Guinness Global Innovators Fund

Investment Commentary - September 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.

Innovation. Quality. Growth. Conviction.

ABOUT THE FUND

Fund/strategy size	£473m/£600m
Fund/strategy launch	31.10.2014/01.05.2003
Index	MSCI World
Sector	IA Global
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki, CFA, Joseph Stephens, CFA Will van der Weyden, Jack Drew

Aim

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. The Fund is actively managed and uses the MSCI World Index as a comparator benchmark only.

RISK

Lower Risk						Higher Risk
1	2	3	4	5	**6**	7

Typically lower rewards — Typically higher rewards

The risk and reward indicator shows where the Fund ranks in terms of its potential risk and return. The Fund has been classed as 6 because its volatility has been measured as above average to high. Historic data may not be a reliable indicator for the future. The 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.

PERFORMANCE

Past performance does not predict future returns

31/08/2022	1 Yr	3 Yrs	5 Yrs	10 Yrs*
Strategy*	-12.7	44.2	66.8	340.0
Index	0.5	34.7	61.6	237.2
Sector	-5.6	27.5	48.5	180.0

Discrete 12m performance is shown at the end of the document.

Source: FE fundinfo, bid to bid, total return in GBP. *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. Investors should note that fees and expenses are charged to the capital of the Fund. This reduces the return on your investment by an amount equivalent to the Ongoing Charges Figure (OCF). The fund performance shown has been reduced by the current OCF of 0.87% per annum. Returns for share classes with different OCFs will vary accordingly. Performance returns do not reflect any initial charge; any such charge will also reduce the return.

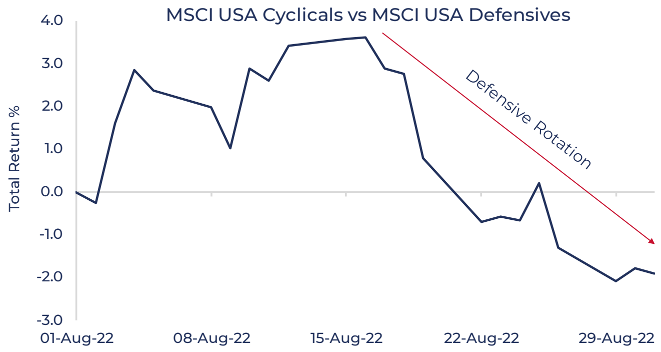
SUMMARY

For the month of August, the Guinness Global Innovators Fund provided a total return of -2.96% (GBP) against the MSCI World Index net total return of 0.21% (GBP). Hence the Fund underperformed the benchmark by 3.17% (GBP). Year to date, the fund has produced a total return of -15.28% (GBP) compared to the MSCI World Index of -4.30% (GBP).

August was very much a month of two halves for equity markets. Following what many termed as a 'bear market rally' in July, much of this positive momentum continued into the early weeks of August. This rally was seemingly based on the view that the Fed was having some success in taming rapidly rising inflation and might therefore not raise rates to levels as high as previously predicted, potentially even entering an easing cycle around the middle of 2023. This drove equity markets higher, and 'growth' companies in particular. Inflation numbers came in below expectations in the US, falling from the month prior (on a year-on-year basis), and despite another decline in quarterly GDP the economy remained broadly in positive territory.

