weak over the year included PayPal (-19.5% in USD) and Medtronic (-9.8% in USD).

PayPal was undoubtedly a beneficiary of the pandemic, which not only accelerated the shift from cash to digital payments but fostered a surge in online shopping. This was reflected in rapid stock gains of c.180% during the first 16 months of the pandemic (March 2020 – July 2021), reaching record highs until days before the firm's Q2 earnings release. Over the remainder of the year, the stock declined 38%, taking overall 2021 performance into negative territory (-19.5% TR in USD). A weak Q2 earnings release, which included a miss to consensus for revenue alongside weak Q3 guidance markedly below expectations, caused the stock's long run of gains to end. In October, several sources suggested PayPal was pursuing a $45bn acquisition of Pinterest, with an unenthusiastic market response causing the stock to fall sharply. PayPal's statement days later stated it would not pursue a deal "at this time" was not enough to stall the negative momentum in the stock. PayPal retains a strong runway for growth, particularly in electronic payments, as it continues to add net new active accounts. Further, global cash payments are continuing to fall versus electronic payments, and, in our view, PayPal retains strong strategic positioning in the payments space.

As noted above, stocks exposed to our Advanced Healthcare theme have underperformed over the last two years as the pandemic has delayed elective procedures. As the world's largest pureplay medical equipment producer, Medtronic saw sales slow as a result – in the company's Q2 2022 results management stated that the impact of Covid-19 was greater than previously anticipated. However, with the effects on medical equipment names expected to be temporary as elective procedures accelerate, and with the stock exhibiting attractive characteristics – a one-year forward price-earnings ratio of 17.7x, while guiding to revenue growth of 7-8% in 2022 – we believe the company can return to strength in the near term.

Changes to the portfolio

We sold three positions and initiated three new positions over the course of 2021.

Number of changes to the portfolio

	2015	2016	2017	2018	2019	2020	2021
Buys	6	7	4	5	3	5	3
Sales	6	7	4	5	3	5	3
Total Holdings	30	30	30	30	30	30	30

We made no changes in Q1.

During Q2, we sold two positions, Check Point Software and New Oriental Education, and initiated two positions in TSMC and Apple.

Check Point Software

A long-term holding of the fund, held since launch, Check Point Software is one of the world's largest pureplay cyber security vendors. With an increasing number of global cyber-attacks due to data proliferation, Check Point is well placed to capitalise on the growing need for more sophisticated cyber security software. However, although the company is highly cash generative (with free cash flow margins >50%) with 75% of sales recurring, we felt that Check Point's growth profile was not as strong as other investment opportunities given its relatively smaller exposure to the high-growth area of cloud cyber security and its position in the highly fragmented cyber security market.

New Oriental Education

After its share price peak in February, New Oriental Education, China's second largest after-school tutoring (AST) provider, has had sustained weak share price performance as investors grapple with news surrounding the potential tightening of AST regulation. While increasing regulation is not new to the Chinese education industry, the more recent speculation sent broad education share prices down. During the quarter, 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. Although we believe tighter regulations could solidify New Oriental Education's market leadership over the long term as smaller competitors are driven out, we felt the near-term impact on New Oriental's growth meant it no longer had sufficient growth for us to justify continuing to hold it. After selling our position, the Chinese government announced the extraordinary step to ban for-profit after-school tutoring. This sent the share price tumbling, with the year-end price down c.90% from the beginning of the year.

TSMC

TSMC is the world's largest semiconductor foundry and pioneered the pure-play foundry business, working solely as an independent contractor to chip designers such as Nvidia. While we have been watching TSMC for some time, having previously owned the business in the fund between 2010 and 2016, we now felt, given the lasting acceleration in demand for chips and clear leadership over competitors including Intel (who have suffered continued setbacks in their leading-edge foundry business), TSMC could provide ample growth going forward while enjoying a best-in-class competitive position. While we acknowledge the need for TSMC to constantly reinvest in capital expenditure (the company recently announced the intention to spend $100bn over the next three years to expand capacity), we also note its very robust pricing power, which allowed it to announce increases to its prices of 10%. We believe, given its track record in converting investment into market share, TSMC can continue to be the all-out leader in chip fabrication and capitalise on the growing need for semiconductors across end-markets.

