Guinness Asian Equity Income Fund

2022 Annual Review

ABOUT THE FUND

Launch	19.12.2013
Benchmark	MSCI AC Pacific ex Japan
Sector	IA Asia Pacific Excluding Japan
Team	Edmund Harriss (Co-manager) Mark Hammonds (Co-manager) Sharukh Malik

Aim

The Guinness Asian Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Asia Pacific region. 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 AC Pacific ex Japan index as a comparator benchmark only.

RISK

The Guinness Asian 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. Further details on the risk factors are included in the Fund's documentation, available on our website.

PERFORMANCE

Past performance does not predict future returns.

31/12/2022	1 Yr	3 Yrs	5 Yrs	Launch*
Fund (%)	-6.3	10.1	13.1	116.1
Index (%)	-8.5	3.7	8.9	81.6
Sector (%)	-6.9	13.4	18.4	99.4

Discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, bid to bid, total return in GBP. *Launch: 19/12/2013. 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 REVIEW

In 2022 the Guinness Asian Equity Income Fund produced a total return of -6.3% (in GBP), compared to the Fund's benchmark, MSCI AC Pacific ex Japan Net Total Return (NTR) Index, which fell -8.5% (in GBP). The Fund therefore outperformed the Index by 2.2%.

Since launch 9 years ago on (19 December 2013), the Fund has produced a cumulative total return of 116.1% (Y share class in GBP) compared to the benchmark return of 81.6%. Discrete 12m performance is shown at the end of this commentary.

Over the same period, it has outperformed both MSCI AC Asia Pacific Value NTR Index which returned 71.4% and the equivalent High Dividend NTR Index which is up 67.3%.

The Fund is also ahead of the MSCI AC Asia Pacific Growth NTR Index, which is up 97.8% since the launch of the Fund.

(In the rest of this paper, performance numbers are quoted in US dollar terms unless specified otherwise.)

Asian markets, as measured by the MSCI AC Pacific ex Japan Net Return Index (the Fund's benchmark) fell -18.8% in US dollar terms, which compares with a decline of -18.5% in the US S&P 500 Net Return Index and -18.0% in MSCI Europe ex UK. (The MSCI UK Index was a notable outperformer in 2022, falling only -4.2% in dollar terms).

The north Asian (emerging) markets of China, Korea and Taiwan, together accounting for 62% of the regional index, led the region lower, falling -21.9%, -29.4% and -29.8% respectively, as measured by the MSCI country indices. The region's developed markets of Australia, New Zealand, Hong Kong and Singapore outperformed, falling between -4.7% and -13.6%. Indonesia and Thailand stood out as the only markets with positive returns, climbing 3.6% and 5% respectively. India, not in the benchmark, was down -7.3%.

For most of 2022, concerns around China dominated. These centred on Covid policy, regulation, the property sector, monetary policy and geopolitics. China was being discussed in some quarters as being 'uninvestible'. In a hectic few weeks following the Party Congress and the confirmation of Xi Jinping's third term as leader, China shifted on all five aspects.

On Covid, the change could not have been more profound – from zero-Covid to the removal of all restrictions. In all other areas there were substantive changes: technology regulation retreated with new IPOs permitted and the take-up by the state of 'golden shares' giving it board representation; monetary support for the struggling property developers; a re-focus on accelerating economic growth with funds to back it; and a more conciliatory diplomatic drive causing investors to switch their focus from risk to cheap valuations.

For Korea and Taiwan, weaker markets reflected a deterioration in the outlook for global growth, to which they are more exposed than most. Rising interest rates in the US and weakness in Europe due to Russia's invasion of Ukraine, followed by supply shortages of gas and oil, have increased recession expectations. The semiconductor sector has been impacted by previous inventory build-up by customers running up against weaker consumer demand. However, offsetting this to some degree is the resilience of corporate demand on the technology infrastructure side, such as in cloud computing, datacentres and automation.

The Fund outperformed its benchmark over the year, but its long-term average annual return fell as valuations of the portfolio's Chinese holdings were compressed. The operational performance of these companies, however, has held up well, as evidenced by the dividends reported and paid during the year. This has set up the Fund to recover as investor sentiment changes and we have seen this in the last two months of 2022 and into January 2023.

The dividend performance of the companies in the portfolio was very encouraging. The importance to us is the signal it sends about the companies' present operations and management outlook. It is the tangible evidence that sales, margins and profits are indeed coming through in cash terms, which in turn gives us confidence that near-term valuation pressure has room to correct. All 36 companies in the portfolio pay dividends: 24 increased, 3 were unchanged, 7 declined, and 1 (Corporate Travel Management) resumed. (One Korean holding went ex-dividend at the end of the year but the amount will not be declared until 2023, in line with the market norm.)

We made two portfolio changes this year with sales of KT&G in January and of China Lilang in September. These were replaced respectively by the re-purchase of Industrial & Commercial Bank of China (previously sold in 2019) and by Broadcom. Since the Fund was launched in 2013 there have been 28 portfolio changes, representing an average of just over 3 changes a year.

SUMMARY OUTLOOK

Our global view focuses on the US and the outlook for inflation and interest rates. We think the market's expectation for rapid cuts in interest rates as the rate of inflation comes down is overly optimistic. Inflation numbers will certainly come down as a function of base effects, but this is not what the Fed is looking for, in our view. Their focus instead is on underlying price pressures and long-term inflation expectations. The inflation double-header in the 1970's when headline Consumer Price inflation rose 11.8% in 1975 then fell back before breaking out again to peak at 14.8% by 1980, serves as a warning. We expect the Fed will keep rates higher for longer, which has implications for growth, bond yields and equity valuations through a higher risk-free rate.

World growth expectations haven come down this year. The World Bank's Global Economic Prospects, published in January 2023, forecasts 1.7% GDP growth in 2023, half the rate of the June 2022 forecast, with the US to grow by 0.5% and the Euro area to record zero growth. The bright spot, in their view, is Asia. China's re-opening provides a significant impetus, and it is forecast to grow 4.3%, but other regional economies are also expected to fare relatively better than the US and Europe. Thailand, for example, is forecast to grow 3.6%, Malaysia by 4%, Indonesia 4.8%, and India by 6.6%. This reflects, in our view, the growing proportion of economic activity taking place and remaining within the region.

Inflation in Asia presents less of a challenge because, we would argue, underlying price pressures that are evident in developed markets are not so pressing. The greatest pressures can be seen in Korea, Indonesia and perhaps

Malaysia, but there are signs these are rolling over. At the end of the year, Asia ex Japan Consumer Price Inflation was running at 2% with China at 1.8% and Korea was at 5%. Interest rate increases in the region have been required to dampen inflation but also to ensure the interest rate differential with the dollar does not widen sufficiently to cause pressure on the currencies. It would seem we are close to, if not past the peak of interest rate rises in the region, and the narrowing of sovereign bond yield spreads over equivalent US Treasuries suggests this is how the market sees it.

At the end of 2022 the forward price-earnings multiple for the benchmark index was 13x consensus estimated earnings compared to the 20-year average of 13.5x. China's valuation was 11.5x estimated earnings compared to its long-term average of 12.6x. Average annual earnings growth for the next two years (2023 and 2024) is estimated to be 8% per annum for the region and for China is forecast to be 13.4% per annum. Earnings forecasts for the region come against a background of accelerating regional growth and may be accompanied by upward revisions to forecasts; these are in contrast to a slowdown in developed markets which may be accompanied by downward forecast revisions.

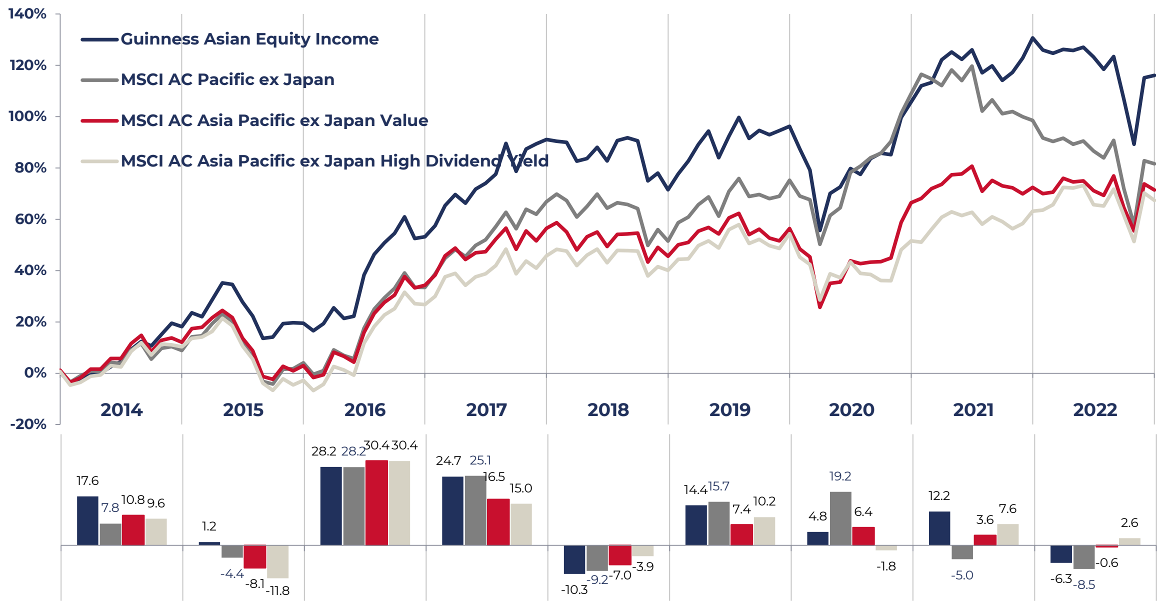
We think the Fund is well positioned to deal with prevailing conditions. The portfolio is 71% exposed to domestic Asia and 29% to global markets. The portfolio is made up of companies which have demonstrated an ability to compete effectively against weaker peers. Average annual earnings growth for the portfolio based on current consensus estimates is 6.6% per annum, which is in line with its long-run average annual growth rate and thus we have high confidence in the companies' ability to deliver. At the same time, the portfolio valuation is at a 19% discount to the market after weaker conditions this year, a discount five percentage points greater than the 14% average valuation discount since the Fund was launched in 2013. We think a combination of a possible return to the average for the Fund's valuation together with earnings growth and a yield in line with its average of the last nine years provides very attractive upside prospects from these levels.

PERFORMANCE

	1 year	3 years	5 years	Since Launch (19/12/2013)
Guinness Asian Equity Income Fund	**-6.3%**	**10.1%**	**13.1%**	**116.1%**
MSCI AC Pacific ex Japan NTR Index	-8.5%	3.7%	8.9%	81.6%
MSCI AC Asia Pacific ex Japan Value NTR Index	-0.6%	9.6%	9.5%	71.4%
MSCI AC Asia Pacific ex Japan High Dividend Yield NTR Index	2.6%	8.4%	14.8%	67.3%
IA Asia Pacific ex Japan Sector	-6.9%	13.4%	18.4%	99.4%

Cumulative Total Return Y share class in GBP, as of 31st December 2022. Source: Financial Express.

The Fund outperformed its benchmark in 2022. Nevertheless, the returns were weighed down by weakness in China, to which the Fund has 36% exposure, as domestic and geopolitical concerns caused investors to move away. Policy changes and improving international relations have brought about a recovery in Chinese markets. These have further to go, in our view, before they fully reflect current operational performance, let alone the earnings recovery we expect to see as economic growth re-accelerates.



Cumulative Total Return Y share class in GBP, as of 31st December 2022. Source: Financial Express.

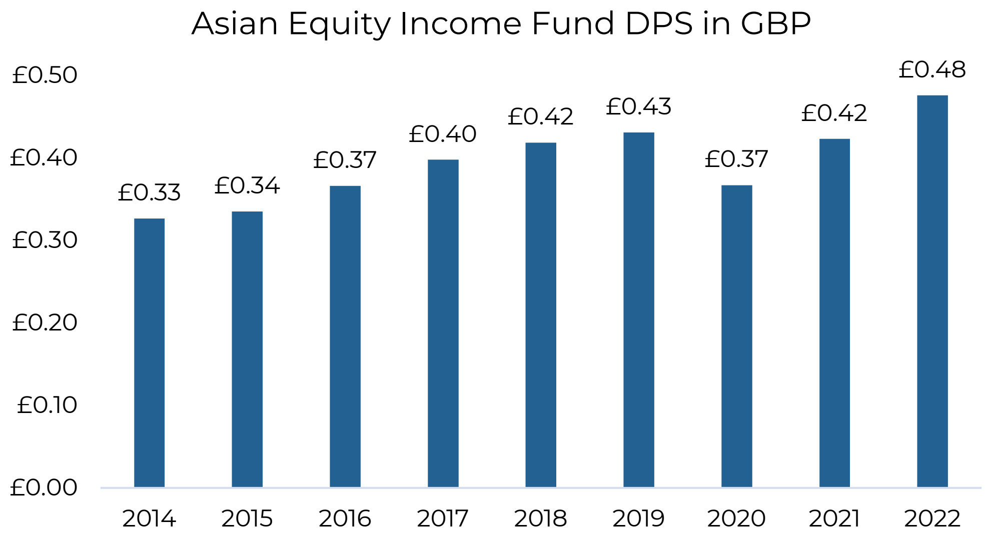
DIVIDEND REVIEW

The total return to shareholders, made up of earnings, valuation and dividend, is a useful framework with which to consider both macro and micro developments. The Asian Equity Income Fund does not seek to squeeze out every drop of income from the portfolio but to buy into companies that are profitable, are growing and are supporting that growth through internally generated cash flows which greater than needed for reinvestment. The dividend is therefore an important indicator that our portfolio companies are delivering on that promise. The higher yield reflects the lower valuations that can be found in Asia – simply, we are paying less for each dollar of income than we would for companies of similar quality elsewhere.

