Guinness Sustainable Global Equity Fund

Investment Commentary – July 2022

This is a marketing communication. Please refer to the prospectus and KIID for the Fund, which contain detailed information on the Fund's characteristics and objectives, before making any final investment decisions. Past performance does not predict future returns.

ABOUT THE FUND

Launch date	15.12.2020
Index	MSCI World Index
Sector	IA Global
Team	Sagar Thanki CFA Joseph Stephens CFA

Aim

The Fund is a global growth fund designed to provide exposure to high quality growth companies, with sustainable products and practices. The Fund holds a concentrated portfolio of midcap companies in any industry and in any region. The Fund is actively managed and uses the MSCI World Index as a comparator benchmark only.

RISK

Lower risk			Risk & reward			Higher risk
1	2	3	4	5	**6**	7
Typically lower rewards						Typically 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, and you may not get back the amount originally invested.

PERFORMANCE

Past performance does not predict future returns

30/06/2022	YTD	1 Yr	Launch*
Fund	-20.4	-9.4	2.3
Index	-11.3	-2.6	8.8
Sector	-14.5	-8.8	1.6

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 15/12/2020. 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.

QUARTER IN REVIEW

In the second quarter of 2022, the Fund returned -11.04% (in GBP) whilst the MSCI World Index returned -9.31% (in GBP). The Fund therefore underperformed the Index by 1.73% over Q2.

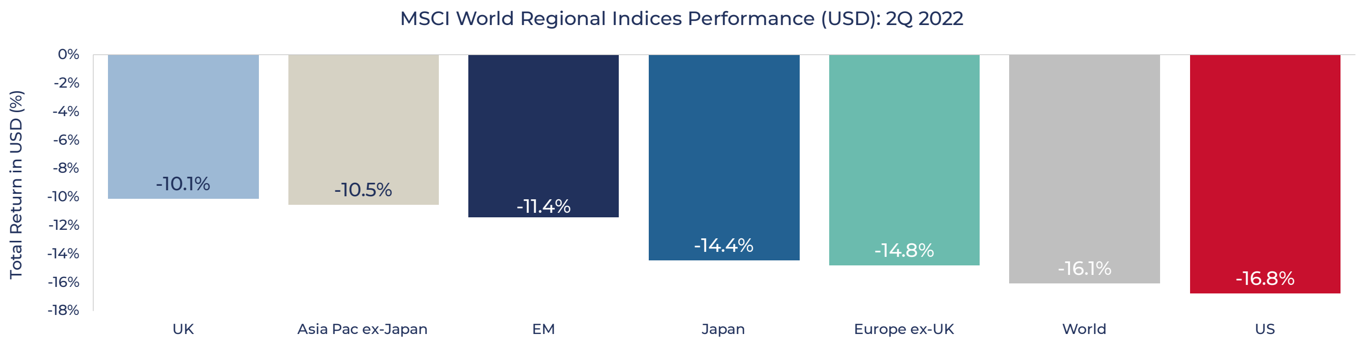
Over the year to date, the Fund returned -20.39% (in GBP), whilst the MSCI World Index returned -11.34% (in GBP). The Fund therefore underperformed the Index by 9.05% over period.

Global equity markets continued their downward trend in Q2, leading to the worst first-half performance for developed equity markets in more than 50 years. Some key markets, such as the S&P 500 and Stoxx 600, entered bear market territory, following declines in excess of 20%.

In the context of rapidly accelerating inflation, the first quarter saw global central banks pivot sharply towards more hawkish monetary policy, with the outbreak of war in Europe also heavily denting sentiment and adding further stress to global supply chains.

Similar themes echoed across markets into the second quarter, with inflation continuing to run at 40-year highs in the US, and 30-year highs in Europe. As markets priced in higher and more rapid rate increases, equities continued on their downward trajectory.

Around the beginning of June, the possibility of recession became 'front of mind', driving further poor performance across equity markets, and a 'flight to safety' towards more defensive areas of the market. All major markets suffered declines in excess of 10% (in USD terms).



Source: Bloomberg. Data as of 30th June 2022

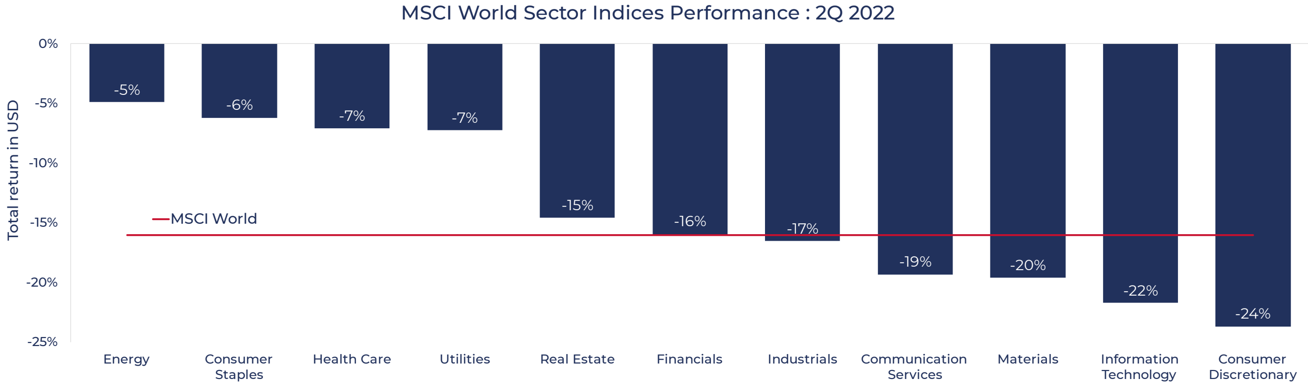
Inflation continued to accelerate across regions throughout the second quarter due to a range of contributing factors. With global economies unlocking themselves from Covid-19 induced lockdowns at varying rates, global supply chains continue to suffer numerous pressure points, driving disruption in manufacturing and delivery. Further coronavirus outbreaks in China (Shenzhen and Shanghai), led to subsequent lockdowns and shutdowns of manufacturing, a reminder that the world is still very much subject to Covid related-struggles. This impact was often noted in corporate earnings as upstream manufacturers struggled to get products into Chinese factories, and downstream retailers dealt with disruption to inventories. The Russia-Ukraine war complicated the situation further, particularly in areas of close proximity and those with close economic ties. Political tensions between Europe and Russia exacerbated the energy crisis, a core component of the acceleration in inflation, as concerns over the security of supply have caused spikes in oil and gas prices.

