

# Guinness Global Innovators Fund

Innovation | Quality | Growth | Conviction

## INVESTMENT COMMENTARY – December 2020

### About the Fund

The Fund is a global growth fund designed to provide exposure to companies benefiting from innovations in technology, communication, globalisation or innovative management strategies. The Fund holds a concentrated portfolio of large and medium-sized companies in any industry and in any region.

<b>Fund size</b>	£321m
<b>AUM in strategy</b>	£467m
<b>Fund launch date</b>	31.10.14
<b>Strategy launch date</b>	01.05.03

**Managers** Dr. Ian Mortimer, CFA  
Matthew Page, CFA

**Analysts** Sagar Thanki  
Joseph Stephens

### Performance 30.11.20

Cumulative % total return (GBP)	1 year	3 years	5 years	10 years
Strategy*	29.4	50.2	128.2	356.7
Index	11.0	33.2	88.9	207.9
Sector	13.6	31.4	81.5	157.6
Position in sector	30 /337	52 /299	17 /264	6 /179

### Annualised % total return from strategy inception (GBP)

Strategy*	13.52%
Index	10.05%
Sector	9.35%

**Strategy** Guinness Global Innovators\*  
**Index** MSCI World Index  
**Sector** IA Global

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. \*Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14. Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same team using the same investment process as applied to the UCITS version. Source: Financial Express 0.99% OCF, bid to bid, total return, in GBP.



### Summary performance

For the month of November, the Guinness Global Innovators Fund produced a total return of 8.73% (GBP) against the MSCI World Index net total return of 9.23% (GBP). Hence the Fund underperformed the benchmark by -0.50%. Over the year to date, the Fund has produced a total return of 28.68% (GBP) against the MSCI World's 10.33% (GBP).

As we moved into the penultimate month of the year, two of the market's major uncertainties diminished as Joe Biden won the US Presidency (which President Trump seemingly acknowledged), and three Covid-19 vaccines were shown to be highly effective in Phase 3 trials, making vaccinations by year-end a realistic possibility. This made for a reversal in fortunes for stocks that had underperformed during the year as countries faced rising infection rates and national lockdowns. Value stocks and small caps outperformed over the month, areas where the Fund has low exposure, and as a result the Fund underperformed the benchmark, albeit only by 0.50%.

Although we seek to invest in growth companies, we apply a valuation discipline to avoid paying too much for expected growth, which is inherently uncertain. Pleasingly, over half the companies held in the portfolio outperformed the benchmark in November despite the underperformance of Growth, with notable positive returns from the companies held in the semiconductor industry (Applied Materials, Lam Research, KLA, Infineon, Samsung Electronics) and the payment processing sector (Mastercard, Visa, PayPal).

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## Fund attribution

Investors appeared to begin rotating into more cyclical sectors that had been hardest hit before the positive vaccine trial news at the beginning of the month. Companies in Energy (up c.30% in USD as a group), Financials (up 19%) and Industrials (up 16%) performed best in November, with banks and autos dominating performance in the latter two. This led to outperformance by Value stocks and small caps in the month as these sectors currently predominate in these areas.

In summary, the impact on Fund performance versus the MSCI World Index was as follows:

- IT stocks provided the bulk of positive attribution for the Fund versus the benchmark as semiconductor holdings Applied Materials (up 39.7% USD over the month), Lam Research (up 32.3% USD), KLA Corp (up 28.3% USD) and Infineon (up 26.7% USD) were the Fund's top four performers over the month.
- Not owning Utilities and Consumer Staples provided positive asset allocation as investors rewarded more cyclical sectors.
- However, not owning any Energy, banks or auto holdings was a drag on performance.
- The Fund's Healthcare exposure was also a drag on performance overall as investors rotated out of this more defensive sector. Stock-specific returns, particularly from pharmaceutical holdings not held in the Fund including Moderna (up 126% USD over the month), created a drag from a stock selection perspective.

Over both the short and long term, it is pleasing to see that the Fund has delivered strong performance versus its IA Global Equity Sector peers.