The average historic distribution yield for the Fund since launch based on the Fund price at the end of each year has been 4.0% on the Y share class in USD, GBP and EUR terms. (Historic yield reflects the distributions declared over the 12 months expressed as a percentage of the mid-market price, as at the date indicated. It does not include any preliminary charges. Investors may be subject to tax on the distribution.)

In 2022, the Y share class distribution in GBP terms increased by 12.5%, reaching a new high and delivered an historic yield, based on the Fund price at year-end of 4.5%. The EUR distribution rose 13% and while the distribution in USD terms was flat on last year.

The dividend history for the Fund's Y share class in Sterling can be seen below:



Y share class dividend growth in GBP. Source: Guinness Global Investors.

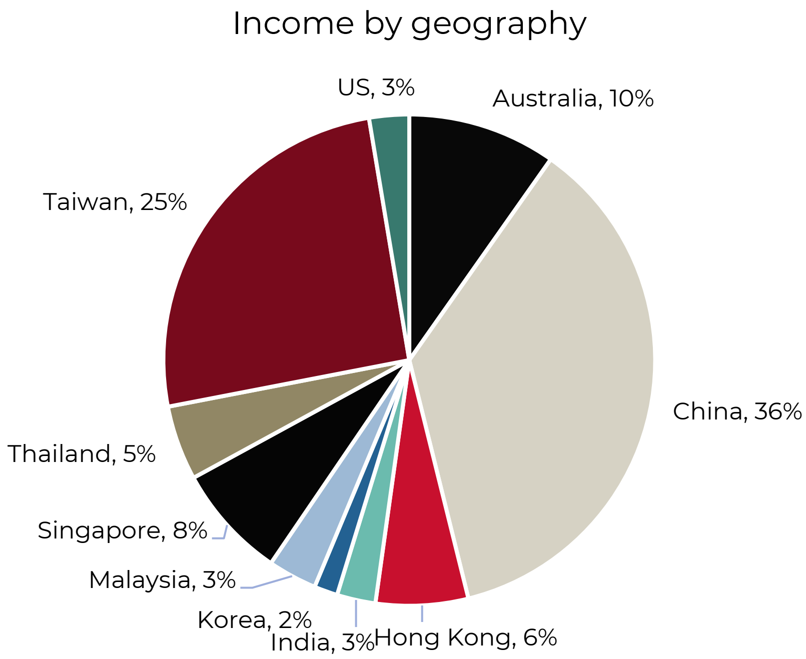
Over the life of the Fund, the GBP dividend has grown at a compound annual growth rate (CAGR) of 4.8% per annum compared to 4.3% per annum for the benchmark.

Dividend sources

All the companies in the portfolio exhibit similar investment characteristics: above average returns on capital sustained over time that we think are likely to persist but are priced by the market as if they won't. They are also all dividend payers, having cash generating capacity over and above their investment needs.

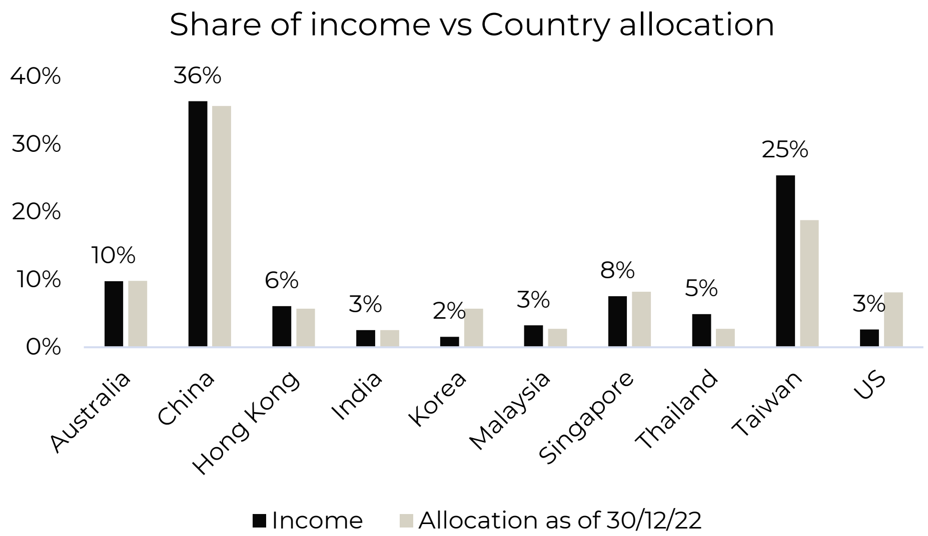
We do not, therefore, manage according to a barbell approach – taking a mixture of high-growth/high-value/no-dividends at one end and no-growth/deep-value/high-dividends at the other. In an environment of slowing growth, higher inflation and higher interest rates we would expect both groups to more vulnerable to the downside. The combination of growing cash-based profitability underpinning a growing dividend stream coupled with a valuation that more closely reflects current operating prospects rather than pricing for growth looks better to us in these conditions.

The geographic sources of dividend income received by the Fund in 2022:

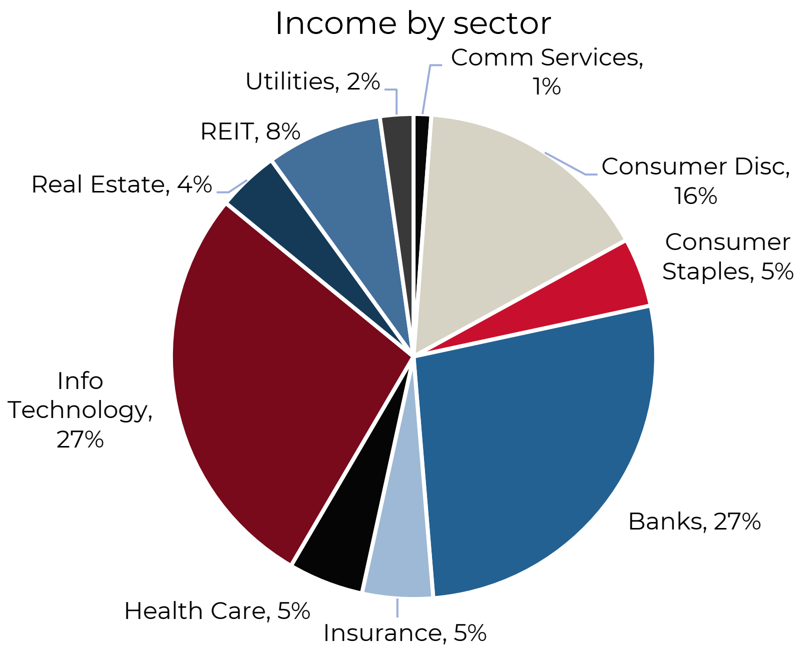


Data as of 31.12.2022

The geographic distribution of income sources aligns with the portfolio's asset allocation at the end of the year:

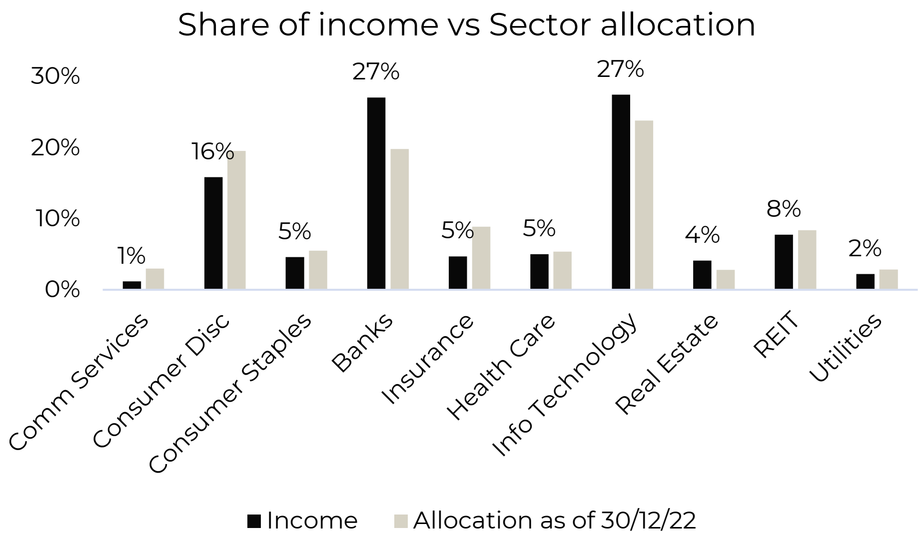


By sector, the sources of income in 2022 were as follows:



Data as of 31.12.2022

Again, this aligns quite closely with sector allocation but with a little more income coming from banking and Information Technology exposures and a little less coming from Consumer Discretionary and insurance.



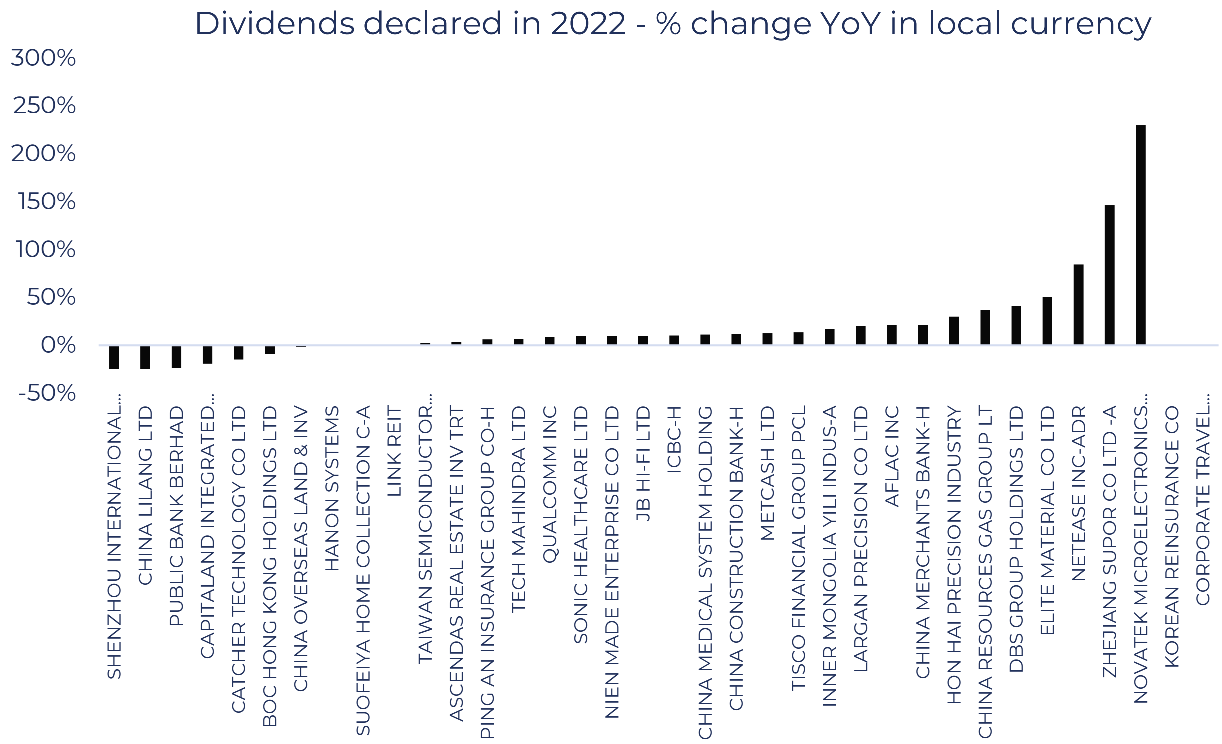
Source: Guinness Global Investors. Based on dividend income received and due to the Fund included in 2022 Fund distribution, converted into the Fund's base currency, USD.

DIVIDEND ACTIONS

In 2022, out of our 36 holdings:

- 24 companies **grew** their dividends.
- 3 companies kept dividends **flat.**
- 7 companies reported **lower** dividends.
- 1 company **resumed** the dividend.

The chart below shows the percentage change in dividend per share for each of our portfolio companies. Corporate Travel Management resumed dividend payments, but the absence of a payment last year means a year-on-year comparison in percentage terms is not meaningful. Korean Reinsurance went ex-dividend at the end of the year, but in line with Korean market norms, the amount will be declared in 2023. We expect it to decline in line with earnings compared to the prior year.



Source: Company reports. Dividends declared and the shares gone ex-dividend in 2022, in local currency terms.

