Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – December 2020

About the Fund

The Guinness Global Equity Income Fund is designed to provide investors with global exposure to dividend-paying companies.

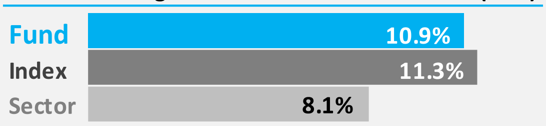
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£1135m
Launch date	31.12.10
Historic OCF (Y Class)	0.88%
Current OCF (at fund size)	0.86%
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens

Performance — 30.11.20

	1 year	3 years	From launch
Fund	7.0	32.6	178.4
Index	11.0	33.2	188.3
Sector	2.9	15.2	116.6

Annualised % gross total return from launch (GBP)



Benchmark index	MSCI World Index
IA sector	Global Equity Income

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations.
Source: Financial Express, bid to bid, total return. Y Class 0.88% OCF. Please refer to 'Performance data notes' on the last page of this document for full details.

Summary performance

In November, the Fund was up 9.44% (in GBP) while the MSCI World Index benchmark was up 9.23%. The Fund therefore outperformed the Index by 0.21% over the month.

November saw a strong resurgence in equity markets, particularly in sectors that have struggled during the Covid-19 pandemic. The emergence of an outcome in the US election and optimism due to the efficacy of new vaccines led to a rally in cyclical sectors and a rotation into Value-orientated stocks. This benefited the Fund given its value discipline and fairly even balance between quality defensive and quality cyclical companies. Further, the Fund profited from its equal weighting philosophy; because underperforming stocks are rebalanced to a full equal weight, the Fund was able to capture better upside going into last month's rotation.

It is pleasing to see that the Fund has outperformed the IA Global Equity Income Sector average this year and over the longer term, as outlined below.

	YTD	1yr	3yr	5yr	Since Launch*
Fund	6.4%	7.0%	32.6%	79.5%	178.4%
MSCI World Index	10.3%	11.0%	33.2%	88.9%	188.3%
IA Sector average	1.7%	2.9%	15.2%	54.3%	116.6%
Rank vs peers	13/55	11/55	7/51	3/42	1/17
Quartile	1st	1st	1st	1st	1st

Source: Financial Express. Cumulative Total Return in GBP as of 30th November 2020. *Launch 31st December 2010

As we approach the Fund's 10-year anniversary, we are delighted that since launch at the end of 2010, the Fund ranks first out of 17 funds in the IA Global Equity Income Sector.

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Summary: Dividends

This year, dividend-orientated strategies have lagged the market as a significant proportion of companies have suspended or reduced their dividend payments. The MSCI World High Yield Index is down -2.84% (TR in GBP) year-to-date till 30th November, lagging the MSCI World Index by 13.17%.

