Guinness Asian Equity Income Fund

Investment Commentary - April 2022

GUINNESS GLOBAL INVESTORS

This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions. The value of an investment and the income from it can fall as well as rise as a result of market and currency movement; you may not get back the amount originally invested. Past performance does not predict future returns.

ABOUT THE FUND

Launch date	19.12.2013
Benchmark	MSCI AC Pacific ex Japan
Sector	IA Asia Pacific Excluding Japan
Team	Edmund Harriss (Co-manager) Mark Hammonds (Co-manager) Sharukh Malik

Aim

The Guinness Asian Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Asia Pacific region. The Fund aims to provide long-term capital appreciation and a source of income that has the potential to grow over time. The Fund is actively managed and uses the MSCI AC Pacific ex Japan index as a comparator benchmark only.

RISK

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

Typically lower rewards — Typically higher 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.

31/03/2022	1 Yr	3 Yrs	5 Yrs	Launch*
Fund	1.8	19.6	33.4	126.2
Index	-9.7	15.6	29.2	91.6
Sector	-5.2	24.9	38.2	107.2

Annualised % total return from launch (GBP)

Full discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, bid to bid, total return. *Launch: 19/12/2013. 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 fund performance shown has been reduced by the current OCF of 0.89% per annum. 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.

SUMMARY

Performance

In the first quarter of 2022, the Fund fell -1.9% (Class Y in GBP) but outperformed the MSCI AC Pacific ex Japan Net Total Return Index benchmark which fell -3.4%.

Portfolio metrics (Quality, Value, Dividend)

We focus on high-quality, dividend-paying stocks with strong balance sheets that we think offer value relative to the market.

- The weighted average Return on Equity for the portfolio was 20% compared to 12% for the market, as measured by the benchmark index.
- Debt, as measured by Net debt (Debt less cash) as a proportion of equity was 4% compared to 34% for the market.
- Earnings for the portfolio, based on market consensus estimates, are expected to grow 10.5% per annum (p.a.) over the next 2 years. This is a little less than the 13.3% p.a. forecast for the benchmark; but we attach higher confidence to those for the portfolio. We note that portfolio earnings in 2019 and 2020 held up much better, contracting only 1.8% p.a. compared to those for the market which fell -19.9% p.a.
- The portfolio valuation, as measured by the price/earnings (P/E) ratio was 10.3x next year's consensus estimated earnings and is at a 19.6% discount to the market PE of 12.8x.
- The Fund's historic dividend distribution yield as at the end of the quarter was 3.9% compared to 2.6% for the market (before deduction of withholding taxes). (Note: Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charges. Investors may be subject to tax on the distribution.)

Portfolio changes

In January, we sold the holding in KT&G and bought back Industrial Commercial Bank of China (ICBC), which we sold in 2019.

KT&G offered a yield of 6.1% and has a very modest earnings growth outlook over the next two years which is also reflected by the absence of dividend growth in 2021 and forecast for 2022. Nevertheless, the stock still trades on a price/earnings valuation of 10.5 times forecast earnings, in line with its long-run average.

By contrast, ICBC is trading on a valuation that is at a 40% discount to its long-run average, offers a yield of 6.8% and the bank just reported a 12% dividend increase on a 9% increase in earnings. The tougher macro backdrop in China, which we shall discuss, of course lies behind the valuation opportunity.

Performance (continued)

	1Q 2022	1 year	3 years	5 years	Since Launch (19/12/2013)
Guinness Asian Equity Income Fund	**-1.9%**	**1.8%**	**19.6%**	**33.4%**	**126.2%**
MSCI AC Pacific ex Japan NTR Index	-3.4%	-9.5%	15.5%	29.9%	92.1%
MSCI AC Asia Pacific ex Japan Value NTR Index	2.2%	1.6%	13.1%	18.9%	76.5%
MSCI AC Asia Pacific ex Japan High Dividend Yield NTR Index	5.9%	7.5%	15.1%	24.8%	73.0%

Cumulative Total Return Y share class in GBP, as of 31st March 2022. Source: Bloomberg.

Portfolio positioning

The three main sector overweights are Consumer Discretionary, Financials and Real Estate. During the quarter, Consumer Discretionary stocks underperformed with the exception of our two Australian holdings, Corporate Travel Management and JB Hi-Fi. However, all 14 of our Financials and Real Estate positions outperformed over the period.

The Fund's Financials exposure is made up of seven banks operating in China, Hong Kong, Malaysia, Singapore and Thailand and is complemented by three insurers from China, Korea and the US (the latter's revenues are mostly from Japan). The Fund's Real Estate exposure consists of three real estate investment trusts (REITs) operating in Hong and Singapore and with assets also in Australia, China and the US, and one Chinese real estate developer, which has been the Fund's best performer this year.

The main sector underweights have been Materials, Communication Services, Industrials and Energy. The low exposure to the Communication Services sector, of which Tencent constitutes the largest component, has been a benefit to relative performance. We have never held the stock on the grounds of its low yield. Underweight positions to Energy and Materials have also hurt in the short term as commodity prices surged following the invasion of Ukraine.

On a country basis, the heaviest overweight is our off-benchmark exposure to the US through Aflac (insurance) and Qualcomm (semiconductors) which derive the bulk of revenues from Japan and China respectively. Singapore is the next largest overweight, although our holdings in Ascendas REIT and DBS Group generate significant revenues from the region outside Singapore. The main underweights are to Australia and Korea.

Dividends

During the quarter, 26 companies declared dividends. In local currency terms:

- 19 companies increased
- 1 were unchanged
- 5 fell

- 1 omitted

We put a brief comment below on each of the companies that reported results over the period.

Outlook

The world outlook has changed dramatically in a few short weeks. Russia's invasion of Ukraine and the sanctions response, unprecedented in scope and co-ordination, have forced a rethink on geopolitical risks. Inflation, which was already rising quickly, now looks increasingly entrenched, with implications for higher interest rates and higher bond yields, which are also likely to be pushed higher as central banks reverse their policies of Quantitative Easing (i.e. their bond purchases). Higher costs of energy, food and materials are now key considerations for governments, companies and consumers alike.

Although this combination of circumstances has not been seen for many years, it has been seen before. We need to consider the implications in two aspects. The first is the implications for companies' operating performance outlook in terms of demand for goods, costs of manufacture, pricing power and (given the rising cost of borrowing) their financial strength, especially their ability generate cash and self-fund investment. The second is the implications for the valuation markets will place on these cash flows. Rising interest rates immediately lift the discount rate to be applied to cash flows. The US dollar risk-free rate (if we use the 10-year Treasury yield as a proxy) was 2.3% at the end of the quarter, well above the lows of the pandemic but not so different from the 2.4% at the end of the first quarter of 2019. However, consumer price inflation is now around 8% and it is worth recalling that at the end of March 2007, before the Financial Crisis, before the pandemic, before elevated political risks and before central banks intervened in the bond markets to keep rates low and 12-month inflation averaged 2.9%, the 10-year Treasury yield was closer to 5%.