These inflationary pressures have led to a high level of volatility in market interest rates expectations over 2022, with the speed and magnitude of rate hikes by global central banks brought to the forefront of investor attention. It was not until the end of November last year that the Fed "retired" the word transitory from describing inflation. Since then, the Fed has delivered rate hikes of 25bps, 50bps (the first 50bps hike since 2000) and 75bps (the first 75bps hike since 1994) in three successive FOMC meetings. 'Higher-duration' growth stocks – firms whose expected future cash flows are weighted further into the future - were hit particularly hard, causing a relative rotation into value names.

The Fed's difficult balancing act – taming inflation without significantly crimping growth – was brought firmly into focus towards the end of May, with Jay Powell, the chair of the Federal Reserve, stating that the Fed couldn't guarantee a soft landing. Solidifying these concerns were signs of downward pressure on the economic growth outlook and investors went from worrying about inflation, to also worrying about a recession. Markets subsequently began to anticipate a hiking programme that would finish by 2023, followed by a number of cuts in the second half of 2023 – the implication being that the Fed would need to cut rates to revive economic growth by that point. This saw yields fall, and in contrast to the rest of 2022, led to a relative outperformance of growth stocks.

In the context of inflation and a perceived risk of recession increasing over the quarter, investors moved into defensive areas of the market. Whilst Energy was the top-performing sector due to exogenous factors and the continued high oil price, traditional defensive sectors such as Consumer Staples, Health Care, and Utilities all significantly outperformed over the period. More cyclical sectors, such as Technology, Consumer Discretionary and Materials, significantly underperformed. Whilst value outperformed overall, growth outperformed in the final month of the quarter. This late quarter move was not necessarily a reflection of 'risk-on' sentiment, but a result of falling yields seemingly driving growth stock valuations higher, a fall in the oil price (which, if sustained, would help lower inflationary pressures), and market expectations of future inflation levels (as measured by breakeven rates) also falling alongside.

Guinness Sustainable Global Equity Fund



Source: Bloomberg. Data as of 30th June 2022

During the second quarter, relative portfolio performance can be attributed to the following:

- Value strongly outperformed growth (although both declined over Q2) albeit with a late rotation back in favour of growth mid-June. This was a drag on Fund performance. However, we would note the growth stocks hit hardest have been the more speculative end of the market, where we do not invest.
- The Fund's zero exposure to the Consumer Discretionary sector was a positive contributor to Fund performance as the sector ended Q2 22 as the weakest sector.
- Industrials was the largest sector drag on relative performance as several holdings including Trex and Interroll, which were the top performers over 2021, rotated into weakness as the market re-rated those higher-valued stocks.
- Two sectors in which we do not have exposure, Energy, and Consumer Staples, were the largest drags on performance after these areas performed strongly over Q2.

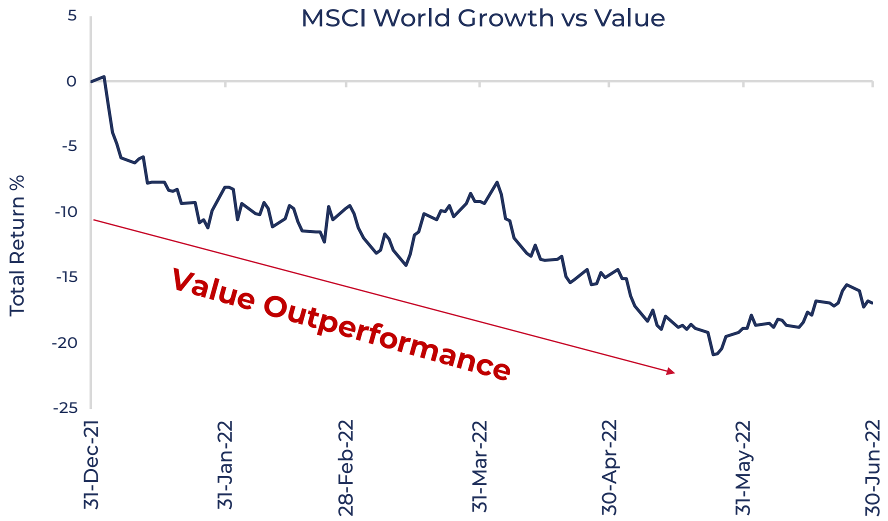
Whilst the rotation to growth has impacted the Fund in the short term, it is pleasing to see the Fund ranks 15th/44 since launch vs ESG peers*.