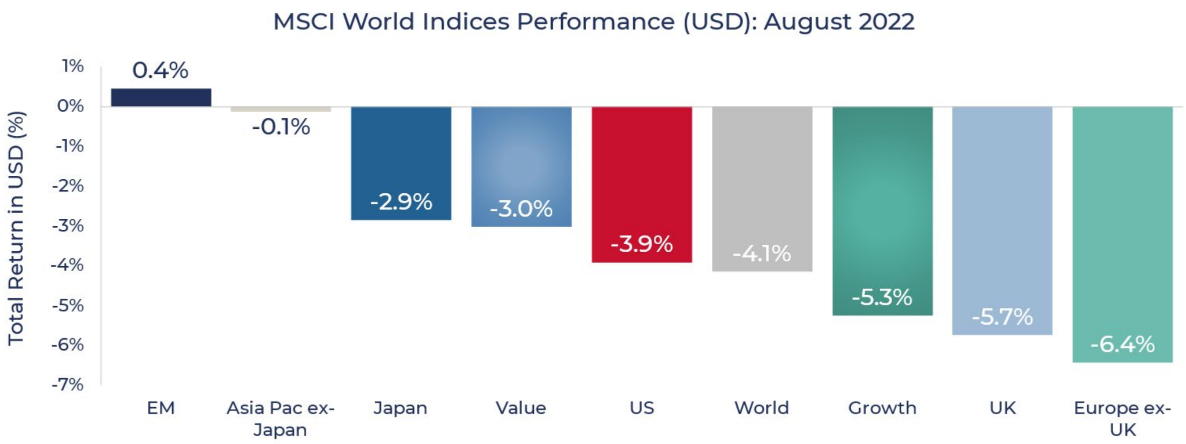
As the month progressed, however, a shift in expectations towards sustained tighter money created a headwind for equities. The Federal Reserve's minutes from July suggested that restrictive rates may be needed "for some time", bringing a four-week string of equity gains to a close. With all eyes turning to the Federal Reserve's symposium at Jackson Hole at the end of the August, Fed Chair Jerome Powell reaffirmed his commitment to aggressive rate rises, stating that a successful reduction in inflation would probably lead to lower economic growth for a "sustained period". Data points showing the economy remaining in reasonable shape, such as strong jobs data, an improvement in consumer confidence, resilient consumer spending, were now taken as evidence that the Fed would be further emboldened to continue on its tightening path. The idea that the Federal Reserve was also cognizant to avoid their mistake of the 1970's in prematurely easing monetary policy all pointed to a market discounting a base case of sustained tight money over the near term.

These tighter monetary expectations led value stocks to outperform their growth counterparts over the month as a whole, despite underperforming over the first two weeks of August - although it is important to note that both growth and value finished in negative territory. From a sector perspective, the growth tilted Information Technology, Consumer Discretionary and Communication Services sectors underperformed the broader market, and there was a significant rotation towards more defensive sectors, such as Consumer Staples and Healthcare.



Source: Bloomberg, as of 31/08/2022

Despite having more of a value tilt than the broader market, the UK and Europe fared particularly poorly over the month, lagging the MSCI World by 1.6% and 2.3% respectively (in USD terms). With these two regions continuing to battle an energy crisis, inflationary pressures were driven into double digits for the UK and record highs of 9.1% for Europe. With little sign of the energy crises abating, investor fears that the region may suffer a more prolonged inflationary period than the US, driving tighter monetary policy and a protracted slowdown. Elsewhere, Emerging Markets and Asia significantly outperformed the MSCI World, aided by a number of growth-supporting measures from the Chinese government, amounting to more than 1 trillion yuan ($145bn).



Source: Bloomberg, as of 31/08/2022

Over the month of August, fund performance can be attributed to the following:

- With the relative outperformance of value and defensive areas of the market over the month, having zero exposure to Consumer Staples, Materials and Utilities (which all outperformed the MSCI World) was a source of relative underperformance for the Fund. However, having a zero weighting to the Real Estate sector acted as a tailwind.

- The Fund's high exposure to Information Technology acted as a headwind from an allocation perspective. In particular, having an overweight position to the Semiconductor industry (the MSCI World's bottom performing industry over August) was a key driver of this underperformance, with stocks such as Nvidia (-16.9% USD), Lam Research (-12.5%), Applied Materials (11.0%) and KLA (-10.0%) all delivering returns significantly below the benchmark.

- Weak stock selection within the Software industry also created a drag on performance, with Zoom (-22.6% USD) and Salesforce (-15.2%) significantly underperforming the broader sector (MSCI World Information Technology Index -5.9% USD). Paypal (+8.0%) provided a slight offset to this weakness.

- The Fund has a slight underweight position to the Consumer Discretionary sector, which was one of the bottom performing sectors during the month – leading to a slight positive from the allocation perspective. In addition, the sector contained the Fund's top performing stock over the month, Anta Sports (+9.9% USD).

