Guinness European Equity Income Fund

Investment Commentary – July 2022

This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions. Past performance does not predict future returns.

ABOUT THE FUND

Launch date	19.12.2013
Index	MSCI Europe ex UK
Sector	IA Europe excluding UK
Manager	Nick Edwards

Aim

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

RISK

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

Typically lower rewards — Typically 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 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.

PERFORMANCE

Past performance does not predict future returns

30/06/2022	1 year	3 years	5 years	Launch*
Fund	-8.1	7.8	17.0	71.9
Index	-10.6	8.9	18.9	68.4
Sector	-12.6	9.0	16.1	69.3

Full discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, 0.89% OCF, bid to bid, total return. *Launch date 19.12.13. 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 performance shown has been reduced by the current OCF of 0.89% per annum. Returns for share classes with different OCFs will vary accordingly. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

SUMMARY

At the end of June 2022, your fund had returned -7.27% (in GBP) over the second quarter, or +1.38% versus the MSCI Europe Ex UK Net Return Index, which fell -8.65% (in GBP) over the quarter. At the close of H1 -11.17% YTD your fund remains well ahead of the MSCI Europe ex UK Index -15.41% YTD.

The fund benefitted from its good portfolio balance over H1 and its focus on strong companies characterised by best-in-class cash flow alongside balance sheet strength. A portfolio of capital light wide moat companies trading at attractive valuations and with long (and mostly global) runways for growth is a good place to be in all markets - avoiding the worst impacts of rising input costs while at the same time having pricing power and being scalable and in pole position to take market share in a downturn. Valuations across Europe's global market leaders haven't looked this attractive for the best part of a decade, representing a real opportunity for income investors to achieve a significant yield premium without giving up on quality.

	mtd	qtd	ytd	1yr	3yr	5yr
Guinness European Equity Income	**-5.34%**	**-7.27%**	**-11.16%**	**-8.14%**	**7.81%**	**16.98%**
MSCI Europe Midcap Index	-8.49%	-11.54%	-19.50%	-16.25%	6.66%	16.00%
MSCI Europe Growth Index	-5.09%	-9.93%	-18.95%	-12.54%	12.35%	29.76%
MSCI Europe Euro Index	-7.95%	-7.96%	-16.11%	-12.48%	3.36%	14.1%
MSCI Europe Value Index	-7.94%	-4.96%	-4.26%	-0.35%	2.74%	6.29%
MSCI Europe High Dividend	-6.89%	-4.51%	-0.44%	4.59%	9.87%	23.63%
MSCI UK net total return Index	-5.17%	-2.94%	1.67%	9.20%	8.66%	19.51%
MSCI Europe ex UK	-7.00%	-8.65%	-15.41%	-10.57%	8.88%	18.93%
Out/underperformance	1.66%	1.38%	4.25%	2.43%	-1.07%	-1.95%

QUARTER IN REVIEW

German 1 Year Forward Baseload Electricity Price

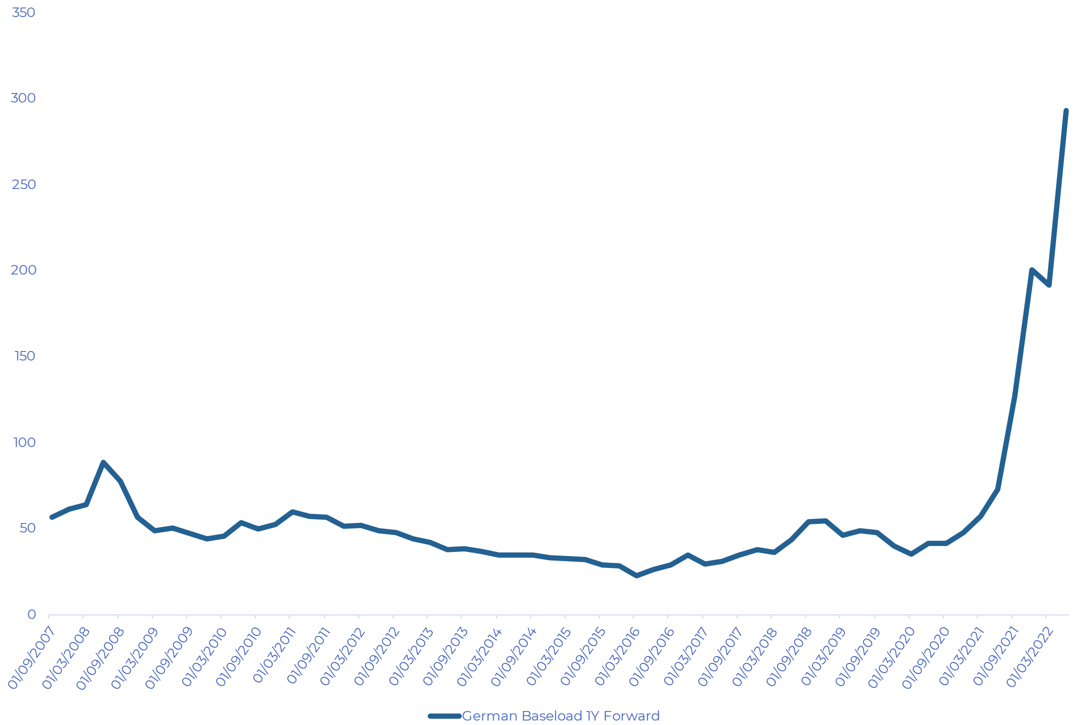


Figure 2: Year ahead German baseload electricity price. Performance data as of 30th June 2022. Source: Bloomberg.

The most notable feature of the quarter from a European perspective was the continued surge in European gas and electricity prices (above). While countries have responded by reopening previously shut down coal-fired capacity, there is no guarantee that we have reached the peak. However, we only need wait until the 21st July to find out if the scenario that equities have been worrying about the most will come to pass. Namely, if Russia will turn the remaining 40% of European gas flows to Europe / Germany back on or not after Nordstream I's annual seasonal maintenance is complete, and hence enabling Germany to fill reserves before winter.

European GDP growth expectations have nearly halved, and consumer confidence has already hit new all-time (35Y) lows. Meanwhile European Industrial confidence remains far more elevated, helped by the arrival of fiscal stimulus stemming from the €750bn European Recovery Fund, focused primarily on industrial and digital efficiency. As costs continue to rise, fear of inflation shifted to fear of slowing growth in May as shown by the turn lower in German 2Y breakeven rate (blue line, right) below.

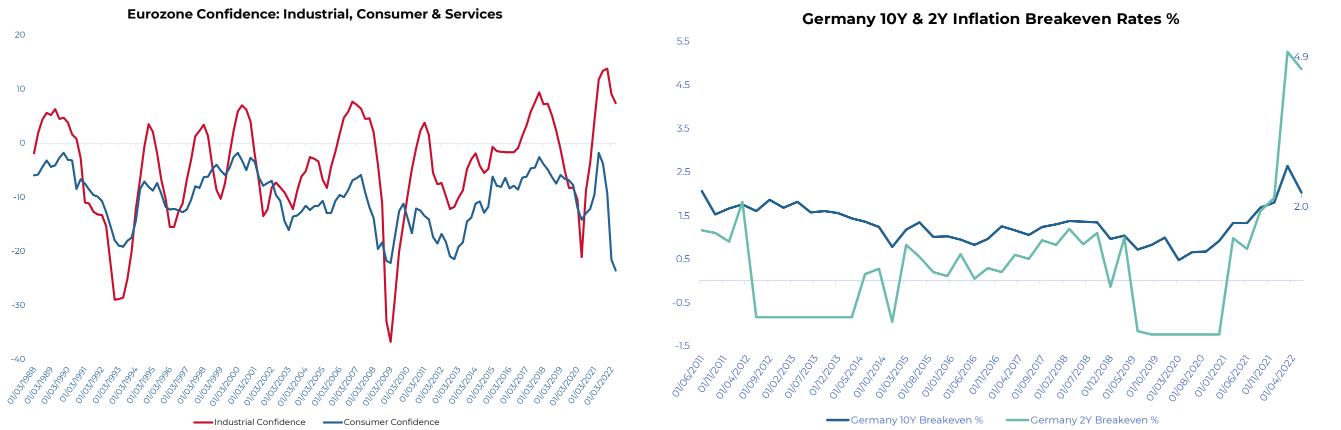


Figure 3: EC Industrial Confidence vs Consumer Confidence (LHS), German 10Y and 2Y breakeven rates (RHS). Data as of 30th June 2022. Source: Bloomberg.

European policy makers are in the unenviable position of being forced to raise rates to defend the currency and curtail further imported inflation against a backdrop of already slowing growth. That said, Eurozone core inflation of 3.7% (ex food and energy) is well below the 6% seen in the US due to significantly greater Eurozone labour market slack of 6.6% vs the US where the unemployment rate is running hot at 3.3%, suggesting that Europe may escape the extent of interest rate rises to be felt in the US.

