TB Guinness Asian Equity Income Fund

Investment Commentary - June 2022

This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions.

ABOUT THE FUND

Launch	04.02.2021
Strategy launch	19.12.2013
Benchmark	MSCI AC Asia Pacific ex Japan
Sector	IA Asia Pacific Excluding Japan
Team	Edmund Harriss (Co-manager) Mark Hammonds (Co-manager) Sharukh Malik

Aim

The TB 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 TB Guinness Asian Equity Income Fund is a UK-domiciled UCITS fund, authorised and regulated by the Financial Conduct Authority. Where stated, portfolio data prior to 04.02.2021 and other information in this document relates to the Guinness Asian Equity Income Fund, an Irish-domiciled, FCA-recognised UCITS fund launched on 19.12.2013. Both funds are managed in accordance with the same investment process and with the same portfolios.

RISK

Lower Risk						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 has been classed as 6 because its volatility has been measured as above average to high. Historic data may not be a reliable indicator for the future. The 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.

PERFORMANCE

Past performance does not predict future returns.

%	1 month	YTD	1 year
Fund	0.4	-2.0	0.8
Index	-0.2	-3.8	-8.5
Sector	0.0	-4.3	-6.8

Source: FE fundinfo, bid to bid, total return. 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: MARKETS

Asian markets, as measured by the Fund's benchmark, MSCI AC Asia Pacific ex Japan Net Return returned -0.2% in GBP terms in May.

In the year to date, the Index is down -3.8% in GBP compared to the MSCI World Net Return Index, which is down -6.5%.

The Fund outperformed the benchmark in May by 0.6% (Class Y shares in GBP). In the first five months of the year, the Fund is down -2.0% (in GBP) but has outperformed the market by 1.8%.

After a volatile month in April, a recovery came in May. While aggregate performance was marginally positive, performance across the region was mixed. Support for the market came in the form of comments from US Fed Chair Jerome Powell steering away from an aggressive rate hiking path.

Better news from China on Omicron-led lockdowns also helped to boost sentiment in markets.

The best-performing sectors over the month were Energy, Information Technology and Utilities. The weakest sectors were Health Care, Consumer Staples and Communication Services.

From a country perspective, the best performers were Taiwan (+3.2%), Hong Kong (+2.4%) and Thailand (+2.0%). The weakest country was India (-5.9%), followed by Indonesia (-4.0%) and Malaysia (-3.1%) as measured by the MSCI country indices.

The three best-performing stocks in the portfolio were Catcher Technology, China Resources Gas and Hon Hai Precision. The three weakest were all Australian: Corporate Travel Management, JB Hi-Fi and Metcash.

SUMMARY: MACRO

China cut the benchmark 5-year interest rate by a record 0.15% to 4.45% which will lower the cost of new mortgages.

The 1-year benchmark rate was left unchanged at 3.7%.

New home prices in China's leading cities rose 1% year-on-year in April, but there were 4%-5% declines in Tier 3 & 4 cities.

Covid lockdowns in Shanghai look set to be eased in June, but cases are still not under control in Beijing. The absolute number of cases is comparatively low, and tensions within the leadership are mounting, led by Premier Li Keqiang, over the economic costs of Xi's zero-Covid policy.

Australia's Labor party returned to power after 10 years. It took a tougher line on China during the election but may resume dialogue.

President Biden visited the region. The US-led Indo-Pacific Economic Framework with 13 nations was agreed; it is seen as a counterweight to China, although it lacks concrete trade or security agreements. This is a step forward following the US withdrawal from the Trans-Pacific Partnership five years ago.

Food protectionism is on the rise as Asian nations seek to control domestic prices for essentials. Export bans have been proposed or established by India on wheat, Indonesia on palm oil and Malaysia on poultry.

Thailand is easing Covid curbs in the leisure sector. Government figures report one million tourists have visited Thailand this year; before the pandemic the country received 40 million visitor a year.

MACRO

The visits by US President Biden to the region mark a visible re-focusing on the region after a turbulent period under Donald Trump. The Indo-Pacific Economic Framework that has been established between the US and 12 countries in the region has been criticised in some quarters as lacking substance. It is true this is not a trade agreement or with specific security measures, but it does mark a re-engagement with Asia. The US is hoping to finalise details for each of the four pillars of the framework over the next 12 to 18 months.

Cost price inflation pressure in the semiconductor industry has been reaffirmed with news that Samsung is discussing price increases up to 20%, with less sophisticated chips likely to increase the most. This follows Taiwan Semiconductor's (TSMC's) announcement of 5%-8% price increases in 2023 that follow a 20% increase last year. These companies are facing rising costs in all areas, including chemicals, gas, wafers, equipment, construction materials and logistics. Tight semiconductor supply gives these businesses significant pricing power against a backdrop of intense industry competition. Samsung's semiconductor revenues overtook those of Intel last year, and the company has TSMC in its sights, although Samsung's production yields for the most advanced chips are not yet as good.

