Guinness European 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	19.12.2013
Team	**Nick Edwards**
Aim	**Growth and income**

The Guinness European Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Europe ex UK region. 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 Europe Ex UK equities. Primarily the companies invested in will pay dividends.

The Fund is actively managed and uses the MSCI Europe Ex UK 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

Performance 31.01.22

Past performance does not predict future returns

Fund	European Equity Income (Y Class, 0.89% OCF)
Index	MSCI Europe ex UK
Sector	IA Europe ex UK

	1 year	3 years	From launch
Fund	14.9	37.4	86.4
Index	13.1	38.5	88.6
Sector	10.6	38.6	91.4

Annualised % total return from launch (GBP)

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 class 0.89% OCF, bid to bid, total return. Launch date 19.12.13

SUMMARY - PERFORMANCE

Over the 12 months to 31 January 2022 the fund (Y GBP Dist) returned 14.9% in GBP whilst the MSCI Europe Ex UK TR returned 13.1% and the IA Europe Ex UK Sector returned 10.6%. The fund therefore outperformed the index by 1.8% and the sector by 4.3%. The fund was ranked 33/142 funds in the sector (1st quartile).

The largest positive contributors to performance over the month of January (in EUR) were **Thales** +8.9%, **Deutsche Boerse** +7.3%, **Helvetia Holding AG** +6.9%, **AXA SA** 6.8%, **Mapfre SA** +6.4%

At the other end of the spectrum the biggest detractors from performance were **Epiroc AB** -14.6%, **Schneider Electric** -13.4%, **Recordati** -12.3%, **Novo Nordisk** -10.8%, **Assa Abloy AB** -10.4%.

Over the month of January 2022, the best performing stocks were characterised by lower multiples, higher dividend yields and positive sensitivity to rising interest rates. While the weakest performing stocks were our higher multiple holdings with steeper growth trajectories and lower dividend yields. This occurred as 10Y government bond yields rose with German rates turning positive in response to continued strong inflation data. The ECB has responded by shifting its position slightly to not rule out a rate rise this year. That said, while nominal growth and inflation looks likely to remain higher than in recent years going forwards, supported by fiscal policy and climate related capex, the ECB remains more concerned about the longer-term risk of deflation than inflation. As such it is likely to lag other central banks in tightening policy and look through a near-term inflation overshoot. Whatever the outcome your portfolio remains well balanced across high quality cyclical and defensive companies with a value bias and characterised by structural growth drivers; and has an overweight position in Financials which are positively correlated to rising interest rates. As such your fund remains well placed for all weather, and short-term macroeconomic fluctuations should prove of little consequence to long-run returns.

PORTFOLIO HOLDINGS

We outline our grounds for continued confidence in our best two and worst two performing stocks in the month of January 2022 below.

Thales (+8.9%) was our best performing stock over the month of January 2022. The good performance came as "value stocks" outperformed in general, and in Thales' case was supported by the sale of its lower return and arguably sub-scale Transport (rail signalling) division. Optimisation and consolidation are common sources of return in Europe where markets have historically grown along country lines - something that can be seen in Europe's higher number of listed companies vs. the US (5863 vs 4266 according to World Bank data). If anything, the pace of change is accelerating; expedited by events in the US, where perhaps the greatest industrial conglomerate GE has now announced plans to split into three (Healthcare, Aviation and Energy Transition). In Thales' case the sale of the Transport division frees it up to focus on its core higher return areas of Defence & Security (48% sales), Aerospace (25%) and Digital Identity & Security (18%). With the commonality between them being global market leadership across multiple mission critical niches in the areas of digital connectivity and security. Defence and Security claims a global no.1 position in air C4ISR systems (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance), air defence, data protection and airport security. The Aerospace division is the global number one provider of air traffic management systems, with nearly 40% of global aerospace managed by Thales air traffic control centers; along with top three global positions in avionics and in-flight connectivity. Barriers to entry are high due to a complex bidding process, the mission critical nature of the product along with the high level of certification required. The customer base is exceptionally stable due to the high cost of switching contractors during a program cycle. This all results in rather high, stable and predictable streams of cash flow as 3 – 5 year production contracts are complimented by aftermarket service contracts lasting for 10 – 15 years. In our view this is a company that could command a higher valuation; and also one where the long-term trends towards higher levels of digital content and connectivity should secure market leading revenue growth for many years to come.