Total return in GBP as of 31.05.2022	YTD		1 Year	Rank (Quartile)	2021	Rank (Quartile)	Since launch	Rank (Quartile)
Guinness Sustainable Global Equity	-20.7%		-9.8%		27.8%		2.3%	
MSCI World	-11.6%		-2.9%		22.9%		8.7%	
Avg. ESG peer fund*	-19.1%	n/a^	-12.2%	19/44 (2nd)	17.0%	2/44 (1st)	-2.3%	15/44 (2nd)

Source: Bloomberg, Cumulative Total Return in GBP
**A custom universe of 44 funds created by screening the IA Global Sector for all Responsible, Sustainable and Impact funds which have similar investment policies and risk profiles to the Guinness Sustainable Global Equity Fund. ^YTD ranking not shown in order to comply with European Securities & Markets Authority rules*

PERFORMANCE REVIEW

Over the first half of 2022, there has been a significant divergence in performance between growth and value, a trend which was particularly pronounced over the first five months of the year. General themes of inflationary pressures and hawkish monetary policy have created an environment that is not conducive for strong equity performance on the whole. This is particularly the case for growth tilted names, as shown by the MSCI World Growth Index, which underperformed the MSCI World Value Index by 16.92% (in USD) over the first half of 2022 (MSCI World Value -11.79% (in USD) vs MSCI World Growth -28.71%), and by 8.43% vs the broad MSCI World Index, which was down -20.28%.

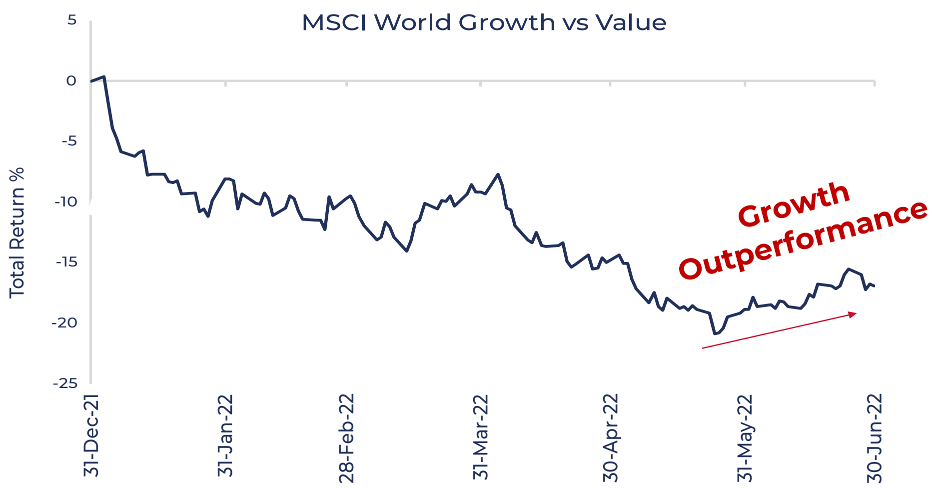


Source: Bloomberg. Data as of 30th June 2022

As inflation has continued to accelerate across economies globally, central banks have scrambled to decrease the money supply in order to counteract its impact. This has included the fastest rate of hiking cycles in 30 years, concurrent with large balance sheet reductions. As a result, we have seen yields rising across maturities, particularly at the shorter end of the spectrum, leaving a higher and flatter yield curve.

Yields are an important element when determining the discount rate for which many use to assess the valuation of a given stock's future cash flows. Growth stocks are typically 'higher-duration' in nature (compared to value stocks), meaning cash flows are weighted further out into the future. Since distant cash flows are more sensitive to changes in discount rates, growth companies are therefore also more sensitive to these changes. This has been a key driver of growth underperformance during 2022.

However, in the last month of the quarter, although a short period in which to get a meaningful read, there were indications that growth could be returning to favour.



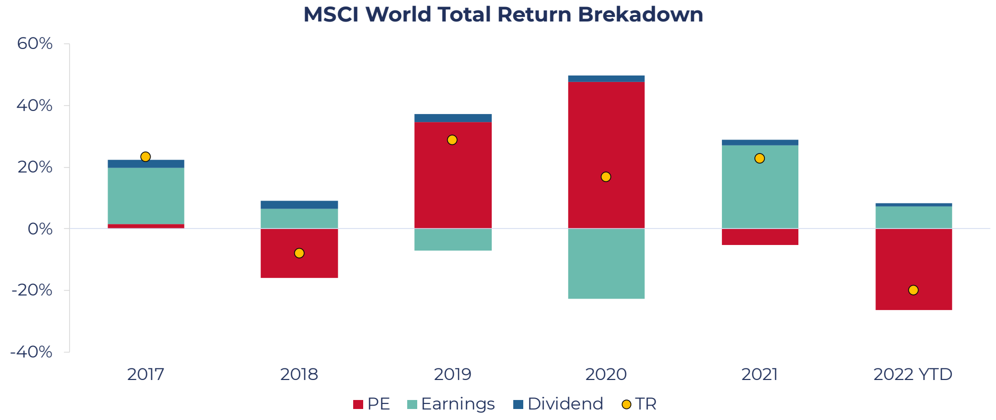
Source: Bloomberg. Data as of 30th June 2022