Whilst the rotation away from growth for the majority of the year has impacted the fund over shorter time periods, it is pleasing to see the Fund ranking in the top quartile versus its IA Global sector over the longer time frames of 3, 5, and 10-year periods.

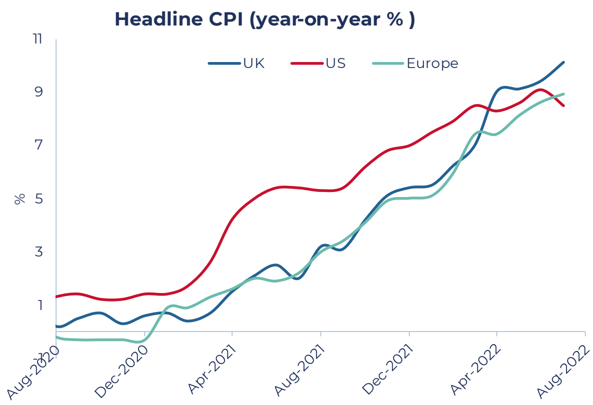
Cumulative % total return in GBP to 31.08.2022	YTD	1 year	3 years	5 years	10 years*	Launch*
Guinness Global Innovators	-15.28	-12.67	44.22	66.80	340.00	893.87
MSCI World Index	-4.30	0.45	34.70	61.62	237.23	546.81
MSCI AC World Index	-4.26	-0.51	31.96	55.13	214.45	532.96
IA Global sector average	-7.95	-5.55	27.46	48.48	180.03	435.93
IA Global sector ranking	n/a^	385/487	21/406	55/334	6/219	7/98
IA Global sector quartile	n/a^	4	1	1	1	1

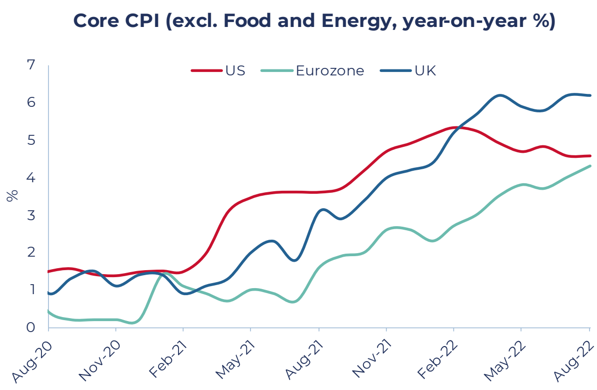
Source: FE fundinfo.

** Simulated past performance. Performance prior to the launch of the Guinness Global Innovators Fund (31.10.14) reflects the Guinness Atkinson Global Innovators Fund (IWIRX), a US mutual fund with the same investment process since 01.05.2003. ^Ranking not shown in order to comply with European Securities and Markets Authority rules.*

AUGUST IN REVIEW

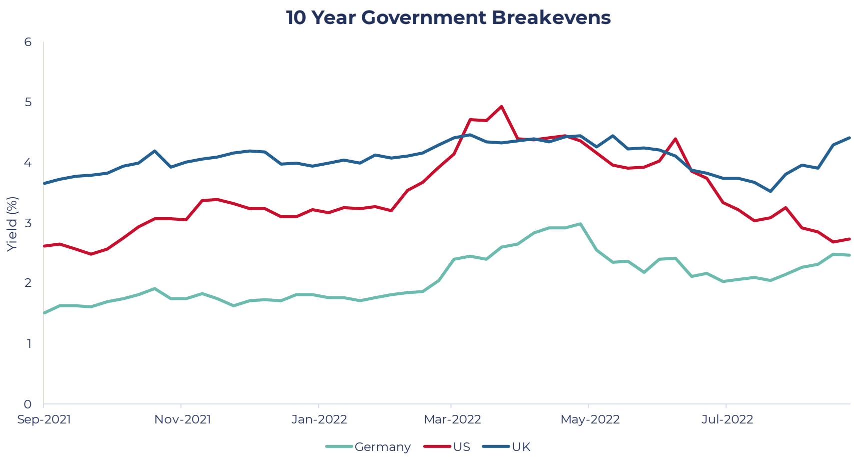
During July, developed equity markets delivered their best monthly returns since November 2020. Falling GDP, declining inventories, and a drop in private investment over the quarter all indicated that the Fed's tight monetary policy was beginning to impact the economy, leading to market optimism that inflation may soon also be brought under control, with interest rate cuts to follow. The first two weeks of August suggested no different. Consumer Price Index (CPI) data out of the US for July showed the headline rate fell more than expected to 8.5% (versus 8.7% forecasted) from 9.1% the month prior. In addition, price levels remained flat between June and July with CPI of 0% month-on-month (aided by -4.7% m-o-m in Energy), the lowest level since May 2020. In addition, the Producer Price Index (PPI), often viewed as a leading indicator to CPI, fell 0.5% month on month (9.7% YoY, down from 11.2% a month prior), the first decrease since April 2020. To add further evidence that inflation was being brought under control, core inflation in the US has been slowly falling for a number of months already. Although inflation in the US continues to run close to 40-year highs, this evidence suggests an argument can be made for a less aggressive tightening of monetary policy. In contrast, the ongoing energy crisis in Europe and the UK led respective CPI's to continue to rise higher. In all, the start of the month was a positive one, with the MSCI World Index up 3.65% (USD) to the 16th August, led by growth stocks.