Apple

Apple, which needs little introduction, has been on our watchlist for some time. We felt that its having underperformed the wider market (alongside other large IT/quality growth stocks) during the first quarter offered as good an entry point as Apple might present. Apple's continued shift to service revenues, alongside its iPhone, Apple Watch, and Mac products that create the key platform upon which to upsell services, is not a new story. In our view, however, the market was underappreciating the opportunity for sustained growth from a company that has continually pushed the boundaries of innovation. Furthermore, as we enter a new stage in the economy's recovery, a company such as Apple that exhibits daunting competitive advantages (centred around the switching costs associated with the ecosystem of devices and software Apple users tend to have) further increased our conviction on the stock. Lastly, while we acknowledge the risks around 'big tech' regulation, particularly in the US, we view this risk as having a lower likelihood than perhaps markets estimate – not least in light of Facebook winning the first round of its antitrust case, which shows the worst-case scenario, forced company break-up, remains low.

During Q3, we entered one new position, Amphenol, following the removal of Tencent at the beginning of Q3.

Tencent 腾讯

Tencent:

We sold Tencent on the 6th July. Increased scrutiny from the Chinese regulator on monopolistic behaviour, data security and financial stability adds a level of risk to investments within the region – particularly in large, mega-cap tech stocks. Following the imposition of a £2.8bn penalty on Alibaba, regulators warned Tencent (alongside 33 other online companies) that it had just a month to "completely rectify" anti-competitive practices and publicly pledge to abide by anti-competition rules. The company was summoned a second time in April, with 13 other fintechs, to "rectify prominent problems" in its platforms. A profit jump of +65% in Q1 (ahead of consensus) was not enough to appease investor concerns, which remain focused on whether Chinese regulation will tighten over Tencent and its payments business, as it did with Alibaba back in April. At the beginning of July, Tencent was blocked from combining gaming platforming Douyu and Huya on anti-competitive grounds. Two weeks later, regulators ordered Tencent to end exclusive music contracts with copyright holders. Following its 2016 acquisition of China Music Group, Tencent was left controlling more than 80% of 'exclusive music library resources', preventing rivals from entering the market. The firm was given 30 days to end exclusive music copyright contracts. Such is the density of the interactions the regulator is having with Tencent, the drastic measures felt across a range of industries (such as those felt by the $100bn Chinese private education industry) and hefty fines (Alibaba was fined a record $2.8bn in April for abusing market dominance), the recent swing in the balance of risks is dominating the conversation around Chinese tech stocks and is likely to continue weighing heavily on the stock price.

Amphenol

Amphenol

Amphenol sits in the IT sector and hardware industry, but it could arguably sit in the Industrials sector. The company is a market leader in the design, manufacture and marketing of interconnects and related components and systems – equipment that allows power or data to be transferred from one device to another. These components are in demand from a broad group of industries including data communications, automotive and aerospace, giving it exposure to a number of our innovation themes and sub-themes: Clean Energy, Electric vehicles, Robotics and Automation, Cloud Computing, AI & Big Data, 5G.

The company is managed in a very decentralised manner, with 120 general managers given the freedom and responsibility to generate the target P&L in the manner they see fit. Partly this is a consequence of its having grown by making small acquisitions – around 50 since 2010.

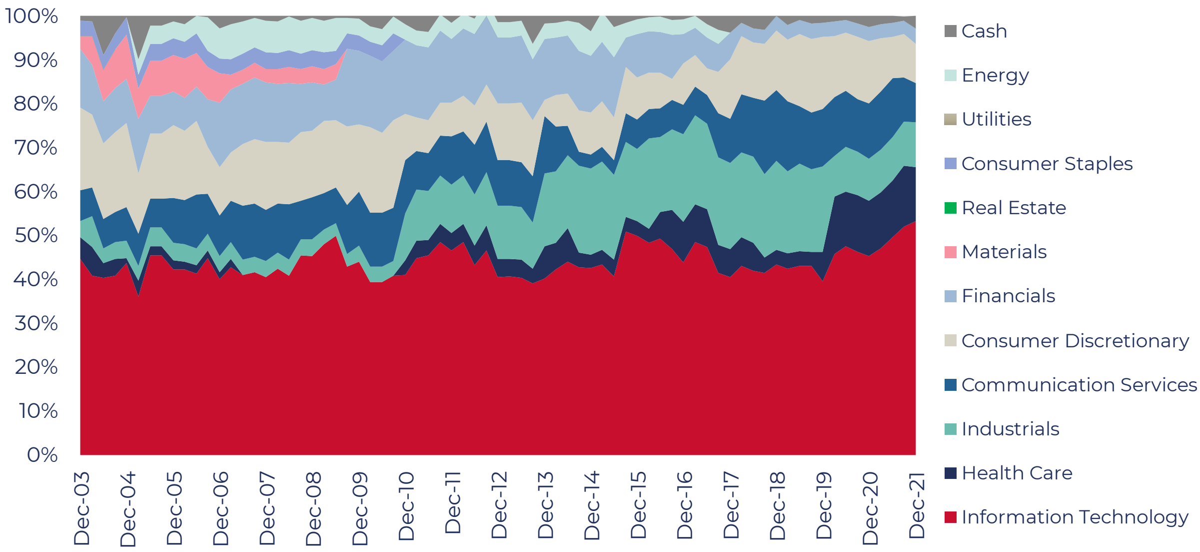
We believe Amphenol can continue to grow in this manner for the foreseeable future as the industry is highly fragmented; Amphenol is a market leader with only c.5% market share. Furthermore, the interconnects and systems the company manufactures are often customised for individual clients and are often critically important components, which increases switching costs for customers and creates an economic moat for the company.