As mentioned previously, markets went from primarily worrying about inflation and slower growth, to worrying about a greater risk of recession. As central banks move aggressively in order to bring inflation under control, the market has become increasingly nervous that they will be unable to navigate the narrow path required to provide a 'soft landing'. Value stocks, which are typically more economically sensitive, have historically performed poorly when heading into recession but performed well in any recovery. Therefore, with limited economic growth expected in the near term, markets may have rotated towards stocks with stronger prospects for sustainable earnings. We also saw in June a falling oil price (which is a key component of inflation), market expectations of lower future inflation (as measured by breakeven rates), and expectations that the Fed to would need to begin cutting rates around the second half of 2023 (and may reach a lower 'terminal rate' in the current hiking cycle). However, we would note again that this was a short period, and the market is focused on upcoming inflation readings over the next few months in order to be able to establish a clear trend, and again note that outperformance does not necessarily equate to good performance.

Source: Bloomberg. Data as of 30th June 2022

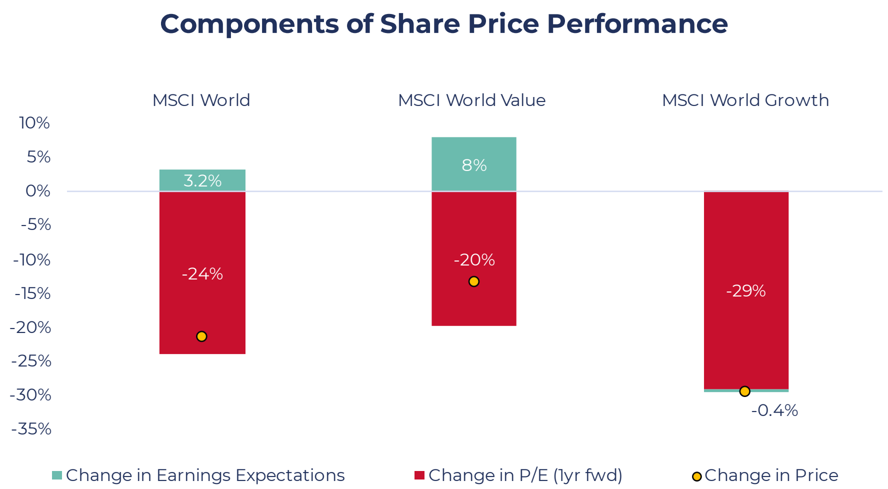
Where we are today

Despite the macroeconomic headwinds outlined above, it has been notable that analyst earnings expectations for 2022 at the index level have actually been upgraded by 3% since the beginning of the year. Multiple contraction has therefore been the driver of weak equity performance. In fact, the 1-year forward price-to-earnings (PE) multiple for the MSCI World Index has fallen from 19.6x at the beginning of the year, to 14.9x at the end of the quarter – a 24% decline.



Source: Guinness Global Investors, Bloomberg. Data as of 30th June 2022

This bear market contraction in multiple has been felt across sectors but has been most pronounced within the growth sectors – the MSCI World Growth Index 1-year forward PE ratio has declined 29% versus the MSCI World Value Index ratio down 20%. The outperformance of value relative to growth over the first half of the year has not however purely driven by multiple contractions. Decomposing the analyst estimates for the MSCI World Index, we can see that analysts have upgraded 2022 earnings by 8% for the MSCI World Value, whereas estimates for MSCI World Growth are marginally down.

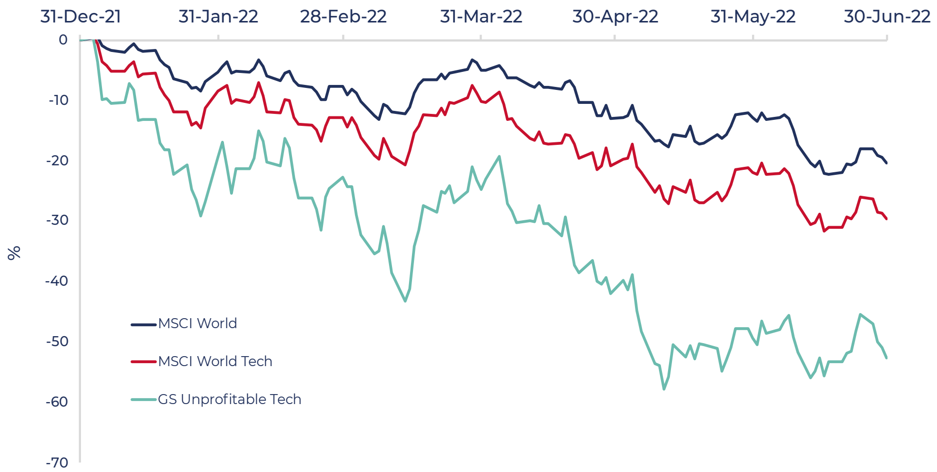


Source: Guinness Global Investors, Bloomberg. Data as of 30th June 2022

Whilst it is not obvious in which direction the economy will proceed (and, for example, even if we can agree a recession is likely), it seems more likely we are now in a period of lower growth. Therefore, we argue, as multiples have contracted significantly thus far, that further risk to the downside may be primarily driven by a decline in earnings expectations. Thinking about the risk to value and growth, we may also argue that there is greater risk to earnings for the Value Index as the change in earnings has been driven largely by the Energy and Commodity sectors which may be reasonably assumed not to be sustainable. In comparison, earnings expectations for the Growth Index have been modestly downgraded, which may limit further downside risk to prospects.