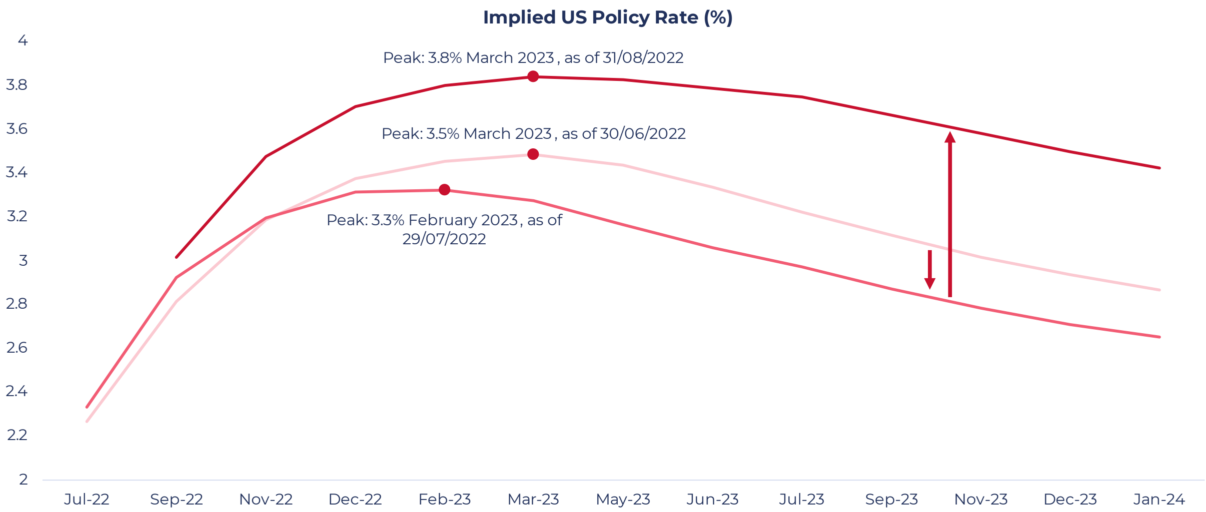
Source: Bloomberg, as of 31/08/2022

The 10 Year government breakeven gives an indication of market expectations of inflation over a 10-year time horizon. In Europe, the Russia-Ukraine war has driven up the cost of energy, fertiliser and other agricultural commodities, leading to fears that soaring prices may soon embed themselves in the economy. The effect of this can be seen in a sharp uptick in the 10-year breakeven of the UK and Germany, reversing the slight downward trend previously seen since May. On the other hand, the US breakeven continued on a steady downward trend over July and August, suggesting increasing confidence in the Fed's ability to tame inflation. Many in the market initially interpreted this as a potentially earlier shift towards 'loose money'.