	YTD	1 year	3 years	5 years	10 years
<b>Global Innovators</b>	28.68	29.44	50.24	128.20	356.65
<b>Index</b>	10.33	10.96	33.17	88.90	207.88
<b>Sector</b>	12.49	13.63	31.40	81.46	157.64
<b>Position in sector</b>	31/340	30/337	52/299	17/264	6/179
<b>Quartile</b>	1st	1st	1st	1st	1st

Source: Financial Express. Cumulative Total Return in GBP, as of 30<sup>th</sup> November 2020

## November in review

### US Elections

With an unprecedented number of mail-in ballots for the US election, markets were made to wait as toss-up states counted their votes, but they ultimately indicated that Joe Biden would become the next US President. However, President Trump was not without resistance, frequently voicing (unsubstantiated) claims of voter fraud and going as far as making (unsuccessful) legal attempts to stop the counting of votes. However, in the weeks that followed, Trump went some way to eventually acknowledge the possibility that a new administration would be in office come the end of his term and that he would leave the White House peacefully should the electoral college confirm Biden as President on 14th December. Following his win, Biden moved to announce a team to steer the US

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economy through and post the Covid-19 crisis which included Janet Yellen, the former US Federal Reserve Chair, as the Treasury secretary. This news was taken positively by the market due to the increased expectation of further economic stimulus, as Yellen is seen as dovish in this respect. Democratic hopes to control both chambers of Congress looked unlikely as Democratic challengers failed to oust several Republican incumbents in the Senate, leaving a divided Congress as the most likely scenario. If this does arise (we await the result of the two run-offs in Georgia in January) it will make it more difficult for the Biden administration to pass proposals through Congress, which has been taken as a positive by markets as the likelihood for proposed corporate tax increases and big tax regulation is reduced. Combined with the prospect of less aggressive trade discussions with China, the prospect of a Biden administration, Democratic House and Republican Senate was seen by many as supportive of equities and the market in general.

### Covid-19 vaccines

Equity markets were greeted on three separate occasions during the month with very positive vaccine news showing drugs with high efficacy rates. The three developments were a Pfizer/BioTech vaccine that showed a 90% efficacy rate, a Moderna vaccine showing a 95% efficacy rate, and the Oxford University/AstraZeneca vaccine with an efficacy rate of 70% (or up to 90% with different dosage regimes). The news led to those stocks which had underperformed during 2020 to rebound strongly – most notably Energy, banks and autos – as the prospect increased of a return to relative normality sooner than expected. However, while the late-stage results are clearly very positive news, there are still several challenges ahead with approval, manufacturing, distribution and administration on a mass scale still required and some logistical challenges may exist as the Pfizer/BioNTech and Moderna vaccines both require cold storage (at -70C in the case of the former) and are relatively expensive (compared to the AstraZeneca/Oxford vaccine which is able to be stored at regular fridge temperatures, and comes at a fraction of the price). Ultimately, the news comes at a critical time when regions continue to implement national lockdowns and restrictions to battle rising infections coupled with a traditionally busy winter flu season.

### Stock performance



**Semiconductor equipment manufacturers:** Applied Materials (up 39.7% USD over the month), Lam Research (up 32.3% USD), KLA (up 28.3% USD)

After KLA and Lam Research's robust results in October, Applied Materials continued the trend in November by reporting better-than-expected results for its 4th quarter which showed, for the full fiscal year, revenues growing 18% and EPS growing 37% year-on-year. Indeed, Applied Materials pointed to an improving landscape, raising guidance despite US restrictions on SMIC, the leading Chinese semiconductor foundry, and noting that leading-edge customers continue to build out their fabrication facilities and aggressively drive advanced R&D. This, coupled with the possibility of less aggressive IT regulations from a new Biden administration and the broader COVID vaccination results, led the Fund's three semiconductor equipment manufacturers to outperform the broader IT index. It

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is worth noting that these stocks had performed relatively well before November (KLA + 12.3% to end October, Lam +18.5%, Applied -2.0%, MSCI World Index -1.0%) so the strong rally in November was not merely a 'rebound from lows'.

