Guinness Emerging Markets Equity Income Fund

Investment Commentary – October 2022

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

ABOUT THE FUND

Launch date	23.12.2016
Index	MSCI Emerging Markets
Sector	IA Global Emerging Markets
Team	Edmund Harriss (Manager) Mark Hammonds (Manager) Sharukh Malik

Aim

The Guinness Emerging Markets Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in Emerging Markets world-wide. The Fund aims to provide long-term capital appreciation and a source of income that has the potential to grow over time. The Fund is actively managed and uses the MSCI Emerging Markets 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 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

30/09/2022	1 Yr	3 Yrs	5 Yrs	Launch*
Fund	-3.3	2.3	14.6	30.8
Index	-13.2	3.7	9.7	31.5
Sector	-15.4	0.9	5.9	26.7

Discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, bid to bid, total return. *Launch: 23.12.2016. 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 0.89% per annum. Returns for share classes with a different OCF will vary accordingly. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

SUMMARY: FUND AND MARKET

Emerging markets sold off heavily in September. The MSCI Emerging Markets Net Total Return Index fell by 8.0% (all performance figures in GBP unless stated otherwise).

The fund outperformed in the period, falling by 6.7% (Y share class).

For the year to date, the fund remains significantly ahead, down 6.2% versus the benchmark down 11.6%.

Emerging markets fared worse than developed markets, though both fell. The MSCI World Index and the S&P 500 both fell 5.4%. Renewed hawkish commentary from the Fed and worse US inflation data brought about the sell-off.

In the month, value stocks in emerging markets outperformed growth. The value component of the index fell 6.4%, whereas the growth component declined 9.4%.

Latin America was the strongest region and the only one in positive territory, rising 1.0%. EMEA (Europe, Middle East and Africa) was next, declining 3.7%. Asia was the worst performer, with the region down 9.4%.

Of the largest countries in the benchmark, the best performers were Mexico (+4.0%), Indonesia (+3.7%) and Brazil (+1.0%).

The worst-performing countries were Korea (-14.6%), Taiwan (-12.1%) and China (-10.8%).

The best-performing stocks were B3 (+11.0%) in Brazil, Zhejiang Supor (+1.8%), one of our domestic China holdings, and Unilever (+1.1%).

Two of the three weakest stocks in the portfolio were Chinese: Shenzhou International (-21.0%) and Haitian International (-19.3%). Hanon Systems (-21.2%) in Korea was the worst performer.

Emerging market currencies fell by 0.8% over the month.