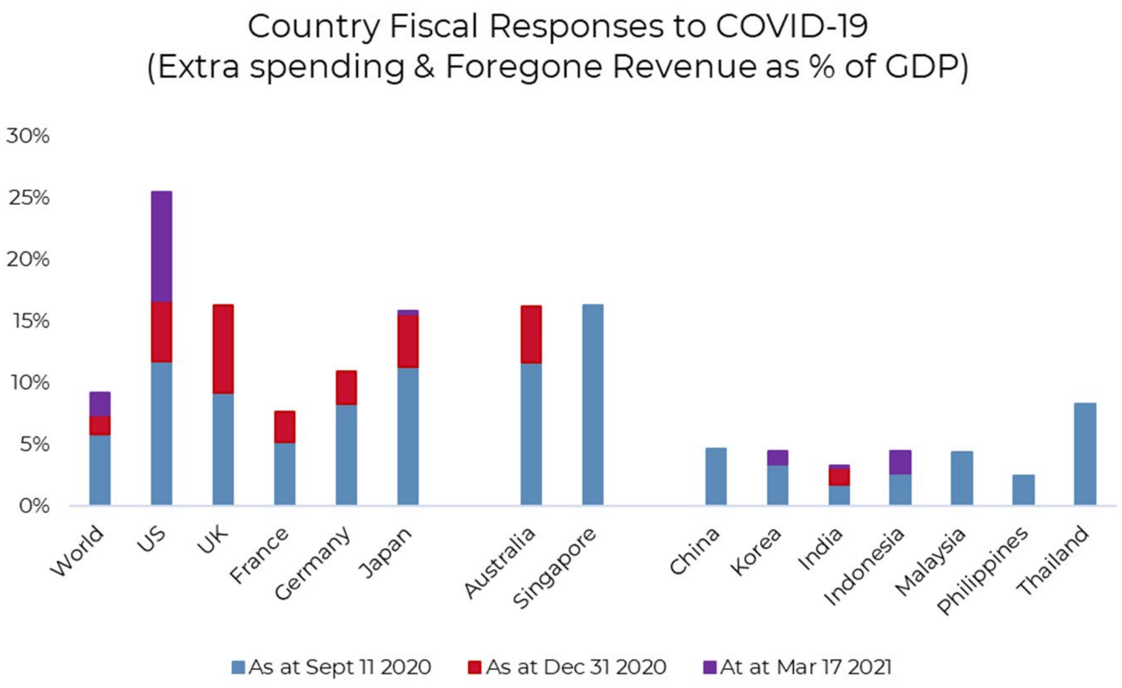
We therefore expect that companies with an ability to support earnings growth, generate cash and produce reliable dividend streams will do best in this environment. Expressed another way, we expect that earnings and dividends rather than valuation are going to be the drivers of total shareholder return. This has been our focus, and indeed has been the performance outcome of the Fund since it was launched.

QUARTER REVIEW: MACRO

The main market drivers over the past and coming quarters can be summarised as follows:

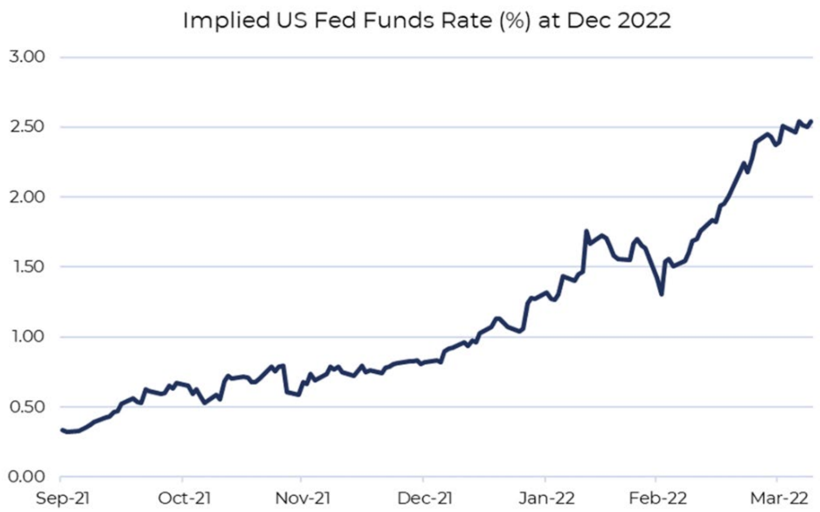
- Long-held geopolitical assumptions about the world order now being put to the test by Russia's invasion of Ukraine
- Rising inflation pressures and lengthening expectations as to duration
- China's economy still facing multiple headwinds: real estate slowdown, Covid outbreaks, weakening external demand
- Higher interest rates and higher manufacturing costs

We should begin by remembering just how much money was thrown at economies, in developed markets especially, in an attempt to counter the effects of the Covid pandemic. It was understood that the inevitable increase in government borrowing would inevitably have to be repaid, but as long as interest rates remained low, the debt burden looked manageable. These calculations are now changing as inflation, interest rates and bond yields have picked up. The chart below shows the amount of Covid support provided as a proportion of economic size. A saving grace for Asia is that it did not spend as much relative to its economic size as the developed markets of US, Europe, UK, Japan and indeed, Australia. In this list, only Australia, as a net beneficiary of the rise in commodity prices, can perhaps breathe a little easier.



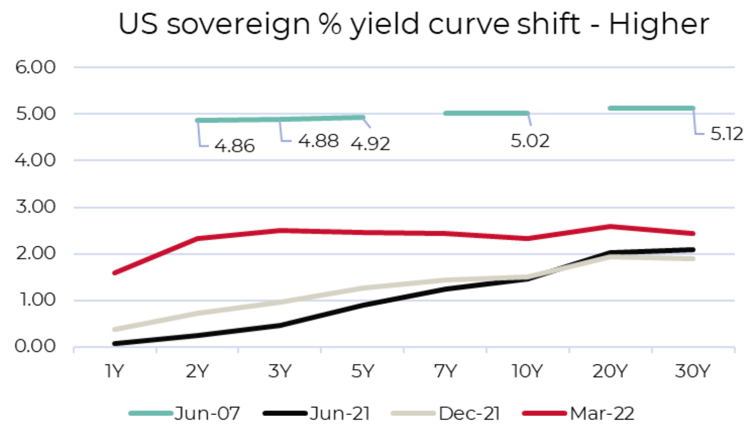
Source: IMF Fiscal Monitor - Database of Country Fiscal Measures in Response to the COVID-19 Pandemic.