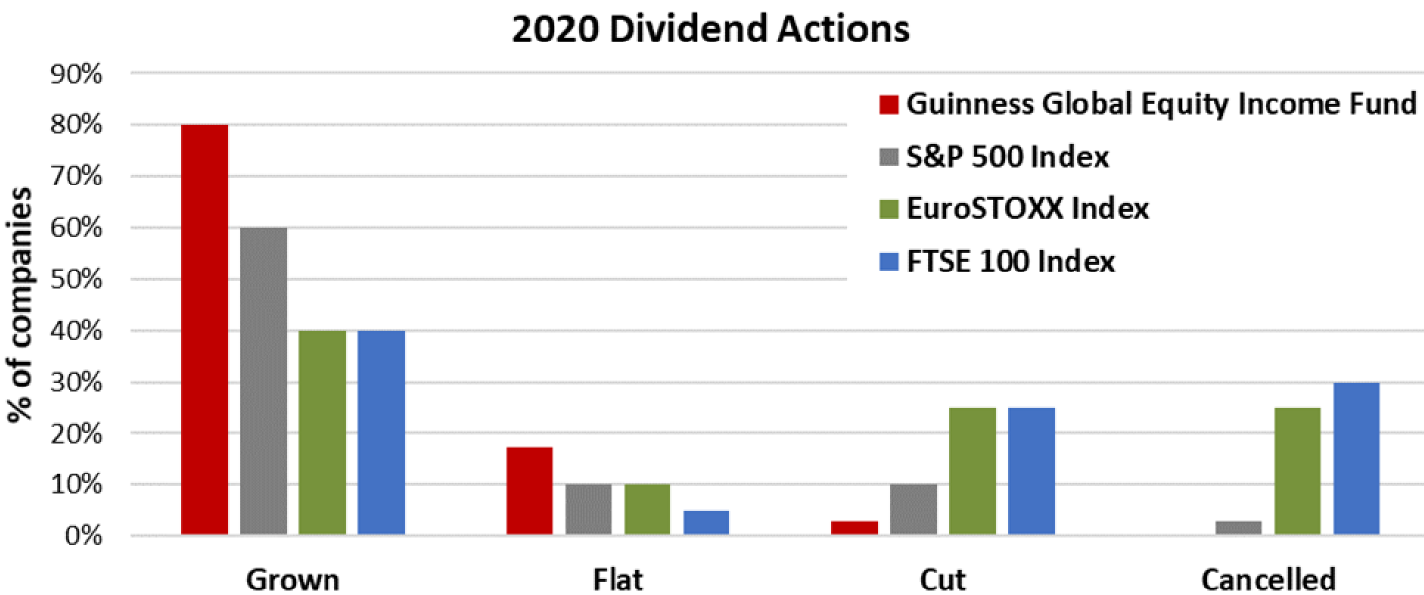
- In Europe, the overall EuroSTOXX Index dividend is expected to decline by over 30% in 2020 compared to 2019; 25% of all companies in the Index have cancelled their dividend so far this year and a further 25% have reduced theirs.

- Similarly, in the UK, the FTSE100 Index dividend for 2020 is expected to decline by over 35%; 30% of companies have cancelled and a further 25% have reduced their dividend so far in 2020.

- In the US, these figures are much lower due to a culture of progressive dividend policies, a focus on share buybacks, and more conservative payout ratios.

Broadly, the dividend cuts seen this year have been concentrated in companies affected by (i) significant loss of revenues from Covid-19 lockdowns (airlines, travel & leisure, retail, energy), (ii) regulatory pressure (European banks, insurance), (iii) government pressure (French state-owned businesses in particular), and (iv) weak balance sheets requiring the conservation of capital by reducing or cancelling dividend payments.

The Fund has an overweight to Europe (including UK) and an underweight to the US, but the dividend actions of our holdings have been extremely robust across all regions.



Source: Guinness Asset Management, SocGen, as of 30th November 2020.
Data for the Fund include companies that have declared their 2020 dividend action and includes our expectation for the one remaining Fund holding which will declare its dividend action in December.

So far this year, among our 35 holdings:

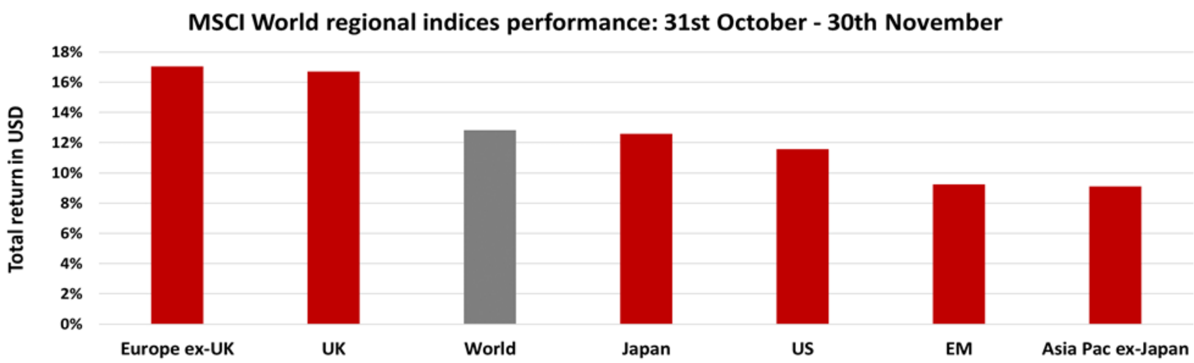
- 27 companies have **grown** their dividend
- 6 companies have kept their dividend **flat**
- 1 company **cut** its dividend (Imperial Brands)
- 0 companies **cancelled** their dividend