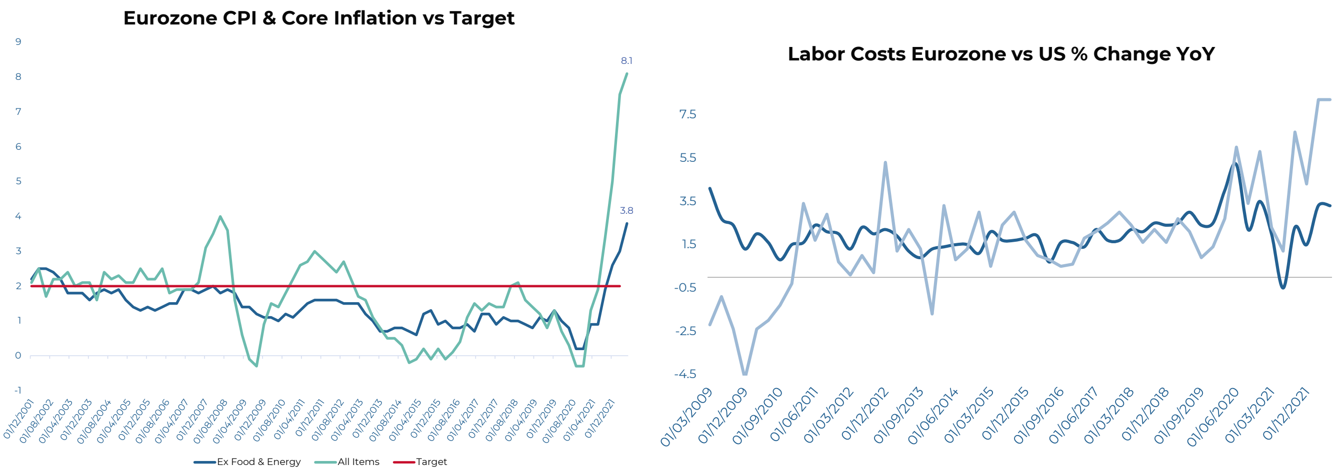


Figure 4: Eurozone CPI and Core Inflation (LHS), Eurozone and US Labor Cost growth (RHS). Data as of 30th June 2022. Source: Bloomberg.

Nevertheless, European interest rates will have to continue to follow US rates higher if price stability is to be maintained, and we can look forward to increases in the base rate in July and September. As such it is important to ask what will do well in a rising rate environment. As we have shown before, the composition of the Europe ex UK market is, arguably, significantly better suited to a rising rate environment than the US. With Europe (in blue bars below) offering nearly double the sector exposure to branded consumer goods with their strong track record for passing on cost increases. Nearly 50% more exposure to Financials, with their upward exposure to interest rates and nearly double the exposure to smart green industrial leaders set to benefit from years of climate capex and fiscal policy. On the other hand, the US market is of course far more characterised by high exposure to high-growth, high-multiple stocks which tend to struggle in an environment of rising discount rates, notably via MSCI US's 27% exposure to the IT sector.

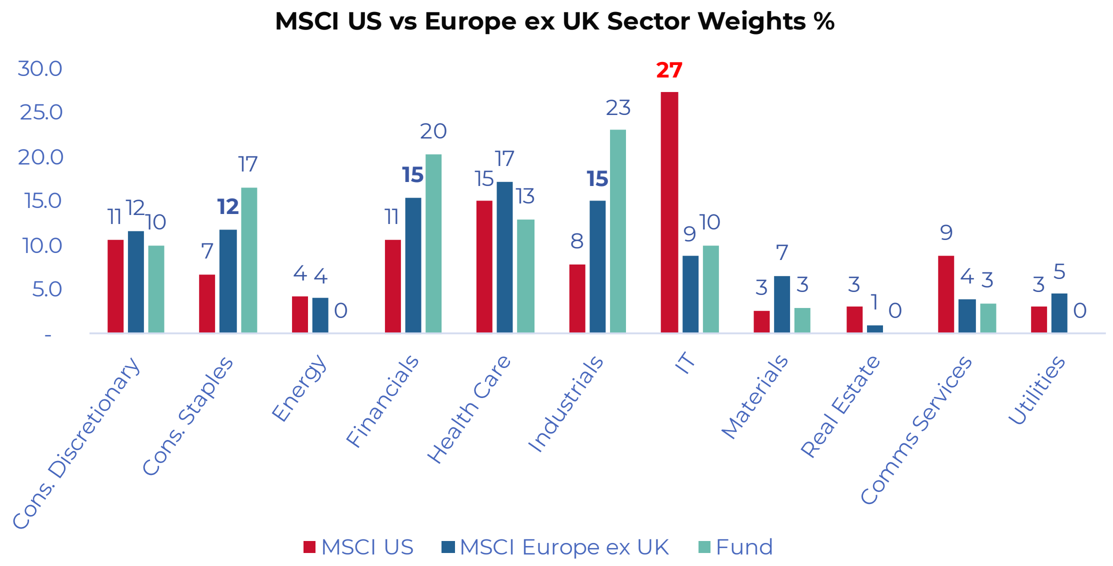


Figure 5: MSCI US, MSCI Europe ex UK and Fund sector exposures. Data as of 30th June 2022. Source: Bloomberg.

The Guinness European Equity Income Fund (green bars above) offers investors overweight exposure to these high-quality areas of the market, that look well placed in the rising rate and capex-led environment we now find ourselves in.

Irrespective of the sharp rises in interest rates seen over the course of H1 and Q2 2022 there remains no sign of a turnaround in European real yields defined as government bond yields minus core inflation. Suggesting an ongoing robust demand environment for quality equity income, with both cash and bonds likely to continue to trail inflation. At this juncture we stress the word quality; as the cycle turns, the risks for high yielding equities, which are typically more leveraged, capital intensive, cyclical and having higher payout ratios, is on the rise. Historically realized yields above 4% have proven disappointing relative to average yields, as shown in figure 7, below. Over the quarter we saw more plans by governments for windfall taxes on the Energy and Utility sectors to claw back excess profits and the German government now looks likely to have to bail out Uniper. The ECB also called on banks to “recalculate” dividend capacity in light of a possible complete gas embargo. For more on the historic relationship between dividends, earnings and inflation please see our recently updated note *Why Dividends (Still) Matter*.

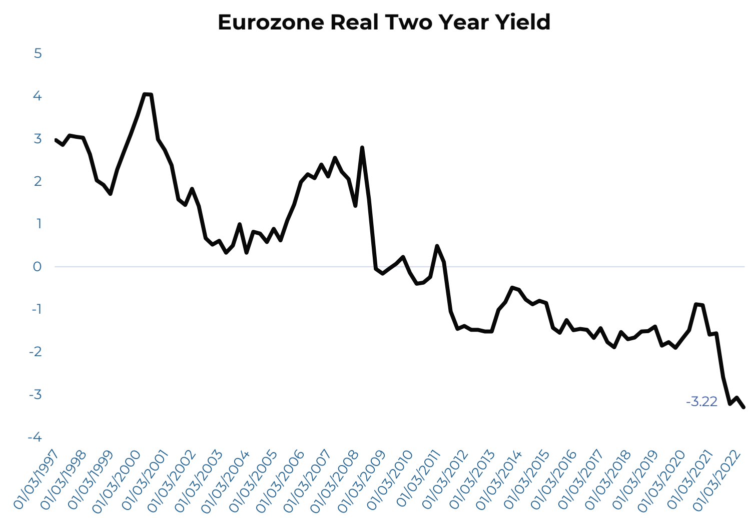


Figure 6: Eurozone real yield (2Y – Core Inflation). Data as of 30th June 2022. Source: Bloomberg.

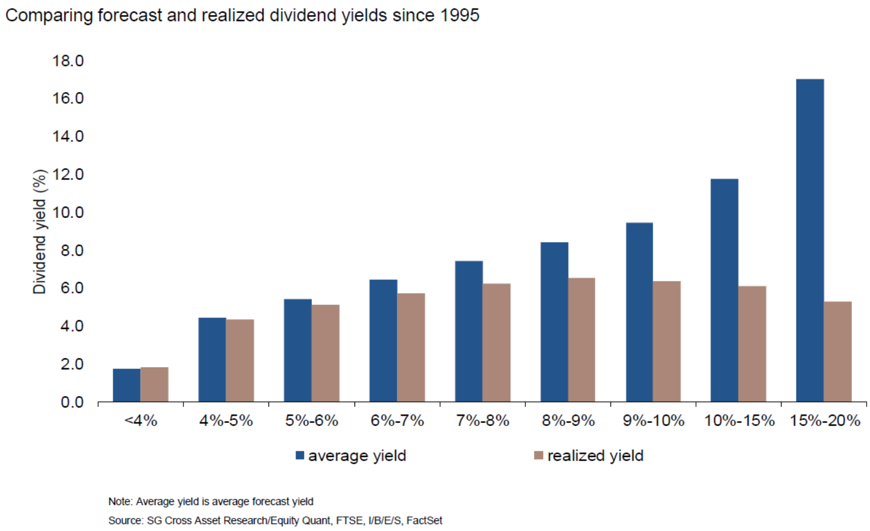


Figure 7: Forecast realised dividend yields since 1995. Data to 30th June 2022. Source: SG Cross Asset Research, FTSE, IBES.