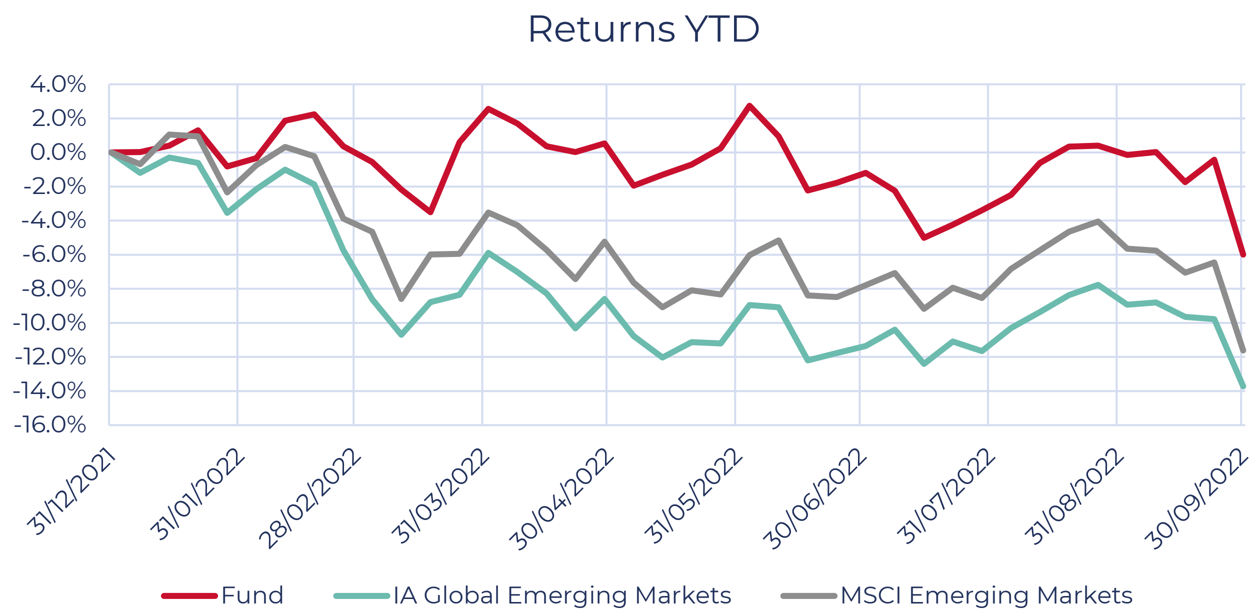
FUND PERFORMANCE

% Return in GBP	Q3	YTD	1 Yr	3 Yrs	5 Yrs	Since Launch	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18
Fund (Class Y GBP)	-4.6	-6.2	-3.3	2.3	14.6	30.8	-3.3	12.8	-6.2	4.2	7.4
MSCI Emerging Markets	-3.8	-11.6	-13.2	3.7	9.7	31.5	-13.2	13.3	5.4	3.7	2.0
MSCI Emerging Markets Value	-3.1	-7.0	-7.8	2.1	8.0	21.4	-7.8	23.1	-10.1	0.5	5.2

Source: Bloomberg / FE fundinfo. Fund launch: 23/12/2016.

As the left-hand column shows, the fund underperformed the index in the quarter, down 4.6% in GBP terms, compared with the market which fell 3.8%. The fund also underperformed the value index (bottom row), which fell 3.1%.

However, as the following chart shows, the fund remains ahead of the benchmark and peer group for the year to date:



Source: FE fundinfo, bid to bid, total return, in GBP.

As a general comment, the fund has delivered more stable performance than the market this year in a turbulent period. The chart above shows a sharp sell-off at the end of September; however, note this is partly due to a rebound in sterling that occurred right at the end of the quarter. The whipsawing we have seen in a volatile trade in sterling has continued to distort our performance in October in GBP terms after the quarter end.

The underperformance in the quarter came mainly from the fund's exposure to Chinese consumer stocks and those more economically sensitive companies. On the positive side, the fund's Latin American holdings exhibited strong performance.

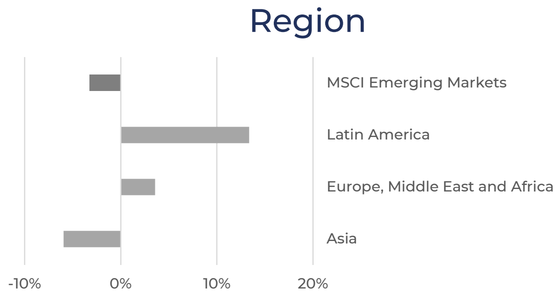
Since launch at the end of 2016, the fund has returned 30.8%, compared with the benchmark which is up 31.5%. The fund is significantly ahead of the value component of the index, which is up 21.4% over that period.

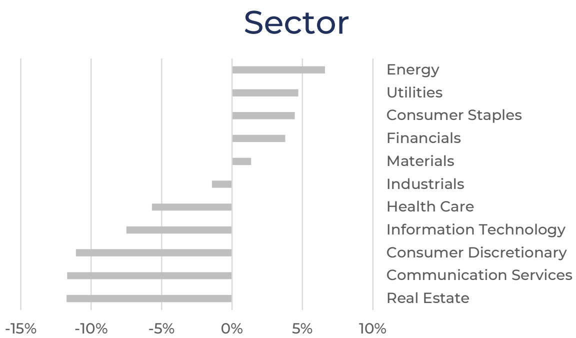
MARKET REVIEW

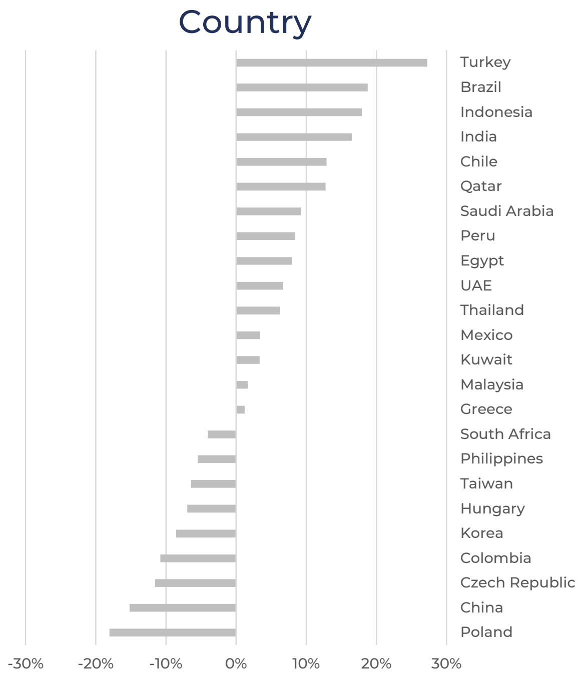
Emerging markets had a weak quarter on a relative basis due to concerns about the global economy falling into recession combined with a hawkish US monetary policy. Emerging markets underperformed developed markets in the quarter, falling 3.3% versus the MSCI World which rose 2.6% and the S&P 500 which rose 4.1%.

