Guinness Sustainable Global Equity 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	15.12.2020
Fund Size	£14.3M
Index	MSCI World Index
Sector	IA Global
Team	Sagar Thanki CFA Joseph Stephens CFA

Aim

The Fund is a global growth fund designed to provide exposure to high quality growth companies, with sustainable products and practices. The Fund holds a concentrated portfolio of midcap companies in any industry and in any region.

The Fund is actively managed and uses the MSCI World 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

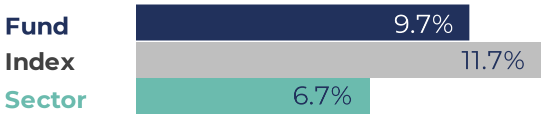
The risk and reward indicator shows where the fund ranks in terms of its potential risk and return. The fund is ranked as higher risk as its price has shown high fluctuations historically. Historic data may not be a reliable indicator for the future

PERFORMANCE

Past performance does not predict future returns

Performance		28.02.22
	1 Yr	**Launch**
Fund (Y Class, 0.89% OCF)	13.5	11.8
Index	15.4	14.3
Sector	6.8	8.2

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, bid to bid, total return.

SUMMARY - PERFORMANCE

Over the last 12 months the Fund returned 13.5% (in GBP), the benchmark MSCI World Index returned 15.4%, and the MSCI World Mid-Cap Index returned 9.2%.

The Fund therefore underperformed the MSCI World Index by 1.9% over the last 12 months but outperformed the MSCI World Mid-Cap Index by 4.3%.

In February, the MSCI World Index fell -2.5% (in GBP). Global equity markets sold off as geopolitical tensions spiked amid Russia's invasion of Ukraine, and investors also continued to digest concerns over inflation, the prospects of rising interest rates, and the pace of the global economic recovery. Growth stocks – and those on higher valuation multiples – continue to be most affected, while defensive sectors and value-oriented stocks performed better.

As expected, those companies with greater exposure to Russia and Ukraine sold off significantly given that they were weighed down by uncertainty and the potential for heavy international sanctions. **In the Fund we do not own any Russian or Ukrainian companies, nor any domiciled in Eastern Europe. We also do not own any companies which generate a significant portion of revenue from these countries, or have significant operations there. The Fund's holdings have therefore been relatively protected against some of the intense drawdowns seen elsewhere in the market so far this year.**

In February, the Fund's lack of exposure to the Energy and Materials sectors (which were the best-performing) proved to be a drag on performance, although this was offset by good allocation and stock selection within the Healthcare sector, which was a beneficiary of investors favouring defensive stocks.

SUMMARY (CONTINUED)

While the IT sector was a laggard overall, Semiconductors outperformed the other two industries (Software and Hardware) and good stock selection here benefited the Fund too.

The Fund's exclusionary criteria and sustainability themes mean that tobacco and defence stocks do not feature in our investible universe. This has been a drag on Fund performance this year compared to market indices, since higher inflation and prospective interest rates, as well as the invasion of Ukraine, have revived the performance of both industries.