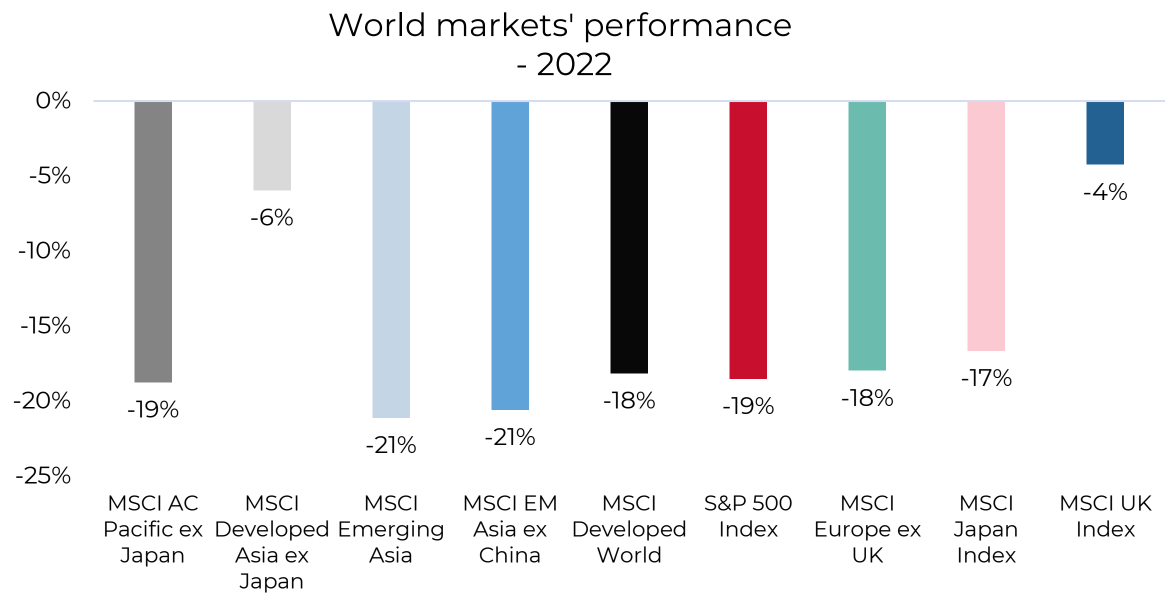
Novatek Microelectronics delivered the highest dividend growth this year which follows a substantial increase in revenues and earnings over the past three years. It is a fabless chip designer. It relies on other wafer fabrication plants to manufacture the chips it designs. There has been a step change in revenues, with its growing range of screen driver chips applicable to TVs, monitors, notebook PCs and cars as well as for its combined System on Chip designs for use in handheld devices. We had been concerned that the company had reached a point where growth is about to stop, but a reacceleration in demand, especially from Chinese customers, suggests there is more to come.

Dividends from **Zhejiang Supor** (cookware) and **NetEase** (video games) were other two fastest growers. In the case of Supor, capital management prompted the announcement of a surprise special dividend. In the case of NetEase, underlying profit growth and a positive contribution from foreign exchange translation, unlike last year, delivered a year-on-year boost.

Among those companies which reported dividend declines, there were no emergency cuts. Distributions remained in line with earnings and with their dividend policies. **China Lilang**, a designer and retailer of men's clothing, has had a challenging period which we think is likely to continue, although the company itself is very well-managed, in our view. We decided to sell the position this year. **Shenzhou International**, a textile maker with production centres in China and in Southeast Asia, reported the biggest dividend decline after production in Vietnam was interrupted by Covid-related lockdowns. Production has long since resumed and we expect dividends to recover accordingly.

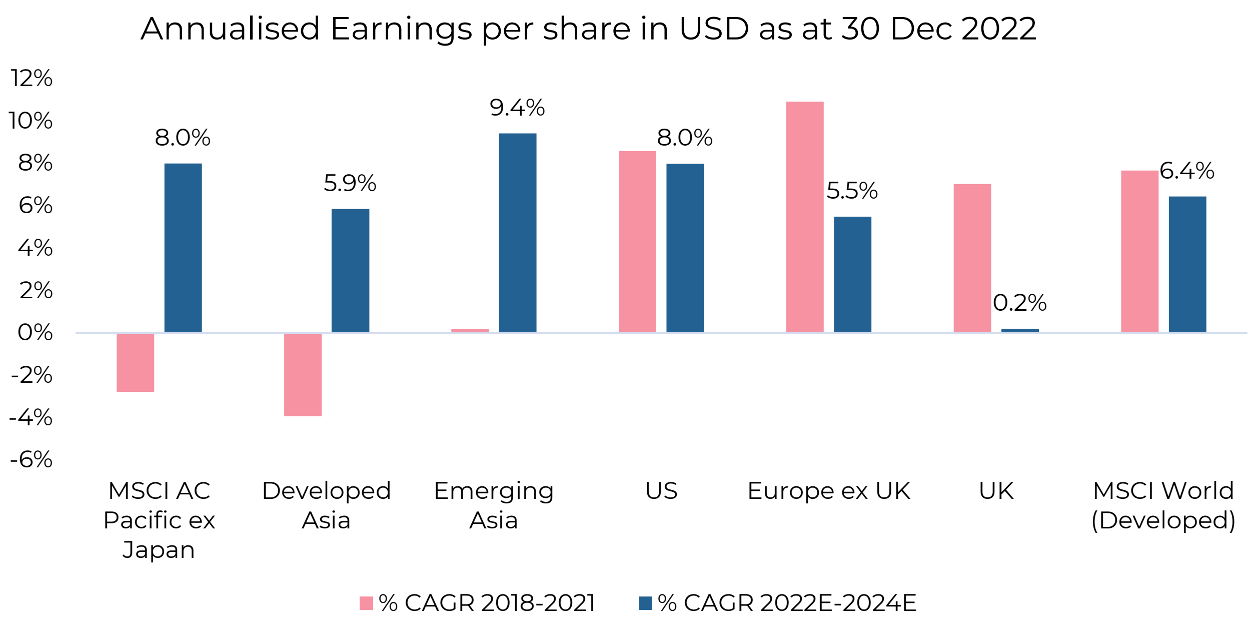
MARKET REVIEW OF 2022

Despite the challenges faced that were specific to the region, it is notable that MSCI AC Pacific ex Japan did not do any worse that the US and Europe. Emerging Asia, whether including or excluding China, was weak but only slightly more so than Europe and the US. The notable performance divergences were those of Developed Asia and the UK, both markets that have significant bank and mining exposures which did relatively better this year.



Source: Bloomberg. Developed Asia as measured by MSCI Pacific ex Japan NTR Index, Emerging Asia by MSCI EM Asia NTR Index, US by S&P 500 NTR Index and Europe ex UK by MSCI Europe ex UK NTR Index, all in US dollar terms to 31/12/22.

The earnings picture historically and (consensus) forecast over the next couple of years is interesting:

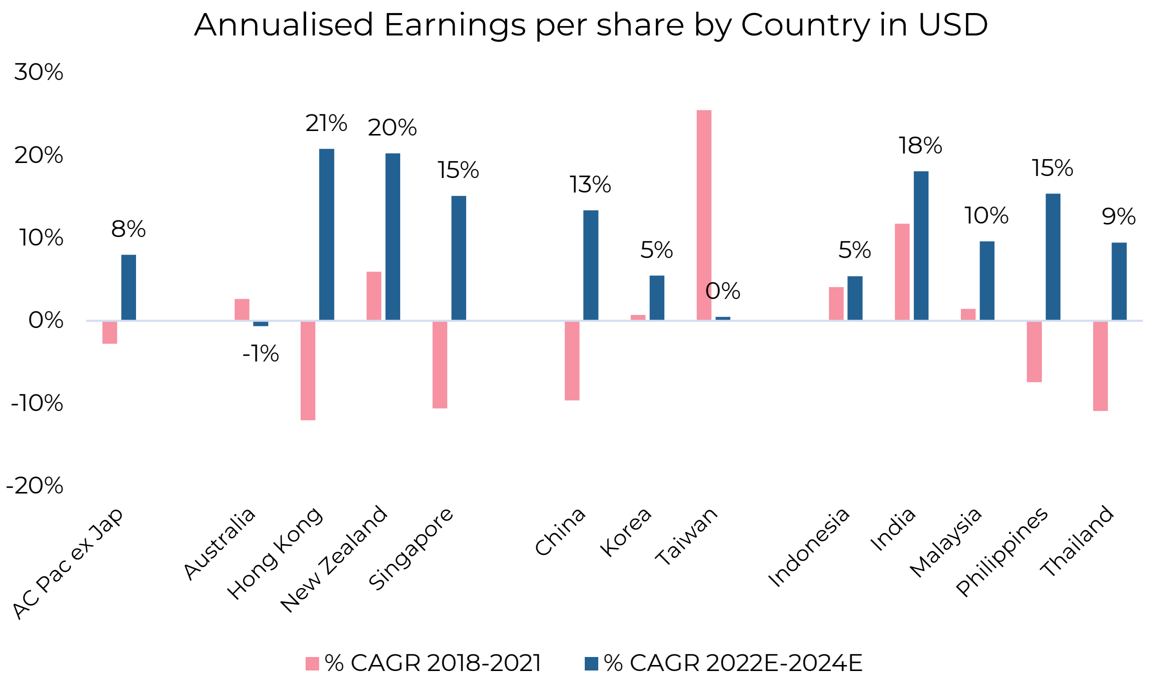


Source: Bloomberg. Developed Asia as measured by MSCI Pacific ex Japan NTR Index, Emerging Asia by MSCI EM Asia NTR Index, US by S&P 500 NTR Index and Europe ex UK by MSCI Europe ex UK NTR Index. Figures are based on consensus earnings estimates for the respective indices, in USD as of 31st December 2022.

Historic earnings in developed Asia in the 2018-21 period show an average annual decline of -3.9% per annum, but this includes a -63% drop in 2020 and a 176% rebound in 2021 (which equates to 2% growth over those two years) and reflects the huge swing in commodity prices over that period. Nevertheless, despite earnings volatility, Australia has been seen as a safer haven in 2022 as China's economy has faltered. In the coming two years, earnings for Developed Asia are expected to grow 5.9% per annum, led by Hong Kong and Singapore, while Australia's earnings are expected to be flat.

In Emerging Asia there is a more complex story. Historic earnings over 2018-21 were almost unchanged, but this included weakness in China (-11% p.a.) and strength in India (+11.7% p.a.) and in Taiwan (+25%) as demand for semiconductors took off amidst a supply shortage. The earnings outlook is where it gets interesting: China is now expected to come back with strong earnings growth this year and next; Indian earnings growth is expected to good but on a moderating trend over the next two years; earnings from Korea and Taiwan are expected to contract in 2023 before recovering in 2024, in line with global recession/growth expectations.

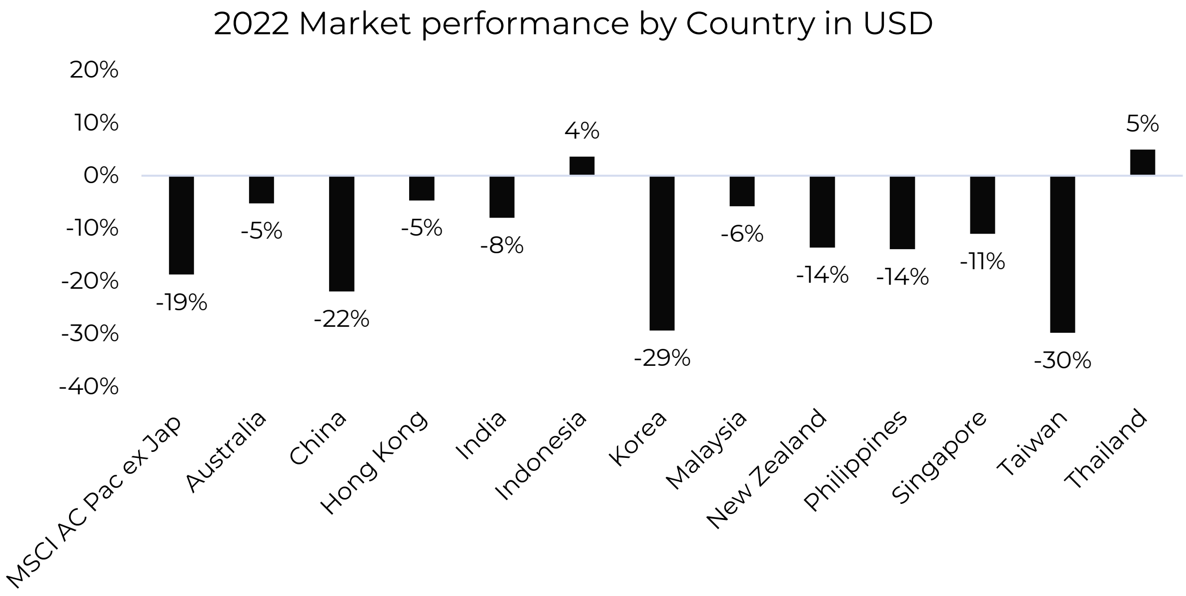
The earnings picture by country can be see more clearly in the chart below:



Source Bloomberg. Figures are based on consensus earnings estimates for the respective MSCI country indices, in USD as at 31st December 2022.