Matching the pattern in both of the first two quarters this year, value outperformed growth, with the former falling by only 2.6% versus the latter which fell 3.9%.

Looking in more detail at the performance in the quarter, the following charts show the individual regions, sectors and countries within the overall benchmark.







Source: Bloomberg. Total return for MSCI indices shown in GBP.

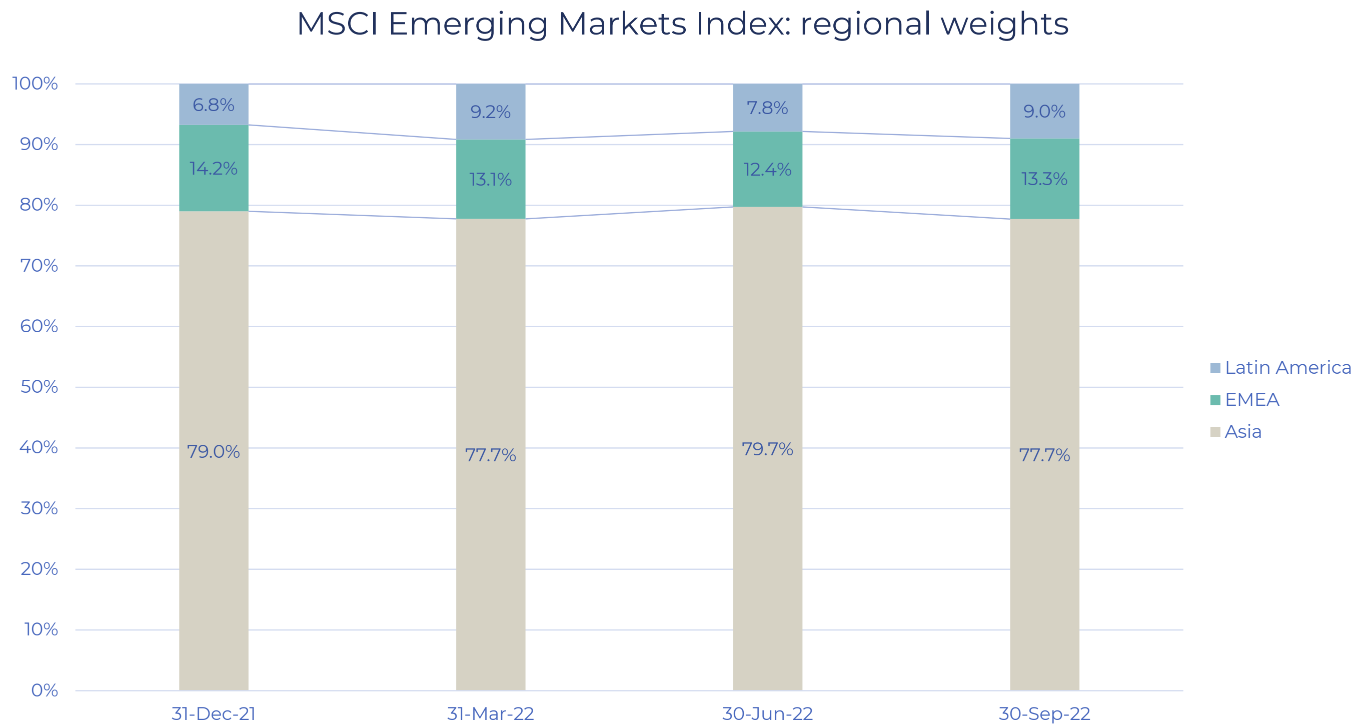
Latin America was the strongest region, rising 13.4% in the quarter, with strong individual country performances from Brazil, Chile and Peru. EMEA (Europe, Middle East and Africa) was also positive in absolute terms, rising 3.6%.