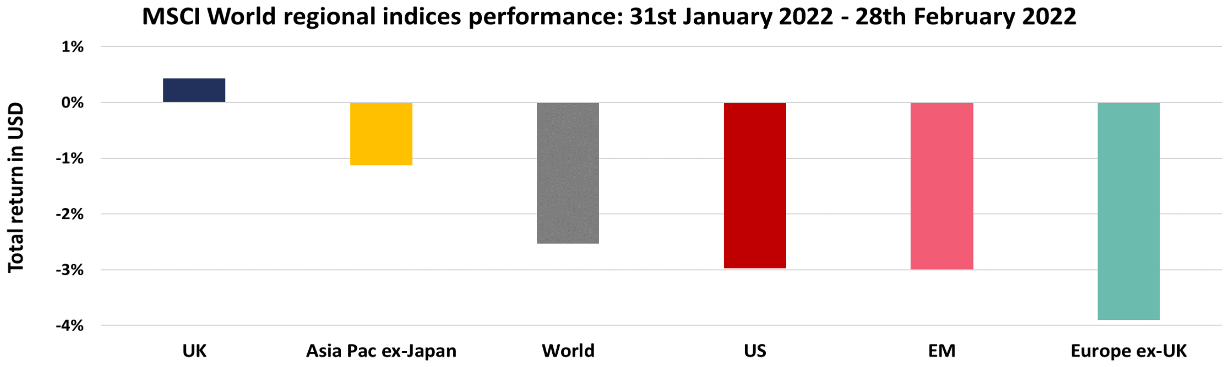
FEBRUARY IN REVIEW

In the second half of the month, the focus began to shift to geopolitics as headlines were dominated by Russia's invasion of Ukraine. The devastating human consequences eclipse any financial ones, and as typical in times of heightened uncertainty, markets sank on the news of invasion. A short rally followed as sanctions were initially seen to be less severe than expected, but after fighting picked up over the final weekend of the month, harsher sanctions were introduced (including removing some Russian banks from the SWIFT network and freezing Russian central bank assets held in the US), and markets trended downwards overall.

Whilst the sanctions themselves are likely to have a limited impact on the global economy, the main concern for market participants is the impact of war on inflation. Russia has a very small equity exposure in the global indices, making up only 3% of the MSCI Emerging Markets Index and just 0.4% of the MSCI All-Country World Index. However, Russia is the third-largest oil producer in the world, producing about 11 million barrels per day (13% of global oil production). It exports about 4.3 million barrels per day and supplies about 25% of Western Europe's oil imports. Russia also accounts for about 17% of global gas production and is a crucial exporter, accounting for 40% of Western Europe's gas imports.

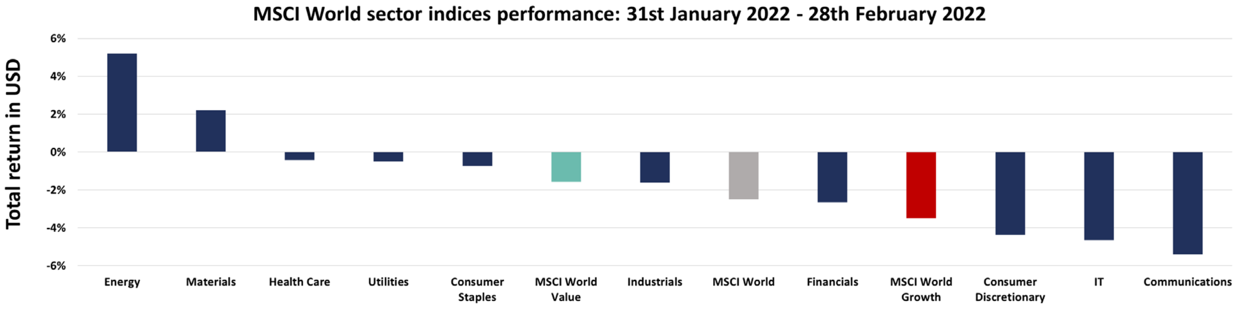
Any disruption to oil and gas supply, therefore, could have a material impact on energy prices, increasing the risk of a stagflation environment, i.e. one of slowing economic growth but high inflation. As the market digests the macro and policy implications of this, we are confident from a bottom-up perspective that the companies we hold in the Fund are well equipped with pricing power and we note that the long-term trends in the Fund's sustainability themes remain intact.

MARKET REVIEW



Source: Bloomberg. Data as of 28th February 2022

European equities were understandably hit hardest in February given their closer trading links with Russia, with European banks the worst-affected industry. The UK was the best-performing region due to higher exposure to defensive areas of the market. In the Fund, holding no banks proved beneficial, although being c.18% overweight Europe dragged on performance. Overall, the Fund is well diversified around the world, with 60% in the US, 36% in Europe and 4% in Asia Pacific.



Source: Bloomberg. Data as of 28th February 2022

In sector terms, following strong performance in January, Energy was once again the best-performing sector in February. This comes as no surprise given that the price of Brent crude oil reached $100 a barrel for the first time since October 2014, and European natural gas prices rose 15% over the month.