India was the weakest market over the month. Higher energy prices have been a notable drag for the country (a significant oil importer) as crude oil has continued to rise. In response, the Indian government announced a cut to excise duty for petrol and diesel. Export duties on steel products have also been imposed to offset higher embedded energy costs. Inflation has been running relatively hot compared with the rest of the region, with CPI reaching 7.8% in April. Policy rates were raised 40 basis points by the Reserve Bank of India, surprising the market, to an extent pre-empting higher rates from the US Federal Reserve. Nevertheless, the currency weakened by 1.6% over the month.

Comments by policymakers at the Fed indicated that interest rates may follow a less aggressive path than the market had feared. While expectations are for 50 basis point hikes in the upcoming June and July meetings, a 'pause' could occur in September to assess the impact of higher rates on the economy and inflation (instead of the 25 basis point rise the market had been pricing in). Inflation, as measured by the Fed's preferred gauge, personal consumption expenditure (PCE), fell to 6.3% in April from 6.6% in March, which could suggest a peak has been reached. However, it is debatable the extent to which this has been driven by higher interest rates supressing demand and how much has been caused by supply factors. Wage growth is also likely to cause inflation to be stickier, preventing it from falling back more quickly.

As mentioned, oil continued its strong upward trend, Brent crude rising 12.5% over the month to end at $119.9/bl. Prices have continued to hold up so far in June, with the opening up in China expected to provide a meaningful contribution to demand. Political pressure in response to Russia's invasion of Ukraine culminated in Europe imposing a partial ban on Russian oil imports.

PORTFOLIO HOLDINGS

The best-performing stock in May was Catcher Technology. Recent results, which we discuss below, have been positive, but the company is still at a delicate point in its history as it undergoes a transition in the technology sectors in which it manufactures. Nevertheless, management's comments regarding a measured approach towards allocating capital give us greater confidence that shareholder interests will be well treated.

The weakest stock was Corporate Travel Management, whose management said that business was recovering faster than rivals but staff shortages and pandemic issues continue to impact upon operations. The company softened the guidance it has issued in February as these issues are lasting for longer than anticipated. They are recruiting in May and June to resolve the staffing shortage. While this weighed on the share price this month, we expect investors will look through this. The stock is still in the Fund's top 15 performers this year; we do not however, expect the company to pay a dividend this year.

PORTFOLIO CHANGES

There were no changes to the portfolio.

STOCKS COMMENTARY

Nien Made Enterprises, a manufacturer of windows and doors, reported first quarter 2022 results. Higher input costs are an issue, but the company was able to raise prices twice in 2021 and expects to do so again in this quarter. The company has manufacturing operations in China, Cambodia and Mexico. Home Depot in the US is a major customer. The company defends its pricing through bespoke product design and manufacturing. China's Covid lockdowns disrupted China operations earlier this year. The company announced a 10% increase in the annual dividend in March.

Catcher Technology results were mixed, with weaker margins offset by an FX gain that meant profit was above market forecasts. The company has been actively buying back shares, which has supported the share price. The company is building its business in higher-margin automotive, healthcare and 5G consumer device thermal solutions but in the near term remains vulnerable to weakness (in component supply/cost) in its Notebook manufacturing business.

Hon Hai Precision reported a 4% revenue increase and 5% profit growth for the first quarter. Management expects second quarter results to be flat year-on-year because of supply chain disruptions amidst China's lockdowns.

Korean Reinsurance reported first quarter results that were 10% lower year-on-year, in line with market forecasts. The outlook is supported by strong domestic underwriting on increased premium rates and low claims, by solid global pricing, offset in the short term by losses from winter storms in Europe and Covid, and finally by rising interest rates. The company's investment portfolio is heavily exposed to short-dated debt. As these mature the company can re-invest at higher interest rates thereby boosting earnings.

NetEase reported results that beat forecasts for both revenues and profits, demonstrating both an ability to maintain momentum from legacy titles and to launch new mobile games that have global success. It has therefore been less exposed to limitations on new games launches in China.

Tech Mahindra reported results for its final fiscal quarter (fiscal year end is 31 March) which included continued pressure on margins from the combined effects of acquisitions, new hires and wage increases. Even though operating performance was weaker, net profit was ahead market forecasts and the dividend was maintained.

Strong deal wins support organic growth expectations in line with the large peers, but at a price to forward earnings multiple of 17.1x, the stock trades at a cheaper valuation.