The good news for long-term investors is that following the declines seen in Q2 European equities look better value than at any time since the Euro crisis relative to history and any time since the GFC relative to US multiples.

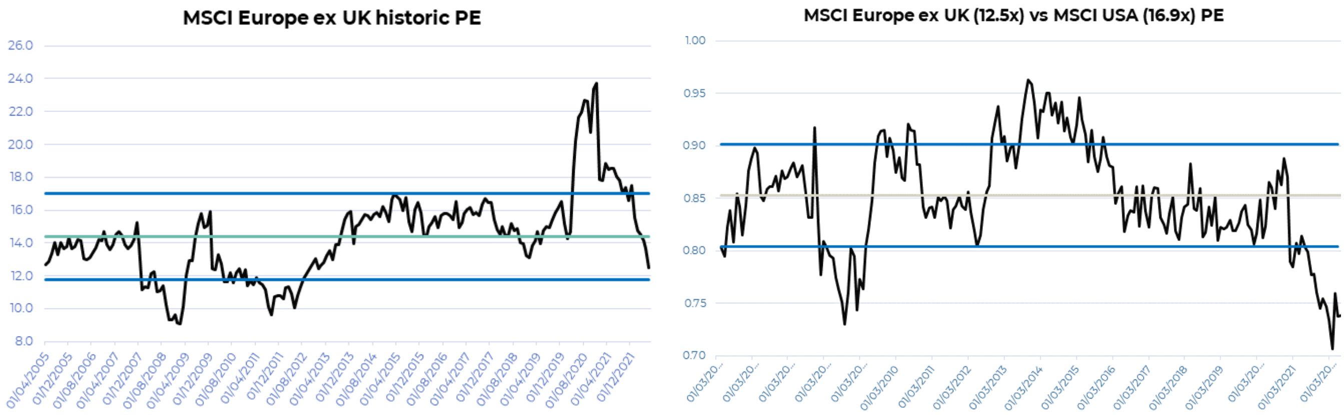


Figure 8: MSCI Europe ex UK historic PE (LHS) and relative to MSCI USA (RHS). Source: Bloomberg data

PERFORMANCE DRIVERS

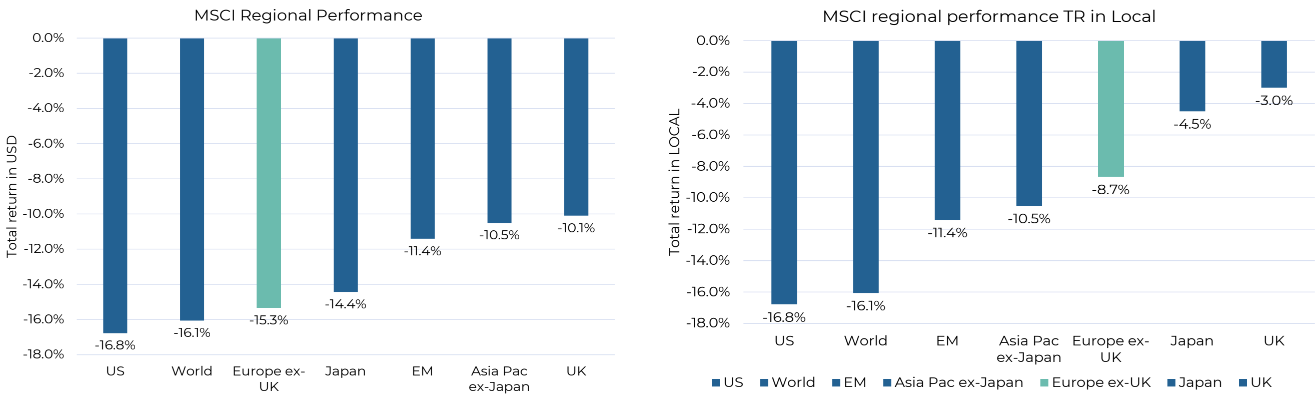


Figure 9: MSCI World Index geographic total return breakdown for Q2 2022, in USD (left) and Local currency (right). Europe in light green. Source: Bloomberg data

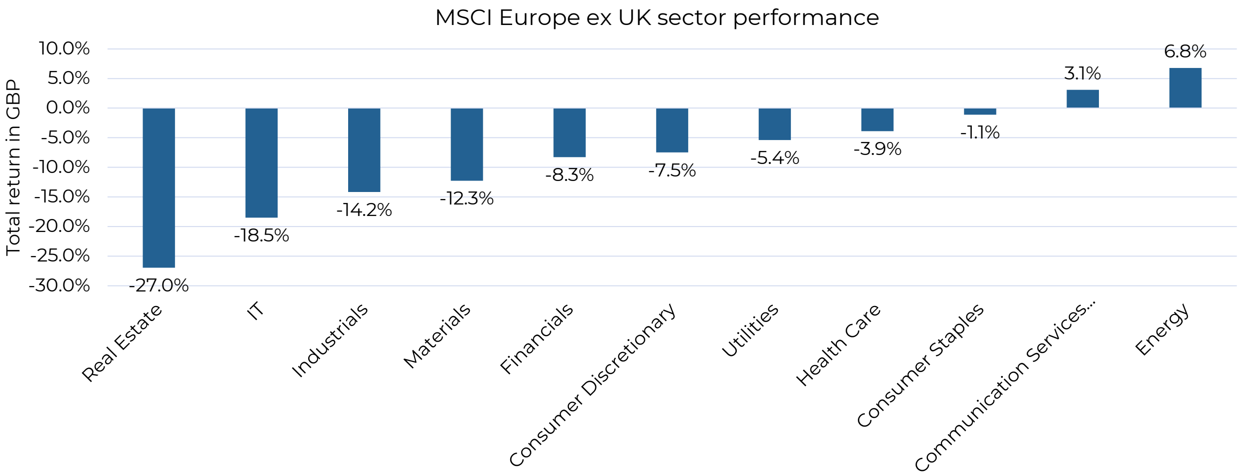


Figure 10: MSCI Europe ex UK Index sector total return breakdown for Q2 2022, in GBP. Source: Bloomberg

Q2 saw the pace of acceleration across commodity sectors abate and quality defensive sectors Consumer Staples and Health Care outperform as investor concerns moved from inflation to focus on slowing growth, including the possibility of recession particularly in the event of a complete cessation of Russian gas flows.

Our **Consumer Staples** holdings both outperformed as investors increased allocations to defensive quality. With **Danone** and **Nestle** both benefitting from increased infant formula shipments from Europe to the US after Abbot Labs' product recall, and Danone additionally from reports of interest in its Dairy division by Lactialis. The upcoming listing of Glaxo and Pfizer's consumer health JV Haleon could also have positive implications for players focused on health and nutrition. We see potential for portfolio optimisation to work to the benefit of our holdings, with Danone, **Unilever** and **Henkel** all potentially in the earlier stages of reorganisation and Nestle coming towards the end of the most significant likely changes to its portfolio. Q1 results underscored the sector's historic ability to pass on price increases with price accounting for the majority of top line growth. The normalisation of out of home activity is also welcome news for the sector after the last couple of years.

Novo Nordisk was once again the star performer among our **Health Care** holdings. Over the quarter we started to see the market take a real interest in the scale of the opportunity represented by the Obesity segment, ahead of the Wegovy GLP1 relaunch. It wasn't long ago that sales here were a negligible portion of Novo's earnings.

Now some estimates see total Obesity market sales matching Diabetes market sales in the US over time, or around $35bn.

Across **Financials** our exchange holdings were in aggregate the best performing, off a couple of percent. **Deutsche Boerse** is in a notably good place having forecast no revenue uptick from cyclical activity, only 5% Secular and 5% from M&A, while the revenues generated from the former / cyclical activity rose 11% at Q1. With Eurex's interest rate derivatives now at the centre of a boom in activity as rates pick up after years of lean activity. Similarly the EEX commodities division, where the Deutsche Boerse has been taking share anyway, is now seeing a surge in activity as normally steady power markets are disrupted. **Euronext** will also start to see increased returns on cash held in its clearing business as we move into 2023. Meanwhile our Insurers continue to look good value and should all benefit from the upcoming pick up in interest rates.

The fund did well, particularly given our largest overweight sector **Industrials** was near the bottom of the quarterly Index performance table. The market's knee-jerk reaction to the tragic events unfolding on Europe's doorstep look at odds with the likely outcome that events will drive an acceleration in the energy transition amid the overall need to achieve energy security and increased European self-sufficiency. A view supported by management commentary around Q1 results, with **Thales** citing 15-year visibility on a defence up cycle. **Deutsche Post** benefitting from the trend to increased outsourcing as customers look to transform supply chains, and **Schneider Electric** highlighting market share gains and an "acceleration of electrification, energy efficiency, electricity 4.0 and industry 4.0". **Epiroc** discussed positive long-term trends across infrastructure, climate, digitalisation, automation and electrification and introduced Mobius for Drills platform enabling greater mine automation and connectivity. **ABB**'s results highlighted the process automation division as firmly back in business as a whole new capex cycle unfolds across energy and materials. While **Assa Abloy** reported 14% organic sales growth and market share gains off its smaller US competitor Allegion. **Konecranes**, the most capital intensive sector holding, managed to offset rising input costs with price rises and reported robust high service division margins; and looks in pole position to enable new capex cycles across offshore wind, nuclear and other resource sectors in need of state of the art industrial and ports lifting automation equipment.