For the one remaining company, Broadcom, we expect a dividend increase to be announced in December, when the company typically announces its year-on-year growth in its quarterly dividend. This is reflected in the chart above.

Our current expectation is that the Fund's 2020 dividend distribution will be very similar to 2019, although this remains subject to variable factors such as FX rates and portfolio changes.

November in Review

In November, global equities – as represented by the MSCI World Index – recorded their largest monthly gain since 1975. The Index's 12.83% gain (in USD) is only the eighth positive double-digit monthly return in the last 50 years, to add perspective on just how remarkable the equity rally was. While the S&P 500 Index (large-cap US) and the Nasdaq Index (all-cap US) hit new highs, the Russell 2000 Index (small-cap US) and the STOXX 600 Index (large-cap Europe) saw their best-ever monthly gains.



Source: Bloomberg. As of 30th November 2020

Europe outperformed the US, small-caps outperformed large-caps, and Value outperformed Growth. All these trends were contrary to observations so far this year, and the rotation was driven primarily by the combination of two factors.

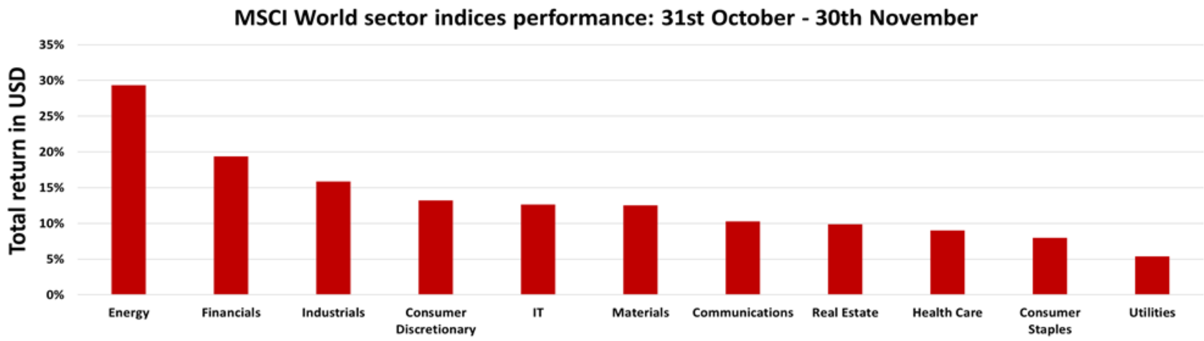
First, the initial uncertainty about the US presidential election dissipated as it became clear that the Democratic candidate Joe Biden had secured enough votes to claim the presidency, and the Democrats also retained control of the House of Representatives. Although President Trump was slow to concede, early fears of a disorderly handover and social unrest were not realised.

Control of the Senate – a key determinant of any future fiscal stimulus – will be decided on 5th January 2021 with two special run-off elections in Georgia. If the Republicans win at least one of these elections, as looks most likely, then Republicans will control the Senate and Congress will be divided. That outcome would likely herald a smaller and less far-reaching stimulus package than under a 'blue wave' scenario, but also prevent substantial corporate tax rises. Weighing up the prospect of less fiscal stimulus versus little change to corporate taxes, fewer trade war tweets and generally lower uncertainty, the markets on balance found cause to cheer the election outcome.

A notable appointment among Joe Biden's early cabinet selections is that of Janet Yellen to head up the Treasury. Having the former chair of the Federal Reserve in charge of government spending is an indication of fiscal and monetary policy co-ordination in the years ahead, and that was seen as a positive for markets after a period in which central banks have been forced to do all the heavy lifting in terms of economic stimulus.