The speed with which markets have been forced to adjust their interest rate expectations has made market signals, often conflicting, much harder to interpret. First, bond traders have lifted their expectations for where interest rates in the US are likely to be at the end of December 2022. The chart below, based on Bloomberg's World Interest Rate Probabilities model, indicates that at the end of last year traders expected the Fed Funds rate to end 2022 at 0.8%. By 7th April 2022, those expectations had jumped to 2.5%.



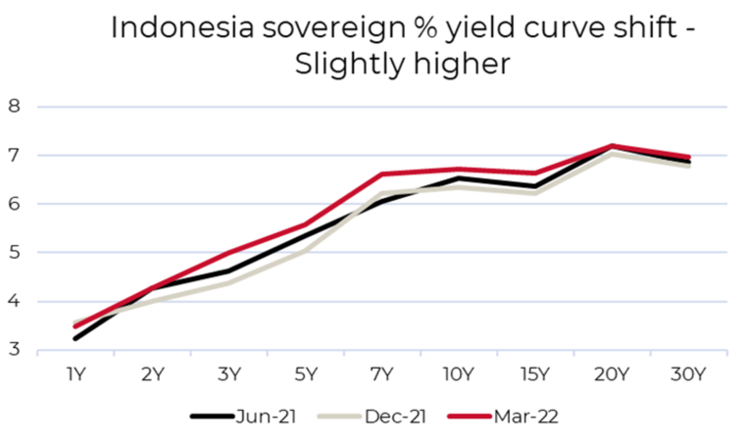
Source: Bloomberg. World Interest Rate Probabilities Implied Overnight Rate for the US – Futures Model. As of 07/04/2022

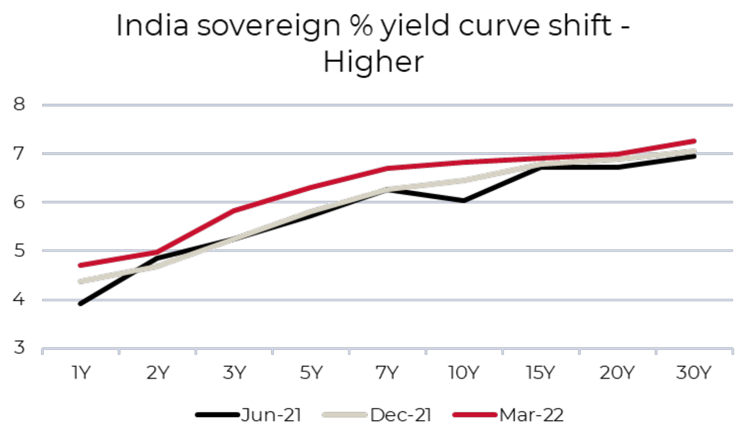
US Government bond yields also moved higher. The sovereign yield curve shows the yields on government bonds at different maturities. The black line shows where they were at the end of June 2021; the red line shows where they had moved to at the end of March 2022. Furthermore, the red line also shows the yield on a 3-year bond to be higher than that for the 10-year (an 'inversion'). A yield curve inversion is often seen a signal for a recession. However, in keeping with our earlier comment about noisy and conflicting market signals, this inversion has now disappeared at the time of writing. The 2007 yield curve, indicated by the green line, is a useful reminder, however, that the low interest rates experienced since 2008 are not necessarily the norm and we should therefore be cautious against relying too heavily on valuation expansion to drive equity investment returns.



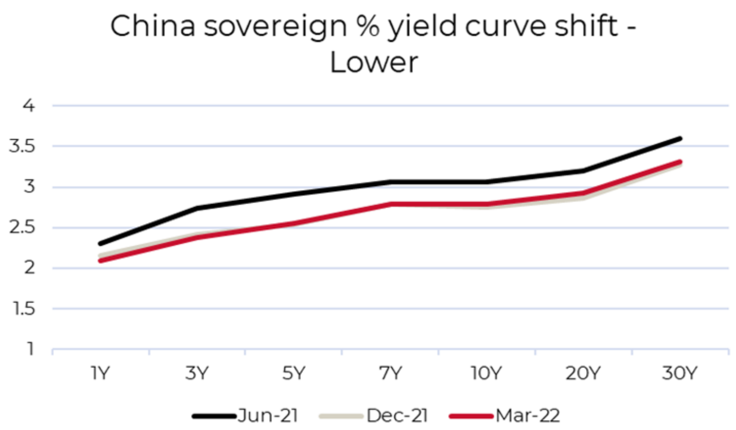
Source: Bloomberg

Yield curve movements have been far less pronounced (but then interest rates did not fall so far) in larger bond Asian bond markets like Indonesia and India.





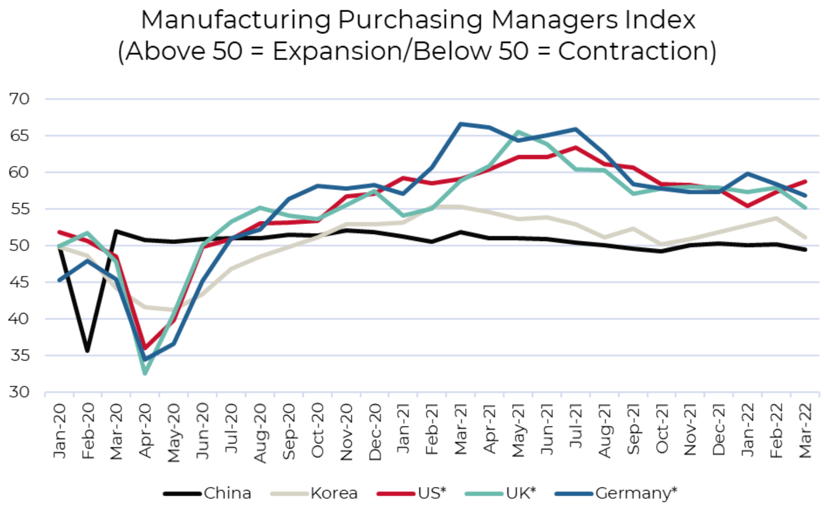
While in China, in a sign of the economic headwinds faced there, bond yields have moved lower in anticipation of falling interest rates.