Asia was the weakest region, with China the weakest of the largest countries. Korea and Taiwan were the next two weakest, due to recessionary fears. India, by contrast, bucked the trend and rose 16.5% over the quarter. Investors have been drawn to the country after signs that the inflationary cycle there is beginning to soften.

In sector terms, the strongest performer was Energy (+6.6%) followed by Utilities (+4.7%) and Consumer Staples (+4.5%).

Weaker sectors were Real Estate (-11.7%), Communication Services (also -11.7%) and Consumer Discretionary (-11.1%).

The effect of the changes in the benchmark on the regional weightings can be seen in the following chart, which compares the position at the end of last year with that at the end of the past three quarters:



Source: Bloomberg

Latin America's performance has been volatile, which has driven the weight changes shown at the top of each bar. The gains have mostly been at the expense of Asia, which coincidentally ended the third quarter with the same weight as at the end of the first quarter (77.7%).

PORTFOLIO PERFORMANCE

The top five and bottom five performing stocks over the quarter were as follows:

Top 5 Performing Stocks – Q3	Q3 return
Porto Seguro	28.7%
B3 Brasil Bolsa Balcao	25.8%
Coca-Cola Femsa	15.4%
Catcher Technology	13.2%
Credicorp	12.0%

Bottom 5 Performing Stocks – Q3	Q3 return
Suofeiya Home Collection	-37.1%
Shenzhou International	-28.3%
China Merchants Bank	-21.2%
Hanon Systems	-18.8%
Haitian International	-18.6%

Sources: Bloomberg. Total return in GBP. Data from 30.06.2022 to 30.09.2022.

Performance across the portfolio was fairly well split over the quarter, with 19 stocks (out of the 35 held over the full period) outperforming the index. Of those, 15 stocks generated a positive performance, and six generated returns in double-digit percentages. However, reflecting the volatility in the period, of the stocks that fell, 11 also generated double generated losses.

Four of the top five best-performing stocks are all Latin American.

Porto Seguro is a Brazilian insurer, primarily focused on the auto insurance market. Signs that the cycle in auto insurance is starting to turn have been viewed positively by investors. Increases in premium prices are being passed on, while rising costs are showing signs of moderating. The combination should bode well for the industry. Valuations for the business still look very attractive, providing us with a good set-up here, in our view.

B3, the Brazilian Stock Exchange, benefited from the strong rally in the Brazilian equities. B3 reported results that were slightly ahead of expectations, with revenues driving the beat on higher trading volumes. Equity trading has generally been weaker than last year, with the cash equities business revenues down 14% year-on-year. EBTIDA margin was down 6 percentage points year-on-year, but still at an impressive level of 74%.

Catcher Technology, discussed in recent commentaries, benefited from its substantial cash balance following the disposal of its iPhone business in China.

Credicorp is a Peruvian-based diversified bank and insurance provider. Credicorp's management have reiterated their guidance this year for 17.5% ROE in 2022. Both net interest margin and cost of risk are trading at the upper end of guidance, with the latter expected to moderate in the latter part of next year. Loans in the SME and consumer segments are mainly driving higher levels of delinquencies. Loan growth in the second quarter reached 14% but is expected to be 9-11% for this year overall. The company's main app, Yape, continues to experience growth, with the number of active users rising 0.9m from the first quarter to reach 6m.

Suofeiya Home has suffered as a result of its exposure to the Chinese real estate market as a supplier of custom furniture. Profitability missed targets in the first half of 2022, although growth is still expected for the full year (after excluding the write-downs associated with failed developer Evergrande). Longer-term strategies involve recovering the company's Schmidt brand, which has been repositioned as a higher-end brand. Associated changes to channel reform and product distribution are part of the strategy here.

Shenzhou International's stock price performance has been disappointing, although the company has arguably been performing quite well. Recent results came in above expectations, with revenues up 6% year-on-year for the first half. Lower volume growth is expected towards the end of the year, with several global brands that are customers of Shenzhou likely to cut back on orders. Although conditions are tightening in the apparel market, we think management is well equipped to deal with a slowdown. The integrated nature of the business and the investment in automation should leave the company better situated than peers to deal with volume declines. Management also maintain good relationship with customers.

China Merchants Bank reported recent results that were ahead of expectations, with pre-provision operating profit up 4% year-on-year and net profit up 15% year-on-year. On the positive side, deposits grew faster than industry levels (and the bank's loan growth), although time deposits increased more than (cheaper) demand deposits. Net income margin contracted on lower loan yields, and because of the shift in deposit mix just mentioned. Although China's economy is facing macro headwinds, management guided towards improving credit demand over the second half.