We made no changes in Q4.

Portfolio characteristics

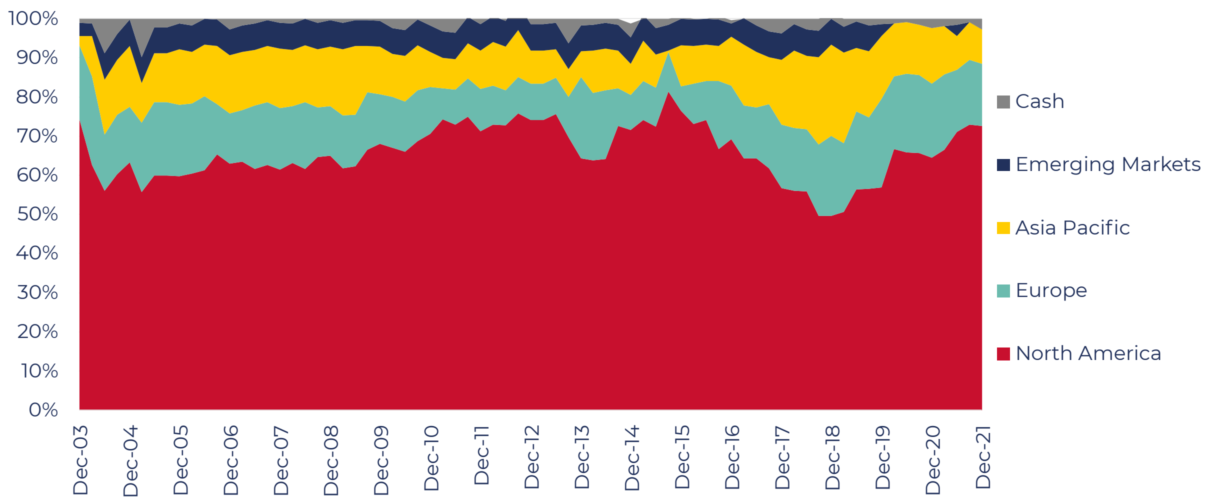
The charts below show the sector and geographic breakdown of the portfolio at the end of each quarter since the strategy's inception.

Portfolio sector breakdown (all dates at year-end)



Source: Guinness Global Investors, Bloomberg, as of 31.12.2021

Portfolio geographic breakdown (all dates at year-end)