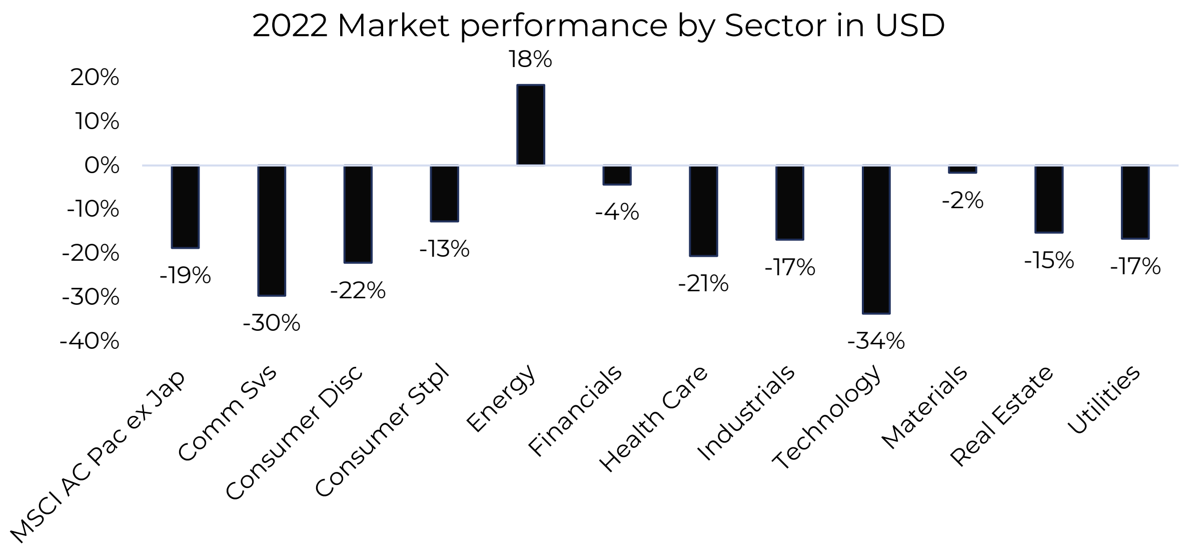
Therefore, from an earnings perspective, we see earnings growth in 2023 to be driven primarily by domestic or regional factors which would be most evident in China, India, Thailand and to a lesser extent Malaysia and Singapore, and in 2024 to be augmented by global recovery benefitting Korea and Taiwan and to a lesser extent Hong Kong and Singapore.

Asian market returns in 2022 were dragged down by the performances of China, Korea and Taiwan, which together account for 62% of the Fund's benchmark index. As China wrestled with the multiple challenges of zero-Covid policies, intensified regulation and a property sector slowdown, investors took cover in Australia, India and Southeast Asia. Korea and Taiwan are heavily exposed to global markets through technology products and components, and in Korea's case to a wide array of capital and consumer products ranging from refrigerators and TVs to cars and ships. Indonesia and Thailand were the only two markets to record positive returns. Indonesia rose on the back of higher energy prices and a heavy (58%) index weighting to banks. Thailand saw broader-based strength on expectations of the return of tourists after a two-year absence. Tourist arrivals accelerated in the latter part of the year but reached only around 6 million for 2022 versus c.40 million visitors a year pre-Covid.



Source: Bloomberg. MSCI region and country net total return (NTR) indices in USD terms as at 31/12/22.

Performance by sector was led by energy stocks and by resilient performance from banks and materials stocks. Technology was the weakest area as the sector has had to deal with high customer inventory levels, built up in response to the 2020/21 shortages, at the same time as demand for smartphones, tablets and personal computers entered a period of marked decline. The inventory adjustment is expected to be resolved by the middle of 2023, but the consumer demand aspect remains highly uncertain. We would expect to some differentiation in performance between those wholly exposed to consumer products and those also selling into the corporate or capital equipment segment.



Source: Bloomberg. MSCI AC Pacific ex Japan sector indices in USD terms as at 31/12/22.

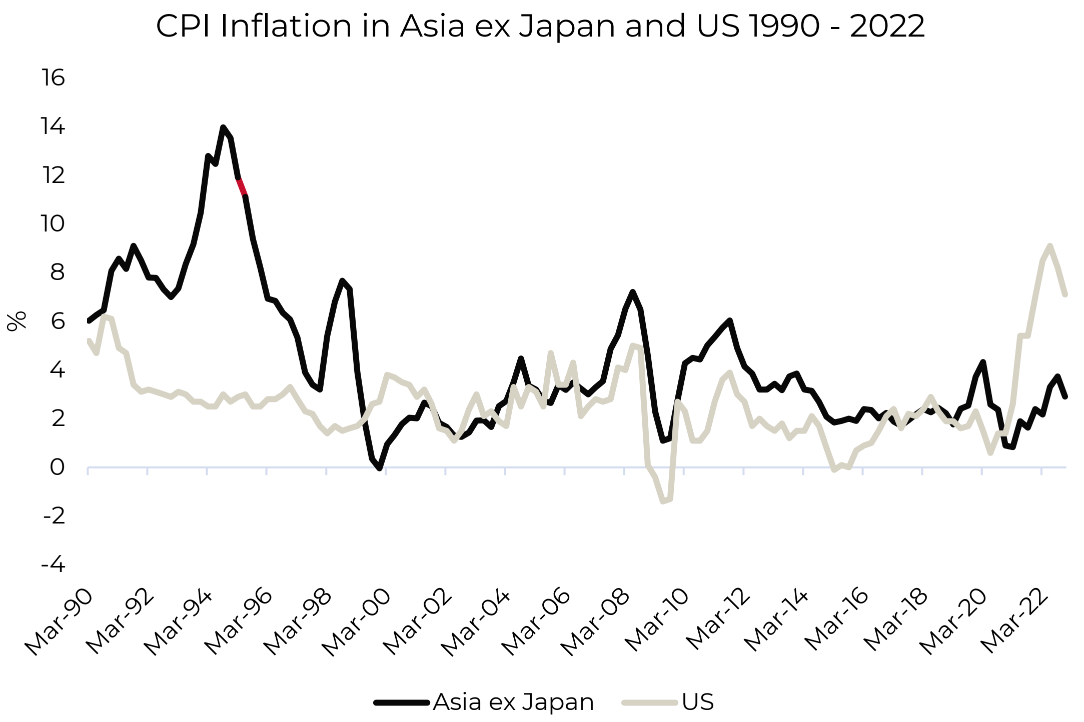
Macro factors that have dominated market performance over the course of the year are very similar to those of last year:

- Inflation and interest rates
- Semiconductor over-supply amidst weaker demand

- Global growth
- China domestic policies - market regulation, debt reduction, zero-Covid

The **inflation** problem moved from producer prices to consumer prices. While energy and commodity prices spiked earlier in the year, we saw these prices and the cost of shipping come down as global demand weakened. Container shipping rates between Shanghai and Los Angeles dropped from $11,200 per 40-foot container down to pre-Covid levels at $1,992 at the end of the year, while those on the Shanghai-Rotterdam route dropped from $13,658 to $1,706. Iron Ore spot prices have dropped from a $147/tonne peak in 2022 to bottom at less than $80/tonne in September. However, with China re-opening and re-focusing on growth, the price has climbed back to $110/tonne. The story for copper is similar. However, the evidence around the world seems clear that producer price inflation is slowing significantly.

Consumer price inflation does not appear to have been as pressing in Asia as it has been in developed markets. Although in certain markets such as Indonesia and Korea inflation has breached 5% (India's reached 7.8% but that is in the context of a 3-year average of 6.2%), for the most part inflation has not gone much above 4%. Chinese economic weakness has kept CPI close to, or below 2% this year, and so the aggregate regional inflation rate ended the year at 2.9% compared to US CPI inflation of 7.1% and US Core Inflation (less food and energy) of 5.7%.



Sources: Asia: Bloomberg, GDP-weighted aggregate of CPI rates; US: Bureau of Labor Statistics

Interest rates in Asia have moved higher as inflation has increased, but often the main concern has been to keep pace with US interest rate increases to prevent the interest rate differential from widening sufficiently to bring about pressure on currency exchange rates against the dollar. The table below shows the path of interest rates across Asia and includes, for reference, interest rate moves in developed markets including those of the region. The numbers in red indicate the peak and month in which it was reached.

National base rates by month - 2022

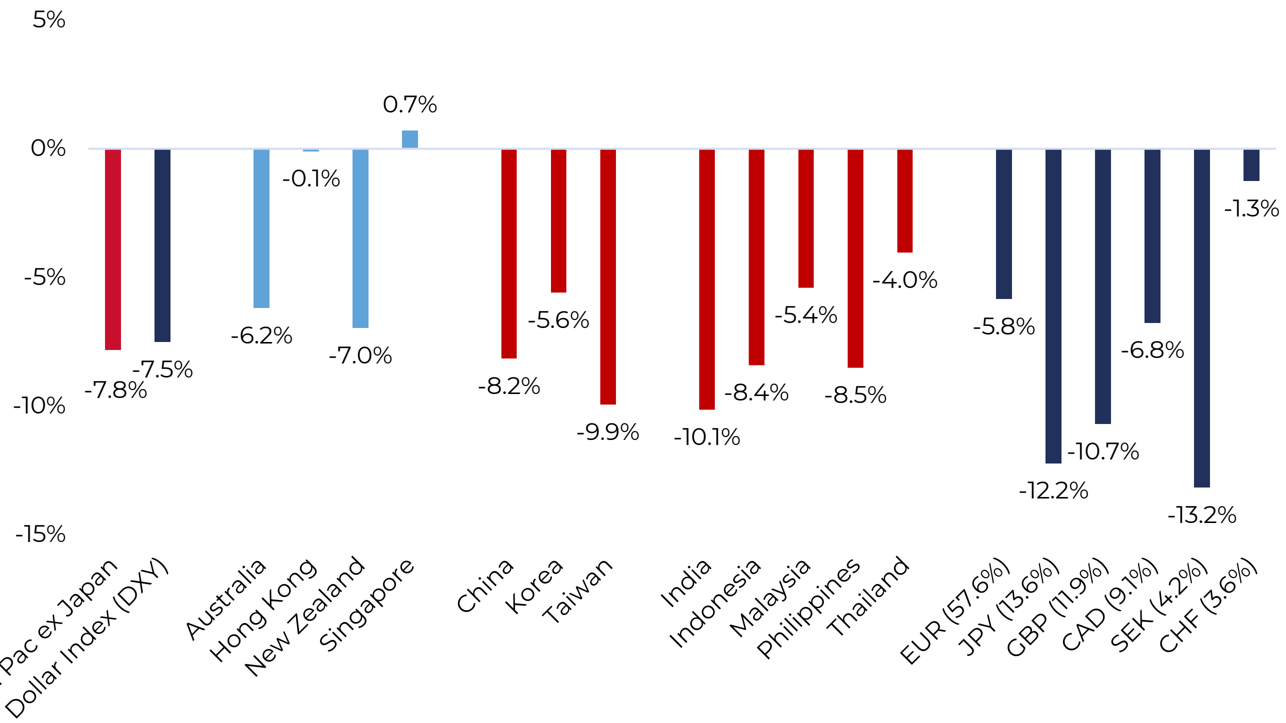
2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Increase in 2022 (x)
China	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	**3.65**	3.65	3.65	3.65	0.0
Korea	1.25	1.25	1.25	1.50	1.75	1.75	2.25	2.50	2.50	3.00	**3.25**	3.25	2.6
Taiwan	1.125	1.125	1.375	1.375	1.375	1.50	1.50	1.50	1.63	1.625	1.625	**1.750**	1.6
Indonesia	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.75	4.25	4.75	5.25	**5.50**	1.6
Malaysia	1.75	1.75	1.75	1.75	2.00	2.00	2.25	2.25	2.50	**2.75**	2.75	2.75	1.6
Philippines	2.00	2.00	2.00	2.00	2.25	2.50	3.25	3.75	4.25	4.25	5.00	**5.50**	2.8
Thailand	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.00	**1.25**	1.25	2.5
India	4.00	4.00	4.00	4.00	4.40	4.90	4.90	5.40	**5.90**	5.90	5.90	**6.25**	1.6
Australia	0.10	0.10	0.10	0.10	0.35	0.85	1.35	1.85	2.35	**2.85**	2.85	**3.10**	31.0
NZ	0.75	1.00	1.00	1.50	2.00	2.00	2.50	3.00	3.00	3.50	**4.25**	4.25	5.7
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	1.0
US	0.25	0.25	0.50	0.50	1.00	1.75	2.50	2.50	3.25	4.00	4.00	**4.50**	18.0
ECB Deposit	-0.50	-0.50	-0.50	-0.50	-0.50	0.00	0.00	0.00	0.50	1.50	1.50	**2.00**	nm
UK	0.25	0.50	0.75	0.75	1.00	1.25	1.25	1.75	2.25	3.00	3.00	**3.50**	14.0

Sources: Central banks' data as of 31.12.2022

The striking figures in our view are those in the final column which indicate the quantum of the increases in the course of 2022. Korea's interest rates are 2.6x higher than at the start of the year, whereas those in the US are 18 times higher and the UK's are 14 times higher. The impact in Asia is meaningful, but the lower quantum of change mitigates the shock experienced elsewhere.