Source: Bloomberg

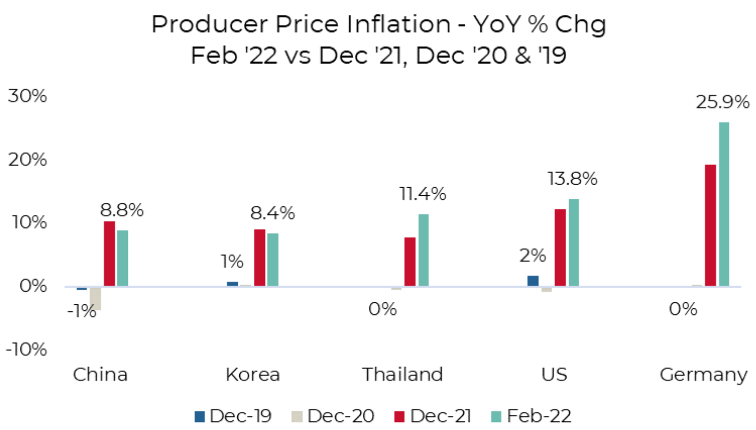
China's economic pressures, as well as the regulatory pressure on the domestic technology giants, have been at the forefront of investors' minds. The government recently announced a 5.5% economic growth target for 2022, which looked ambitious at the time. Since then, a resurgence of Covid and the inevitable lockdowns that form part of China zero-Covid policy have affected almost 400m people, resulted in severe economic disruptions and individual distress; China is now considering alterations to its approach. Furthermore, the residential real estate market is under pressure: private sector developers with no access to additional funding need to sell assets, while Covid lockdowns make it increasingly hard to do so.

These factors, and recent statements from different parts of government, suggest that policy easing may be on the way. The chart below shows latest measures of manufacturers' optimism, as measured by the Purchasing Managers Indices, where a reading above 50 points to expansion and below 50, contraction.



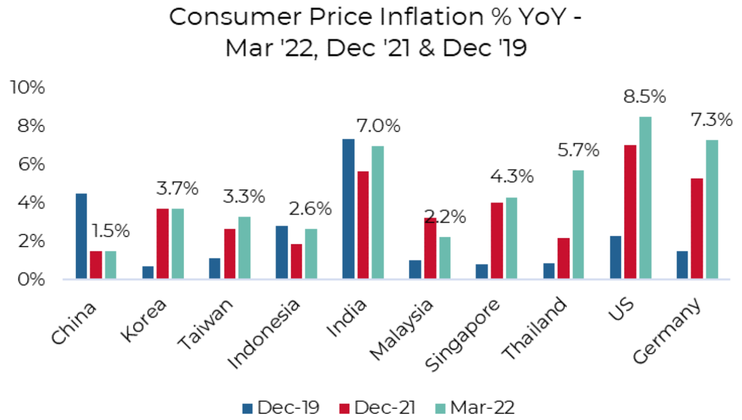
Sources: China - National Bureau of Statistics; Korea, US, UK, Germany – Markit. Data to 31 March 2022.

Manufacturing input costs, as measured by Producer Price Indices (PPI), are the main topic of conversation from companies across the world. The price of oil shot up globally while that for Natural Gas has gone up in Europe and Asia while remaining benign in the US. However, the invasion of Ukraine has pushed up the prices of precious metals, foodstuffs, fertilisers and animal feeds that are being felt globally. PPI levels remain elevated but while they continue to rise in the US and Europe, in Asia there have been signs of decelerating growth notably in China and Korea:



Sources: China National Bureau of Statistics, Statistics Korea, Thailand Ministry of Commerce, US Bureau of Labor, German Federal Statistics.

Consumer price inflation pressure is increasingly evident in the region, enough to prompt interest rate responses in Korea and Singapore, but other central banks are holding off for now. China is the outlier where interest rates are more likely to fall. The common position of central banks in the region is their focus on the domestic macro-factors of inflation and growth. There is less concern about US interest rate policy and potential currency impact.



Sources: Official Government/Central Bank statistics

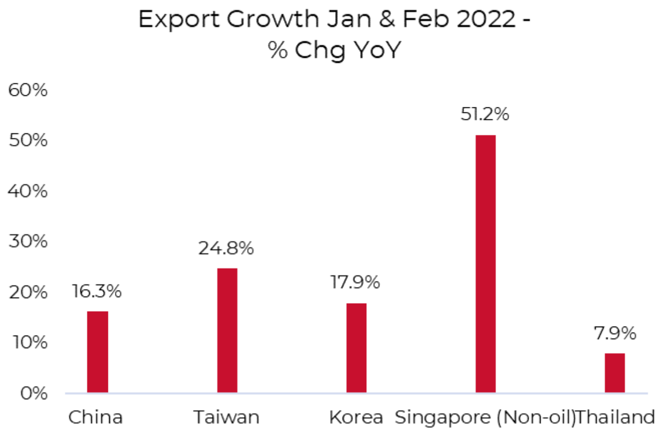
The Bank of Korea's Monetary Policy Committee (MPC) raised interest rates by 0.25% for the fourth time since August last year to 1.5%. In its report it noted that inflation may exceed target of 3.1% for the full year 2022 and expectations that it "will remain high in the 4% range for some time". By contrast, the MPC forecast relatively modest downside risks to its economic growth forecast of 3%. The focus therefore appears to be on domestic factors of inflation versus growth, and there is less concern about potential rapid rises in US rates and the impact on the currency of widening interest rate differentials.

Taiwan's inflation rate jumped to 3.27% YoY in March which was well above the 2.9% estimate. The central bank however had already moved by increasing the policy interest rate by 0.25% to 1.375%. The central bank normally moves rates in 0.125% increments, which suggests some urgency in response to higher commodity prices and recovery in the service sector. Nevertheless, the bank has raised its economic growth forecast from 4.2% to 4.4%.

The Monetary Authority of Singapore (MAS) has taken a similar view to that of Korea, attaching greater priority to inflation than to growth. It raised its headline inflation forecast for 2022 by 2%, to 4.5% - 5.5%, but has maintained its 3% - 5% growth forecast. The MAS uses the exchange rate rather than interest rates as its monetary tool, a reflection of the open nature of the economy. Following its revised inflation forecasts it has implemented a rare dual-tightening move by increasing the slope of the Singapore Dollar Nominal effective Exchange Rate band (possibly to allow 1.5% appreciation up from 1%, although the detail is never disclosed) and by re-centring the mid-point of the band to reflect the current exchange rate level.

Inflation in Indonesia, India and Thailand is also picking up, driven by food and energy costs, but the central banks there are more concerned about supporting the recovery in growth. Indonesia's latest inflation rate was 2.6% YoY in March but it is expected to exceed the target range of 2% - 4% by the end of the year, prompting interest rate increases from the second half of this year. Headline inflation in Thailand hit 5.7% in March, mostly due to higher transport costs, while core inflation was 2%. There is still significant slack in the economy as the recovery in tourism is still in the early stages, but as it picks up, core inflation pressures are likely to build while headline pressures ease. We then expect the Bank of Thailand to begin to lift interest rates gradually.

