Guinness Emerging Markets Equity Income Fund

Investment Commentary - February 2022

This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions. Past performance does not predict future returns.

ABOUT THE FUND

Launch date	23.12.2016
Team	Mark Hammonds Edmund Harriss Sharukh Malik

Aim

The Guinness Emerging Markets Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in Emerging Markets world-wide. The Fund aims to provide long-term capital appreciation and a source of income that has the potential to grow over time.

An equity fund investing primarily in dividend paying companies that derive at least 50% of their revenues from business activities primarily in emerging markets countries.

The Fund is actively managed and uses the MSCI Emerging Markets Index as a comparator benchmark only.

RISK

Lower risk			Risk & reward			Higher risk
1	2	3	4	5	**6**	7

Typically lower rewards   Typically lower rewards

The risk and reward indicator shows where the fund ranks in terms of its potential risk and return. The fund is ranked as higher risk as its price has shown high fluctuations historically. Historic data may not be a reliable indicator for the future

PERFORMANCE

Past performance does not predict future returns - 31.01.2022

Fund	Guinness Emerging Markets Equity Income Fund
Index	MSCI Emerging Markets
Sector	IA Global Emerging Markets

	1 Yr	3 Yrs	Launch
Fund	2.6	20.0	40.0
Index	-5.1	20.8	47.4
Sector	-5.2	21.6	43.3

Annualised % total return from launch

Investors should note that fees and expenses are charged to the capital of the Fund. This reduces the return on your investment by an amount equivalent to the Ongoing Charges Figure (OCF). The current OCF for the share class used for the fund performance returns is 0.89%. Returns for share classes with a different OCF will vary accordingly. The performance returns do not reflect any initial charge; any such charge will also reduce the return. Source: FE fundinfo (Y GBP Dist, 0.89% OCF), bid to bid, total return

SUMMARY - PERFORMANCE

Fund & Market

- Emerging markets started the year with a decline in January. The MSCI Emerging Markets Net Total Return Index fell 1.2% (Source Bloomberg: All performance figures in GBP).
- Another month of a more hawkish tone from the Fed led investors to price in expected rate hikes more quickly, resulting in a broad market selloff.
- Developed markets suffered worse than emerging markets, with the MSCI World Index declining 4.6% and the S&P 500 Index falling 4.5%.
- Within emerging markets, value was flat and outperformed growth, which fell 2.3%.
- Latin America was this month the strongest performer, up 8.2%. EMEA (Europe, Middle East and Africa) was next, up 3.3%. Asia was the weakest region, and the only to fall, dropping 2.8%.
- Of the largest countries in the benchmark, the best performing in the month were Brazil (+13.8%), Saudi Arabia (+10.1%) and South Africa (+7.6%).
- The worst performing countries were Korea (–9.5%), Russia (–8.1%) and Mexico (–4.6%).
- The strongest performers in the portfolio were B3 (+38.7%), Credicorp (+18.2%) and British American Tobacco (+15.7%).
- The weakest performers were Hanon Systems (–21.6%), Largan Precision (–17.0%) and Tech Mahindra (–16.9%).
- Emerging market currencies were stronger over the month, up 0.9%.
- The oil price rose significantly over the month, following heightened tension between Russia and Ukraine, with Brent finishing 17.4% higher.

REVIEW OF THE PORTFOLIO

Further updates came in during the month for portfolio companies:

