Guinness Emerging Markets Equity Income Fund

Investment Commentary – March 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
Index	MSCI Emerging Markets
Sector	IA Global Emerging Markets
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

	1 Yr	3 Yrs	Launch
Fund	3.3	19.4	39.6
Index	-6.9	18.2	42.9
Sector	-8.7	16.9	37.5

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

Fund & Market

- Emerging markets continued to decline in February, following the invasion of Ukraine by Russia. The MSCI Emerging Markets Net Total Return Index fell 2.7% (all performance figures in GBP unless stated otherwise).
- (For performance of the fund, please see separate disclosure table.)
- Developed markets performed similarly to emerging markets, with the MSCI World Index declining 2.2% and the S&P 500 Index falling 2.7%.
- EMEA (Europe, Middle East and Africa), which includes Russia, was the weakest performer, declining 9.9%. Asia was next, declining 2.0%. Latin America was this month the strongest performer, up 5.2%.
- Russia was the worst-performing country within the index, more than halving in GBP terms (a decline of 52.6%). In Rouble terms, the index declined 36.7%.
- The strongest performers in the portfolio were Hanon Systems (+9.2%), Porto Seguro (+9.0%) and China Medical System (+6.9%).
- The weakest performers were Shenzhou International (–8.1%), Netease (–7.4%) and Catcher Technology (–7.3%).
- The oil price continued to rise over the month, with Brent finishing 10.9% higher.

Russia/Ukraine conflict

- Russia launched an invasion of Ukraine at the end of the month. The response by the West (after an initial feeble reaction) eventually converged on severe economic and financial sanctions.
- US, UK, EU and Canada agreed to remove select Russian banks from SWIFT and prevent the central bank from deploying its $630bn foreign reserves to support the Rouble.

SUMMARY (CONTINUED)

- The Russian central bank raised interest rates from 9.5% to 20%.
- Trading on Moscow Exchange was suspended.
- The Rouble crashed to a record low before rebounding.

Portfolio positioning

- Fund has zero direct exposure to Russian stocks.
- Economic exposure in the portfolio to Russia comes from British American Tobacco, Bajaj Auto and Tata Consultancy Services. However, we consider the revenue and business exposure to be relatively small.
- Our investment universe contains only three Russian companies out of a total of around 500 - less than 1%.
- Prior to the invasion, Russia accounted for around 2.8% of the MSCI Emerging Markets Index.

Russia

We came into the crisis with no direct exposure in the fund to Russia. This wasn't because of an astute prediction on our part. Rather the reason lies at the core of our philosophy and process: quality management, governance and returns on capital.

At present, only three Russian companies qualify for our universe of around 500, a proportion less than 1%. The Russian economy is more exposed to energy and materials, which don't tend to feature heavily in our universe because they often earn such variable returns on capital that they don't have the pattern of persistent profitability that we seek.

The three companies that qualify comprise two internet companies and a clothing retailer. In all cases we felt that the valuation did not fully compensate for the risks we would bear as potential investors, including aspects related to governance as well as competitive dynamics.

Several companies in our portfolio trade with Russia and have customers in the country, for example: British American Tobacco (around 5-6% of revenue), and Bajaj Auto and Tata Consultancy Services. However, overall, we consider the revenue and business exposure to be relatively small.

We have never held Russian stocks in the fund for the above reasons, and we do not anticipate that changing.

Wider implications for China

The question now asked is: what's next for China and Taiwan? While geopolitical risks have shot to the forefront of investors' minds, it doesn't necessarily follow that because Russia has invaded Ukraine we will suddenly see a parallel move from China into Taiwan. Clearly there is a risk of weighting recent experiences more heavily in our assessment, which has the potential to wreak havoc with investors' emotions at a time of conflict like this (which may be reinforced by the distressing and upsetting scenes in Ukraine being broadcast on television and social media).