## Tencent 腾讯

### Tencent (down 4.7% USD):

Although Tencent reported strong results in November showing revenue growth of 29% year-on-year – ahead of analysts' expectations – this was not enough to make investors feel upbeat, since Chinese regulators showed a clear signal of their intentions to rein in the tech giants that have dominated multiple industries in order to foster better competition. Indeed, having suspended Ant Financial's initial public offering, the regulators then proceeded to post guidelines aimed at tightening a number of practices, from uses of consumer data and promotional subsidies to the tightening of regulatory filings around acquisitions that may have previously been deemed anti-competitive. These guidelines would predominantly affect China's big three tech giants Alibaba, Tencent and Baidu, (of which the Fund only holds Tencent) which control large portions of several industries. We continue to believe Tencent offers attractive growth opportunities in many different areas and we are cognizant that not all companies will be affected equally. Nevertheless, an evolving regulatory landscape could provide headwinds and we will therefore continue to monitor the situation closely.

We thank you for your continued support.

#### Portfolio Managers

Dr Ian Mortimer, CFA  
Matthew Page, CFA

#### Analysts

Joseph Stephens  
Sagar Thanki

#### Data sources

Fund performance: *Financial Express, Total return in GBP*

Index and stock data: *Bloomberg*

## Guinness Global Innovators Fund

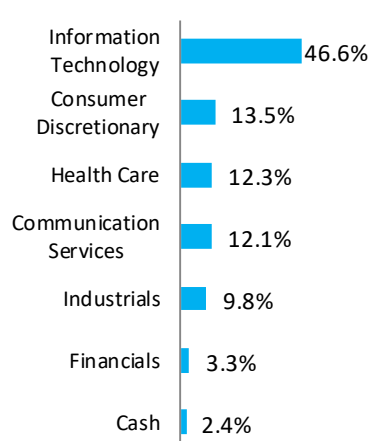
### PORTFOLIO

30/11/2020

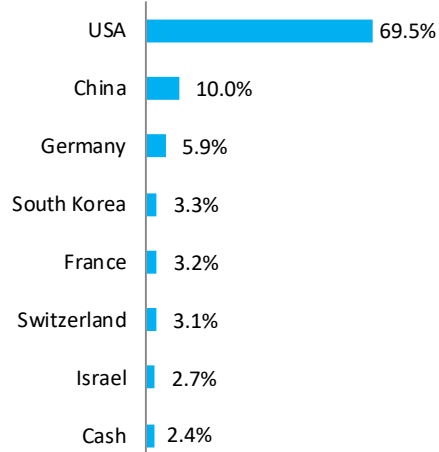
#### Fund top 10 holdings

Applied Materials	3.9%
Lam Research	3.9%
Anta Sports Products	3.8%
Paypal	3.8%
Infineon Technologies	3.7%
KLA-Tencor	3.7%
Nvidia Corp	3.5%
Nike	3.5%
Roper Industries Inc	3.5%
Medtronic	3.4%
% of Fund in top 10	36.7%
Total number of stocks	30

#### Sector analysis



#### Geographic allocation



30/11/2020

#### Annualised % total return from strategy inception (GBP)

Guinness Global Innovators strategy*	13.52%
MSCI World Index	10.05%
IA Global sector average	9.35%

#### Discrete years % total return (GBP)

	Nov '20	Nov '19	Nov '18	Nov '17	Nov '16
Guinness Global Innovators strategy*	29.4	20.1	-3.3	24.3	22.2
MSCI World Index	11.0	13.0	6.2	14.1	24.2
IA Global sector average	13.6	12.6	2.7	15.7	19.3

#### Cumulative % total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years	10 years
Guinness Global Innovators strategy*	8.7	28.7	29.4	50.2	128.2	356.7
MSCI World Index	9.2	10.3	11.0	33.2	88.9	207.9
IA Global sector average	9.1	12.5	13.6	31.4	81.5	157.6

### RISK ANALYSIS

30/11/2020

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	1.56	3.53
Beta	1	0.82	1.06
Information ratio	0	-0.11	0.57
Maximum drawdown	-24.58	-21.61	-22.23
R squared	1	0.84	0.85
Sharpe ratio	0.65	0.67	0.82
Tracking error	0	6.40	7.05
Volatility	15.75	14.18	18.13

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Source: Financial Express, bid to bid, total return, in GBP

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## 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 Innovators 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 Innovators 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.

### 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](http://www.guinnessfunds.com), or free of charge from:-

- the Manager: Link Fund Manager Solutions (Ireland) Limited, 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](http://www.carnegie-fund-services.ch). The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 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.

**GUINNESS**

ASSET MANAGEMENT

Guinness Asset Management Ltd is authorised and regulated by the Financial Conduct Authority

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