The **second** major positive for shares in November was the announcement that three vaccines, from Pfizer/BioNTech, Moderna and AstraZeneca, showed positive trial results with high efficacy. The vaccines await regulatory approval, full production and an effective roll-out, but they sparked optimism that unconstrained social and economic life could return in 2021.

Whilst this year's stock market rallies have generally been led by only a handful of US Big Tech names, the latest gains were more broad-based and 467 stocks in the S&P 500 Index rose in November – the most since April 2020. This was led by the cyclical sectors, those with greater sensitivity to the economy, which tend to do better around a recovery. As shown in the chart below, Financials, Industrials and Consumer Discretionary boasted relatively stronger performance in the month, though Energy was the best performer. After falling for most of the year, oil prices rose by almost 30% – albeit from a low base – as expectations for a reopened and buoyant economy solidified. The choice between continuing with existing supply cuts or allowing more oil onto the market now the price has risen is the main focus of discussion at the December meeting between OPEC countries and Russia.



Source: Bloomberg. As of 30th November 2020

In the Fund, our overweight positioning in Industrials (verses the MSCI World Index) benefited performance, and this was added to by good stock selection. Two of the best performing stocks in the month are from the aerospace and defence industry, and news of vaccinations boosted their prospects:

Raytheon Technologies was the best performer in November (+33.0% in USD). The company is a multinational manufacturer of advanced technology products for the aerospace and defence industry, and revenues are split 55:45 between defence and commercial. After virus-induced global lockdowns have led to a 90% decline in global air traffic this year, news of potential vaccinations offers hope that demand for Raytheon Technologies' products may pick up in 2021. Analyst upgrades and a few large contract wins in November increased investor optimism about this well-run business, which has a track record of strong cashflow generation and solid dividend growth (8% CAGR over the last five years).

The company operates in four segments and is a global leader in each: Pratt & Whitney (an engine manufacturer), Collins Aerospace (a diversified aerospace supplier), Intelligence, Space and Airborne Systems (a mix between a sensors business and a government IT contractor), and Integrated Defence and Missile Systems (a defence prime contractor focusing on missile hardware).

BAE Systems also performed well (+31.0% in USD) in the month. The largest defence contractor in Europe is well positioned to benefit from modernisation efforts by militaries worldwide amid ever-present geopolitical uncertainty. The maker of some 500 Typhoon fighter jets in addition to combat vehicles, warfare ships and Astute Class nuclear-powered attack submarines, said its defence business, which accounts for 90% of group revenues, was close to pre-pandemic levels. Recent contract wins in the Middle East and Germany can sustain Typhoon production into the 2030s, and BAE continues to command a leading market share in key defence markets (UK, US, Saudi Arabia, Australia). It derives 45% of sales from services and support, 35% from major programmes such as the F-35 Lightning II and Eurofighter Typhoon fighter jets, and the balance from electronic systems & cyber intelligence.

Sonic Healthcare (down -0.8% in USD) was the worst performer in the month, after falling 5.9% on 10th November after the announcement of the first (Pfizer/BioNTech) vaccine candidate. Sonic Healthcare provides medical diagnostic services to clinicians (GPs and specialists), hospitals, community health services and private patients. It is the world's third largest pathology/clinical lab operator with revenues generated across the US, Australia, Germany, UK, Switzerland and Belgium. This segment contributes 85% of total revenue and has been boosted recently by the company's involvement in Covid-19 testing. Weaker performance in the month can be attributed to the possibility that less testing may be needed in the future if vaccines are readily available; Sonic Healthcare was also subject to some profit-taking after thriving amid the pandemic for much of the year (up 23.7% over the year to 30th November).