OUTLOOK

The operating environment both globally and regionally has become increasingly challenging, and companies must face the challenges of rising costs and weakening demand. Our focus on quality companies has never been more important. As valuations whip around, we continue to focus our investment thinking in terms of the total shareholder return framework: quality businesses are better able to generate higher returns on capital to sustain earnings and cash flow growth. These also support the dividend stream, which we seek to grow over time. We have always, since the Fund was launched, focused on these fundamental aspects, which allows us to treat big valuation swings not as a distraction but as an opportunity. Asia is trading, as we discussed earlier, at a 20% discount to its long run average; the Fund is trading at a 20% valuation discount to the region, and the historic yield on the portfolio is now over 4%.

	EPS % Chg			Valuation		Yield – 2021 Historic	
	2018-20	**2021-23**	**Fund % p.a. Premium/ discount**	**2022 PE**	**Fund % Premium/ discount**	**Y Share class USD**	**Fund % Premium/ discount**
Fund	-1.8%	8.3%		9.8		4.3%	
MSCI AC Pacific ex Japan	-19.9%	11.5%	-2.9%	11.9	-18%	3.0%	43%
MSCI Developed Asia	-43.6%	18.0%	-8.3%	14.9	-34%	4.2%	2%
MSCI Emerging Asia	-10.3%	11.3%	-2.7%	11.8	-17%	2.9%	47%
US S&P 500	-9.8%	13.3%	-4.4%	17.8	-45%	1.6%	167%
MSCI Europe ex UK	-26.9%	11.9%	-3.2%	13.4	-27%	2.3%	86%
UK FTSE 100	-56.3%	19.2%	-9.2%	10.2	-4%	3.9%	10%
MSCI World (Developed)	-17.5%	10.1%	-1.7%	16.2	-40%	2.0%	114%

Source: Bloomberg.

Historic yields based on 2021 distributions versus the price/index level as at 6th May 2022. Index yields are net of taxes. They do not include any preliminary charges and investors may be subject to tax on distributions.

Portfolio managers

Edmund Harriss

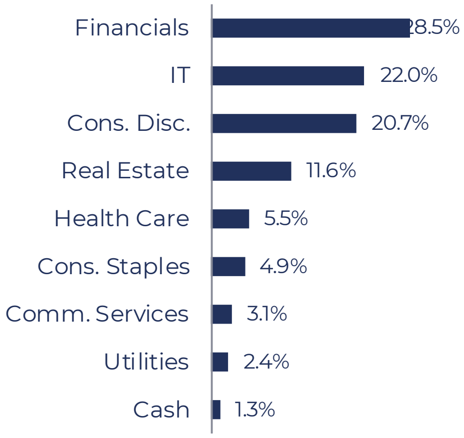
Mark Hammonds

PORTFOLIO

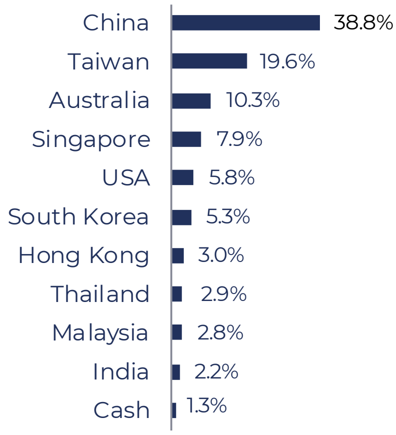
Fund top 10 holdings

China Overseas Land	3.3%
ICBC	3.3%
BOC Hong Kong	3.3%
China Construction Bank	3.2%
Hon Hai Precision Industry	3.2%
Shenzhou International	3.1%
China Medical System	3.1%
NetEase	3.1%
Link REIT	3.0%
Aflac	3.0%
% of Fund in top 10	31.5%
Total number of stocks in Fund	36

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

31.05.2022	1 m	YTD	1 yr
Fund (0.89% OCF)	+0.4%	-2.0%	+0.8%
MSCI AC Asia Pacific ex Japan	-0.2%	-3.8%	-8.5%
IA Asia ex Japan Sector	+0.0%	-4.3%	-6.8%

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.

The TB Guinness Asian Equity Income Fund was launched on 4th February 2021. It is a UK-domiciled UCITS fund, authorised and regulated by the Financial Conduct Authority. The fund employs the same strategy as the Guinness Asian Equity Income Fund, an Irish-domiciled, FCA recognised UCITS fund launched on 19th December 2013. Both funds are managed in accordance with the same investment process and with the same portfolios. Performance data for the Guinness Asian Equity Income Fund can be found here.

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 TB 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 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.tbaileyfs.co.uk or free of charge from:-

T. Bailey Fund Services Limited ("TBFS")
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NG1 6FJ
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Dealing Line: 0115 988 8285
E-Mail: clientservices@tbailey.co.uk

T. Bailey Fund Services Limited is authorised and regulated by the Financial Conduct Authority.

TBFS, as UCITS Man Co, has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive.

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.

Structure & regulation
The Fund is a sub-fund of TB Guinness Investment Funds, an investment company with variable capital incorporated with limited liability and registered by the Financial Conduct Authority.

Telephone calls will be recorded and monitored