Similarly, in Consumer Discretionary **Mercedes-Benz** looks in a strong position to drive sales through mix shift to luxury and EVs, and in Materials **Smurfit-Kappa's** main customer is the stable FMCG / Consumer Staples industry and is vertically integrated from forest to packaging, mitigating much input and supply chain risk. **Universal Music**, in the Communications Services sector, gave up some recent gains in sympathy with the sell off in the tech sector, but remains in an enviable position with 33% global music rights market share via a fixed cost back catalogue against just c.7% smartphone music streaming penetration.

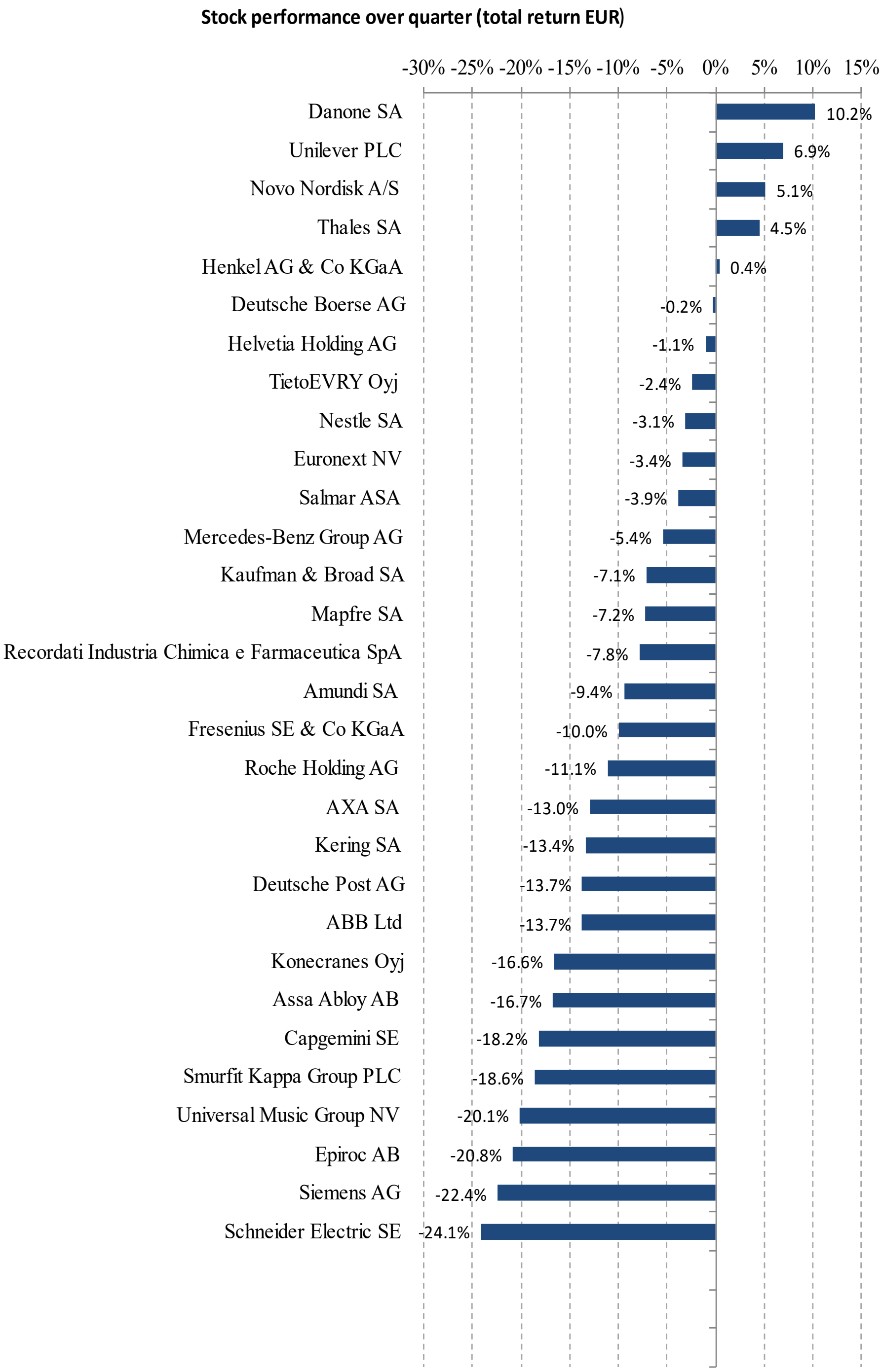


Figure 11: Fund holdings performance breakdown for Q2 2022 in EUR. Bloomberg (data as at 30.06.2022).

POSITIONING

The Guinness European Equity Income Fund is characterised by a high 83% active share against the Europe Ex UK benchmark. Our focus on companies with good track records that are in charge of their own destiny and have the potential to deliver high and rising returns for a long-time to come means the fund has no exposure to commodity and regulated sectors like Utilities, Real Estate, Energy and banks. Meanwhile, sectors like Industrials, Consumer Staples, Financials and Information Technology, in which your fund is overweight, hold many high quality and scalable companies. All holdings in the fund use technology well.

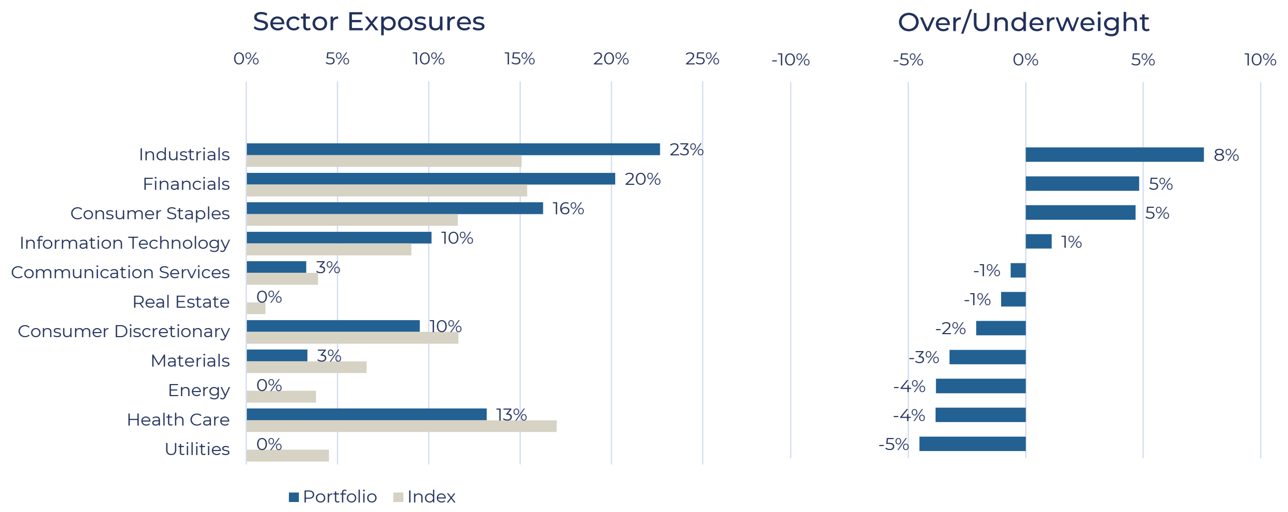


Figure 12: Sector over/underweight % breakdown of the fund versus MSCI Europe ex UK Index. Guinness Global Investors, Bloomberg (data as at 30.06.2022).