One the other hand, it is certainly not an impossible scenario, and there is a danger in being too dogmatic about it – until recently, we would have ruled out a Russia-Ukraine war. So it warrants careful attention.

The stakes are much higher in the case of China and Taiwan. The cost to China from a military perspective would be huge. Taiwan has a much stronger defence capability after being supplied with military equipment over many years, and has also regularly conducted military exercises.

But, more significantly, the cost to China a broader sense would be much higher than that with the current conflict. The effect of an escalation between China and Taiwan would be a global problem, inducing a degree of instability that we think China would not be willing to tolerate.

The reaction to the conflict between Russia and Ukraine is instructive to China. The relatively unified response we have seen against Russia, and the progressively more damaging impact of sanctions (after an initial weak response from the West) will have sounded a note of caution. China for its part is likely not impressed with the situation that Russia has manufactured, damaging Russia's own economy in the process, and causing instability elsewhere. After the disruption caused by Covid and now this conflict, China will probably seek an environment of stability, particularly as far as its domestic economy is concerned as it continues to tackle its own challenges.

China's long-term economic plan is to become an advanced world economic powerhouse. An act against Taiwan, given the world response against Russia, would almost certainly at least derail and may even negate what has been achieved in the last forty years. China quite possibly has far more to lose than Russia and we believe there is no appetite for that.

REVIEW OF THE PORTFOLIO

Further updates came in during the month for portfolio companies (these results were reported before the Russian invasion of Ukraine):

- Tech Mahindra reported third quarter revenues up 4% in organic terms (constant currency, quarter on quarter). Highlighting the strong demand environment, net new deal wins were up 55% year on year, although down 6% on the previous quarter. Partly, the strong demand is coming from the rollout globally of 5G networks. Margins were still suffering from higher staffing costs and subcontracting expenses. Planned hiring and increased utilisation should relieve some of the cost pressure in future.
- Unilever reported results for 2021 that were better than expected but warned over the outlook for 2022. Cost inflation is likely to drag on operating margins by between 140 and 240 basis points (declining to 16-17%). Pricing growth is expected to drive like-for-like revenue growth of 4.5-6.5%. For 2021, sales growth reached 4.5%, with pricing up 2.9% and volumes up 1.6%. Operating margins were down slightly from last year to 18.4%. Management indicated that they will not be pursuing major acquisitions in the near future and are instead returning cash to shareholders with the announcement of a new €3bn share buyback programme over the next two years.
- BAT reported results for 2021 that were in line with expectations. Revenues grew 7% and operating profits saw organic growth of 5%. Management announced a £2bn share buyback programme. Guidance is for 3-5% revenue growth next year. Importantly, the target of £5bn revenues from next generation products by 2025 was retained.
- Novatek's results for the fourth quarter 2021 were ahead of expectation, and guidance for the first quarter 2022 was also better than expected. The outlook for the year ahead is relatively bright, despite slowing demand for the end products that use Novatek chips, as this is likely to be offset by improved specifications (high-definition gaming laptops, TVs and wider adoption of OLED screens in smartphones).
- Hanon reported fourth quarter results that missed expectations. Chip shortages in the auto sector have continued to impact the wider supply chain. Raw material price increases, and higher freight costs have also dragged on margins. The outlook for 2022 is favourable, with an assumption that several of these negative factors will begin to stabilise. Longer term, profitability is expected to move higher as the EV business gains scales and margins at least equal those for the ICE business.
- Comments from management of ICBC indicates a positive start to the year, with stronger loan growth originating from larger banks versus small and mid-size. Stability in the macro environment is expected for 2022 due to monetary easing and government initiatives to stabilise the property sector. Management also made positive comments regarding ESG, both in respect of alignment with international standards and amending the Articles of Association which could enable share buybacks.
- Credicorp reported results for the fourth quarter that beat expectations. Results benefited from a lower cost of risk, following a period last year of building loan provisions. Loan growth was 7% year on year. The bank achieved a return on equity at the consolidated level of 16.4%. Credicorp currently trades on 10.9x 2022 earnings and 9.5x 2023 earnings.