However, it is important to differentiate between cyclical and structural growth. If we are to proceed in a low-growth environment (and perhaps recessionary), it is even more crucial to be invested in quality businesses that can actually grow throughout – i.e. real earnings driven by structural shifts in demand such as those underpinning the Fund philosophy. The realisation that many 'Covid winners' may in fact be short-term winners has been felt hardest in the more speculative end of the growth spectrum, as illustrated by the weakness in the Goldman Sachs Unprofitable Tech Index.

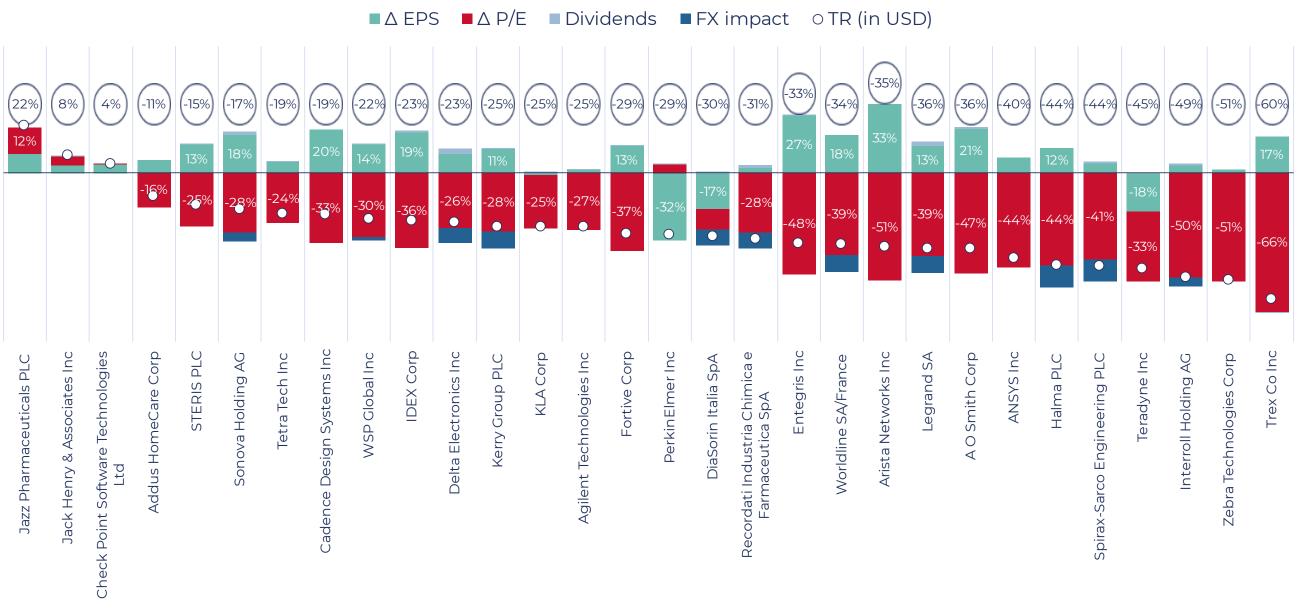
MSCI World Information Technology vs
Goldman Sachs Unprofitable Tech Index (USD)
1H 2022



Source: Guinness Global Investors, Bloomberg. Data as of 30th June 2022

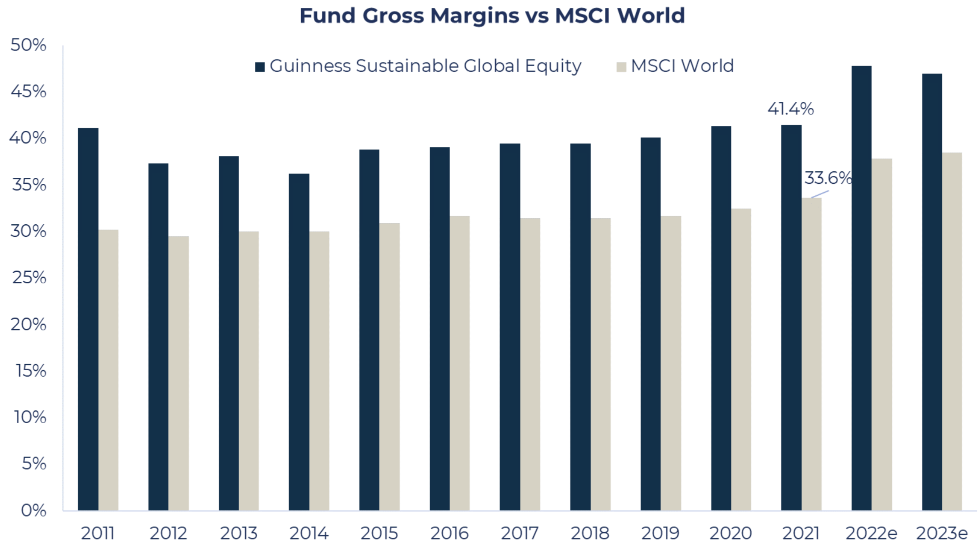
Finally, looking the Fund holdings specifically, we can see that despite many large contractions in multiples, earnings are expected to continue growing robustly in 2022 vs 2021 for the vast majority (PerkinElmer and Diasorin are MedTech businesses that benefitted from Covid diagnostics, so a rollover in earnings growth is expected, whereas the decline in growth for Teradyne has resulted from a 1-year delay in a large customer order).