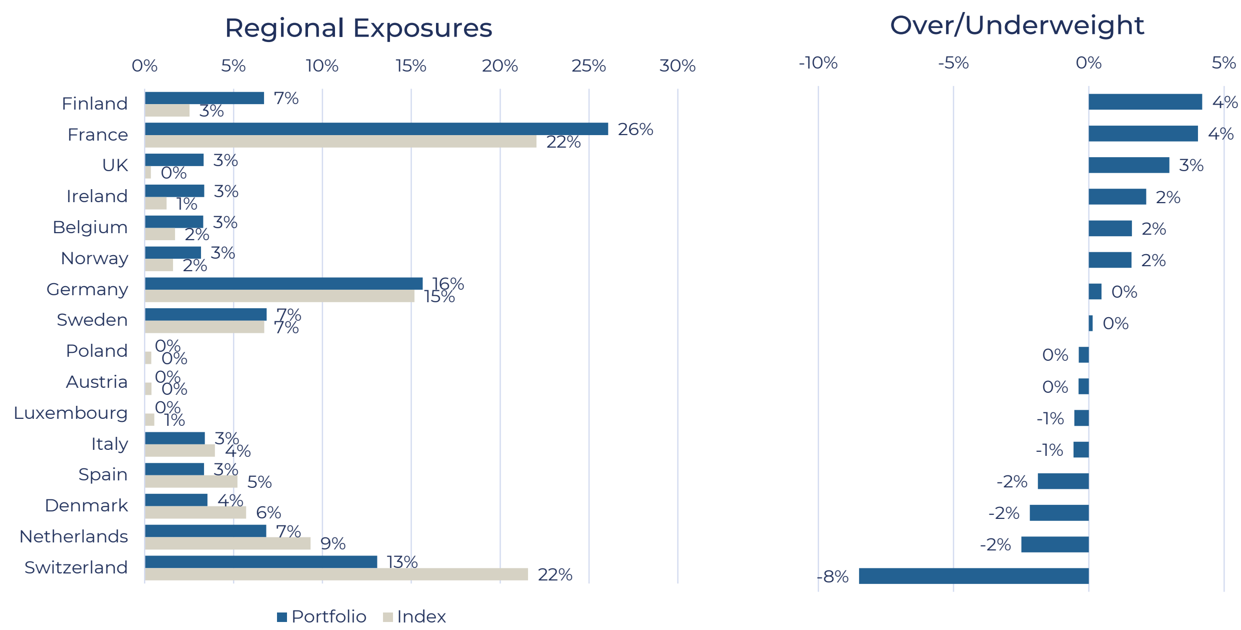


Figure 13: Regional breakdown of the fund versus MSCI Europe ex UK Index on a geographic basis. Guinness Global Investors, Bloomberg (data as at 30.06.2022).

The Guinness European Equity Income Fund's country over and underweight positions result from a pull between two factors. Naturally France and Germany represent high absolute weights in the index at 22% and 15% respectively; but it is also the case that we simply find a greater number of high-quality companies with strong prospects in Northern European "high-IP" markets with good corporate governance like Scandinavia.

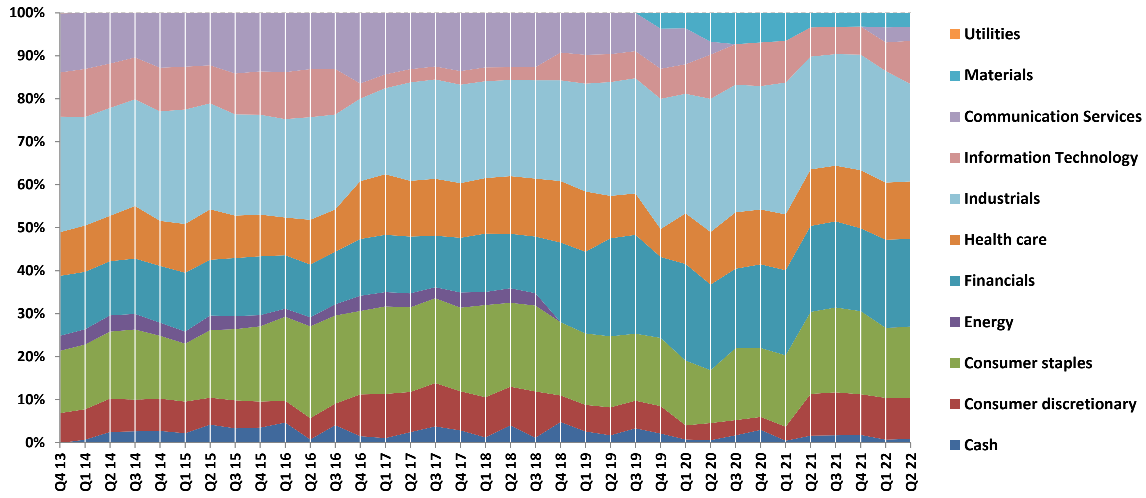


Figure 14: Portfolio sector breakdown at end Q2 2022

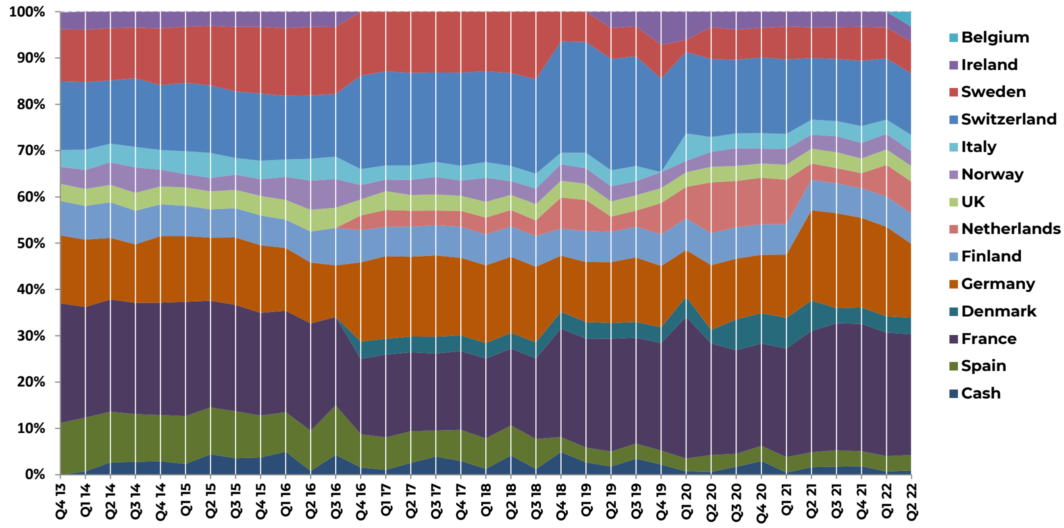


Figure 15: Portfolio geographic breakdown at end Q2 2022

DIVIDENDS

The Guinness European Equity Income Fund declared a class Z GBP distribution of 0.4066 per share in July 2022, a 32% increase over the July 2021 declaration of 0.3077 per share. With the majority of 2022 income in the bag and good visibility on outstanding income we will be able to report strong YoY dividend growth and new highs vs 2019 levels suggesting a lifetime CAGR in excess of 6% against fund inception date in 2013. Just four portfolio companies have kept dividends flat, meaning 24 have grown dividends vs 2021. On a last twelve-month (LTM) basis (January + July 2022 dividends) the fund dividend yield is **3.5%** (net), approximately in line with the MSCI Europe ex UK Index (gross) dividend yield. (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.)

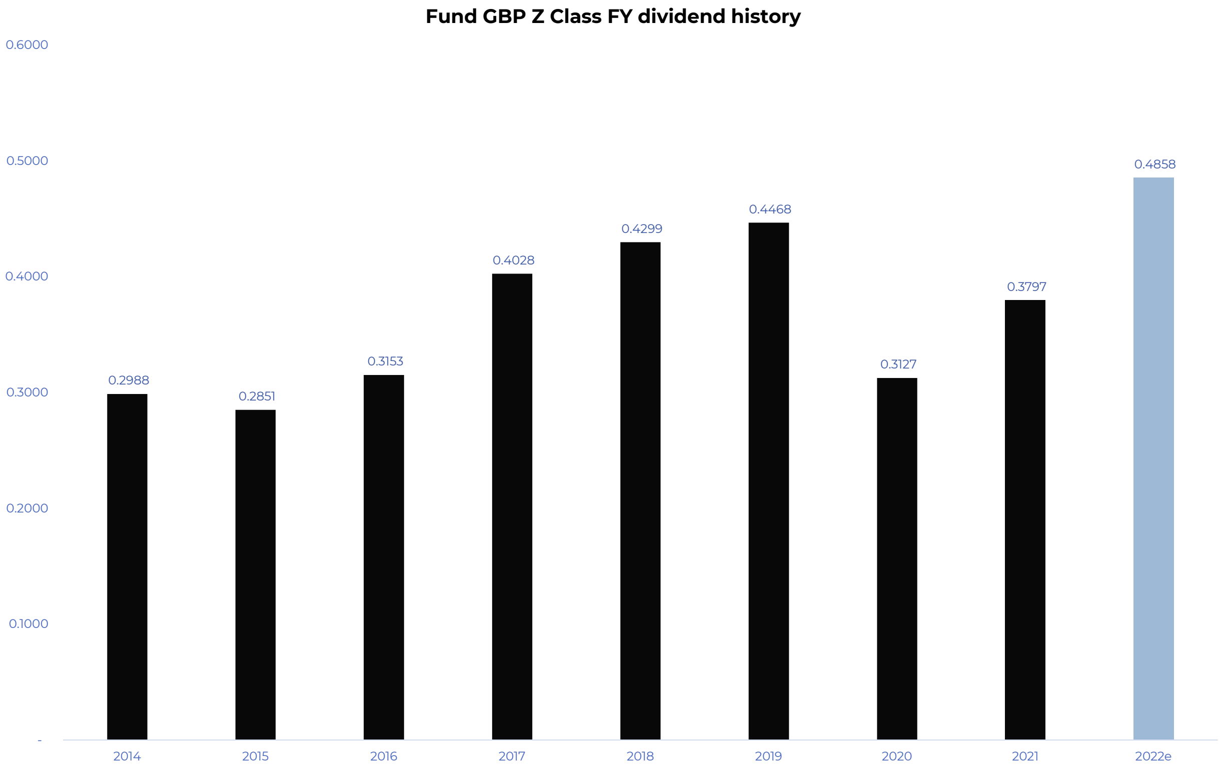


Figure 16: Fund GBP Z Class dividend history. Guinness Global Investors, Bloomberg (data as at 30.06.2022).