Haitian International is a maker of plastic injection moulding machines. Comments from Haitian management indicate that demand has been impacted in the first half by a combination of the Shanghai lockdown (domestic demand) and Russia-Ukraine (international). The current order visibility is around 2-3 months, which is in the middle of the recent 2 to 4 month range. Company is not discounting prices of existing products but has introduced new 'SE Series' with is priced 10% lower. The supply chain has had minimal impact from the Shanghai lockdowns, but higher steel prices are expected to cut into gross margins. This is a cyclical business, but we like the way that management is responding to the slowdown. The outlook for 2022 and into next year has correspondingly weakened. Much will depend on the extent to which Chinese policy makers are willing to stimulate demand; 50% of Haitian's clients are SMEs, which are sensitive to the macro environment.

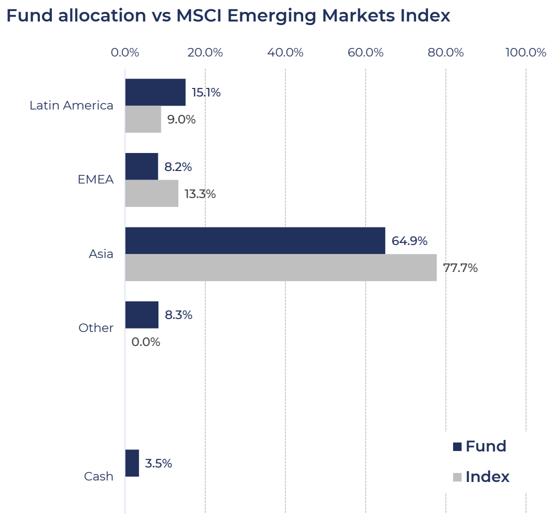
PORTFOLIO CHANGES

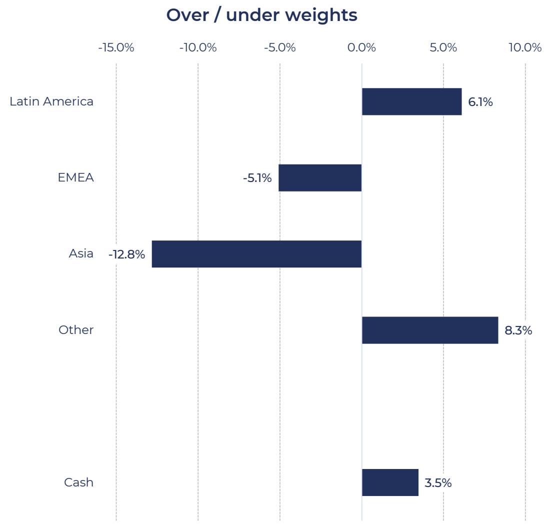
We sold one position in the fund over the course of the quarter, China Lilang, a clothing retailer targeting the men's casualwear segment. Given repeated Covid outbreaks in China, sales in the physical stores which make up most of revenue have been weak. After a period of disappointing operating results from the company, we exited the position.

PORTFOLIO POSITIONING

We currently have 65% of the portfolio in Asia, 15% in Latin America, 8% in EMEA, mostly in South Africa, and 8% in 'other' (which is companies listed in the US and UK markets but deriving the majority of their business from emerging markets).

The following chart shows the regional weights relative to the benchmark:





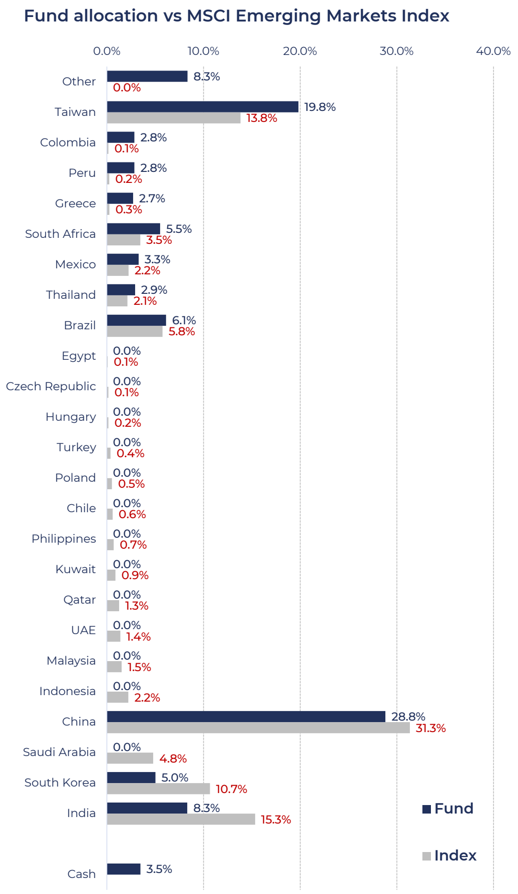
Source: Guinness Global Investors. Data as at 30/09/2022.