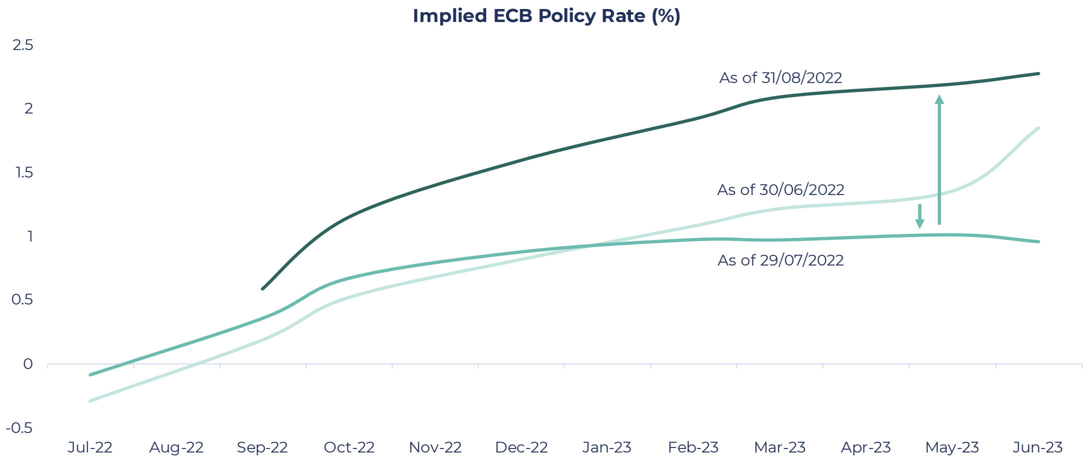
Source: Bloomberg, as of 31/08/2022

However, minutes released from the US Fed's July meeting (when rates were raised by 75bps), showed officials discussing the need to keep interest rates at levels that will restrict the economy "for some time", with Jay Powell reaffirming this view at Jackson Hole: "We are taking forceful and rapid steps to moderate demand so that it comes into better alignment with supply, and to keep inflation expectations anchored. We will keep at it until we are confident the job is done." This hawkish commentary sent equity markets down sharply, with the MSCI World Index falling 2.67% (USD) after the Jackson Hole speech on the 26th of August. As a result, investors, which had forecasted sooner-than-expected cuts at the end of July (when compared to March), now reversed these expectations, with the market now pricing in rates to reach a peak of 3.8% (versus 3.3% at the end of July).



Source: Bloomberg, as of 31/08/2022

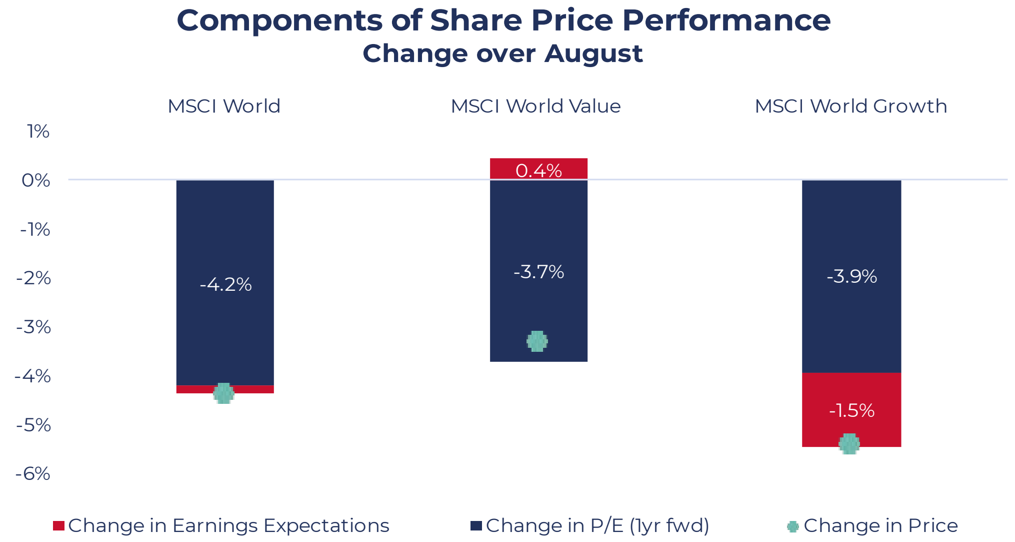
Similarly, the market shifted up their expectations for the European Central Bank (ECB) policy rates, now forecasting a rate of 2.3% in June 2023 from 1.0% expected as of the end of July.