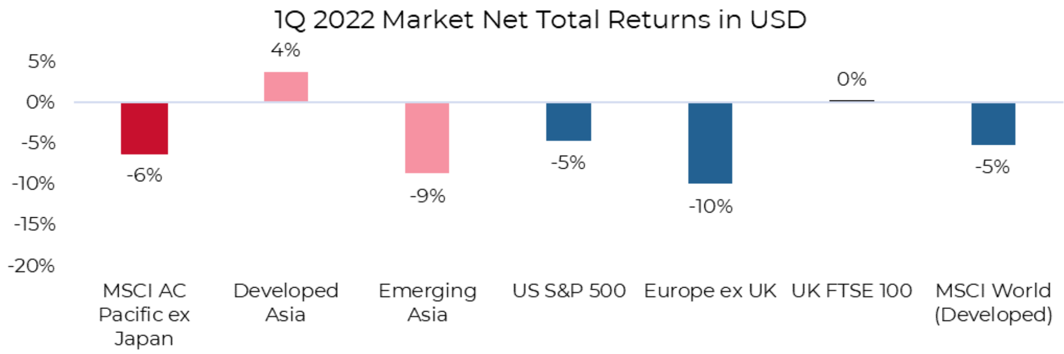
Trade in the first two months of the year has been reasonably robust and, where reported for March (China, Taiwan & Korea), has continued at the same year-on-year growth rate. We have however seen evidence of weaker demand from China for Korean and Taiwanese exporters and weaker demand from Europe as the effects of the war in Ukraine begin to bite. Taiwan's March exports to the US and Japan recorded quickening momentum while exports to other emerging markets were flat.



Sources: China Customs, Taiwan Ministry of Finance, Korea Ministry of Trade, Enterprise Singapore, Bank of Thailand

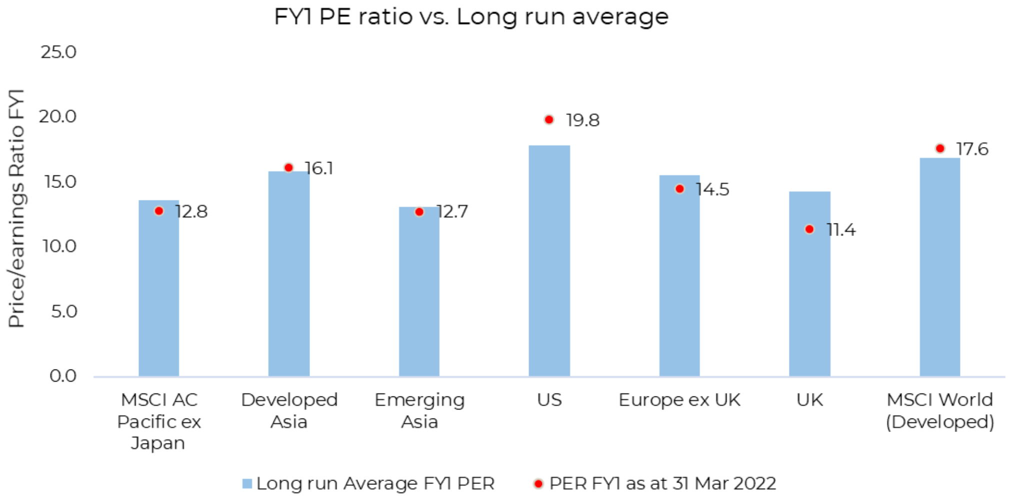
QUARTER REVIEW: ASIAN MARKETS

Global equity markets have unsurprisingly had a difficult quarter. The Asian region fell 6% in US dollar terms which can be understood by the rise in developed Asia, led by the commodity-heavy Australian market, and the fall in emerging Asia, led by China. Europe was the weakest area, seen to be bearing the heaviest impact from the Russian invasion of Ukraine.



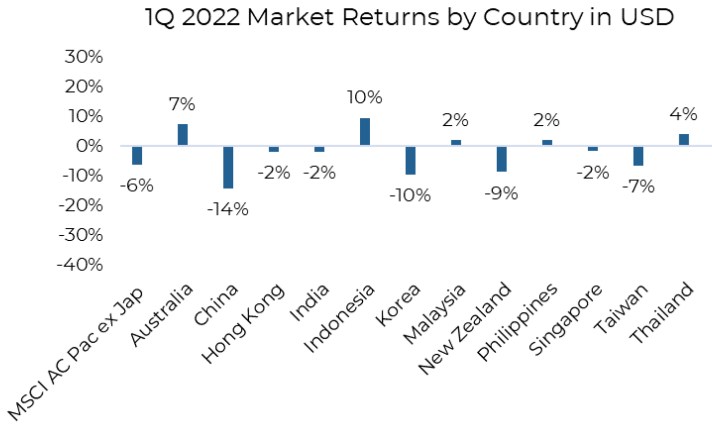
Source: Bloomberg. Developed Asia as measured by MSCI Pacific ex Japan NTR Index, Emerging Asia by MSCI EM Asia NTR Index, US by S&P 500 NTR Index, Europe ex UK by MSCI Europe ex UK NTR Index and UK FTSE 100 NTR Index all in US dollar terms to 31/03/22.

Market valuations have come down (even as earnings' forecasts remain robust) with only the US and developed Asia (i.e. Australia) trading at forward price/earnings multiples above their 10-year averages. Within emerging Asia, perhaps the most notable feature is how the market multiples associated with China's e-commerce sector have almost entirely reversed the expansion of 2018-21 period.



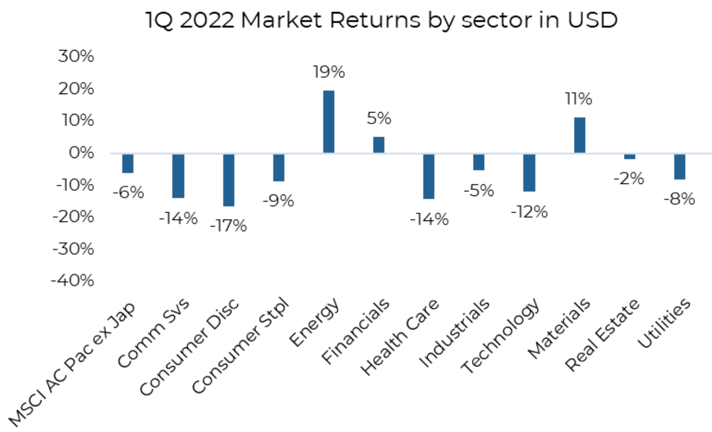
Source: Bloomberg

The charts below show the country and sector performances over the second quarter:

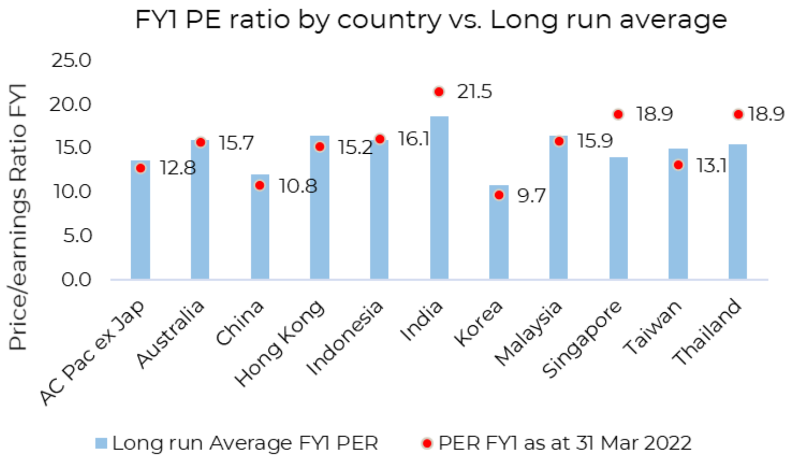


Source: Bloomberg. MSCI Country Index performance data as of 31 March 2022

Sector performance is shown in the chart below:



Source Bloomberg. MSCI AC Pacific ex Japan sector performance data as of 31 March 2022



Source: Bloomberg. Data as of 31 March 2022

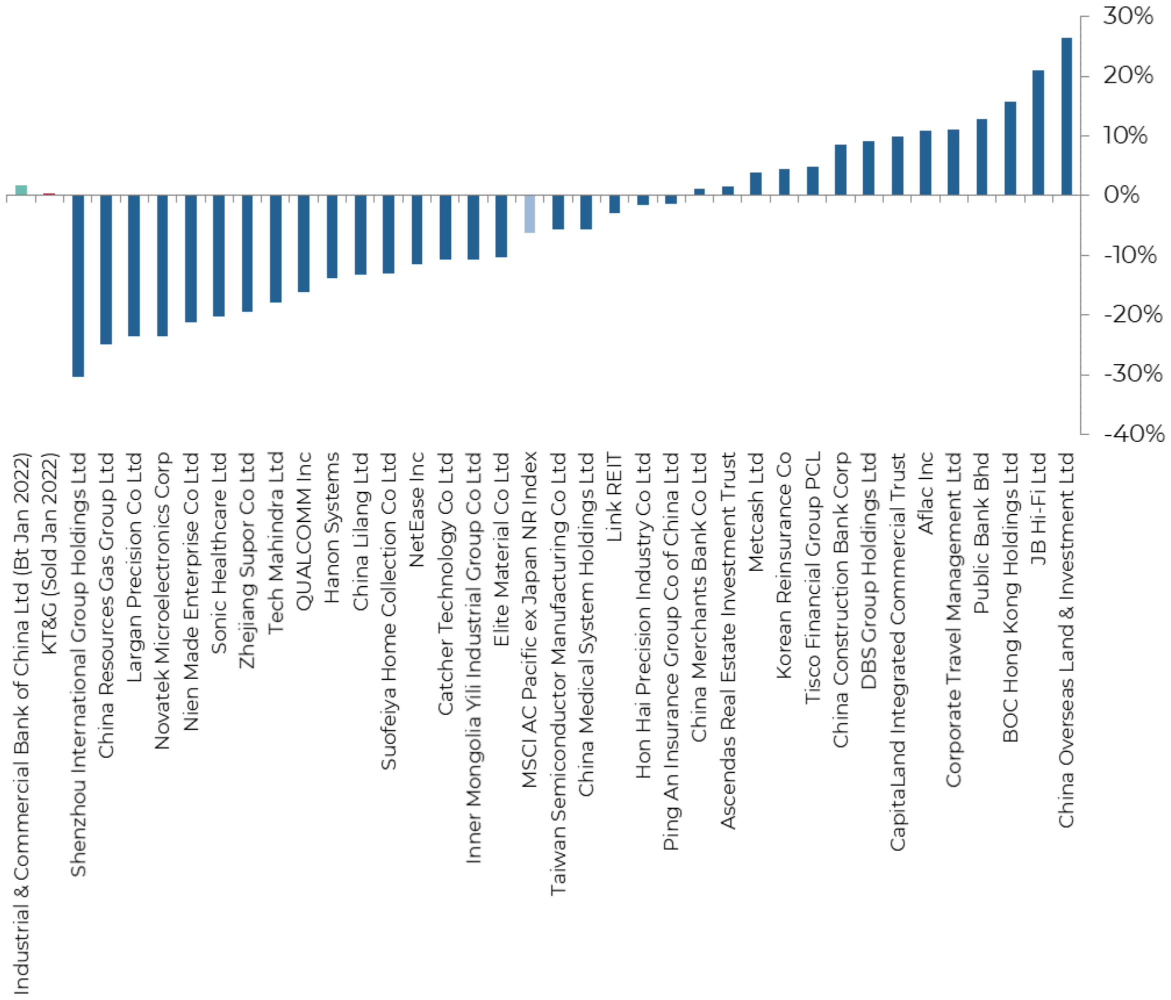
PORTFOLIO PERFORMANCE

The chart below shows stocks' performance over the quarter, with China Overseas Land & Investment the best performer. The weakest performance was from Shenzhou International, a textile and apparel maker.

China Overseas Land & Investment (COLI), the one new stock we added to the portfolio in 2021, was the best performer over the first quarter. This Chinese housebuilder has come out on top from all the upheavals in the sector as China finally clamped down on excessive debt accumulation by private developers. COLI has by far the strongest balance sheet in the sector; short term debt is 1.6x covered by cash reserves and assets exceed liabilities by 1.4x. This leaves the company in a very advantageous position relative to its peers, and able to buy up new land for future development at lower prices while its competitors are occupied with strengthening their own financial positions. The company recently reported 2% growth in gross profit and 2% contraction in net profit (excluding the gain from investment property revaluation). The two most important aspects for us were the ongoing sales momentum for the company and an annual increase in the dividend, which it has maintained since 2006.

Shenzhou International Group was the worst-performing stock in the portfolio. The company recently reported results for the second half of 2021 after having previously issued a profit warning. As expected, production disruptions in Vietnam were the main contributor to weakness in performance. On the cost side, higher raw materials prices put pressure on margins, along with additional expenses incurred due to relocation of production. Management guidance for 2022 is that the company will grow volumes 15% for the full year. However, much will depend on the ongoing status of Covid restrictions in both China and Vietnam.