Having no exposure to the Energy and Materials sectors (which were the best-performing) proved to be a drag on performance, however, this was offset by good allocation and stock selection within the Healthcare sector, which was a beneficiary of investors favouring defensive stocks. Also, while the IT sector was a laggard overall, Semiconductors outperformed the other two industries (Software and Hardware) and good stock selection here benefitted the Fund too.

The Fund's exclusionary criteria and sustainability themes mean that tobacco and defence stocks do not feature in our investible universe. This has been a drag on Fund performance year-to-date compared to market indices since higher inflation and prospective interest rates, as well as the invasion of Ukraine, have revived the performance of both industries.

PORTFOLIO HOLDINGS

In the Fund we do not own any Russian or Ukrainian companies, nor any companies domiciled in Eastern Europe. We also do not own any companies which generate a significant portion of revenue from these countries, or have significant operations there. The Fund's holdings have therefore, so far this year, been relatively protected against some of the intense drawdowns seen elsewhere in the market.

The table below demonstrates the limited exposure that the Fund's companies have to Russia and Ukraine. Exposure comes from limited holdings, and neither Russia nor Ukraine are significant contributors to company revenues. Further, local operations tend to supply the local demand.

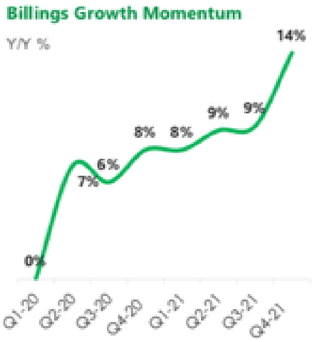
Company	% Sales from Russia	% Sales from Ukraine	Sector
Recordati Industria Chimica	<6%	<1%	Healthcare
Kerry Group	<1%	<1%	Consumer Staples
Legrand	<2%	<1%	Industrial

Source: Company Reports, JPM estimates. Data as of 28th February 2022

Check Point Software Technologies (+19.73% in USD) was the best performer over the month.

Check Point develops and markets a range of products and services for IT security, and recent strong performance comes after the company posted strong Q4 2021 earnings and revenues which beat analyst expectations. Revenues grew 6% year-on-year to $599 million, beating expectations by c.$13 million or 2.2%. Subscription revenue, which represents around 33% of total revenue, was the main driver and grew 14% year-on-year to $204 million. Earnings grew 4% year-on-year and beat estimates by 4.9%; gross margins also remained strong at 87.5% despite some increased costs related to supply chain disruptions and increased cloud costs relating to Check Point's Harmony and CloudGuard cybersecurity solutions.

	Q4-20	Q4-21	Y/Y %
Revenues	$564M	$599M	6%
Billings*	$744M	$851M	14%
Deferred Revenues	$1,482M	$1,707M	15%



Source: Check Point Earnings Presentation on 3rd February 2022

Further, investors recognised that the company's trends in billings seem to have turned a corner. From Q2-2020 through Q3-2021, the company reported billings growth between 6% and 9% year-on-year, however, Q4 2021 billings growth accelerated to an impressive 14%. With $851 million in billings, it appears the company's pivot towards more subscription-based revenue has been paying off.

Moreover, during Q4, the company reported it bought back 2.8 million shares worth $325 million. This compares to cash flow from operations of $294 million, meaning the company was willing to spend over 100% of its cash flow on share repurchases. Just last quarter, the company announced an expanded repurchase authorization of $2 billion with the ability to repurchase up to $325 million per quarter. Clearly, management repurchased the full $325 million during Q4 and it would not be surprising to see this trend continue. In fact, the company has just under $4 billion of cash/marketing securities to enable share repurchases or make growth acquisitions.

Management also provided guidance for FY 2022, which includes revenue of $2,200-2,375 million, representing 2-10% year-on-year growth. In 2021, the company grew revenue 5% year-on-year and management's guidance implies revenue growth accelerating at the midpoint. One of management's goals for 2022 is to expand the workforce by 25%, giving them increased capacity to sell their products and services. While the increased investment may place some pressure on margins during 2022, management is hopeful the increased sales force will have an impact on revenue/billings growth in late-2022 and into 2023.

Zebra Technologies (-18.81% in USD) was the worst performer in February.