The performance of Asian currencies in 2022 against the dollar shows them as reflective of dollar strength but in line with the performance of leading world currencies.

Exchange Rates changes versus US dollar in 2022



Source: Bloomberg as of 31.12.2022. Figures in brackets show the weights of the EUR, JPY, GBP etc. in the DXY Dollar Index.

Last year, the story around **semiconductors** was one of shortages with customers scrambling to secure supplies and build inventory while manufacturers were looking to increase production capacity significantly. Here too the story has moved on, with the focus shifting onto the outlook for demand. In the personal computer (PC) segment, for example, there has been heavy inventory build in processors, while at the same time sales forecasts for PCs have slowed. According to International Data Corporation (IDC) global shipments of PCs are expected to have fallen by almost 45 million units to 305 million and tablet shipments by 11.5 million units to 157 million. There is a similar story for smartphones, with 2022 sales expected to be down 9% on 2021, a drop of 124 million units.

This is not a panic moment for the sector, which will adjust, but it does help to explain the stream of weaker news from the chip manufacturers and the equipment makers. The designers and makers of processors, modems, screen controllers and memory, to list just some of those especially exposed to consumer electronics, have seen meaningful drops in revenue in recent quarters. Those technology manufacturers, including semiconductor makers, that supply into industrial applications, infrastructure, data centres and servers or into newer areas such as sustainable energy and electric vehicles have seen steadier demand. Consumer electronics are expected to weaken further in 2023 before recovering into 2024, but demand, cost and pricing pressures will not apply evenly across the industry. For example, athough overall smartphone demand is under pressure and costs continue to rise, we expect to see steadily growing demand for 5G devices as 5G infrastructure continues to roll out.

Asia ex Japan's **GDP growth** in 2022 is estimated to have been 3.7% compared to US growth estimated at 1.9% and Eurozone at 3.3%. Inflation in the region, as we have discussed, was 2.9% compared to US headline inflation of 7.9% for the year and Core inflation closer to 5%. Most countries in the region reported growth in line with their longer-run averages (3% in Korea, 2.5% in Taiwan, Indonesia 5.3%, India 7%, Singapore 3.8%) but the weakness in China and Hong Kong was marked. Asia's exports grew in 2022 but from the middle of the year began to decelerate and further weakness in 2023 is reflected in lower GDP growth forecasts for Korea 1.6%, Taiwan 2.2% and Singapore 2.0% in particular.

However, the big swings in activity between 2022 and 2023 lie in domestic activity. Lockdowns in China and Hong Kong dragged growth down to around 3% and -3% respectively; their re-opening is forecast to bring growth of 5%+ in China and 2.8% in Hong Kong. Thailand is another re-opening story with an expected recovery in tourist arrivals forecast to lift GDP growth from 3.2% in 2022 to 3.7% in 2023. The story of a widening economic growth differential between Asia and the US from a gap of 1.8% in 2022 (3.7% vs 1.9%) to 4.3% in 2023 (4.7% in Asia vs 0.4% in the US) is a big part of the bull case for Emerging vs Developed markets this year. The cautionary note is that much of this is riding on a China re-opening story playing out as hoped with no additional disruptions or shocks.

Much has been written about **China's economic, social and political** journey in 2022 and it has had a significant effect on investor attitudes toward the region generally and toward China in particular. Regulation in the technology sector, tightening borrowing capacity of property developers, international relations and even Covid policies have been shaped by Xi Jinping's ambition to extend his leadership. There are social and economic justifications as well as political ones underlying these decisions, but their convergence with Russia's invasion of Ukraine, with both economic and geopolitical consequences, have made this a particularly torrid period for China. Just how torrid was made clear with the explosion of popular protests in November against the seemingly unending cycle of lockdowns in pursuit of a zero-Covid policy.

Changes to these positions, both domestic and international, were only likely to be after Xi Jinping's re-appointment in October and the US mid-term elections in November. In the meantime, Xi Jinping was obliged to play to a domestic audience, admitting no error implied by changes to or reversals in domestic economic policies and no international weakness by aligning with the US against an ally, no matter how foolhardy they considered Russia's actions. However, after China's Party Congress and the US mid-terms, changes have come fast, and in the case of Covid policy, stunningly so.

Regulatory pressure in the technology area has now receded as the sector has been reaffirmed as one of the centrepieces of China's long-term growth plan to become a high-income economy. The property sector is now in receipt of cash support to assist with the completion of ongoing projects, and financing lines (equity and debt) have re-opened to the stronger players. International relations have improved with China taking a clearer stance against Russian escalation and renewing dialogue with the US and EU, and most recently by the appointment of a far more conciliatory figure (Qin Gang, the former ambassador to the US) as foreign minister, perhaps signalling an end to the aggressive 'wolf warrior' diplomacy of recent years. The most dramatic change was the shift from a gradual roll-back to a near complete abandonment of the zero-Covid policy. Protests are common feature of Chinese life but those with common cause in multiple places tend bring about a change in government policy. It was this fear of widespread protest that caused the government to draw back from imposing a blanket vaccination policy early on, which in turn created the need for rolling lockdowns, and the deadly result of that policy failure is now becoming evident.

Nevertheless, stock markets have welcomed the changes in government stance. China continues to send reassuring messages, most recently at the World Economic Forum in Davos, that the country is not turning inward. Vice-premier Liu He was reported as saying,

"We must let the market play the fundamental role in the allocation of resources, and let the government play a better role. Some people say China will go for the planned economy. That's by no means possible… All-round opening-up is the basis of state policy and the key driver of economic progress. China's national reality dictates that opening up to the world is a must, not an expediency. We must open up wider and make it work better."

FUND REVIEW

In GBP terms the Fund fell -6.3% (Y share class) in 2022 vs the benchmark that fell -8.5%. The Fund's dividend yield, based on the price of the Y share class at the end of the year, was 4.5%. For the first three quarters of the year, markets were weak and the Fund outperformed, but only by 3.1%. In dollar terms market weakness was greater, and the fund's outperformance was less than we might have expected in such conditions, but the 36% exposure to China and 19% exposure to Taiwan over the year weighed on performance, primarily through valuation compression. The companies did rather better operationally, reflected in the dividend performance, and this set up the Fund for a better absolute performance in the last two months of the year when China turned and global markets rallied. The Fund captured all the upside in that period, rising 14.2%, 1.0% behind the benchmark.

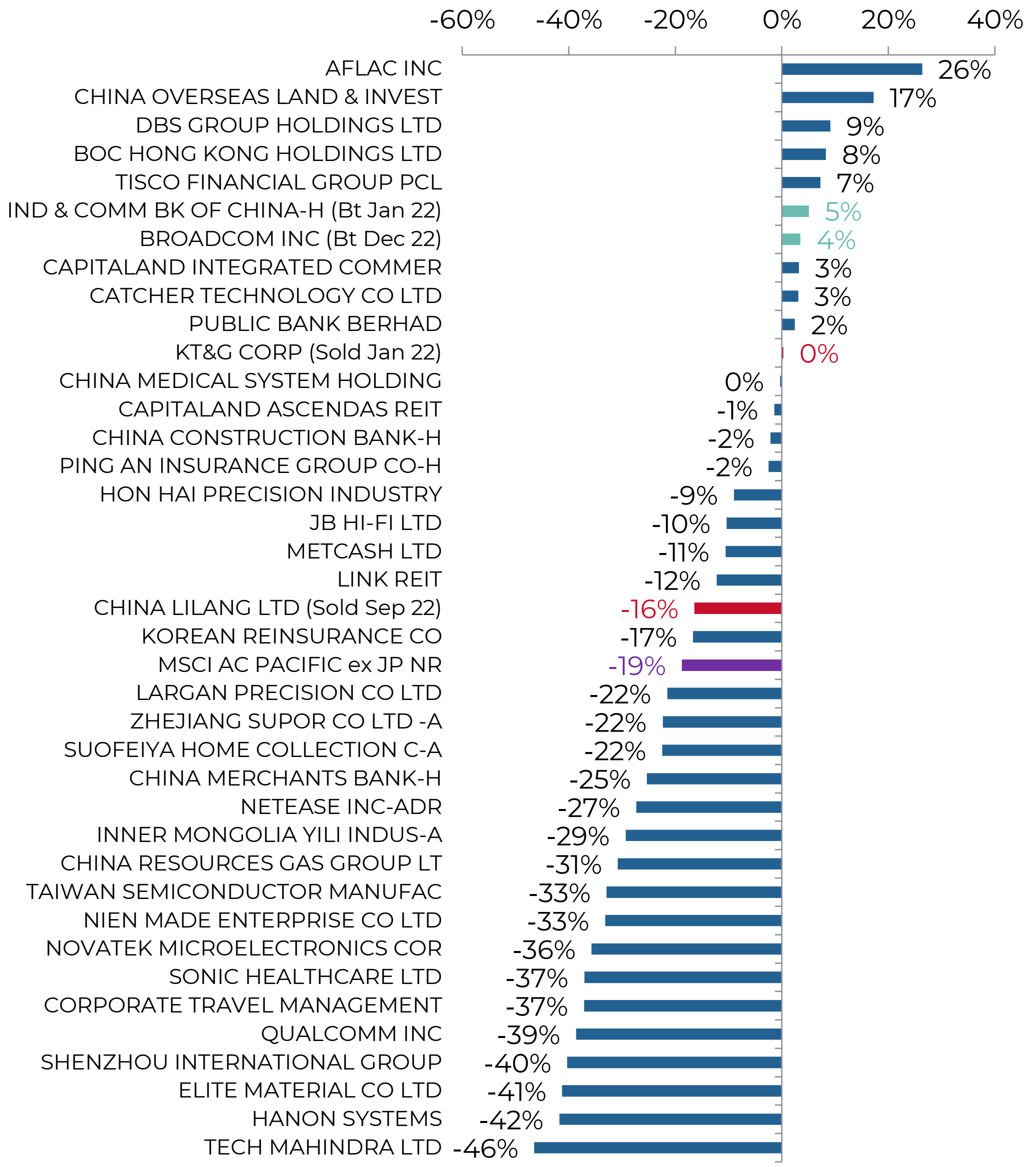
Stock selection contributed positively to outperformance in 2022 whereas asset allocation was a detractor. This is in line with our stated focus on bottom-up stock analysis. Across sectors, the main contributions to relative performance came from Financials, both in allocation and selection, and from our stock selection in Technology and Real Estate. In Financials there were positive contributions from Aflac, DBS, Public Bank and Tisco; the positions in China Merchants Bank and Ping An detracted before turning sharply positive in the last two months of the year. In Technology, the biggest contributors were Catcher Technology, Hon Hai Precision and Largan Precision; Elite Material, Qualcomm and Tech Mahindra were detractors. In Real Estate, Chinese developer China Overseas Land was the biggest contributor followed by the two Singapore REITs, Ascendas and CapitaLand Integrated Commercial Trust.

The main detractors were the zero allocations to Energy and Materials, whose cyclical characteristics do not conform to our investment philosophy and process. Among the Consumer Discretionary names the big detractors were Corporate Travel Management in Australia, Korean auto parts maker Hanon Systems and textile maker Shenzhou International. On a country basis, our stock selection in China and Taiwan contributed even as the allocation detracted, although the allocation to China turned into a positive contributor by year end. The allocation to Singapore was marginally positive but the stock selection into banks and real estate investment trusts (REITs) was a big positive. The main country detractors were an underweight allocation to Australia, and no holdings there in Energy, Financials or Materials, and our single holding in India, which underperformed significantly.

We made two portfolio changes this year with sales of KT&G in January and of China Lilang in September which were replaced respectively by the re-purchase of Industrial & Commercial Bank of China (previously sold in 2019) and by Broadcom.

Individual Stock Performance

The chart below shows the total return for each position in the portfolio for the period it was held in 2022.



Source: Bloomberg. Total returns in USD in 2022. As of 31st December 2022.

Leaders

Of our top five performing stocks, four were from the Financials sector, which benefitted from the rising rates environment, and one from the Real Estate sector.

Aflac is a US-listed health insurance business with roughly 70% of its revenue coming from Japan, which has continued to experience impacts from Covid in 2022. However, changes in Covid policies in September narrowed the definition of the illness and the scope of associated reimbursable hospitalisations. This is expected to lower Covid -related claims counts in Japan by 80%. Outside of Covid, Aflac experienced strong sales in Japan, boosted by a new cancer product. Additionally, management increased its 12 month trailing net dividends per share by 21% (in USD) and continued to repurchase shares over the last twelve months, helping the company achieve a total return of 26.4% in 2022.