Individual stock performance in 1Q 2022 (total return in USD)



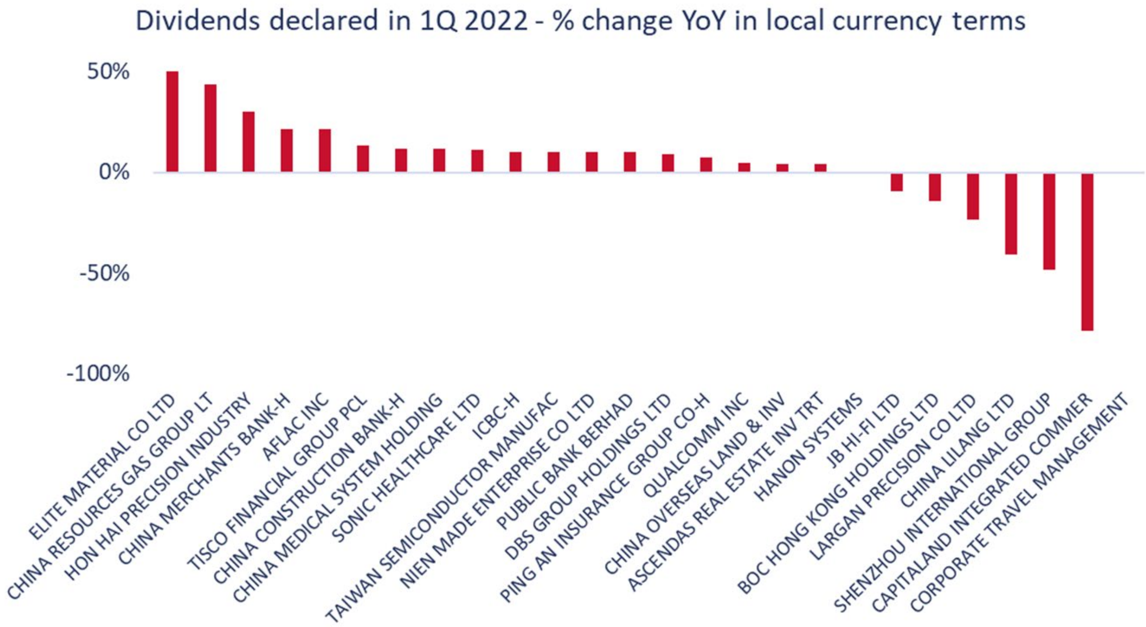
Sources: Bloomberg, Guinness Global Investors. Data as of 31 March 2022.

Dividends over the quarter

26 companies declared dividends during the quarter.

- 20 companies grew their dividend (in addition, 1 company has moved from annual to semi-annual).
- 1 company kept the dividend flat.
- 5 companies reported a decline.
- 1 company omitted the dividend.

The chart below shows the year-on-year percentage change in the dividends declared in local currency terms. We have excluded from the top end of the chart the 575% increase in the quarterly dividend from NetEase which was distorted by the unusually low dividend declared in the same period last year due to foreign exchange movements. We also note that the drop from CapitaLand Integrated Commercial Trust is due to a timing issue: the trust distributed a part of this dividend at the end of last year, ahead of a stock placement, with only a small amount left to be paid during the quarter.



Source: Company reports

PORTFOLIO CHANGES

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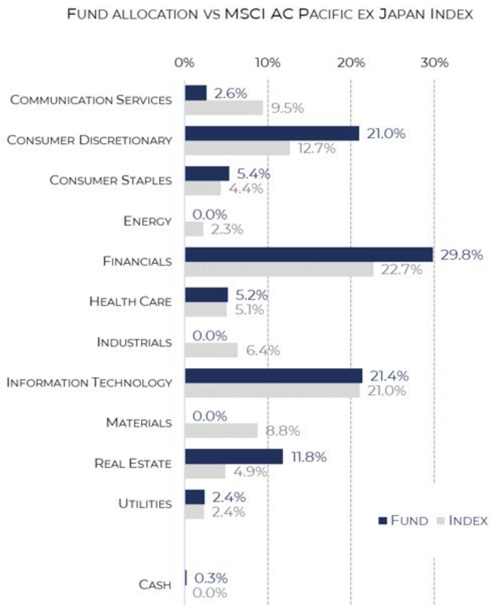

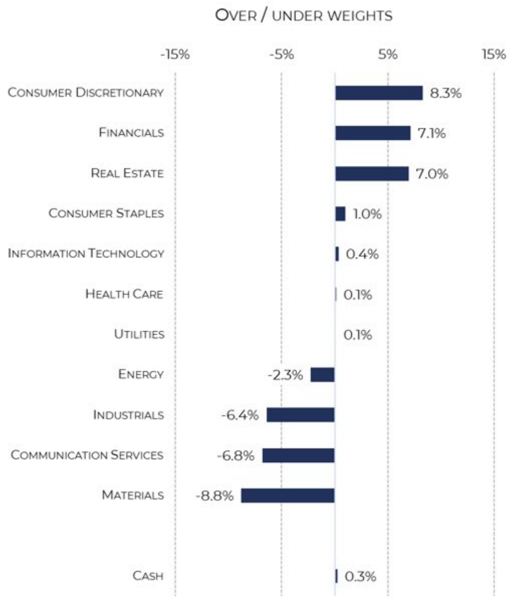

Sources: MSCI, Bloomberg, Guinness Global Investors. Data as of 31 March 2022

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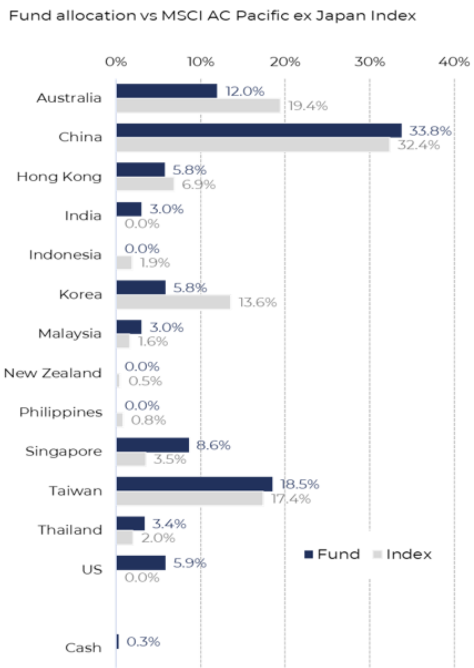
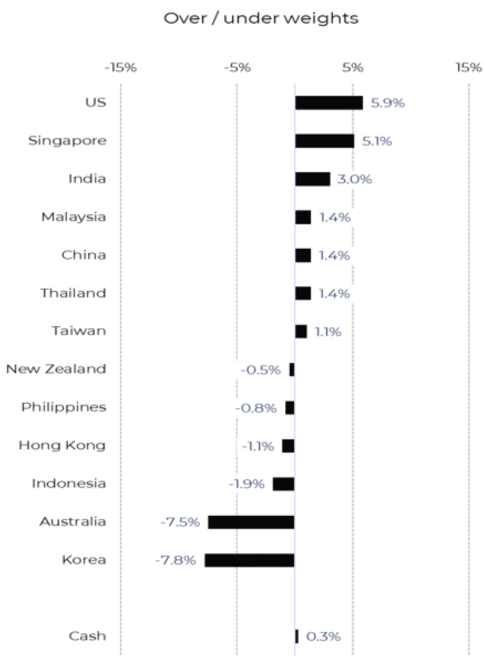




Sources: MSCI, Bloomberg, Guinness Global Investors. Data as of 31 March 2022

OUTLOOK

The investment backdrop globally is becoming significantly more challenging. Supply chains remain affected by the availability or costs of materials and finished goods. The result has been a sharp rise in both producer and consumer price inflation which has forced a volte-face in interest rate policies from the world's central banks. Smaller emerging and frontier economies are looking more vulnerable, with countries such as Lebanon, Belarus and Sri Lanka appearing weakest. The Asian region (excepting Sri Lanka) is looking much more robust. Inflation is evident and interest rates are starting to increase, but debt exposures are much lower and foreign exchange reserves are ample.