Zebra Technologies is a leading provider of automatic identification and data capture technology. Its solutions include barcode printers and RFID scanners, mobile computers and workflow optimization software. The firm primarily serves the retail, transportation logistics, manufacturing and healthcare markets, designing custom solutions to improve efficiency.

Recent underperformance in the share price comes after Zebra reported better-than-expected Q4 2021 results but guided to a weaker-than-expected Q1 2022. Full-year 2022 outlook was in line with consensus, but management highlighted that supply chain challenges, and in particular freight expenses, would impact Q1; guidance came in at 1-3% year-on-year earnings growth vs expectations of 5%.

In the longer term, Zebra expects 5-7% organic sales growth. The company believes its served market size is c.$30bn, which includes $10bn-$12bn in the core business, growing 4-5%; adjacent markets that include ruggedized tablets, RFID, and smart supplies of $12bn-$14bn, growing in the high-single digits; and markets Zebra has targeted for expansion, including warehouse robotics, industrial machine vision, and retail execution and demand-planning software of $6B, growing double-digits.

We made no changes to the portfolio holdings in the month.

Thank you for your continued support.

Portfolio Managers

Joseph Stephens, CFA

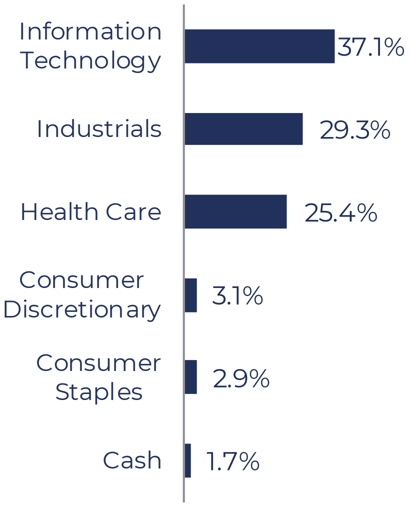
Sagar Thanki, CFA

PORTFOLIO

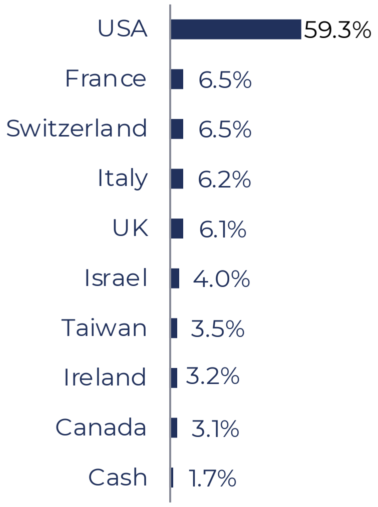
Fund top 10 holdings

Check Point Software	4.0%
Tetra Tech Inc	3.8%
Addus HomeCare	3.7%
PerkinElmer Inc	3.6%
Sonova	3.6%
Jack Henry & Associate	3.6%
STERIS	3.6%
Delta Electronics Inc	3.5%
Worldline	3.5%
Cadence Design Syste	3.4%
% of Fund in top 10	36.2%
Total number of stocks	30

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns **28/02/2022**

Annualised % total return from strategy inception (GBP)

Discrete years % total return (GBP)	Feb '22	Feb '21	Feb '20	Feb '19	Feb '18
Guinness Sustainable Global Equity (0.89% OCF)	13.5	-	-	-	-
MSCI World Index	15.4	-	-	-	-
IA Global sector average	6.8	-	-		-

Cumulative % total return (GBP)	1 year	3 years	5 years	10 years
Guinness Sustainable Global Equity (0.89% OCF)	13.5	-	-	-
MSCI World Index	15.4	-	-	-
IA Global sector average	6.8	-		-

RISK ANALYSIS

Annualised, weekly, since launch, in GBP	Index	Sector	Fund
Alpha	0.00	-4.42	-4.26
Beta	1.00	0.89	1.25
Information ratio	0.00	-1.16	-0.24
Maximum drawdown	-8.70	-11.11	-17.04
R squared	1.00	0.83	0.76
Sharpe ratio	0.71	0.18	0.35
Tracking error	0.00	4.81	8.61
Volatility	11.59	11.37	16.60

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: 15.12.2020.

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 Sustainable Global Equity 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 Sustainable Global Equity 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.