Fund Stock Performances: Total Return Drivers



Source: Guinness Global Investors, Bloomberg. Data as of 30th June 2022

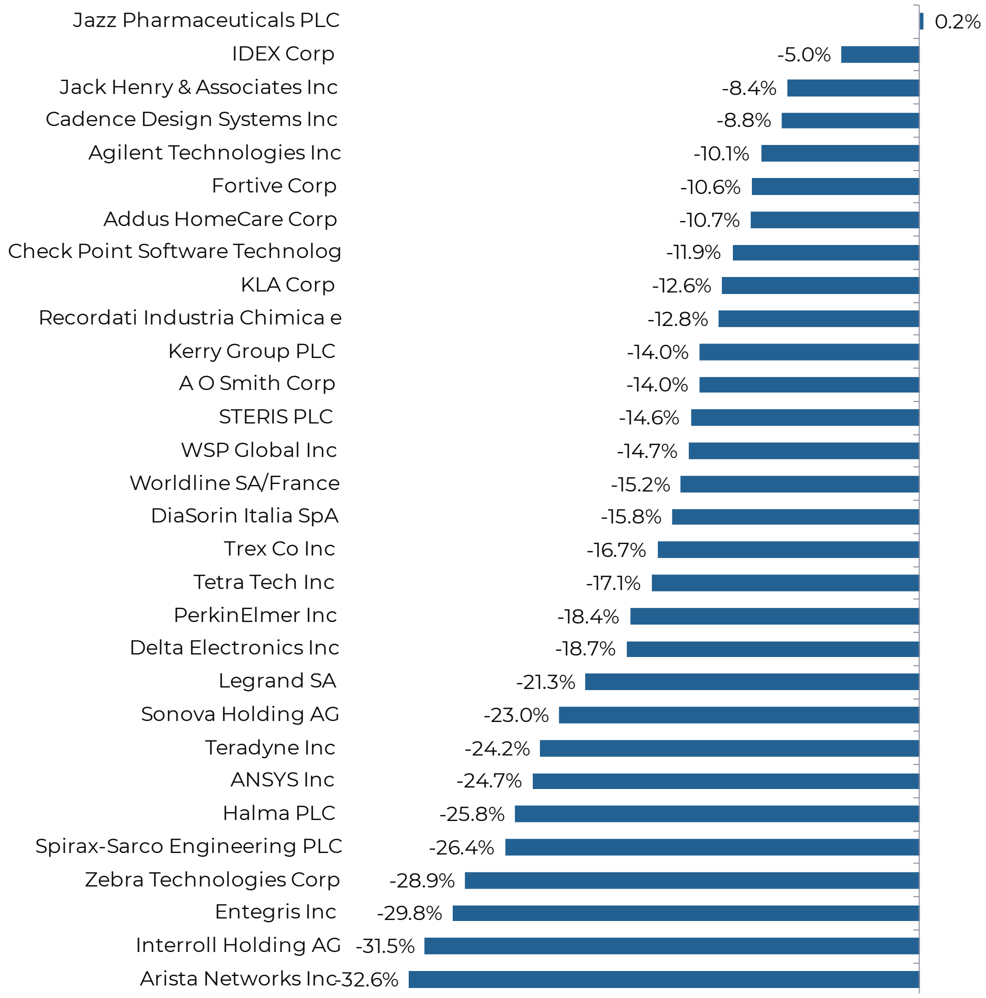
We would also note the importance of quality businesses at a time of volatility and soaring input costs. Notably, the Fund, in aggregate, has a gross margin of 41.4% versus the MSCI World 33.6%. This 1) shows Fund holdings have better pricing power and should be able to pass on rising costs more easily; and 2) have a larger buffer should input costs erode gross profits.



Source: Guinness Global Investors, Bloomberg. Data shows historic gross margins for fund holdings as of 30th June 2022. The fund was launched on 15.12.2020.

Whilst the rotation away from many speculative stocks in this kind of market environment may be justified, in many instances we perceive that growth companies with strong, quality characteristics and bright long-term outlooks have been caught up in the broader growth sell-off, and which therefore may not necessarily reflect their fundamental business strength. Consequently, we believe that the Fund holdings now look attractively valued with respect to their high-quality characteristics and structural growth outlooks.

STOCK PERFORMANCE IN Q2



Performances of fund constituents in USD 31.03.2022 – 30.06.2022. Source: Guinness Global Investors, Bloomberg

Jazz Pharmaceuticals (+0.2% USD over the quarter):

We bought Jazz, a leader in narcolepsy drugs, in July 2021 with the thesis that the market was being overly pessimistic on generic entry versus the company's ability to transition to its new (considerably) lower-sodium version of its headline drug, Xywav, alongside a more diversified portfolio post its acquisition of GW Pharma. Whilst the company ended 2021 relatively weak as investors digested the possibility of an accelerated generic entry given Jazz's faster than anticipated transition to Xywav (a real positive), 2022 has started strongly for the business. The company introduced its 'Vision 2025' outlook with expectations of $5bn in sales by 2025 – considerably higher versus market estimates. The $5bn estimate includes 60% from key new drugs, approval of at least five additional novel products by the end of the decade, and a 5% improvement in operating margin. We believe this new roadmap is a strong indication of management's drive to create a more balanced business alongside new growth drivers which draws parallels to our original thesis.