- TSMC recently reported good results, surprising the market with improved guidance for 2022. Long term revenue growth expectations have been increased to 15-20%, and growth in 2022 is forecast to come in above this, at least around 25% higher. The growth in high performance computing (HPC) is the driving factor behind the increase. Management have further increased capex guidance to $42bn for 2022 (up from $30bn in 2021), which should be interpreted as a vote of confidence in future demand growth.
- After initial news reports, GSK confirmed that Unilever had approached the company on multiple occasions with a proposal to acquire GSK's consumer healthcare business. The proposals were rejected by GSK, and after facing criticism from shareholders Unilever stated that it would not pursue significant acquisitions.
- Bajaj Auto reported results for the third quarter (March year-end). Overall, profits were in line with consensus estimates. The company achieved strong export sales, maintaining, or improving market share across all countries. Demand in the domestic two-wheeler market has been disappointing, although this comes amid a weak environment. In the domestic market Bajaj improved market share. The company has had success at passing on rising commodity costs through higher prices. A strong focus for the company now is the ramping up of production of electric vehicles and broadening this part of the product range.
- Tech Mahindra announced three new M&A deals – acquiring one company in full and taking minority stakes in two others. All are in the insurance / insurtech space and will add to the company's ability to serve this industry. Over the past 12 months Tech Mahindra has announced around $900m of acquisitions – mostly developing the firm's capabilities outside the telecommunications sector.
- Suofeiya Home reported preliminary results for the year. Revenue growth slowed over the fourth quarter, though was strong for the year overall at between 20% and 25%. The slowdown in the property market led to a weaker second half of the year. A significant bad debt expense was incurred, attributable to Evergrande, although much of this was priced in by the market. Higher material costs have acted as a drag on gross margins, but we expect this to recover as price increases are passed through.
- Zhejiang Supor reported preliminary results with revenue growth of 16.1% for the year. Export sales have been the area of strength, though higher raw materials costs have weakened margins.
- LG Household & Healthcare reported results for the fourth quarter that were negatively impacted by a decline in travel sales. Slower sales of the flagship Whoo brand in China have also been a headwind. However, we note favourably management's desire to protect the brand equity with high average selling prices and by positioning Whoo at the very premium end of the luxury skin care spectrum.

PORTFOLIO CHANGES

We made a change to the portfolio in the middle of the month with the sale of KT&G (formerly known as Korea Tobacco & Ginseng) and purchase of Industrial & Commercial Bank of China (ICBC).

KT&G has a high historic yield of over 6% but does not, in our view, have the earnings growth to support it over the long term. Some excitement over its tie-up with Philip Morris and the prospect of access to new markets does not fire us with enthusiasm. At the end of last year, the company announced the indefinite suspension of its US business on regulatory grounds and thus we think the company's moves are primarily defensive or compensatory.

ICBC is one of China's big four commercial banks. Chinese stocks have been out of favour in recent years and banks as investors have been dazzled and then disappointed by the e-commerce companies and increasingly worried by regulatory and policy changes. This has created a valuation opportunity. The stock now trades on a market multiple of 4 times consensus estimated earnings, which have continued to grow; the market forecasts earnings growth of 6% - 7% per annum over the next two years. The stock offers an historic yield of 5.6% and has grown its dividend since 2016, including through the pandemic period. The bank is priced for macro-economic stress, but we expect China's monetary backdrop to be one of counter-cyclical easing while the rest of the world tightens

OUTLOOK

We encourage readers to refer to last month's Annual Review, which sets out our outlook for the year ahead in more detail.

After the stock changes discussed above, the portfolio traded on 9.9x 2022 earnings and 9.1x 2023 earnings, implying earnings growth of 8%. The index traded on 12.3x 2022 earnings and 11.2x 2023 earnings, meaning the fund is at a 19.8% and 18.5% discount for each year respectively.

We continue to think that the fund offers attractive metrics in each area that we expect to contribute to total shareholder return: valuation, earnings growth and dividend yield. Furthermore, the fund is invested in quality companies that have a history of earning strong returns on capital. We believe this approach will likely reward shareholders well over the long term.