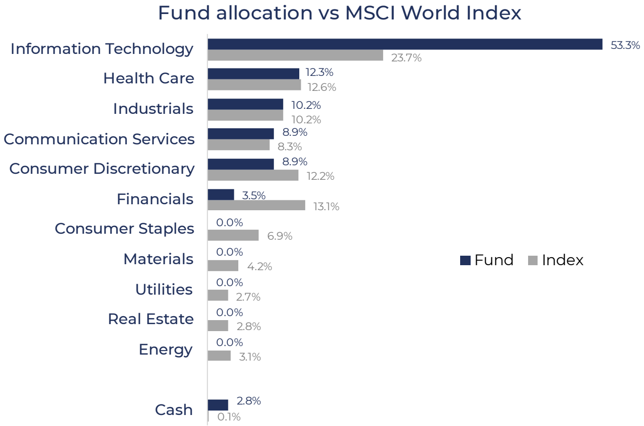


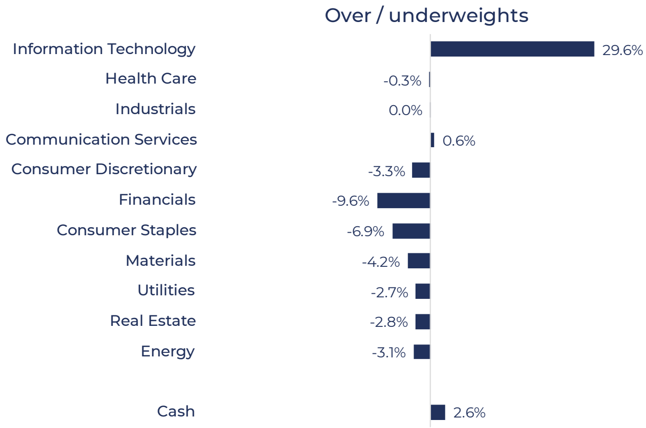
Source: Guinness Global Investors, Bloomberg, as of 31.12.2021

Over 2021, the net effect of purchasing TSMC, Apple, and Amphenol while selling Check Point Software, New Oriental Education and Tencent was an increase in the exposure to IT and a decrease in exposure to Consumer Discretionary.

In terms of geographic breakdown, the portfolio continues to have a bias to the US and we increased this during 2021 while reducing our exposure to China.

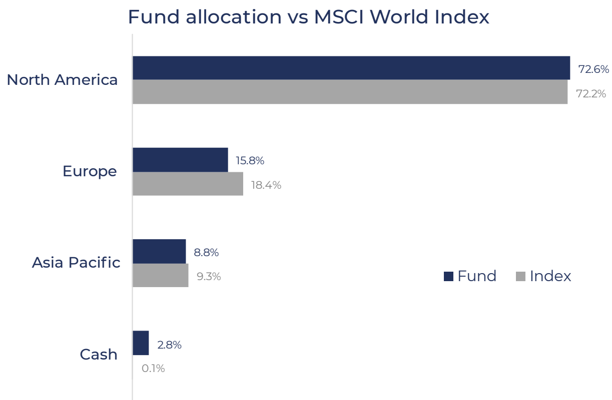
Sector breakdown of the fund versus MSCI World Index

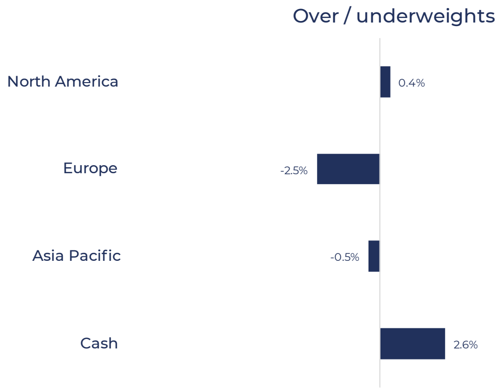




Source: Guinness Global Investors, Bloomberg, as of 31.12.2021

Geographic breakdown versus MSCI World Index





Source: Guinness Global Investors, Bloomberg, as of 31.12.2021

Outlook

The Guinness Global Innovators Fund invests in quality innovative growth companies trading at reasonable valuations. In doing so, we seek to invest in companies that are experiencing faster profit growth, greater margins and less susceptibility to cyclical pressures. We are pleased with how well the fund has performed despite the varying market conditions over the last two years. In particular, our focus on quality growth-at-a-reasonable-price has shown its strength in avoiding the highly valued non-profitable tech businesses that have swung between large rises and falls.

Portfolio metrics versus MSCI World Index

The table below illustrates how the portfolio at year-end reflects the four key tenets of our approach. These are innovation, quality, growth, and conviction. The fund has superior characteristics to the broad market: higher spend on intellectual property through research and development (R&D), less capital intensiveness, higher cash flow returns on investment, and higher historic growth. The fund currently trades at a 18.2% premium to the benchmark on a PE basis, which we believe is a small price to pay for this attractive set of characteristics.

Guinness Global Innovators Fund

		Fund	MSCI World Index
Innovation	R&D / Sales	9.0%	7.6%
	CAPEX / Sales	6.3%	8.4%
Quality	Return-on-Capital	18.8%	6.4%
	Weighted average net debt / equity	10.1%	53.7%
Growth (& valuation)	Trailing 5-year sales growth (annualised)	12.8%	3.2%
	Estimated earnings growth (2023 vs 2022)	12.1%	6.7%
	PE (2021e)	24.0	20.4
Conviction	Number of stocks	30	1555
	Active share	80.7%	-

Source: Guinness Global Investors, Bloomberg, as of 31.12.2021

In the current market environment, where inflation concerns and slower growth remain front of mind, we are confident that the fund's focus on high-quality growth stocks, underpinned by structural changes, stands us in good stead. As we look into 2022, the prospects for further multiple expansion at the index level do not seem particularly likely given that central banks are talking about tightening monetary policy. On the other hand, demand in the economy remains very strong, US capital expenditure is at an all-time high, and most companies are raising prices, which suggests the prospects for earnings growth in 2022 look more positive than multiple expansion. This further bodes well for our high-quality growth businesses.