Portfolio Changes

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

We thank you for your continued support and wish you a merry Christmas.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Analysts

Joseph Stephens

Sagar Thanki

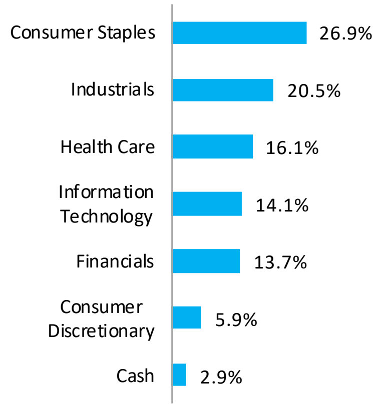
PORTFOLIO

30/11/2020

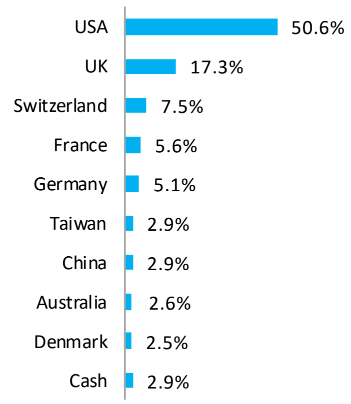
Fund top 10 holdings

BAE Systems	3.3%
Imperial Brands	3.3%
Abbvie	3.1%
Diageo	3.1%
Aflac	3.0%
Eaton	3.0%
Schneider Electric	3.0%
Raytheon Technologies	3.0%
VF Corp	3.0%
Taiwan Semiconductor	2.9%
% of Fund in top 10	30.8%
Total number of stocks held	35

Sector analysis



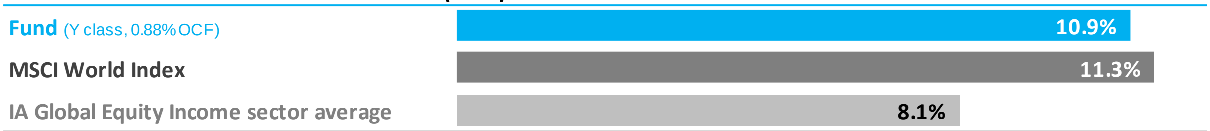
Geographic allocation



PERFORMANCE (see performance notes overleaf)

30/11/2020

Annualised % total return from launch (GBP)



Discrete years % total return (GBP)	Nov '20	Nov '19	Nov '18	Nov '17	Nov '16
Fund (Y class, 0.88% OCF)	7.0	15.1	7.7	9.7	23.5
MSCI World Index	11.0	13.0	6.2	14.1	24.3
IA Global Equity Income sector average	2.9	10.2	1.5	12.8	18.8

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.88% OCF)	9.4	6.4	7.0	32.6	79.5	178.4
MSCI World Index	9.2	10.3	11.0	33.2	88.9	188.3
IA Global Equity Income sector average	10.7	1.7	2.9	15.2	54.3	116.6

RISK ANALYSIS

30/11/2020

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0.00	-0.54	1.10
Beta	1.00	0.77	0.86
Information ratio	0.00	-0.42	-0.07
Maximum drawdown	-24.58	-22.41	-21.78
R squared	1.00	0.80	0.89
Sharpe ratio	0.53	0.31	0.55
Tracking error	0.00	6.58	4.76
Volatility	14.62	12.48	13.32

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations.
Source: Financial Express, bid to bid, total return. Fund launch date: 31.12.10. Fund Y class (0.88% OCF): Composite simulated performance (see Performance data notes below) based on actual returns of E share class (available from Fund launch), calculated in GBP. 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.

Performance data notes

1) The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's Y class was launched on 11.03.15. The performance shown is a composite simulation for Y class performance being based on the actual performance of the Fund's E class, which has an OCF of 1.24%, and has existed since the Fund's launch. The Fund's E class is denominated in USD but for the purposes of this performance data its performance is calculated in GBP.

Important information

Issued by Guinness Asset Management Limited, authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about Guinness Global 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 Global 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 from the website www.guinnessfunds.com , or free of charge from:

- the Manager: Link Fund Administrators (Ireland) Ltd, 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.

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.