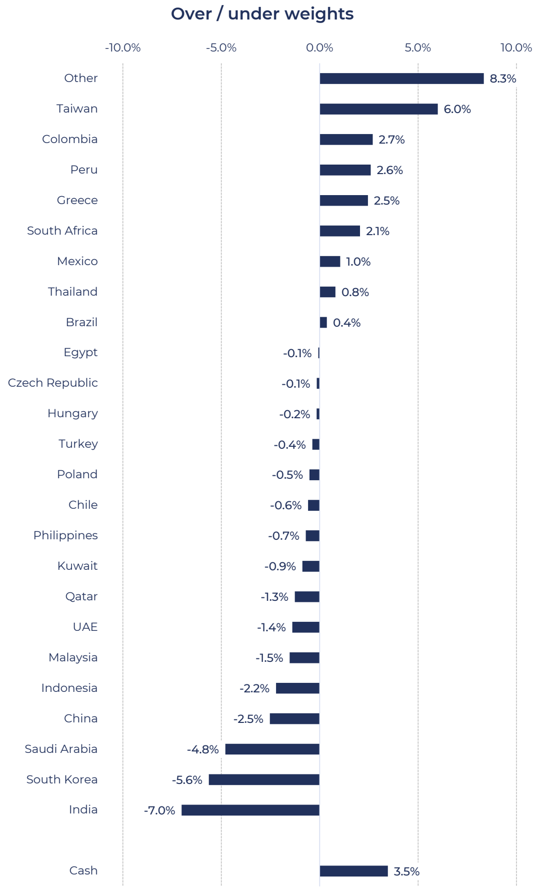
Relative to the benchmark, our biggest overweight (apart from the 'other' category) is Latin America, and our largest underweight is to Asia.

One of the companies included in the 'other' category generates a significant proportion of its revenues from Asia, and so could be reallocated, which would reduce the underweight by roughly 3 percentage points.

Our approach, and one of the ways we differ from peers, is to put together the portfolio on a bottom-up basis, rather than by making top-down judgements. Therefore the allocations should be viewed more as being a result of our individual stock selection decisions.

Next we show country weights relative to the benchmark:





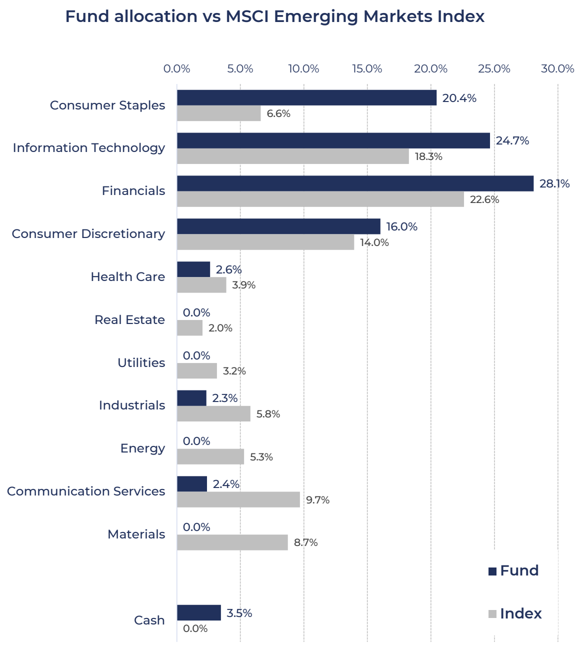
Source: Guinness Global Investors. Data as at 30/09/2022.