China Overseas Land & Investment (COLI) is a housebuilder that has survived and thrived amongst the disruptions in the Chinese real estate sector related to the country's tougher stance on excessive debt accumulation by private developers. In 2022, the company achieved a total return of 17.2%. COLI's strong balance sheet remained a competitive advantage as liquidity issues continued to pressure its privately owned peers. According to latest data available, the company's short-term debt is 3.0x covered by cash and cash equivalents, and it has a net gearing ratio of 43.7%, which was among the lowest in the industry. Furthermore, concerns that a weak environment would persist started to lessen in the second half of the year as Chinese authorities unveiled a set of 16 directives to help the struggling sector.

DBS is a financial services group which is the primary dealer in Singapore government securities. The rising rate environment has been advantageous for DBS's banking arm, with management previously stating that the company's Net Interest Income would see an increase of S$18-20m for every 1bp of Fed rate hike (up to 3.5%). The company remains in good financial health, with non-performing assets making up 1.2% of total loans. Encouraging commentary from management, showing willingness to return more capital as the macro environment stabilises, and a 12-month trailing net dividend yield of 4.2%, higher than its 10-year historical average of 3.8%, also contributed to the company's 9.1% total return in 2022.

BOC Hong Kong (BOCHK) is a separately listed subsidiary of Bank of China and is the second largest commercial banking group in Hong Kong. In 2022, the stock's total return was 8.3%, driven by a benign rates environment which has led to an uplift in Net Interest Income. Furthermore, the loan book looks healthy, with a low impaired loan ratio of 0.47%. Covid hampered Net Fee and Commission Income recovery for much of 2022, but with the relaxation of restrictions, improvements are already being seen, with the most recently reported quarter showing sequential quarterly growth of 6.2%. We see more room for recovery as PE valuation of 9.8x next year's estimated earnings remains below the 10-year historical average of 10.7x.

Tisco Financial is a Thai company comprised primarily of its banking business, as well as running asset management, brokerage and investment banking divisions. Tisco's financial position remains strong with a loan loss reserves coverage ratio of 258.8% and a non-performing loans ratio of 2.09%. Additionally, as the country has reopened post-Covid, Tisco's loan book has also seen a return to growth in all segments, with total loans up 7.9% versus the 9.7% decline we saw in 2021. The shares delivered a total return of 7.3% in 2022 and a 12-month trailing net dividend yield of 6.5%, higher than its 10-year historical average of 5.3%. What's more, the Bank of Thailand's 50% dividend payout ratio restriction on banks' earnings distributions was lifted at the end of 2021, enabling Tisco to raise its dividend.

Laggards

Of our five weakest performers, three stocks were in the Information Technology sector and two were in the Consumer Discretionary sector.

Qualcomm Inc is a multinational company that specialises in semiconductors and related products for communication devices. 2022 has been a year of supply-demand balance concerns. Covid restrictions continued through the year in China, weakening broad-based consumer demand. There was also a slowdown in wider demand for smartphones which led management to provide guidance below market expectations. Adding fuel to the fire, semiconductor supply chain constraints started easing through 2022, leading to elevated channel inventory that is expected to take at least two more quarters to work through. All of this has led to a total return of -38.6% in 2022. However, we continue to believe that Qualcomm will benefit from the structural changes in the technological world, in particular the proliferation of 5G and the rise of Internet of Things (IoT), and given forward PE valuation of 10.7x, we see it as undervalued versus its 10-year historical average of 15.7x.

Shenzhou International is a textiles and apparel manufacturer with a globally diversified customer base and production facilities in China and Southeast Asia. In 2022, the company's total return fell 40.3%. In the first half of the year, Covid continued to cause manufacturing disruptions, and raw materials and logistics costs continued to rise. Weaker consumer demand also started to make an impact. Key clients reported higher inventory levels, which analysts are worried will lead to order cuts at Shenzhou. Nevertheless, we remain optimistic about the company. Throughout the year, it has continued to take market share from smaller players and the share price has started to recover in the last quarter as China has lifted Covid restrictions.

Elite Material Co is a Taiwanese manufacturer of laminates for printed circuit boards with significant manufacturing operations in China. In 2022, the company's total return was -41.2%, driven by a weaker consumer environment and Covid disruption in Kunshan which impacted 35% of the company's total capacity as well as delaying capacity expansion plans. Guidance was revised down in the second half of 2022 on weaker auto and smartphone demand, causing some anxiety from sell-side analysts. On the bright side, 12-month trailing net dividend yield rose to 5.84%, making it higher than the 5-year and 10-year historical averages (4.42% and 4.72% respectively), and the share price started to lift in the last three months of the year as Covid restrictions lifted in China. Moreover, we continue to believe that Elite will play a key role in the structural growth themes such as 5G infrastructure development due to its advantage in making high-end Copper Clad Laminate (CCL) products used for Printed Circuit Boards.

Hanon Systems is a Korean auto parts maker with a specific focus on engine cooling systems for both internal combustion engine vehicles and electric vehicles. Its key customers include Hyundai, Kia, Ford and VW. Like its peers, Hanon's revenues saw improvements in 2022 as global auto production recovered. Unlike its peers, it has been unable to report similar developments in profit margins as high raw materials and rising energy costs in Europe offset volume recovery. In 2022, Hanon' s total return was -41.7%, driven by a steep share price decline. Given materials cost pressures are starting to ease, we are optimistic of a recovery.

Tech Mahindra is an IT consultancy business which has significant exposure (c40% revenues) to the telecom sector, setting it apart from its Indian peers. Whilst it was the top performer in 2021, the stock was our weakest performer in 2022, with a total return was -46.5%. Margins contracted as labour shortages led to higher subcontracting costs, and depreciation and amortisation related to acquisitions also rose. However, labour attrition rates are declining, and the company continues to win deals in structural growth areas related to 5G, automation and cloud services. Its 12-month trailing net dividend yield was 4.72%, significantly above both its 5-year and 10-year averages, and due to its sharp share price fall, it is valued on a forward PE of 17.1x, similar to the 10-year average of 17.5x and below the 5-year average of 19.1x, which in our view makes it worth holding on to.

CHANGES TO THE PORTFOLIO

We bought two new positions in 2022:

Industrial and Commercial Bank of China Ltd (ICBC) is one of China's big four commercial banks. We bought this stock in January 2022 having previously sold it in 2019, when it was trading on a multiple of 6.5x forward earnings. At the end of 2022, it was trading at 3.6x and had a 12-month trailing net dividend yield of 8.3%, which is above its 10-year historic yield of 5.7%. Dividends have grown annually since 2016, including through the pandemic period, with latest annual growth of 10.3%. The bank is priced for macro-economic stress, but we expect China's monetary backdrop to be one of countercyclical easing while the rest of the world tightens.

Broadcom Inc. is a designer, developer and manufacturer of semiconductors and infrastructure software services. We bought this stock in December 2022 after a period of weakness associated with the tech sector. It has strong cash flows, with 5-year compound annual growth rate of Cash Flow from Operations and Free Cash Flow of 20.6% and 24.4% respectively. The company has a 12-month trailing net dividend yield of 3%, which is above both the 5-year and 10-year averages (2.99% and 2.2%) and looks to be value compressed with a 13.6x PE1 multiple, below both the 5-year and 10-year averages (15.0x and 14.5x respectively).

These stocks replaced **KT&G** (Korea Tobacco and Ginseng) and clothing designer and maker **China Lilang** which were sold during the year.

KT&G has a high historic yield of over 6% but does not, in our view, have the earnings growth to support it over the long term. We did not join the excitement about its tie-up with Philip Morris and the prospect of access to new markets. At the end of last year, the company announced the indefinite suspension of its US business on regulatory grounds, and so we think the company's moves are primarily defensive or compensatory.

China Lilang is a designer and retailer of men's clothing and was one of the smallest companies by market capitalisation in the portfolio. The business is well managed and has demonstrated the ability to adapt to changing economic conditions. The Covid period has proven to be especially challenging, however, and its comparatively smaller scale leaves the business vulnerable, in our view. This and the diminishing liquidity of its shares over the last two years have led us, a little reluctantly, to sell the position.

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Buys	2	3	3	1	2	6	8	1	2
Sells	2	4	3	1	2	6	8*	1	2
Total Holdings	37	36	36	36	36	36	37	36	36

** Sale of one position not fully completed by year end.*

POSITIONING

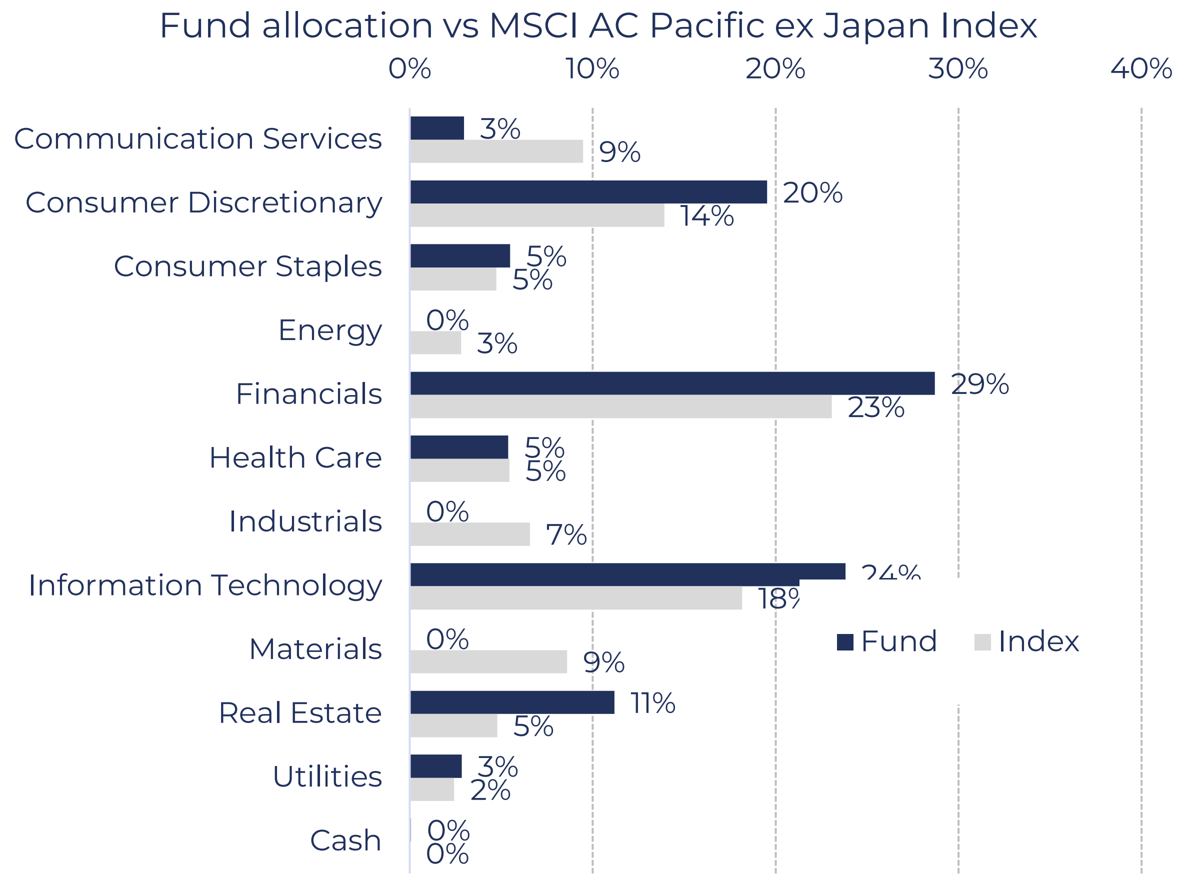
The portfolio maintains a diversified exposure across sectors and geographies.

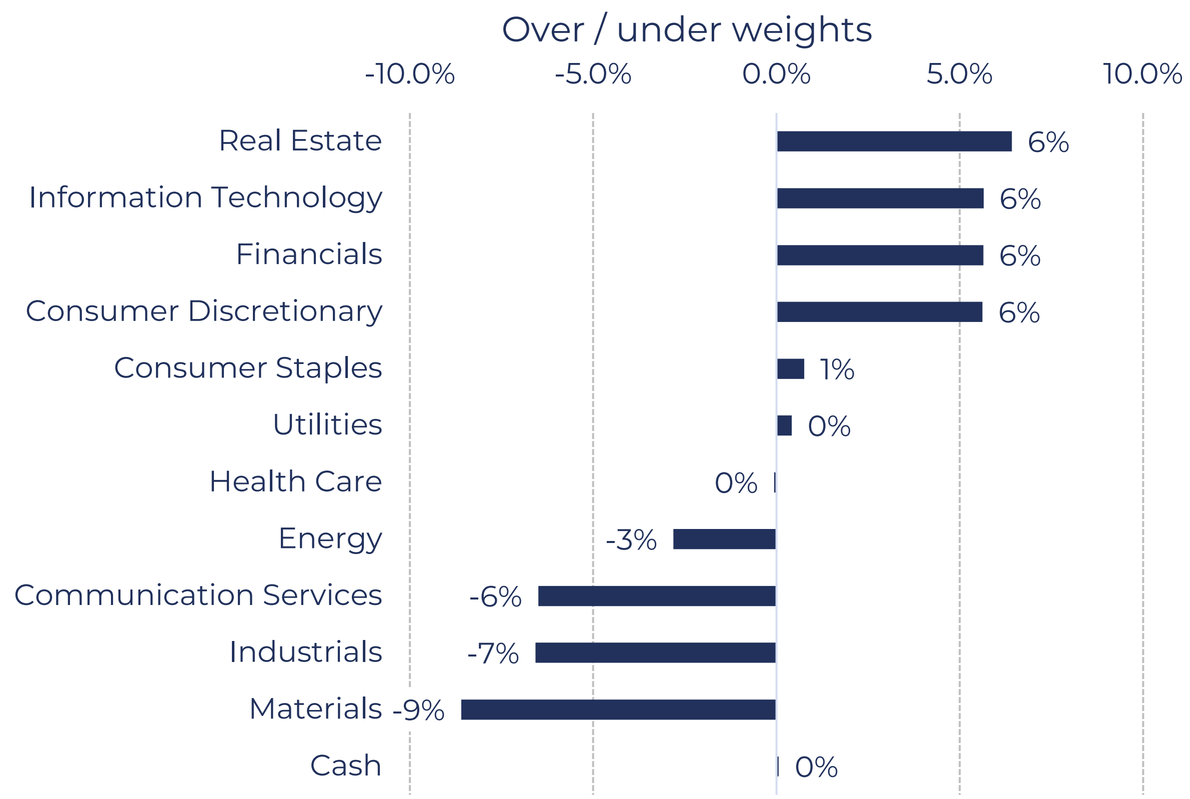
- Consumer Discretionary exposure is made up of clothing manufacturers and retailers, a car parts and equipment maker, electronics retailing, home furnishings and household appliances in Australia, China, Korea and Taiwan.