Deutsche Boerse (+7.3%) also performed exceptionally well in a difficult environment, after treading water for much of the last two years. The key driver is positive sensitivity to an expected rise in interest rates through its interest rate derivative and custody and collateral business lines, Eurex and Clearstream. These business lines collectively benefit from higher volatility, volumes and returns on net interest income from rising spreads. JP Morgan estimates a 100bps rise in ECB base rates would drive a 7% rise in Ebitda. That could prove conservative if even higher levels of rates materialise, particularly against the backdrop of the significant additional quantum of debt taken on over the crisis. Meanwhile Deutsche Boerse's own debt provides upside leverage being fixed rate with maturities extending beyond 2030. The company outlook for 10% topline growth, split between 5% from structural growth and 5% from M&A, has omitted the old element of 5% cyclical growth for several years now following a period of ultra-low rates and Central Bank interest rate suppression. All of which leaves room for an upside surprise through 2024 as rates and potentially volatility rise.

Deutsche Boerse's other divisions also look very well placed. EEX, which offers spot and derivate products on power and emission certificates, is benefitting from the current environment as demand for clean power expands and markets continue to shift towards exchange traded and cleared solutions. 360T, its foreign exchange business, also holds strong potential for scalable growth as demand for on-exchange traded and cleared solutions grow. While in the pre-trade segment the Stoxx Index data and ISS businesses should continue to benefit from the trend towards passive and sustainability respectively. In short, we continue to think that Deutsche Boerse is a business that is getting stronger and where the best days are firmly ahead of it.

Epiroc (-14.6%) performed poorly after a strong run over the last year, which included a SEK3 (~3%) special dividend on top of a SEK2.5 ordinary dividend. The recently proposed 2022 dividend forecast of SEK3 suggests 20% YoY underlying dividend growth. Irrespective of rising interest rates, this is a company that remains well positioned and justifies its high multiple of just over 20x earnings generating consistent ex cash returns on invested capital of nearly 30% alongside a net cash balance sheet. High levels of recurring aftermarket revenue and cash flows alongside the pristine balance sheet mean that shareholders should continue to see a healthy combination of cash returns and capital growth aided by bolt-on acquisitions. Epiroc dominates an attractive niche with ~60% market share of the global market for hard rock drilling equipment and services which is growing at about 10% per annum. With a growing offering of clean connected and automated battery powered equipment it is the leading productivity and sustainability enabler to the mining industry, against a fiscally led backdrop of rising smart green infrastructure capex and the energy transition. Declining ore grades only increase the amount of consumable product and aftermarket service required. In the event of a downturn and despite the nature of the industry, this remains a company to own as lower new equipment sales tend to be offset by rising service demand, giving the company a counter cyclical element. Customer satisfaction levels are high and are likely to remain so, driven by product based on open architecture software alongside Epiroc's decentralised business model which means it is always close to the customer. While the invisible hand of long-term shareholder Investor AB alongside returns based management incentives should all continue to work in shareholders favour for the long-term. In our view this remains a management team that we trust and that is well aligned with your interests as shareholders.

Schneider Electric (-13.4%) another high-quality industrial with a strong outlook, also performed poorly in January after a long run of outperformance. Here too, valuation multiples are above historic averages but not out of line with peers, while the track record of persistent high cash returns remains unblemished. Fundamentally this is a company that is getting stronger. Gross, operating and net margins are all on a rising trend, accompanied by steady improvements in working capital. The demand backdrop is improving too. At its recent capital markets day Schneider upgraded its 2022 – 2024 ambition for organic revenue growth to +5% to 8%, above its 2021 estimate of +3% to +6%. While the company provided more tangible evidence of the scale of the longer-term opportunity facing it. Addressable markets look set to expand sharply, with Schneider estimating 2050 total percentage electrical at 60% vs. just 20% today. Schneider estimates that a home which has fully transitioned to all digital / electric would offer a 5x larger total addressable market (TAM) than today. Apparently just 16% of Fortune 500 corporates have set science based ESG targets, and of those some 55% engage with Schneider, underscoring both the strength of its position and the size of the opportunity (as clients grapple with incorporating scope three). The quality of revenues should continue to improve too over time with services growing at twice group revenues, and with just 15% of the installed base currently covered by services agreements. Within Software and Services 45% of revenue is expected to be recurring by 2025 vs. ~30% today. In short Schneider Electric's position and long-term runway remains second to none globally and remains likely to remain a core part of the European income fund for a long time to come.

We thank you for your continued support.