Source: Bloomberg, as of 31/08/2022

Monetary tightening at an accelerated rate creates a sizeable headwind for growth stocks. Interest rates are an important element when determining the discount rate in the valuation of a given stock's future cash flows. Growth stocks are typically 'higher duration' in nature (as 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. Consequently, when expectations of tighter money increase (as they did in the last two weeks of August), this leads to depressed valuations for growth stocks in particular. The MSCI World Growth Index fell 9.1% from the 16th to month-end, causing growth to underperform value over the month overall creating a drag on Fund performance.

It is interesting to deconstruct the sources of price declines over the month of August, for both growth, value and the broader market. While it appears that the MSCI World's fall over the month was entirely a result of multiple contraction (falling P/E ratios), on average value stocks saw an increase in earnings expectations, offsetting some of this impact. This was driven by significant earnings upgrades in the Energy sector (the MSCI World Energy Index had a +5% increase in earnings upgrades), alongside a lack of downgrades from other sectors such as Consumer Staples, Financials, and Industrials. Growth, on the other hand, felt a strong negative contribution from both multiple contraction (falling P/E ratio's) and earnings downgrades.



Source: Bloomberg, as of 31/08/2022

PORTFOLIO HOLDINGS

Anta Sports (+9.91% USD)

Anta Sports, China's largest domestic sportswear company, ended August as the Fund's top performer. In July the stock was the Fund's bottom performer, with weak investor sentiment in the Chinese region and a negative read-across from Adidas creating a drag for share price performance. However, the firm reversed much of these losses with a very strong set of first half results in August, delivering +14% year-on-year growth in revenues (+6.8% ahead of expectations). Whilst a number of lockdowns in the Chinese region in the prior year meant a relatively low base, the firm also had to deal with a number of lockdowns in first-tier cities in the second quarter of 2022, particularly for Anta's key-brand Fila, who had 30% of stores closed during peak time. However, strength in Anta's 'Kids' segment (+30% yoy), e-commerce, and the firms smaller but higher-end brand's Descente and Kolon (+30% yoy) highlighted the resilience of the business, offsetting any lockdown headwinds. The firm has executed well on cost, with a shift to Direct-to-Consumer channels aiding year-on-year gross margin expansion of 1.2% to 63.2%. We continue to remain optimistic about the firm's future growth prospects and believe that the company is well placed to benefit from positive secular trends in the region. The Chinese government is driving sports participation with initiatives such as China's "Action Plan to Stimulate Sports Consumption (2019-2020)", the "Healthy China 2030" Plan and the "National Fitness Program (2016-2020)". In addition, the growing Chinese middle class and increasing disposable income should help lift the overall clothing market for some years to come. The business fundamentals remain robust; the firm has a strong balance sheet, peer leading margins and a FCF Yield in the high teens, therefore we continue to have a positive outlook for the stock, despite short-term weakness in the region.

PayPal (+7.99% USD)

For the second month running, PayPal has featured in the Fund's top performers. The stock has struggled over much of 2022, with a mix of negative momentum from 2021, a weak earnings release in the first quarter, and the outperformance of 'value' stocks in general, all contributing to this weak performance. However, Q3 has seen some positive momentum return to Paypal's share price. In July, the stock benefitted from strong read-across from other technology firms, particularly payments providers Mastercard and Visa who reported significant increases in payments volume, alongside reports that activist investor Elliott was building a stake in the company, causing a one day jump of 12%. The company announced 2Q22 earnings in early August, somewhat ahead of estimates and guidance, leading to a strong positive market reaction. Net revenue increased 10% year over year, and 14% excluding the eBay headwinds. The firm's recent shift in strategy towards higher quality users (rather than simply driving new user numbers) is helping to drive the quality of their cash flows, and it was reassuring to see that 'transactions per active account', a key indicator, was up +12% year-on-year. The firm also saw Total Payments Volume up 9% year on year. The headwind from the eBay disposal (c. 2% of revenues) is diminishing, and growth avenues such as Buy Now Pay Later and Venmo are carrying strong momentum. Expansion into new product areas such as credit-cards and cryptocurrency offer further visibility to growth catalysts down the road, and with a strong outlook paired with solid fundamentals, we continue to view PayPal as an attractive opportunity.