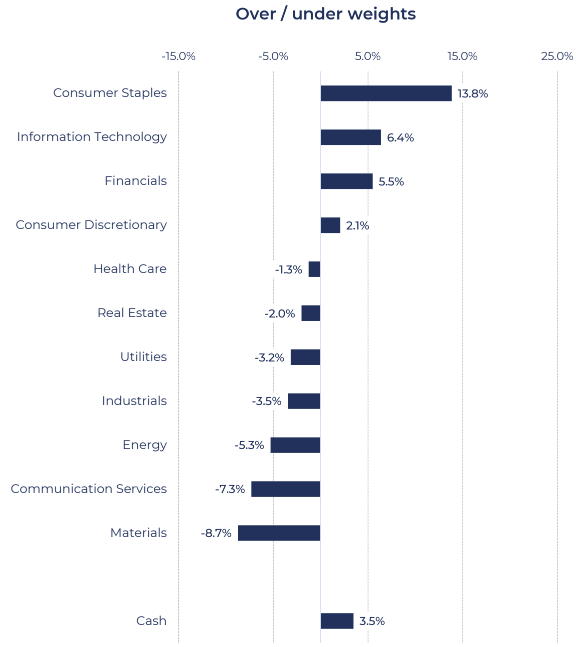
Our largest overweights are in Taiwan, and then Colombia, Peru and Greece – in all cases relatively small proportions of the benchmark, but where we hold one position in each, putting us 2.5 to 3% overweight. South Africa, Mexico and Thailand are also overweights – these countries have more significant benchmark weights. We are also overweight 'Other' which is our off-benchmark stocks.

Our largest underweights are to India, South Korea and Saudi Arabia (the latter where we hold no positions currently). Although China is our largest country exposure, we are underweight by roughly the equivalent of one position.

Finally, the following chart shows sector weights relative to the benchmark:

Guinness Emerging Markets Equity Income





Source: Guinness Global Investors. Data as at 30/09/2022.

Our main overweights are to the consumer sectors, Information Technology and Financials.

We are underweight Communication Services, and we have no holdings in the Materials, Energy, Utilities or Real Estate sectors.

RECENT RESULTS

A few company updates have been released recently; more are expected as earnings season gets underway.

- Yili Group reported results for the first half showing revenues up 12.3% and net profit up 15.4% year-on-year, reaching record levels. The company saw particularly strong growth in the milk powder and dairy products segment, which grew 58% year-on-year. Yili's leading market share position in many product lines has allowed the company to benefit as industry demand grows, while also introducing new product categories.
- Broadcom reported results for its third quarter ended July that were broadly in line with expectations. Guidance for the fourth quarter came in better than expected. The company is benefiting from continued strong demand in IT infrastructure spending, with Networking products up 30% year on year and Server Storage up 70%. A number of upgrade trends are driving this strong demand: 200G/400G in networking, WiFi6/6E in wireless etc. as well as growth in ASIC chip business in high-performance computing for Google, Facebook and Microsoft. The company is returning a significant proportion of free cash flow in the form of share buybacks, with $1.5bn spent in the quarter.
- Unilever announced its CEO, Alan Jope, will stand down at the end of next year. The context for the change is a period of what has been challenging performance by the company and increased activist investor involvement.
- Comments from Hon Hai indicate iPhone demand likely to hold up relatively well in the second half of the year, bucking the trend of weaker demand seen for Chinese smartphone manufacturers. The forecast is dependent on the strength of consumer incomes and the popularity of the current iPhone release cycle.

OUTLOOK

Inflation and monetary policy continue to occupy the attention of many in the market. Treading a delicate balance between supressing high levels of inflation in developed markets without triggering a recession, the US Fed has shown that it is willing to risk the latter in a bid to secure the former. We will see in time whether its actions will match up with intentions, or whether a change in course is suddenly required.

Europe, meanwhile, is battling an energy crisis, while stimulus measures introduced to protect consumers are criticised either for their destabilising effect on a country's fiscal position (as in the UK) or in respect of whether they amount to state aid and their fairness on competing countries (as in Germany). Talk of energy blackouts and shortfalls in supply heighten fears of recession going into the winter. OPEC has also indicated that it will keep oil supply in check, with the recent news of a cut of 2m barrels/day to headline capacity figures.

China, as the largest country in the emerging market index, finds itself in a different position. Inflationary pressures are much lower. Here the risk is of a slowing economy, partly resulting from the zero-Covid policy, but increasingly as a result of a slowing global economy. Nevertheless, Asia has been building resilience in the form of greater internal demand – external demand is still a crucial part of the equation but is becoming less important over time.

In Latin America, while the portfolio is exposed indirectly to the effects of volatile commodity prices, we generally seek companies with more stable earnings profiles and especially those with business models that provide the competitive advantage we look for. Our expectation for these companies is that it is the results of the individual business that will ultimately be the dominating factor.

We look for companies that have earned attractive returns on capital, where we think those returns are likely to persist in the future. By generating cash on a reliable basis, a sustainable dividend can be paid and reinvestment opportunities can be funded. Over time, this leads to growth which potentially also strengthens the company and its business model.