The fund offers an attractive combination of sustainable dividend yield and growth, supported by the Fund's focus on market leaders with identifiable barriers to entry, widening moats, aligned interests and long runways for growth. Many of our companies are global market leaders in their fields whilst simultaneously offering significantly higher levels of dividend yield than US peers. This can be seen in the chart below, which shows MSCI Europe ex UK sector dividend yields vs. MSCI US. Underscoring the message that an attractive moderate dividend yield does not have to come at the expense of quality. While the European Staples sector yield is below the US, portfolio holdings Nestle, Danone, Unilever and Henkel offer meaningfully higher dividend yields than closest US competitors P&G and Colgate.

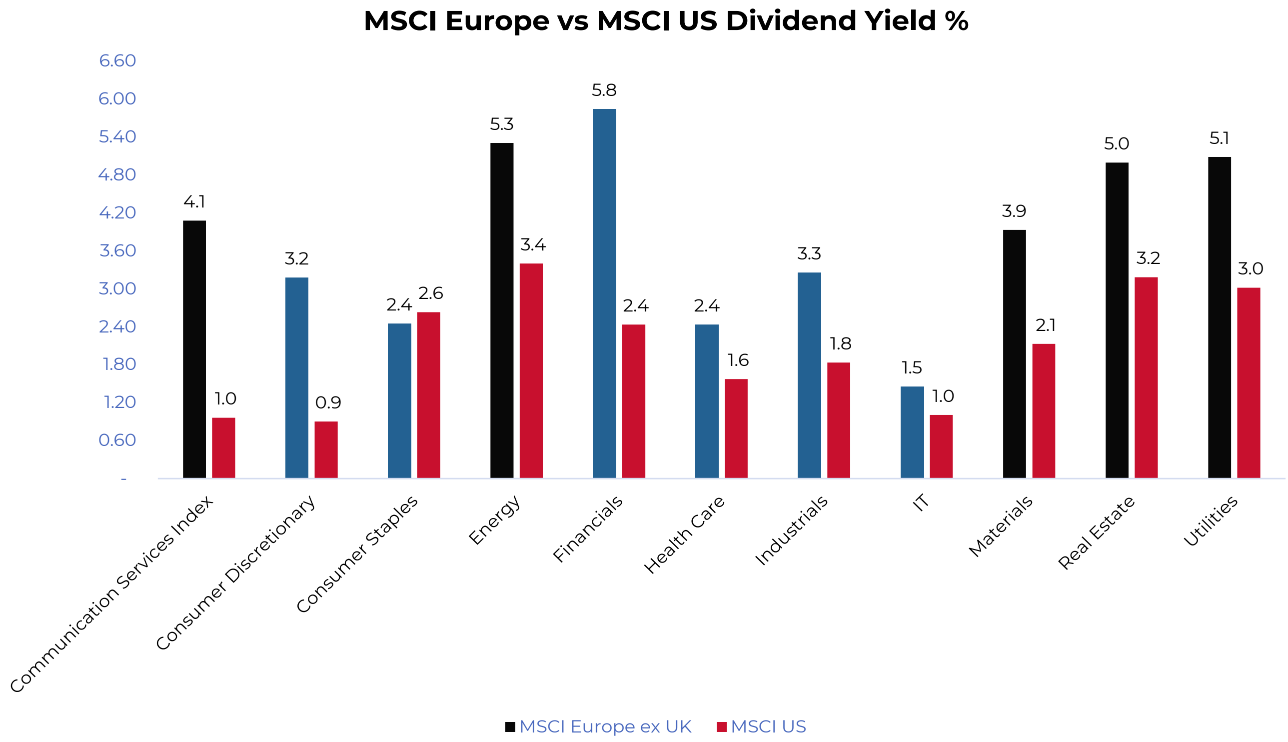


Figure 17: MSCI Europe vs MSCI US expected sector dividend yields. Source: Bloomberg (data as at 30.06.2022).

It is also worth again highlighting the attractions of European income against other regions and bonds, and inter-regionally, with European high IP market (Scandinavia + Switzerland & Netherlands) returns from dividend and price growth on a par with US and Asian dividend growth, as shown in figure 19 below.

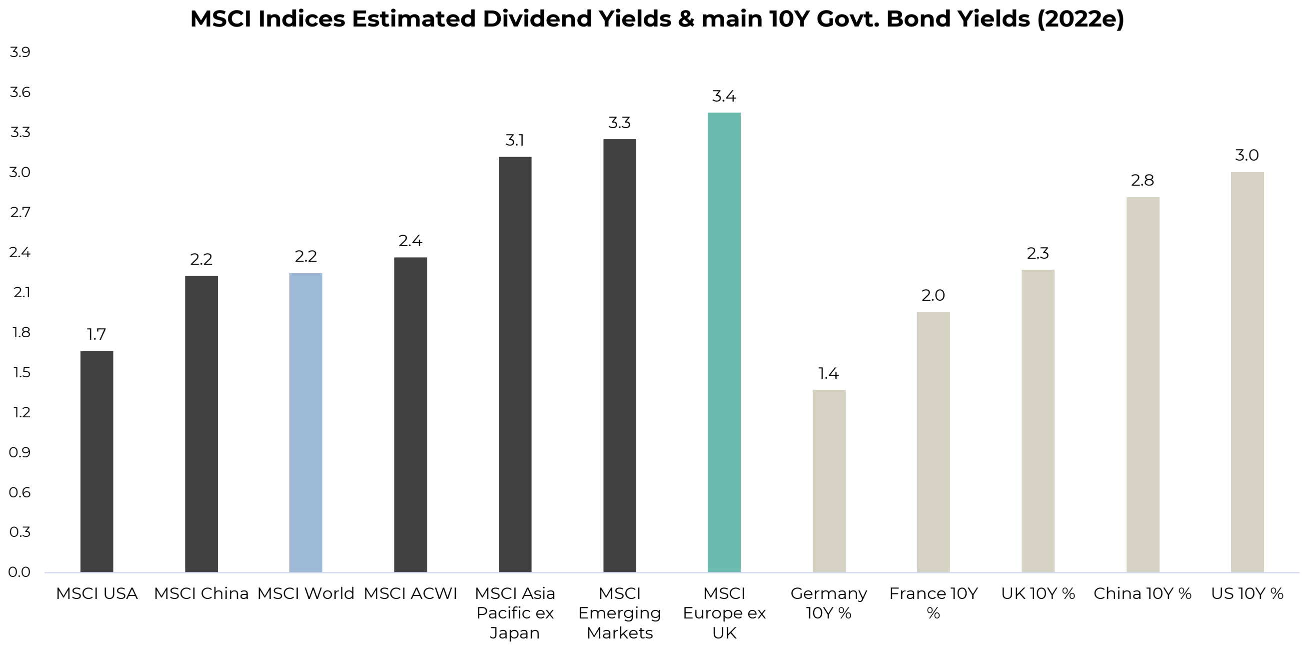


Figure 18: MSCI Europe ex UK vs regional dividend and bond yields. Source: Bloomberg (data as at 30.06.2022).