Zoom Video Communications (-22.59% USD)

Zoom Video Communications ended the month as the Fund's bottom performer. Whilst top-line figures missed expectations (revenue -1.6% to consensus, +7.6% YoY), we found the negative market reaction to the results to be overdone. In our view, the most important segments to the firm continued to show broad based strength (enterprise, upmarket, nascent product lines). Enterprise exposure increased to 54% of sales, up from 41% last year, with strong top-line growth, +27% YoY. The Enterprise segment is a key strategic focus for Zoom, with higher quality revenues stemming from greater pricing power, multi-contract solutions, cross-selling opportunity, longer term contracts, and stickiness (stemming from organizational inertia). Zoom also had success in the upmarket (a subsegment of enterprise where the firm is currently underpenetrated), with revenues from customers contributing more than $100,000 (T12M) growing by +37%. In addition, there was a high level of growth in the amount enterprise customers were spending with the firm, with a net dollar expansion rate for enterprise customers of 120%. Outside of enterprise, Zoom demonstrated the strength of their nascent product lines. Zoom Phone is continuing to adopt new customers at a rapid rate, reaching nearly 4 million seats in 2Q23, with annual growth of over 100%. They added approximately double the amount of seats than one of their nearest competitors, Ringcentral. The firm is also seeing early traction in Zoom Contact Center, with the 6 month old product reaching deals of a size the firm only believed they would be making in 18-24 months' time - highlighting the strength of the brand when releasing new products. Whilst there was some weakness in the international segment where the firm is aiming to drive growth, we do not feel that these results justified such a severe negative reaction, and may have in fact deserved a positive one, with the market perhaps placing too much emphasis on the retail segment, which is facing headwinds as we exit the pandemic. Overall, the firm's nascent product lines and growing TAM (total addressable market) offer strong growth potential, and paired with the firm's brand-equity, solid balance sheet and focused strategy, this give us confidence in our overall investment thesis of the firm.

We thank you for your continued support.

Portfolio Managers

Matthew Page, CFA

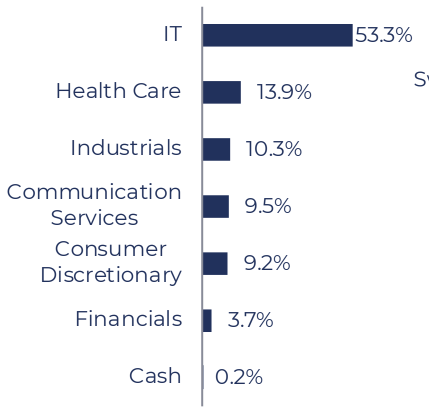
Dr Ian Mortimer, CFA

PORTFOLIO

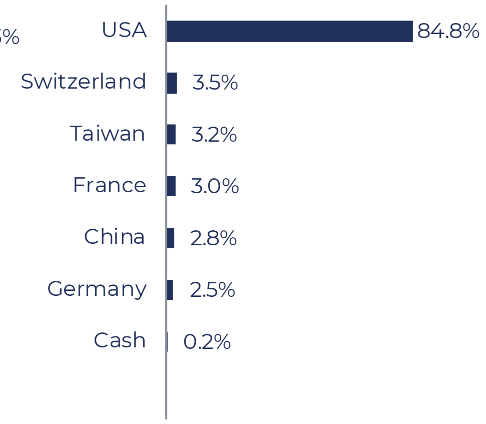
Fund top 10 holdings (%)

Amphenol Corp	4.1%
Thermo Fisher Scientific	4.0%
Paypal	4.0%
Mastercard Inc	3.9%
Microsoft	3.9%
Intuit Inc	3.9%
Roper Technologies Inc	3.8%
Danaher Corp	3.8%
Visa	3.7%
Intercontinental Exchange	3.7%
% of Fund in top 10	38.8%
Total number of stocks	30

Sector analysis (%)



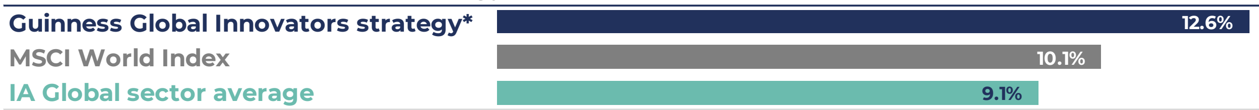
Geographic allocation (%)



PERFORMANCE*

Past performance does not predict future returns.