Arista Networks (-32.6% USD over the quarter):

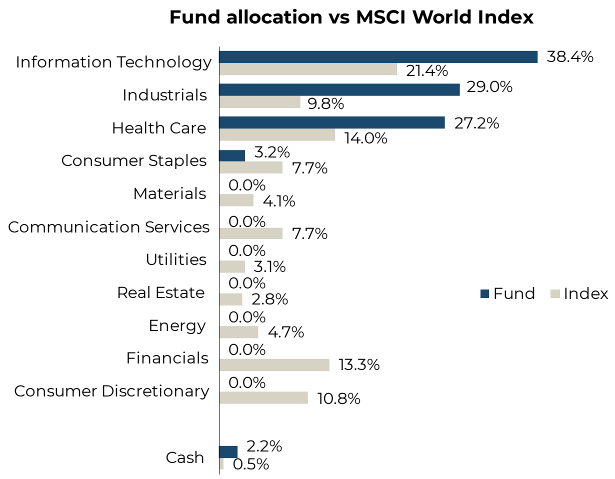
Arista was the Fund's best performing stock over 2021, almost doubling its share price over the period. However, with high expectations for 2022 growth and beyond – in its 2021 Q3 results, the company guided to 30% sales growth in 2022 vs analysts' previous expectations of 13% – the business has suffered as higher-growth businesses, which are more sensitive to rising interest rates, sold off. The company pioneered the software-driven networking approach – a move away from the traditional hardware-first approach – and focuses on high-end superfast switches such as 200 and 400 gigabit products, which are primarily bought by hyperscale cloud titans. With the stock now trading on 27x 1-year forward PE ratio but expecting >20% sales CAGR over the next 2 years and with profit margins >25%, the stock looks attractively positioned.

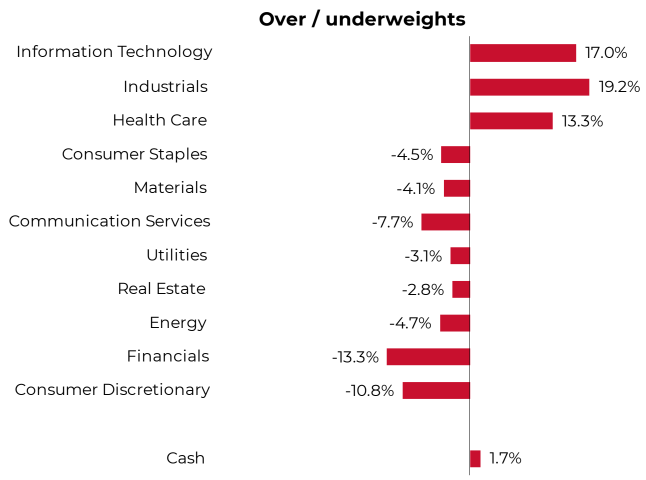
CHANGES TO THE PORTFOLIO

During the quarter, we made no changes to the portfolio.

PORTFOLIO POSITIONING

Looking at the Fund exposure based on GICS sectors, the Fund continues to have no exposure to highly regulated and commoditised areas of Real Estate, Energy, Materials, and Utilities. We continue to hold the majority of Fund holdings within the IT (38.4%), Industrials (29.0%) and Heath Care sectors (27.2%). This is not based on a view of the select sectors' outlooks but rather a bottom-up consequence of 1) our focus on quality 2) our search for companies with sustainable products and services and 3) our emphasis on mid-cap businesses. Also as stated before, we have a well-diversified split between our sustainability themes and sub-themes which should better reflect the businesses' exposures.

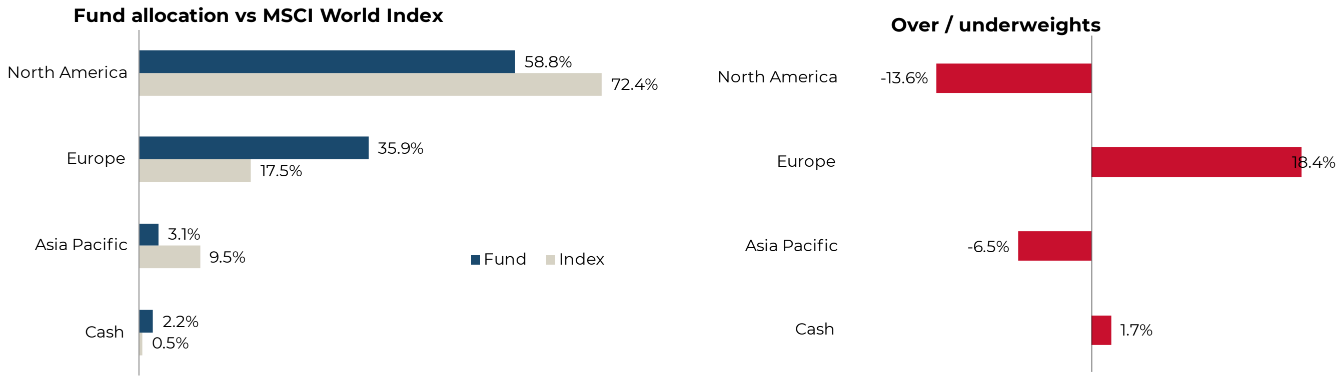




Sector breakdown of the fund versus MSCI World Index.
Source: Guinness Global Investors, Bloomberg. Data as of 30th June 2022

On a regional basis, North America continues to be the Fund's largest exposure (58.8%), followed by Europe (35.9%) and Asia Pacific (3.1%). The Fund has a modest underweight to North America vs the MSCI World Index, which is offset by its overweight exposure to Europe.