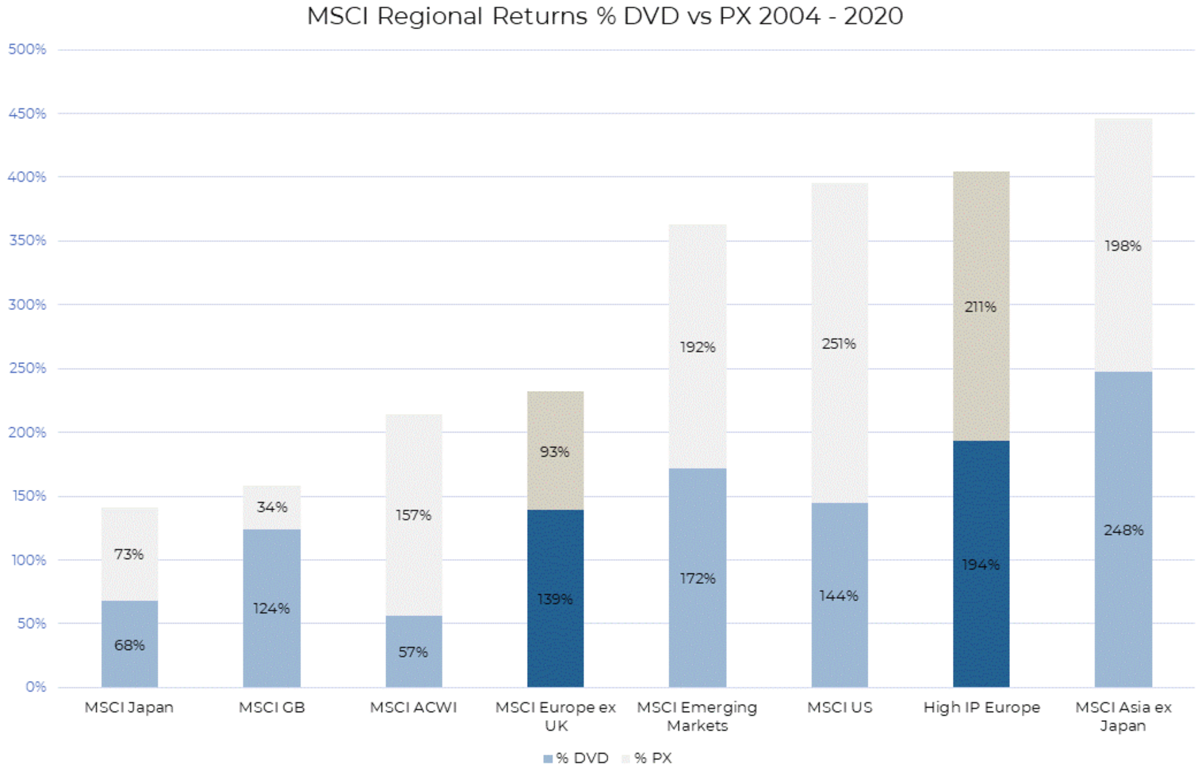


Figure 19: MSCI Europe ex UK and "High IP Europe" regional returns from dividend and price 2004 – 2020. Source: Bloomberg (data as at 30.06.2022).

PORTFOLIO HOLDINGS

Over the course of H1 2022 we made one change to the portfolio, buying **Melexis** against the sale of **Siemens AG** in June.

Melexis is a new position for the fund, replacing **Siemens**'s broad focus on German auto industrial efficiency and automation with far more specific exposure to analogue semiconductors and drivers focused primarily on the nascent electric vehicle (EV) market. The barriers to entry are high, with training periods for analogue chip designers typically well in excess of ten years and getting higher given the shift to increasingly long-term co-operation with customers. Product is in short supply after years of low investment and sector consolidation set against resurgent demand as OEMs accelerate the transition to electric and hybrid technology. Melexis focuses on niche markets where it can occupy number 1-3 market positions; with the largest of twelve areas by revenue being magnetic position sensors, current sensors, pressure sensors and temperature sensors. Key customers include BYD and Tesla alongside suppliers like Bosch, Continental and Sensata. Given the tight backdrop, ability to supply rather than scale is the key factor in winning new business. Here Melexis is in fair shape with parent company Xtrion (owning 50% and one share of Melexis) ensuring chip supply through its dual ownership of X-Fab, with potential for 15% annual supply increases to Melexis, from its new plant in Corbeil, France. Whether one looks at the still low proportion of EV's as a percentage of new cars or Melexis' nearer-term targets for 20 Melexis chips per car vs 13 today, this is a company with a long runway for growth and an innovation edge likely to be sustained by R&D spending at 12% of sales. For the fund this is a shift upwards in the quality spectrum enabled by a sharp market pullback in growth and quality (with Melexis earning approximately double the return on capital (+19%) vs outgoing Siemens, a net cash balance sheet, significantly higher gross and operating margins, a lower beta and a better dividend growth profile alongside a marginally higher dividend yield at 4.3% 2023e. Melexis doesn't have a dividend policy per se but the track record speaks for itself - a pristine balance sheet, low capital intensity, a historic payout in range of 50% - 70% and a long-term record for growing organically (with the last acquisition 10 years ago now). All supported by the presence of long-term shareholders and founders Mr. Roland Duchâtelet, Mrs. Françoise Chombar (Chair of Board) and Mr. Rudi De Winter (CEO X-Fab) on the shareholder register in the form of Xtrion (50% + 1 share). As such we think that it looks safe to say that this a company where excess capital looks likely to remain abundant and continue to be returned to shareholders in the form of an attractive growing dividend, for the long term.

The best two performing holdings over the quarter were **Danone** (+10.2% in EUR) and **Unilever** (+6.9%) while the worst two performing stocks ex Siemens were **Schneider Electric** (-24.1%) and **Epiroc** (-20.8%)

Danone was the best performing company over Q2 2022 following a strong Q1 update and capital markets day, and as markets increasingly favoured quality, value and defensive exposures. First quarter trading saw revenues advance by 7.1% of which 4.9% was driven by price underscoring Danone and the wider Consumer Staples sector's strong historic ability to pass on inflation – via small unit sized and priced branded products that make consumers feel or look great (such as Actimel and Activia within the Dairy division where there was unconfirmed reports of interest by industry peer Lactialis during the quarter). The market also welcomed new CEO Antoine De Saint-Affrique in Q2, from Barry Callebaut AG, with a wealth of requisite experience of both brand power and positioning and managing often volatile input costs. Right now, the market is mostly worried about the latter but may continue to be pleasantly surprised by trading given exposure to segments like water (Q1 sales +16%) characterised by pent-up demand as events and travel get back on track. While there also looks likely to be lasting structural tailwinds for Danone's health focused business lines like Specialist Nutrition post pandemic alongside stabilisation in China post lockdowns. The new CEO represents both continuity and progress, doubling down on brand innovation while at the same time emphasising fewer bigger brands and addressing the 25% of underperforming categories. This could translate into upside potential for operating margins towards the mid to high teens levels historically achieved. Dividend growth hasn't been stellar since the pandemic with two years of no growth, but the group payout ratio and net debt / equity are both back to c.60% suggesting more cheer could be in store for the upcoming 2022 dividend due to be announced and distributed in 2023. On a historic average earnings multiple of c.15x and dividend yield of c.4% we continue to see good potential for our holding in Danone.

Unilever was the second best performing holding over Q2 2022 and managed to report an 8.2% increase in price at Q1 driving 7.3% underlying sales growth, with notable strength in its Beauty Care and Functional Nutrition segments, alongside market share gains in the Home Care division. A good combination of attractive brands and increasingly high-IP products at the core of good pricing power. We would not disagree that consumer spending power may wane as the year progresses, but Unilever isn't priced for much on under 12x 2023e EV/Ebitda vs a 10Y average of c.13x – the lowest multiple since 2013 – and offers a 4% dividend yield while we wait. The move to reorganise the portfolio into five decentralised incentivised divisions holds the potential to improve agility and breathe new life into divisions via increased portfolio rationalisation without the need for large one-off acquisitions. The possibility of more significant reorganisation is also alive after the shift in domicile to London, and the quarter saw Nelson Peltz's activist Trian Fund Management company gain a seat on the board after acquiring 1.5% of company shares. If events at P&G are a guide we'd expect to see a focus on underperforming brands alongside reducing bureaucracy and entrenched interests and a continued emphasis on long-term thinking, alignment of incentives and customer first. P&G's net margin improved by just over 20% over the five years that Trian held and worked with P&G and today sits nearly 50% above Unilever's. In the current environment margin expansion may prove challenging in the short-term but the potential for optimisation is evident. In the meantime we are paid to wait, and the group's nearly 60% exposure to emerging markets means that the long-term runway continues to look good with demographics remaining on our side.

Schneider Electric (-20.8%) was the weakest fund holding over the second quarter of 2022 as the market worried about the impact of Chinese lockdowns (c.16% sales), Russia/Ukraine and soaring oil prices on economic activity. Nearly all of which is noise in our view, to what is arguably the best positioned global enabler of the transition to electrical and digital. Recent market weakness has bought the rating back in line with its 10Y average on ~15x forward earnings, for the global market leader in low voltage and digitalisation across industry, buildings, infrastructure and data centres. Barriers to entry are high given that electricians tend to be trained and specialise on one brand, and product is usually critical to the workings of a much larger operation. The shift to increased software and system-based sales, which tend to require remote monitoring and maintenance, is also widening the moat and driving increased levels of recurring revenue, which is in turn worth a higher multiple of earnings. Once installed in a customer's operations it also expensive and time consuming for customers to switch to a competing operator. If anything, recent events only look likely to accelerate the transition to electrical as high oil prices encourage investment in energy efficiency and Europe looks to become more self-sufficient and wean itself of Russian hydrocarbons. In short, the current setback appears at odds with fundamentals and the long-term opportunity for a company that looks likely to remain a core Fund holding for a long time to come.