Annualised % total return from strategy inception (GBP) **31/08/2022**



Discrete years % total return (GBP)	Aug '22	Aug '21	Aug '20	Aug '19	Aug '18
Guinness Global Innovators Fund	-12.7	30.9	26.1	3.3	12.0
MSCI World Index	0.5	26.3	6.2	7.0	12.1
IA Global sector average	-5.6	26.5	6.7	5.4	10.5
IA Global sector ranking	385/487	90/441	32/406	265/373	145/334
IA Global sector quartile	4th	1st	1st	3rd	2nd

Cumulative % total return (GBP)	YTD	1 Yr	3 Yrs	5 Yrs	Launch*
Guinness Global Innovators strategy	-15.3	-12.7	44.2	66.8	893.9
MSCI World Index	-4.3	0.5	34.7	61.6	546.8
IA Global sector average	-8.0	-5.6	27.5	48.5	435.9

RISK ANALYSIS **31/08/2022**

Annualised, weekly, 5 years, in GBP	Index	Sector	Fund
Alpha	0	-0.01	0.32
Beta	1	0.83	1.07
Information ratio	0	-0.27	0.09
Maximum drawdown	-24.58	-21.61	-23.47
R squared	1	0.84	0.84
Sharpe ratio	0.44	0.36	0.42
Tracking error	0	6.28	7.54
Volatility	15.67	14.13	18.40

*Simulated past performance. Performance prior to the launch of the Guinness Global Innovators Fund (31.10.14) reflects the Guinness Atkinson Global Innovators Fund (IWIRX), a US mutual fund with the same investment process since 01.05.2003. Discrete 12m performance is shown below.

Source: FE fundinfo, bid to bid, total return. Fund Y GBP class (0.87% OCF): 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.

GUINNESS GLOBAL INVESTORS

DISCRETE 12-MONTH PERFORMANCE*

Past performance does not predict future returns.

Discrete 12m % total return (GBP)	Aug '22	Aug '21	Aug '20	Aug '19	Aug '18	Aug '17	Aug '16	Aug '15	Aug '14	Aug '13
Guinness Global Innovators Strategy	-12.7	30.9	26.1	3.3	12.0	26.2	29.6	-2.1	25.0	31.9
MSCI World Index	0.5	26.3	6.2	7.0	12.1	18.1	25.3	3.5	12.8	20.8
IA Global sector average	-5.6	26.5	6.7	5.4	10.5	17.6	20.3	1.5	10.1	19.2
IA Global Sector Ranking	385/487	90/441	32/406	253/373	145/334	22/309	36/285	224/258	3/238	14/219
IA Global Sector Quartile	4	1	1	3	2	1	1	4	1	1

	Aug '12	Aug '11	Aug '10	Aug '09	Aug '08	Aug '07	Aug '06	Aug '05	Aug '04	Aug '03
Guinness Global Innovators Strategy	17.4	12.3	7.0	-2.1	-4.8	19.4	11.1	20.4	-8.6	22.6
MSCI World Index	10.8	8.0	7.7	-7.4	-2.8	10.3	9.5	18.1	1.7	8.5
IA Global sector average	6.4	6.7	6.7	-6.7	-4.0	11.3	11.7	21.1	2.4	6.6
IA Global Sector Ranking	9/205	29/176	91/166	38/154	94/141	19/135	70/116	61/104	95/99	4/88
IA Global Sector Quartile	1	1	3	1	3	1	3	3	4	1

Source FE fundinfo. *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.

IMPORTANT INFORMATION

Issued by Guinness Global Investors. Guinness Global Investors is 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 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 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
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