OUTLOOK

As we discussed above, geopolitical risks are now at the forefront of investors' minds, and the conflict will likely have a wide-ranging impact on the economic landscape. The immediate implications on the global economy are likely to be weaker global growth, higher inflation and a fall in demand in Europe. Energy costs are likely to remain elevated, putting additional pressure on energy importers such as Japan, Korea and India. Both the economic outlook and the response by markets will likely impact the willingness of the Fed to continue with its trajectory of raising interest rates in the US.

Our approach is not to attempt to predict macro variables in order to guide investment within the fund. Instead we focus on what we own, and understanding the companies within our investment universe. What are the aspects and features of the business that have allowed it to earn strong returns on capital, and will that situation continue into the future? How are they being appraised by the market?

Such companies often have a degree of resilience to the wider macro environment – their management's capabilities allow them to respond to challenging scenarios and their strong financial position may allow them to take advantage of attractive opportunities that are thrown up in a volatile business environment.

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. We believe that a focus on these metrics as embodied by our approach will likely reward shareholders well over the long term.

Portfolio managers

Edmund Harriss

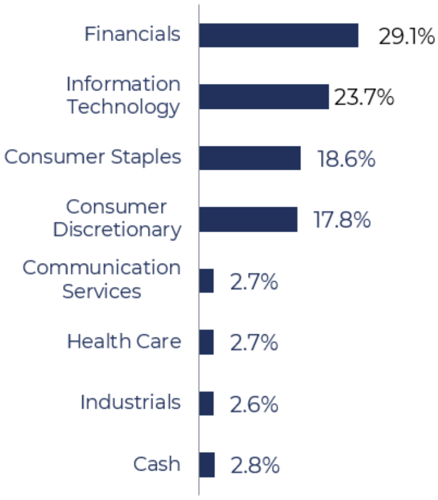
Mark Hammonds

PORTFOLIO – 31.01.2022

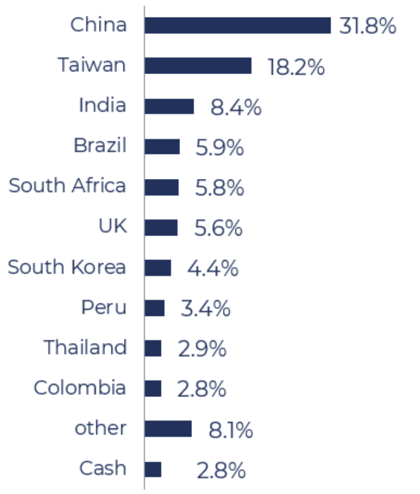
Fund top 10 holdings

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 **28/02/2022**

Annualised % total return from launch (GBP)

Discrete years % total return (GBP)	Feb '22	Feb '21	Feb '20	Feb '19	Feb '18
Fund (Y class, 0.89% OCF)	3.3	3.4	14.2	-9.8	25.8
MSCI Emerging Markets Index	-6.9	14.7	13.9	-9.3	25.4
IA Global Emerging Markets sector average	-8.7	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)	3.3	19.4	30.0	39.6
MSCI Emerging Markets Index	-6.9	18.2	30.0	42.9
IA Global Emerging Markets sector average	-8.7	16.9	25.2	37.5

RISK ANALYSIS **28/02/2022**

Annualised, weekly, from launch on 23.12.16, in GBP	Index	Sector	Fund
Alpha	0.00	0.00	1.01
Beta	1.00	1.00	0.83
Information ratio	0.00	0.00	-0.02
Maximum drawdown	-22.63	-22.63	-23.22
R squared	1.00	1.00	0.80
Sharpe ratio	0.22	0.22	0.23
Tracking error	0.00	0.00	6.76
Volatility	15.01	15.01	14.02

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