Portfolio managers

Edmund Harriss

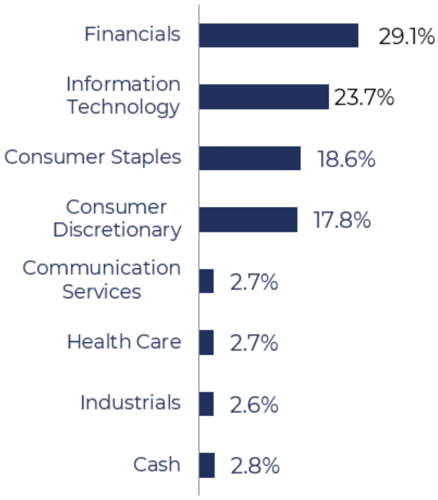
Mark Hammonds

PORTFOLIO – 31.01.2022

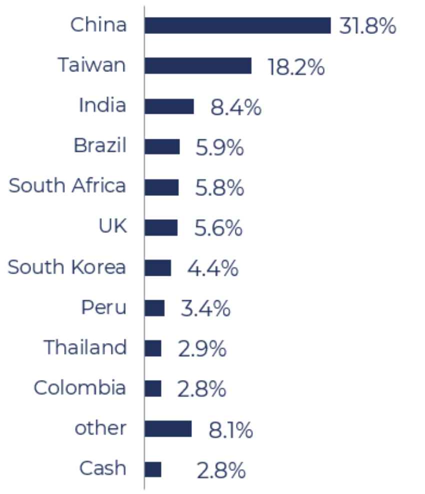
Fund top 10 holdings

Credicorp	3.4%
B3 SA - Brasil Bolsa Balcao	3.4%
British American Tobacco	3.1%
Bajaj Auto	3.0%
China Construction Bank	3.0%
Suofeiya Home Collection	2.9%
JSE Ltd	2.9%
Spar Group	2.9%
Tisco Financial Foreign	2.9%
ICBC	2.9%
% of Fund in top 10	30.3%
Total number of stocks	36

Sector analysis



Geographic allocation



PERFORMANCE

PERFORMANCE Past performance does not predict future returns **31/01/2022**

Annualised % total return from launch (GBP)

Discrete years % total return (GBP)	Jan '22	Jan '21	Jan '20	Jan '19	Jan '18
Fund (Y class, 0.89% OCF)	2.6	3.4	14.2	-9.8	25.8
MSCI Emerging Markets Index	-5.1	14.7	13.9	-9.3	25.4
IA Global Emerging Markets sector average	-5.2	13.7	16.0	-11.8	24.4

Cumulative % total return (GBP)	1 Yr	3 Yrs	5 Yrs	Launch
Fund (Y class, 0.89% OCF)	2.6	20.0	39.0	40.0
MSCI Emerging Markets Index	-5.1	20.8	39.7	47.4
IA Global Emerging Markets sector average	-5.2	21.6	34.9	43.3

RISK ANALYSIS **31/01/2022**

Annualised, weekly, from launch on 23.12.16, in GBP	Index	Sector	Fund
Alpha	0.00	0.00	0.51
Beta	1.00	1.00	0.84
Information ratio	0.00	0.00	-0.10
Maximum drawdown	-22.63	-22.63	-23.22
R squared	1.00	1.00	0.80
Sharpe ratio	0.25	0.25	0.21
Tracking error	0.00	0.00	6.71
Volatility	15.00	15.00	14.06

Source: FE fundinfo bid to bid, total return. Fund launch date: 23.12.2016.

IMPORTANT INFORMATION

Issued by Guinness Global investors which 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 equities and equity markets invested in by the Guinness Emerging Markets 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 Emerging Markets Equity Income Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. The value of an investment and the income from it can fall as well as rise as a result of market and currency movement, and you may not get back the amount originally invested. The Fund invests only in stocks of companies that are traded on Emerging Markets stock exchanges or that do at least half of their business in the region; it is therefore susceptible to the performance of that region, and can be volatile. Details on the risk factors are included in the Fund's documentation, available on our website. Shareholders should note that all or part of the fees and expenses will be charged to the capital of the Fund. This will have the effect of lowering the capital value of your investment.

Documentation

The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available in English from www.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