- Financials exposure is made up of commercial banks, diversified financial groups, life insurance and reinsurance in China, Hong Kong, Korea, Singapore, Thailand and Japan (via US-listed Aflac).

- The Technology segment is more concentrated geographically, with six holdings listed in Taiwan, one in India and two in the US. However, they serve a global market and they are divided between semiconductor makers or designers, electronic components makers, hardware, IT consulting, infrastructure software and manufacturing services. Broadcom, Elite Material, TSMC and Tech Mahindra derive revenue from both consumer electronics and IT infrastructure; the rest are more exposed to consumer electronics.

- Real estate comprises four positions, three of which are Real Estate Investment Trusts (REITs) listed in Hong Kong and Singapore which offer a steady income stream from rental income from industrial, commercial and retail properties in Australia, China, Hong Kong, Singapore, UK and US.

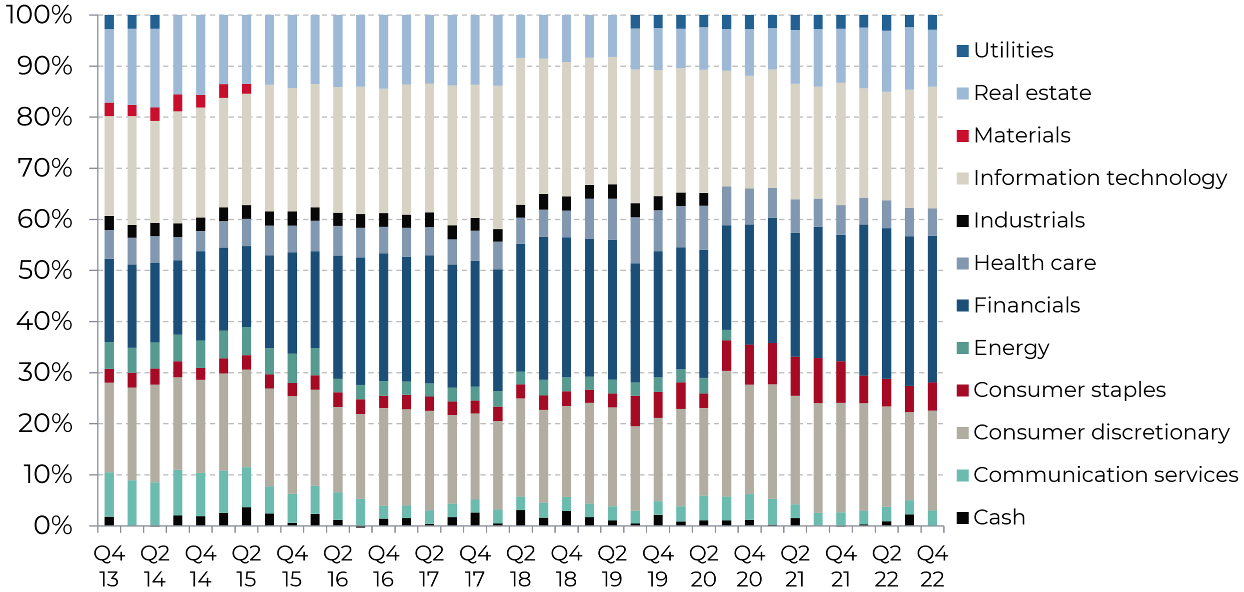




Source: Guinness Global Investors, Bloomberg. Data as of 31st December 2022

The chart below shows how the sector exposure of the Fund has evolved since its launch in 2013.

Fund breakdown by sector breakdown since launch

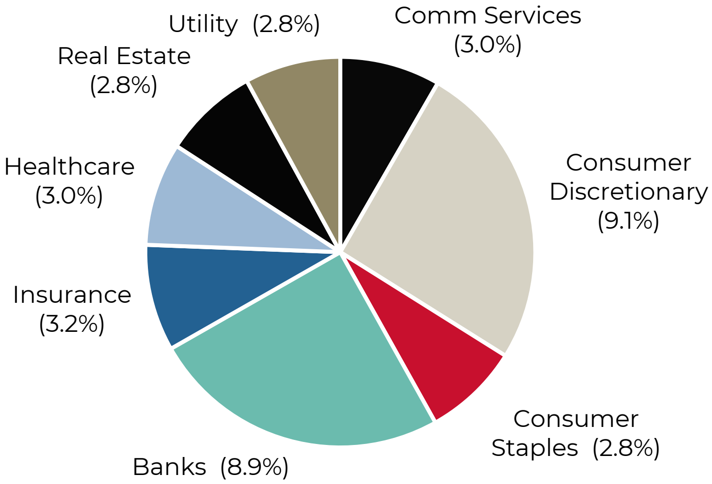


Source: Guinness Global Investors. Data as of 31st December 2022

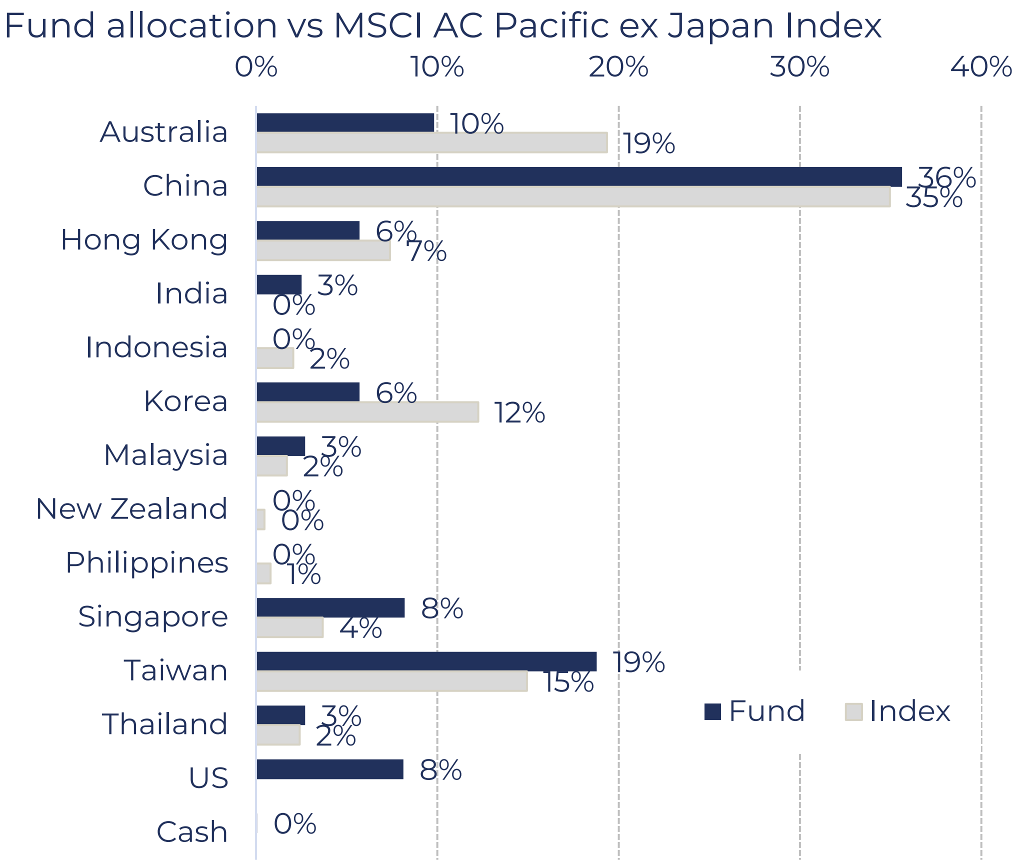
The Fund's geographic exposure includes two countries, India and the US, which are not included in the Fund's benchmark, the MSCI AC Pacific ex Japan Index. The Fund is not run by reference to its benchmark and so the weighting to these areas is unaffected by the index construction. The Fund's requirement is that businesses must be listed and traded in the Asia pacific region or must have at least 50% of their assets or derive at least 50% of their revenues from within the region. Our three US-listed positions are the insurance company Aflac and semiconductor designers Qualcomm and Broadcom which derive over half of their revenues from Asia Pacific.

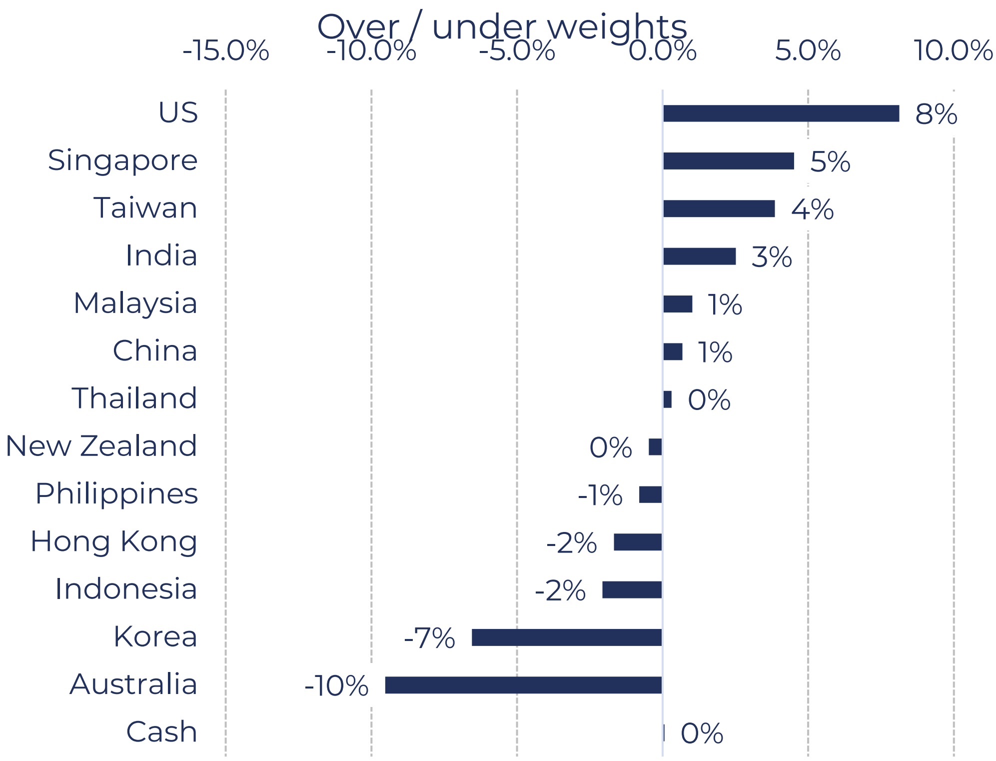
The allocation to China at 35.7% is the Fund's largest single country exposure and the chart below shows the underlying sector exposures with the actual portfolio weights in brackets.