Epiroc was the second worst performing fund holding over the quarter. Here again high energy prices and disruption from the Russia/Ukraine conflict led to slowing growth expectations and saw prices of industrial and precious metals fall as the quarter continued. But as for Schneider Electric events look likely to accelerate demand for metals critical to the climate transition, and also potentially precious metals in demand as a hedge against inflation. Epiroc is in a very strong position as the global market leader (some 2x larger than its nearest competitor) in clean, efficient and automated hard rock drilling equipment with approximately 60% global market share, and some 75% of sales stemming from recurring aftermarket and service activities. Approximately 75% of sales relates to mining end markets and 25% to infrastructure. Product is mission and safety critical to customers, and effectively nowadays a license to operate for a vital but dirty industry. Declining ore grades along with the energy transition look set to drive increased demand, and the former also means increased drilling intensity which is all good news for Epiroc driving demand for aftermarket sales. Similarly industry downturns tend to have an element of counter cyclicality for Epiroc as customers hold off on new equipment purchases and use old equipment for longer to the benefit of parts and service sales. Epiroc is a highly profitable company generating returns on invested capital of over 30%, operating an agile capital-light model with Epiroc only making the brains (software, digital) and core IP in house. An open architecture means products are interoperable and suitable for mixed fleets, meaning Epiroc is the industry supplier of choice (vs closed end peers like Caterpillar and Komatsu). Barriers to entry are remarkably high given the large installed base of equipment embedded in customer operations and getting higher given the trend to increased digital remote monitoring and predictive maintenance. Over the cycle Epiroc targets an 8% CAGR with potential for additional upside to margins from scale, service and efficiency gains. In conjunction with a pristine balance sheet and large net cash balance, this all points to strong potential for continued high cash returns to shareholders along with special dividends and or share buybacks.

KEY FUND METRICS

		Guinness European Income Fund	MSCI Europe ex UK Index	Guinness Delta vs. MSCI Europe
Quality	Debt / equity %	72.8	204.9	-132.1
	Net debt / Equity %	37.8	47.6	-9.9
	ROE %	23.5	11.1	12.4
Value	PE (2023e)	11.7	12.0	-0.3
	FCF Yield %	6.6	6.3	0.3
Dividend	Dividend Yield (Best) % gross	4.2 *	3.7	0.5
	Weighted average payout ratio %	54.0	73.0	-19.0
Conviction	Number of stocks	30	344	-314.0
	Active share	82	NA	

*Figure 7: Key Fund metrics vs MSCI Europe ex UK Index at end May 2022. Source: Bloomberg data. *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.*

OUTLOOK

Events that one would have been hard pushed to imagine have pushed Eurozone consumer confidence down to multi-decade lows and seen European equities fall back to valuations last seen in the Euro Crisis. Your fund is overweight Staples, Financials and Industrials, areas of the market that are well placed to capitalise on a period of higher investment and inflation. The combination of world-class innovation and a progressive dividend culture means investors can come to Europe and achieve premium levels of income without giving up on quality. The market is not the economy, and the bottom will have come well before we see what level earnings trough at. Your fund holds a portfolio of companies that have the balance sheet strength and flexibility to emerge from the current environment stronger. Many of them are also enablers of the structural trends that look set to be accelerated by recent events. Meanwhile Europe itself should also benefit from increased agility and self-sufficiency in terms of both its resources and decision-making ability.

Whatever the weather, your fund is well balanced across companies characterised by persistent high cash returns and strong balance sheets, alongside high levels of self-determination, namely, identifiable barriers to entry, strong market positions, widening moats, aligned interests and long runways for growth. Based on the above table, holistically, this high-conviction fund has companies which are better quality at better value versus the index.

Thank you for your continued support.

Portfolio Manager

Nick Edwards

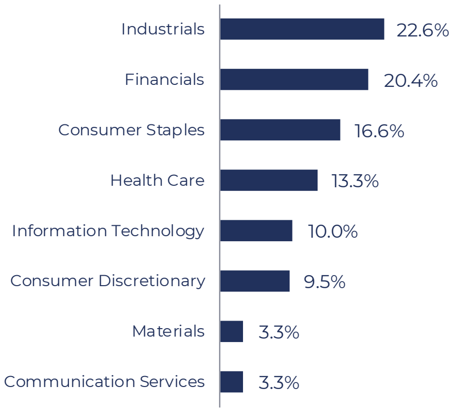
Guinness European Equity Income Fund

PORTFOLIO

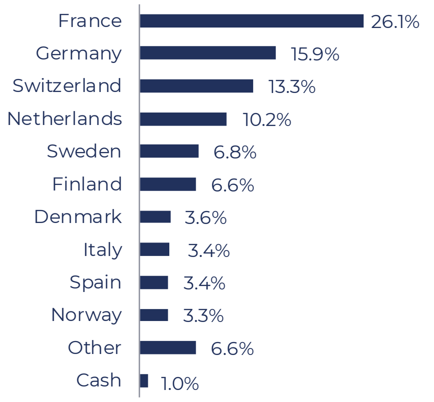
Fund top 10 holdings

Tieto	3.6%
Euronext	3.6%
Novo Nordisk	3.6%
Deutsche Boerse	3.4%
Recordati SpA	3.4%
Thales SA	3.4%
Assa Abloy AB	3.4%
Epiroc AB	3.4%
Helvetia Holding	3.4%
Roche Holding	3.4%
% of Fund in top 10	34.7%
Total number of stocks	30

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Annualised % total return from launch on 19/12/2013 in GBP — **30/06/2022**

Fund (Y Class, 0.89% OCF)
MSCI Europe ex UK Index
IA Europe ex UK sector average

Discrete years % total return (GBP)	Jun '22	Jun '21	Jun '20	Jun '19	Jun '18	Jun '17	Jun '16	Jun '15
Fund (Y Class, 0.89% OCF)	-8.1	24.2	-5.4	11.9	-3.0	29.2	12.7	-3.3
MSCI Europe ex UK Index	-10.6	21.8	-0.0	7.3	1.8	28.0	4.9	0.7
IA Europe ex UK sector average	-12.6	23.7	0.9	3.3	3.1	29.2	4.5	4.2
Fund vs sector	4.5	0.4	-6.3	8.6	-6.1	0.0	8.2	-7.4

Cumulative % total return (GBP)	1 month	YTD	1 year	3 years	5 years	Launch*
Fund (Y Class, 0.89% OCF)	-5.4	-11.2	-8.1	7.8	17.0	71.9
MSCI Europe ex UK Index	-7.0	-15.4	-10.6	8.9	18.9	68.4
IA Europe ex UK sector average	-8.5	-17.2	-12.6	9.0	16.1	69.3

RISK ANALYSIS — **30/06/2022**

Annualised, weekly, from launch on 19/12/2013 in GBP	Index	Sector	Fund
Alpha	0.00	1.05	0.53
Beta	1.00	0.87	0.95
Information ratio	0.00	0.04	0.02
Maximum drawdown	-25.02	-24.43	-30.36
R squared	1.00	0.89	0.91
Sharpe ratio	0.23	0.26	0.24
Tracking error	0.00	5.30	4.98
Volatility	16.07	14.85	16.00

*Fund launch date: 19.12.13.

Fund returns are for share classes with a current Ongoing Charges Figure (OCF) of 0.89%; returns for share classes with a different OCF will vary accordingly. Source: FE fundinfo bid to bid, total return.

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 Guinness European Equity Income Fund. It may provide information about the Fund's portfolio, including recent activity and performance. It contains facts relating to the equity markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report.

This document is provided for information only and all the information contained in it is believed to be reliable but may be inaccurate or incomplete; any opinions stated are honestly held at the time of writing, but are not guaranteed. The contents of the document should not therefore be relied upon. It should not be taken as a recommendation to make an investment in the Fund or to buy or sell individual securities, nor does it constitute an offer for sale.

Risk
The Guinness European Equity Income Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. The value of an investment and the income from it can fall as well as rise as a result of market and currency movement, and you may not get back the amount originally invested. Details on the risk factors are included in the Fund's documentation, available on our website. Shareholders should note that all or part of the fees and expenses will be charged to the capital of the Fund. This will have the effect of lowering the capital value of your investment.

Documentation
The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available in English from www.guinnessgi.com or free of charge from:-

- the Manager: Link Fund Manager Solutions (Ireland) Ltd (LFMSI), 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland; or the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

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

Investor Rights
A summary of investor rights in English is available here:https://www.linkgroup.eu/policy-statements/irish-management-company/

Residency
In countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful, the Fund should not be distributed to resident Retail Clients. **NOTE: THIS INVESTMENT IS NOT FOR SALE TO U.S. PERSONS.**

Structure & regulation
The Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and authorised and supervised by the Central Bank of Ireland, which operates under EU legislation. If you are in any doubt about the suitability of investing in this Fund, please consult your investment or other professional adviser.

Switzerland
This is an advertising document. The prospectus and KIID for Switzerland, the articles of association, and the annual and semi-annual reports can be obtained free of charge from the representative in Switzerland, Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva, Switzerland, Tel. +41 22 705 11 77, www.carnegie-fund-services.ch. The paying agent is Banque Cantonale de Genève, 17 Quai de l'Ile, 1204 Geneva, Switzerland.

Singapore
The Fund is not authorised or recognised by the Monetary Authority of Singapore ("MAS") and shares are not allowed to be offered to the retail public. The Fund is registered with the MAS as a Restricted Foreign Scheme. Shares of the Fund may only be offered to institutional and accredited investors (as defined in the Securities and Futures Act (Cap.289)) ('SFA') and this material is limited to the investors in those categories
Telephone calls will be recorded and monitored.