

Guinness Emerging Markets Equity Income Fund



Investment Commentary – December 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

30/11/2022	1 Yr	3 Yrs	5 Yrs	Launch*
Fund (%)	0.4	6.8	11.8	35.9
Index (%)	-8.3	9.1	11.3	37.1
Sector (%)	-10.9	5.2	5.8	30.8

Discrete 12m performance is shown at the end of the document. Source: FE fundinfo, bid to bid, total return in GBP. *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.

REVIEW

Emerging markets rallied sharply in November. The MSCI Emerging Markets Net Total Return Index rose 11.0% (all performance figures in GBP unless stated otherwise).

The fund outperformed, rising 11.2%. (Y share class.)

For the year to date, the fund remains ahead of the benchmark. The fund is down 2.6% while the benchmark has declined 7.8%.

Reversing the pattern seen in October, this month emerging markets significantly outperformed developed markets, with the MSCI World Index up 3.4% and the S&P 500 Index ahead, rising 2.0%.

The best-performing region by some margin was Asia, rising 14.0%. EMEA (Europe, Middle East and Africa) was next, up 0.5%. The weakest region was Latin America, down 3.5%.

Among the largest countries, the best-performing were China (+24.5%), Taiwan (+17.4%) and South Africa (+14.8%), as China began to ease zero-Covid restrictions.

The worst-performing countries were Saudi Arabia (-10.9%), Brazil (-6.8%), and Indonesia (-3.4%).

The strongest performers in the portfolio were all from Asia: Ping An Insurance (+46.8%), China Merchants Bank (+46.7%) and Elite Material (+30.8%).

The weakest performers were B3 (-20.0%), Spar Group (-11.1%) and Hon Hai (-1.4%).

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EVENTS IN OCTOBER

Emerging markets recorded their best monthly performance since 2009, rallying on expectations that Fed rate hikes may slow and amid China starting to ease Covid restrictions.

China announced further measures to support the real estate market, with regulators launching a wide-ranging rescue plan to assist developers.

President Biden met with Xi Jinping in Bali during the G20 conference, in a sign of easing tensions between the US and China.

Brent crude fell, declining 7.2% over the month.

Emerging market currencies gained 2.4%.

The US dollar index (DXY) fell 5.0%.

PORTFOLIO UPDATE

Several portfolio companies provided updates during the month:

B3 management indicated that they have seen strong trading volumes in equities in October and early November due to volatility around the Brazilian presidential election. Volumes are expected to normalise, but at a relatively high level. B3 is also likely to be one of the first market participants to introduce a new OTC platform for block trading.

LG H&H announced a new CEO, replacing an incumbent who has led the company since 2005. Jung Ae Lee, the new CEO, has worked at the company since 1986. She currently heads the Beverage division.

Hon Hai (Foxconn) has announced the hire of Chiang Shang-yi, previously co-chief operating officer of TSMC. The move signals Hon Hai's determination to move into new areas of manufacturing, outside of its core assembly business.

Netease announced that it has failed to agree terms with Activision Blizzard regarding distribution in China, affecting titles such as World of Warcraft and Overwatch. The impact on Netease is not expected to be significant, being limited to a small percentage of current revenues and earnings.

Netease also reported results for the third quarter, with revenues up 10% year-on-year. Net profit came in ahead of expectations due to better investment income / exchange gains. A new \$5bn share buyback programme was announced. A better outlook is expected, with the resumption of video game approvals by the Chinese regulator. Upcoming title *Harry Potter: Magic Awakened* is due to be launched in international markets next year.

OUTLOOK

We approach the new year with two competing forces in play. Developed markets, led by the US, are clearly entering a slower period. Tighter monetary policy is likely to continue to tap the economic brakes as the Fed tries to navigate a soft landing. The employment market is sending conflicting signals, making the jobs of policymakers difficult as they decide when to slow the pace of rate hikes. Early 2023 is likely to be a critical juncture.

On the other hand, China is moving in the opposite direction, easing the zero-Covid restrictions that have previously been suppressing the economy. While this is likely to be a difficult transition period for China, as many of the elderly in the country are still insufficiently vaccinated, the overall direction of travel is clear. We continue to expect a relaxing of restrictions into 2023, to take place step by step. A recovery in sentiment, accompanying the economic rebound, will act as a powerful boost, and with current valuations at very depressed levels, we think this is likely to be supportive of equity markets next year.

Emerging markets generally remain in good shape (although of course, will not be insulated from a global

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slowdown). Policymakers in several markets have been more proactive – raising rates early in the inflationary cycle, allowing them to get ahead of developed markets. Now inflation is showing signs of peaking and starting to roll over, those central banks have more leeway to potentially begin to cut rates, offsetting the slowing global economy.

While the macro environment remains uncertain, we stick to the discipline underpinning the fund's philosophy and process. We are focussed on companies with a track record of profitability and earning strong returns on capital. Such businesses, we think, are well placed to handle the changing business conditions faced as we progress through the economic cycle.

Portfolio managers

Edmund Harriss

Mark Hammonds

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PORTFOLIO

Fund top 10 holdings	Sector analysis	Geographic allocation
Largan Precision 3.6%	Financials 28.2%	China 29.4%
Ping An Insurance 3.4%	Information Technology 26.0%	Taiwan 21.2%
Coca-Cola Femsa 3.2%	Consumer Staples 18.9%	India 7.7%
Catcher Technology 3.0%	Consumer Discretionary 15.5%	Brazil 5.6%
Elite Material 3.0%	Communication Services 2.8%	UK 5.5%
Credicorp 3.0%	Health Care 2.7%	South Africa 5.2%
Novatek Microelectronics 3.0%	Industrials 2.7%	South Korea 5.1%
China Merchants Bank 3.0%	Cash 3.2%	Mexico 3.2%
Taiwan Semiconductor 3.0%		Peru 3.0%
Porto Seguro 2.9%		Thailand 2.8%
% of Fund in top 10 31.1%		Other 8.0%
Total number of stocks 35		Cash 3.2%

PERFORMANCE

Past performance does not predict future returns.

Annualised % total return from launch (GBP)	30/11/2022
Fund (Y class, 0.89% OCF)	5.3%
MSCI Emerging Markets Index	5.5%
IA Global Emerging Markets sector average	4.6%

Discrete years % total return (GBP)	Nov '22	Nov '21	Nov '20	Nov '19	Nov '18
Fund (Y class, 0.89% OCF)	0.4	6.2	0.1	9.5	-4.4
MSCI Emerging Markets Index	-8.3	3.6	14.7	5.8	-3.6
IA Global Emerging Markets sector average	-10.9	4.9	12.4	8.2	-7.1

Cumulative % total return (GBP)	YTD	1 Yr	3 Yrs	5 Yrs	Launch
Fund (Y class, 0.89% OCF)	-2.6	0.4	6.8	11.8	35.9
MSCI Emerging Markets Index	-7.8	-8.3	9.1	11.3	37.1
IA Global Emerging Markets sector average	-10.9	-10.9	5.2	5.8	30.8

RISK ANALYSIS		30/11/2022	
Annualised, weekly, from launch on 23.12.16, in GBP	Index	Sector	Fund
Alpha	0.00	-0.32	1.07
Beta	1.00	0.91	0.82
Information ratio	0.00	-0.18	0.04
Maximum drawdown	-26.05	-26.33	-23.22
R squared	1.00	0.95	0.78
Sharpe ratio	0.05	0.01	0.07
Tracking error	0.00	3.66	7.27
Volatility	15.48	14.53	14.38

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'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