We expect valuation re-rating to contribute to returns, but over the long term, it is the fundamental performance of the business that is likely to drive results for shareholders. Emerging markets have the advantage of low starting valuations, which can provide a cushion for shareholders (provided the business quality is there).

Portfolio managers

Edmund Harriss

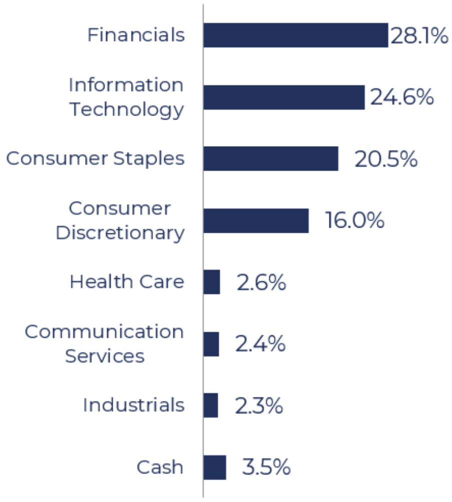
Mark Hammonds

PORTFOLIO

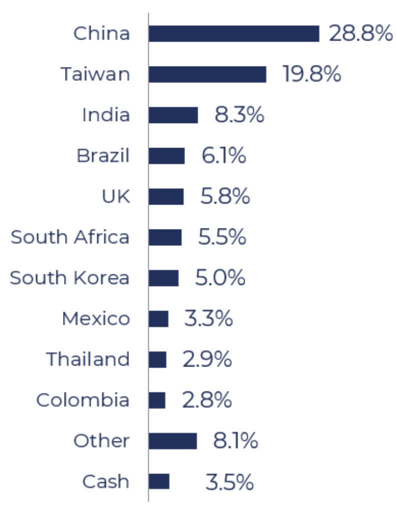
Fund top 10 holdings

Coca-Cola Femsa	3.3%
Catcher Technology	3.3%
B3 SA - Brasil Bolsa Balcao	3.2%
Largan Precision	3.0%
Grape King Bio	3.0%
Zhejiang Supor	3.0%
Bajaj Auto	3.0%
Unilever	3.0%
Spar Group	3.0%
LG Household & Health Car	2.9%
% of Fund in top 10	30.6%
Total number of stocks	35

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Annualised % total return from launch (GBP) **30/09/2022**

Discrete years % total return (GBP)	Sep '22	Sep '21	Sep '20	Sep '19	Sep '18
Fund (Y class, 0.89% OCF)	-3.3	12.8	-6.2	4.3	7.4
MSCI Emerging Markets Index	-13.2	13.3	5.4	3.7	2.1
IA Global Emerging Markets sector average	-15.4	17.0	2.0	6.5	-1.5

Cumulative % total return (GBP)	YTD	1 Yr	3 Yrs	5 Yrs	Launch
Fund (Y class, 0.89% OCF)	-6.2	-3.3	2.3	14.6	30.8
MSCI Emerging Markets Index	-11.6	-13.2	3.7	9.7	31.5
IA Global Emerging Markets sector average	-13.7	-15.4	0.9	5.9	26.7

RISK ANALYSIS **30/09/2022**

Annualised, weekly, from launch on 23.12.16, in GBP	Index	Sector	Fund
Alpha	0.00	-0.31	1.06
Beta	1.00	0.92	0.82
Information ratio	0.00	-0.18	0.03
Maximum drawdown	-22.63	-25.14	-23.22
R squared	1.00	0.94	0.76
Sharpe ratio	0.07	0.02	0.09
Tracking error	0.00	3.64	7.31
Volatility	14.96	14.11	13.99

Source: FE fundinfo. Bid to bid, total return. Fund launch date: 23.12.2016.

IMPORTANT INFORMATION

Issued by Guinness Global investors which 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 equities and equity markets invested in by the Guinness Emerging Markets 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 Emerging Markets 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. The Fund invests only in stocks of companies that are traded on Emerging Markets stock exchanges or that do at least half of their business in the region; it is therefore susceptible to the performance of that region, and can be volatile. Details on the risk factors are included in the Fund's documentation, available on our website. Shareholders should note that all or part of the fees and expenses will be charged to the capital of the Fund. This will have the effect of lowering the capital value of your investment.

Documentation

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

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

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

Investor Rights

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

Residency

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

Structure & regulation

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

Switzerland

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

Singapore

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

Telephone calls will be recorded and monitored