Portfolio Managers

Nick Edwards

DISCRETE YEARS PERFORMANCE

Discrete Years %	Jan-22	Jan-21	Jan-20	Jan-19	Jan-18	Jan-17	Jan-16	Jan-15
Guinness European Equity Income Y GBP Dist	14.9	1.2	18.1	-6.8	9.3	32.0	-2.5	4.9
MSCI Europe ex UK TR	13.1	6.8	14.6	-8.2	16.5	23.2	-2.5	6.6
IA Europe Excluding UK	10.6	9.9	14.0	-10.3	17.4	23.8	0.0	6.7

Source FE fundinfo to 31.01.22 in GBP

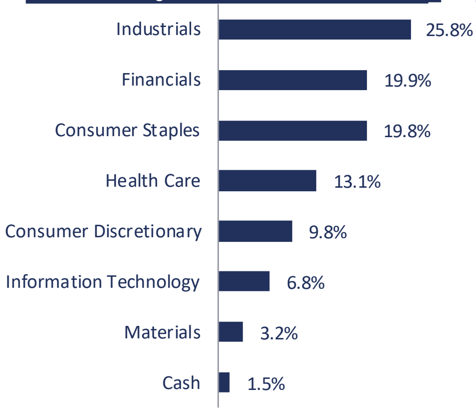
Guinness European Equity Income Fund

PORTFOLIO – 31.01.2022

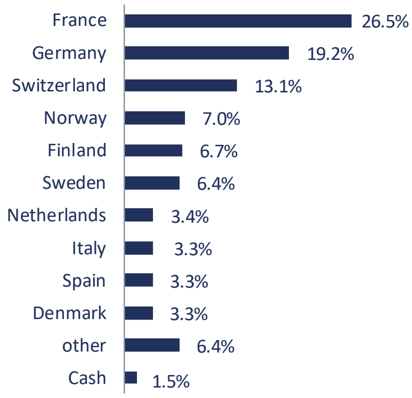
Fund top 10 holdings

Bakkafrost	3.6%
Capgemini SE	3.5%
Salmar	3.4%
Euronext	3.4%
Tieto	3.4%
Konecranes	3.4%
Helvetia Holding	3.3%
AXA	3.3%
Roche Holding	3.3%
Danone	3.3%
% of Fund in top 10	33.9%
Total number of stocks	30

Sector analysis



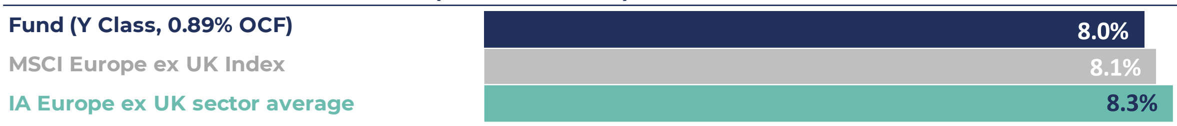
Geographic allocation



PERFORMANCE

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

Annualised % total return from launch (19/12/2013 in GBP)



Discrete years % total return (GBP)	Jan '22	Jan '21	Jan '20	Jan '19	Jan '18
Fund (Y Class, 0.89% OCF)	14.9	1.2	18.1	-6.8	9.3
MSCI Europe ex UK Index	13.1	6.7	14.6	-8.2	16.5
IA Europe ex UK sector average	10.6	9.9	14.0	-10.3	17.4
Fund vs sector	4.3	-8.7	4.1	3.5	-8.1

Cumulative % total return (GBP)	1 year	3 years	5 years	From launch
Fund (Y Class, 0.89% OCF)	14.9	37.4	40.0	86.4
MSCI Europe ex UK Index	13.1	38.5	48.1	88.6
IA Europe ex UK sector average	10.6	38.6	46.0	91.4

RISK ANALYSIS **31/01/2022**

Annualised, weekly, from launch on 19.12.13, in GBP	Index	Sector	Fund
Alpha	0.00	1.13	0.44
Beta	1.00	0.88	0.94
Information ratio	0.00	0.05	-0.01
Maximum drawdown	-25.02	-24.09	-30.11
R squared	1.00	0.89	0.90
Sharpe ratio	0.28	0.31	0.27
Tracking error	0.00	5.20	4.98
Volatility	15.00	14.62	15.62

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. Source: FE fundinfo bid to bid, total return (0.89% OCF). Fund launch date: 19.12.13

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 Guinness European 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 European 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.