Guinness Sustainable Global Equity Fund



Regional breakdown of the fund versus MSCI World Index.
Source: Guinness Global Investors, Bloomberg. Data as of 30th June 2022

Finally, the table below illustrates the four key tenets of our approach: quality, sustainability, growth/value, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will. At the year end, we are pleased to report that the portfolio continues to deliver on all four of these measures relative to the MSCI World Index benchmark:

		Fund	MSCI World Index
Quality	Return-on-capital	▴13.5%	7.2%
	Net debt/equity	▾17.1%	67.2%
	EBIT Margin	▴20.2%	14.6%
Sustainability	Carbon intensity (tons)/USD	▾2.4	5.0
	Energy consumption intensity MWh/USD	▾33.6	75.1
	Renewable Energy as a % of total energy	▴11.0%	8.2%
	% Female Directors on board	▴30.0%	30.0%
	Annual employee turnover	▴10.0%	9.0%
	Global Compact Compliance	▴100.0%	95.2%
	Board Independence	▾79.3%	80.0%
	Independent chair or lead director	▴83.3%	68.9%
	CEO-to-employee pay ratio	▴113.7x	100.6x
	Estimated tax gap	▴4.6%	2.0%
Growth (& valuation)	Trailing 5-year sales growth (annualised)	▴10.4%	3.7%
	Trailing 5-year EPS growth (annualised)	▴14.0%	13.4%
	Estimated 1-year EPS Growth	▴11.8%	7.2%
	PE (2022e)	▴20.9x	14.9x
Conviction	Number of stocks	30	1551
	Active share	99%	-

Portfolio metrics versus index. Source: Guinness Global Investors, Bloomberg. Data as of 30th June 2022

Based on the measures, holistically, this high-conviction Fund has companies which are on average better quality, have grown faster (and are forecasted to continue doing so) and have better sustainability credentials. Whilst the fund does trade on a premium to the benchmark, we feel the stronger characteristics of the Fund naturally warrant a higher valuation and we are comfortable with this positioning.

Thank you for your continued support.

Portfolio Managers

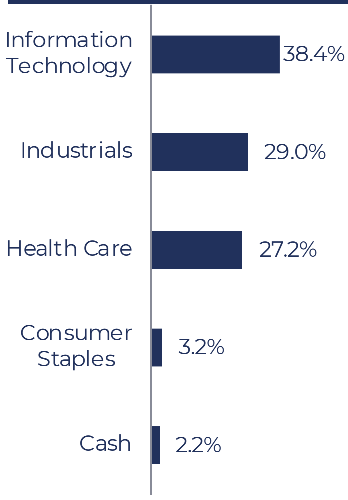
Joseph Stephens, CFA
Sagar Thanki, CFA

PORTFOLIO

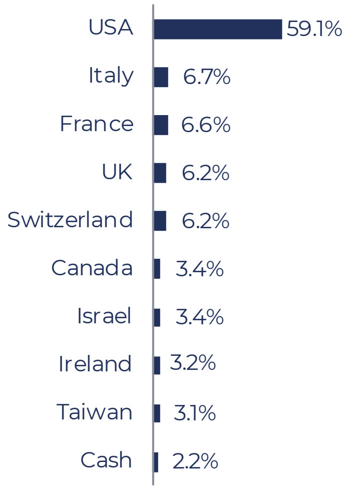
Fund top 10 holdings

Tetra Tech Inc	3.7%
Jazz Pharmaceuticals	3.7%
Addus HomeCare	3.6%
Worldline	3.5%
Sonova	3.4%
Jack Henry & Associates Inc	3.4%
PerkinElmer Inc	3.4%
WSP Global Inc	3.4%
Check Point Software	3.4%
Recordati SpA	3.4%
% of Fund in top 10	34.8%
Total number of stocks	30

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Discrete years % total return (GBP)	Jun '22
Guinness Sustainable Global Equity (0.89% OCF)	-9.4
MSCI World Index	-2.6
IA Global sector average	-8.8

Cumulative % total return (GBP)	YTD	1 year	Launch*
Guinness Sustainable Global Equity (0.89% OCF)	-20.4	-9.4	2.3
MSCI World Index	-11.3	-2.6	8.8
IA Global sector average	-14.5	-8.8	1.6

RISK ANALYSIS

Annualised, weekly, since launch, in GBP	Index	Sector	Fund
Alpha	0.00	-4.35	-4.01
Beta	1.00	0.83	1.11
Information ratio	0.00	-0.94	-0.45
Maximum drawdown	-14.55	-18.11	-24.78
R squared	1.00	0.82	0.78
Sharpe ratio	0.23	0.00	0.00
Tracking error	0.00	5.78	8.37
Volatility	13.80	12.55	17.46

*Fund launch date: 15.12.2020.

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.

GUINNESS GLOBAL INVESTORS

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

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

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

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

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

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

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

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

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

Switzerland
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Singapore
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Telephone calls will be recorded and monitored.