May we wish you a happy and prosperous New Year, and we look forward to updating you on the progress of the fund over the course of 2022.

Portfolio Managers

Matthew Page, CFA

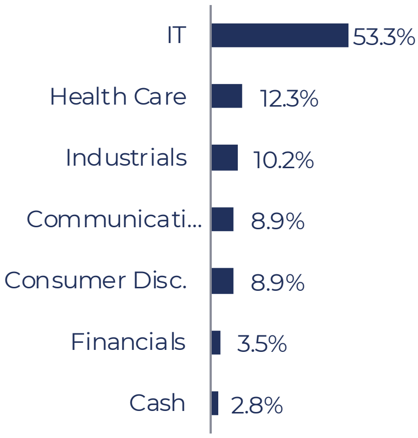
Dr Ian Mortimer, CFA

Portfolio

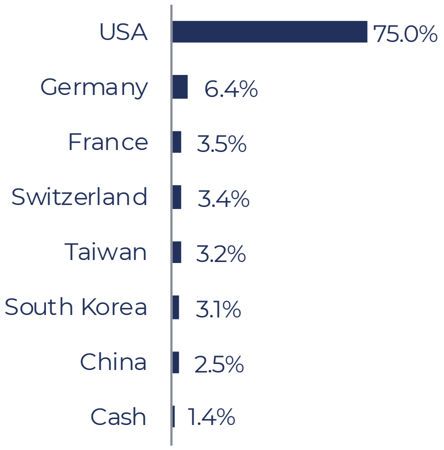
Fund top 10 holdings (%)

Apple	3.9%
KLA-Tencor	3.8%
Lam Research	3.8%
Microsoft	3.7%
Applied Materials	3.7%
Intercontinental Exchange	3.6%
Schneider Electric	3.6%
Thermo Fisher Scientific	3.6%
Amphenol Corp	3.6%
Nike	3.5%
% of Fund in top 10	36.8%
Total number of stocks	30

Sector analysis (%)

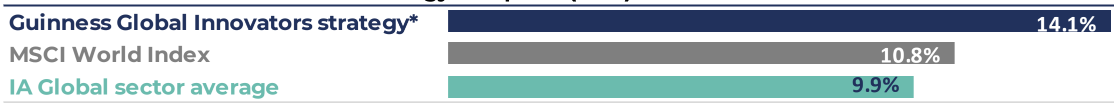


Geographic allocation (%)



Performance*

Annualised % total return from strategy inception (GBP)



Discrete years % total return (GBP)	Dec '21	Dec '20	Dec '19	Dec '18	Dec '17
Guinness Global Innovators Fund	22.6	32.0	31.3	-11.9	22.0
MSCI World Index	22.9	12.3	22.7	-3.0	11.8
IA Global sector average	17.7	15.2	21.9	-5.7	14.0
IA Global sector ranking	122/451	42/412	27/381	301/342	19/318
IA Global sector quartile	1st	1st	2nd	4th	1st

Cumulative % total return (GBP)	1 M	YTD	1 Yr	3 Yrs	5 Yrs	Launch*
Guinness Global Innovators strategy	1.4	22.6	22.6	112.6	128.6	479.5
MSCI World Index	1.9	22.9	22.9	69.5	83.8	279.2
IA Global sector average	1.4	17.7	17.7	65.4	77.8	221.3

RISK ANALYSIS			31/12/2021
Annualised, weekly, 5 years, in GBP	**Index**	**Sector**	**Fund**
Alpha	0	1.44	4.17
Beta	1	0.84	1.06
Information ratio	0	-0.08	0.65
Maximum drawdown	-24.58	-21.61	-22.23
R squared	1	0.86	0.83
Sharpe ratio	0.61	0.63	0.82
Tracking error	0	5.62	7.01
Volatility	14.74	13.34	17.08

*Simulated past performance. Performance prior to the launch of the Guinness Global Innovators Fund (31/10/14) reflects the Guinness Atkinson Global Innovators Fund (IWIRX), a US mutual fund with the same investment process since 01/05/2003. 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 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 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