China's economic headwinds are occupying investors' thoughts, particularly given China's focus on its zero-Covid policy. Extensive shutdowns make the 5.5% economic growth target for this year harder to achieve. Nevertheless, we should bear in mind that the concern is not whether China has the financial firepower to respond but how soon and how aggressively it chooses to do so. In the last few days, the central bank has released more liquidity by cutting banks' required reserve ratios, but the market would like to have seen more. The caution reflects the rapid changes elsewhere that has seen the yield premium on Chinese sovereign bonds over their US equivalents almost disappear and the Chinese yuan exchange rate pull back against the US dollar.

The operating and investment environment we expect to see in coming quarters is one of higher input costs, uneven end demand and challenging conditions for valuations as markets recalibrate growth and interest rate expectations. We therefore expect that companies with an ability to support earnings growth, generate cash and produce reliable dividend streams will do best in this environment. Expressed another way, we expect that earnings and dividends rather than valuation are going to be the drivers of total shareholder return. This has been our focus, and indeed has been the performance outcome of the Fund since it was launched.

The table below shows the Fund's earnings, valuation and yield metrics as at the end of the quarter against Asian and international benchmarks.

	EPS % Chg			Valuation		Yield - 2021 Historic	
	2018-20	2021-23	Fund % p.a. Premium/ discount	2022 PER	Fund % Premium/ discount	Y Share class USD	Fund % Premium /discount
Fund	-1.8%	10.5%		10.3		3.9%	
MSCI AC Pacific ex Japan	-19.9%	13.3%	-2.5%	12.6	-18%	2.6%	52%
MSCI Developed Asia	-43.6%	17.0%	-5.6%	16.1	-36%	3.6%	9%
MSCI Emerging Asia	-10.3%	12.6%	-1.9%	12.5	-17%	2.0%	94%
US S&P 500	-9.8%	12.9%	-2.1%	19.9	-48%	1.3%	210%
MSCI Europe ex UK	-26.9%	14.0%	-3.1%	14.3	-28%	2.3%	73%
UK FTSE 100	-56.3%	19.0%	-7.1%	11.4	-9%	3.9%	2%
MSCI World (Developed)	-17.5%	10.3%	0.2%	17.6	-41%	1.8%	119%

Source: Bloomberg. All figures in USD as of 31/03/2022. Fund yield is net of withholding taxes; index yields are gross of taxes.

Portfolio managers

Edmund Harriss

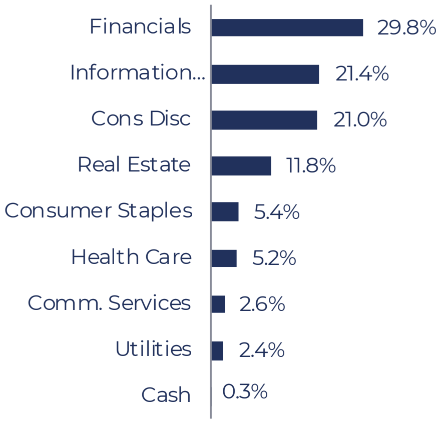
Mark Hammonds

Portfolio

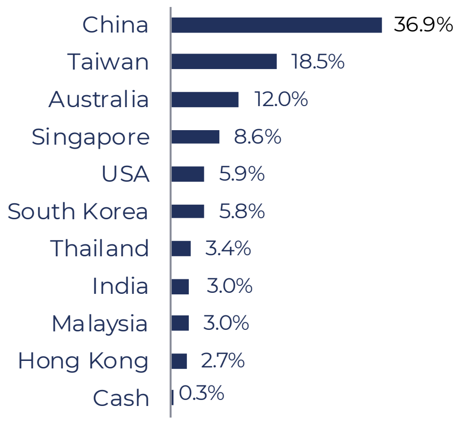
Fund top 10 holdings

JB Hi-fi	3.6%
China Overseas Land	3.4%
Tisco Financial Foreign	3.4%
Aflac	3.3%
BOC Hong Kong	3.1%
Corporate Travel Managemer	3.0%
Tech Mahindra	3.0%
Public Bank Bhd	3.0%
ICBC	3.0%
CapitaLand Integrated Comm	2.9%
% of Fund in top 10	31.7%
Total number of stocks	36

Sector analysis



Geographic allocation



Performance

Past performance does not predict future returns **31/03/2022**

Discrete 12m % total return (GBP)	**Mar '22**	**Mar '21**	**Mar '20**	**Mar '19**	**Mar '18**	**Mar'17**	**Mar'16**	**Mar'15**
Fund (Y class, 0.89% OCF)	1.8	42.7	-17.7	3.6	7.7	35.2	-2.5	28.6
MSCI AC Pacific ex Japan Index	-9.7	41.2	-9.3	3.0	8.5	35.8	-8.6	18.4
IA Asia Pacific ex Japan	-5.2	48.5	-11.3	3.1	7.3	35.1	-8.1	19.4

Cumulative % total return (GBP)	**1 Year**	**3 Yrs**	**5 Yrs**	**Launch**
Fund (Y class, 0.89% OCF)	1.8	19.6	33.4	126.2
MSCI AC Pacific ex Japan Index	-9.7	15.6	29.2	91.6
IA Asia Pacific ex Japan	-5.2	24.9	38.2	107.2

Annualised % total return from launch (GBP)

Risk analysis - Annualised, weekly, from launch on 19.12.2013, in GBP

31/03/2022	**Index**	**Sector**	**Fund**
Alpha	0	1.76	3.52
Beta	1	0.89	0.84
Information ratio	0	0.27	0.33
Maximum drawdown	-26.36	-24.54	-24.84
R squared	1	0.95	0.81
Sharpe ratio	0.29	0.39	0.47
Tracking error	0	3.54	6.74
Volatility	15.35	13.99	14.35

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: 19.12.2013.

Important information

Issued by Guinness Global investors, 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 Asian 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 Asian 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 Asian stock exchanges or that do at least half of their business in Asia; 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 at guinnessgi.com/literature. 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