China allocation - Portfolio weights



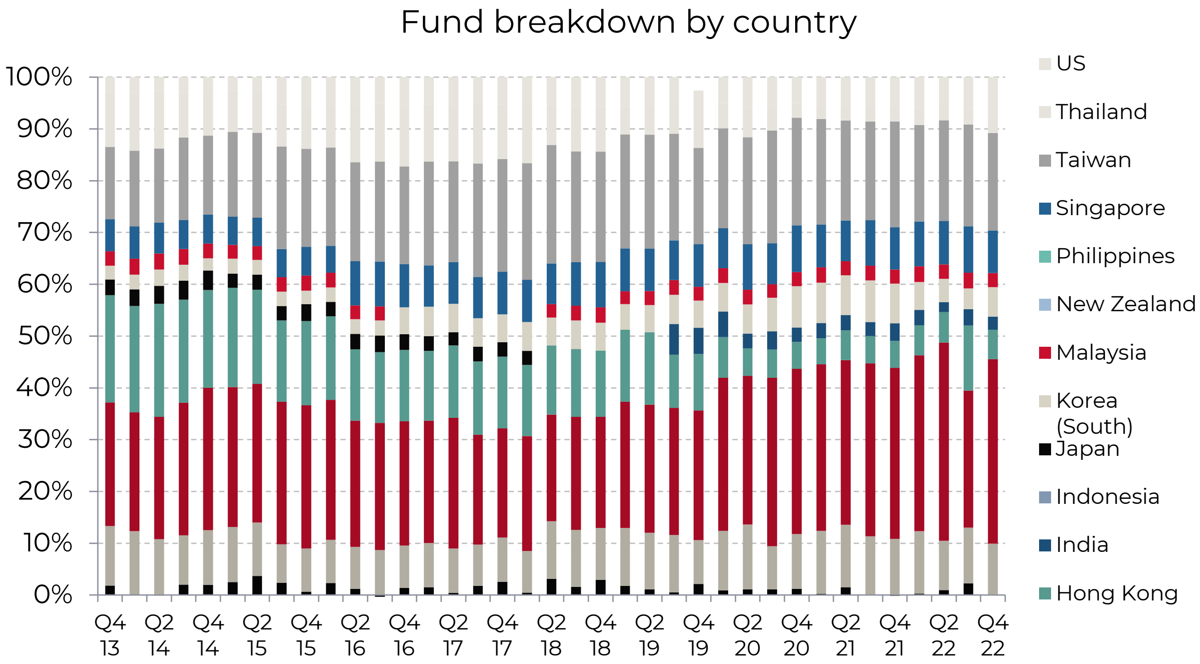
Source: Guinness Global Investors as of 31st December 2022





Source: Guinness Global Investors, Bloomberg. Data as of 31st December 2022

The chart below shows how the country exposure of the Fund has changed since its launch in 2013.

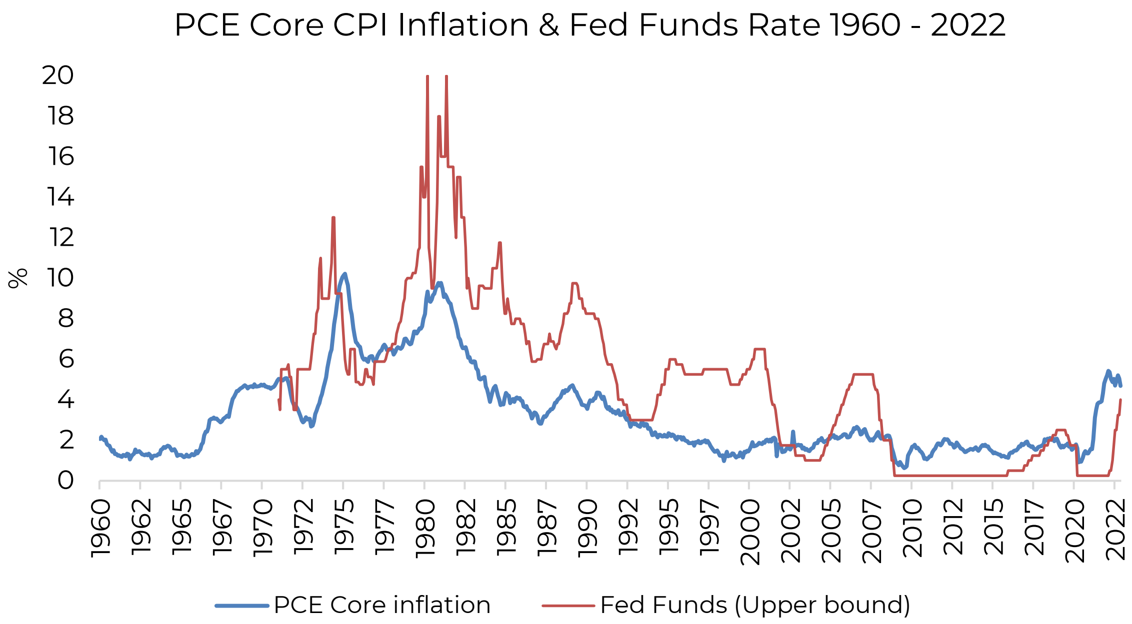


Source: Guinness Global Investors. Data as of 31st December 2022

OUTLOOK

Our global outlook is shaped by expectations for US inflation, US interest rates and global growth prospects. The regional outlook is heavily influenced by China re-opening this year and over the 2023/2024 period by expectations of possible recession followed by recovery. Finally, we discuss the prospects for the Fund, whose investment strategy, while affected by macro conditions especially through valuations, is focused upon the operational strength and cash flow generation of the companies themselves.

Our expectation for US inflation and interest rates is more cautious than that of the broader market because while we can see headline inflation coming down (driven by falling commodity and transportation costs and by the base effect for year-on-year comparisons) we think that underlying price pressures may still be there. Inflation may slow, in other words, but prices may still be rising. We think the Federal Reserve is very aware of this and for that reason may move rates higher and keep them there for longer than the market currently expects. The 1970s experience in the chart below is a warning from history against acting to soon:

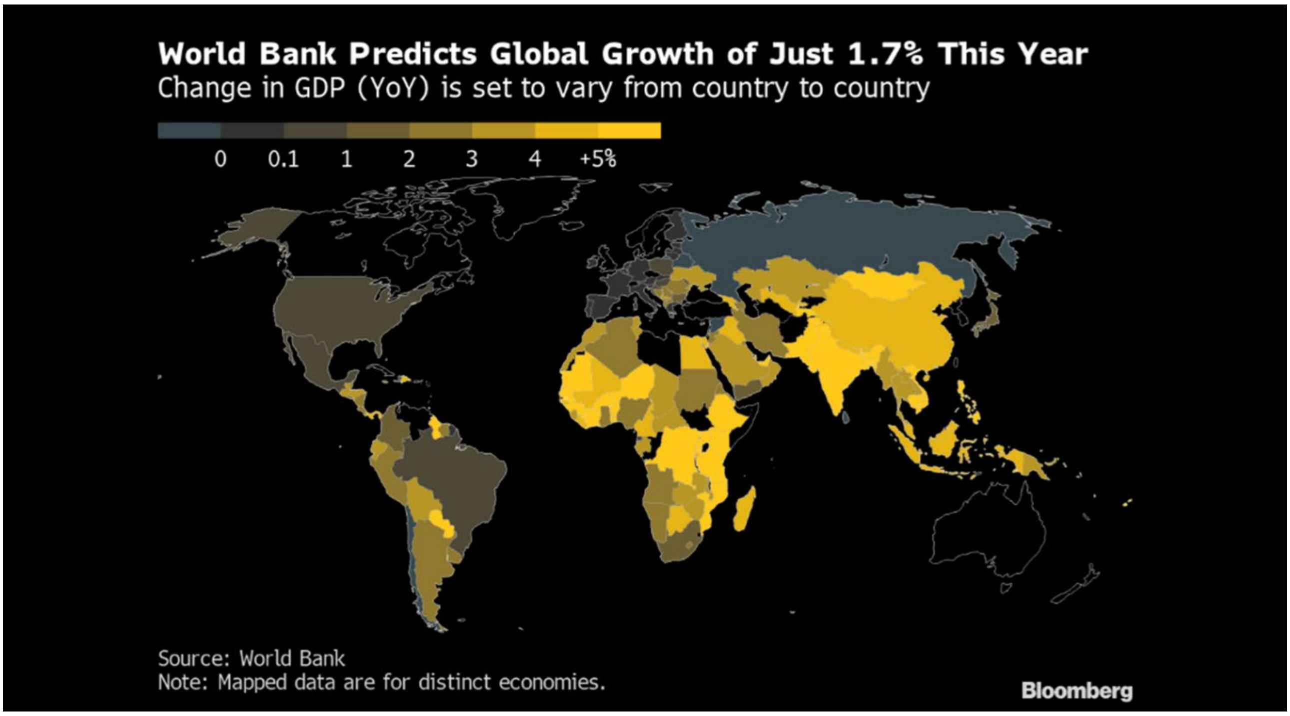


Source: Bloomberg; US Bureau of Labor Statistics. Data as of 31.12.2022

The graph shows the path of Personal Consumption Expenditure (PCE) Core inflation in the US which excludes the food and energy prices, from 1960 to the end of last year. The red line tracks the upper bound of the Fed Funds rate over the same period. In the early 1970s, inflation took off against a backdrop of a spike in energy prices, war and a breakdown in the Bretton Woods currency system, to peak at 10% in March 1975. Interest rates moved up to 13% in May 1974 before coming back down toward prior levels. But inflation pressure had not dissipated and took off once again. This time it took interest rates of 20% and over ten years for them to fall back below 5%. While we have seen recent CPI inflation numbers in the US come down meaningfully from the peak, Core PCE prices look a little stickier. Furthermore, we note that in contrast to previous tightening episodes, throughout the last 60 years, real interest rates (after adjusting for inflation) are still negative.

We think that stock rallies which are based on lower interest rates and therefore presumably in anticipation of valuation expansion may be premature. Profits, dividends and cash generation are likely to be the main stock drivers. Valuation multiples are likely to be a key risk. On this point, we note that many forecasters are using a long-run 20-year average PE multiple of 17 times estimated earnings for the S&P 500 to arrive at index forecasts. However, as we can see from the chart above, inflation and interest rates remained benign throughout that period. If we look at the 1980s, after the wild ride of the previous decade the average PE multiple was 11.7 times. We believe the Federal Reserve is keen to avoid the debacle of the 1970s, which would in turn create a more stable aftermath, but it seems reasonable to expect a lower average market multiple in coming years than that seen in this century so far.

Global growth expectations have been scaled back in recent months as the lagged effect of higher interest rates continues to be felt. The World Bank in the January 2023 publication of its Global Economic Perspectives cut its estimated for World GDP growth to 1.7% for the coming year, half the level of its June 2022 forecast. In the picture below, sourced from Bloomberg, the developed markets of North America and Europe are in gloom, and the bright spots are Asia, the Middle East and Africa:



Source: World Bank Data: Global Economic Perspectives, January 2023; image via Bloomberg

China's growth is forecast here at 4.3% in 2023 but many private forecasters are looking for over 5% and in some cases over 6% growth this year. The story of a widening economic growth differential between Asia and the US from a gap of 1.8% in 2022 (3.7% vs 1.9%) to 4.3% in 2023 (4.7% in Asia vs 0.4% in the US) is a big part of the bull case for Emerging vs Developed markets this year. The cautionary note is that much of this is riding on a China re-opening story playing out as hoped with no additional disruptions or shocks.

China's new Covid policy has been described, rather generously we think, as a policy of herd immunity. To us, and to many in China, it looks as if the population has been abandoned in the renewed pursuit of growth, with little sign of official preparation for health care provision. Work we did before the removal of restrictions sought to quantify potential fatalities among the older (60 years+) population based on reported vaccination take-up and the Hong Kong experience, and we arrived at 2.4 million Covid deaths. This may be a turn out to be massive over-estimate; we hope so. But anecdotal information coming out, especially from the more rural areas, has not been good. The response of consumers in the aftermath of this remains an unknown. In Eastern and Southern cities, China's economic powerhouse, data suggests the Covid peak has passed, that activity is picking up rapidly in those areas and a surge in consumer spending may come sooner rather than later.

The possibility of recession in developed markets affects the outlook for exporters in the region. Geographically that means Korea and Taiwan, but it will also be felt in Malaysia, Singapore and Thailand (and not forgetting China). The relatively better macro story will therefore have a regional focus. China is focusing on its pillar industries; Thailand is looking toward the return of tourists from the region as well as from outside. The Fund is 70% exposed (by sales) to regional markets. This does not mean those exposed to global markets such as our technology stocks or textile maker Shenzhou International are going to struggle, but it does mean they need to have a strong operational case in terms of management, products, customers and pricing power that makes them the suppliers of choice in a tighter marketplace.

The Fund's position looks attractive, especially following the weakness (outperformance, notwithstanding) in 2022. As shown in the table below:

- Average annual earnings growth for the Fund over the next two years is forecast to be 6.6% compared to the 8% for the benchmark. The outlook for the Fund is in line with performance of these companies over the past ten years and we think is achievable. The outlook for the benchmark is less achievable, in our opinion.

- The 2023 valuation multiple of 9.6x is some 12% below its average since launch of 10.8x and the discount to market of 19% is 5% below the average discount of 14% since launch. If the portfolio companies achieve an earnings growth trajectory in line with their long-run averages, we think there is every reason to hope the valuation will also move back in line.

- The historic average dividend yield for the Fund on a trailing basis has been 4.0% (for the Y share classes denominated in USD, GBP and EUR). The trailing dividend yield for 2022 was 4.5%. We would hope that dividend growth should be broadly in line with earnings growth (subject to variations in special dividends and exchange movements) and we would hope to see yields in line with historic range for the Fund.

	EPS CAGR %	PER			20Y Average PER		
	2022-24	1FY	2FY	3FY	1FY	2FY	3FY
Asian Equity Inc.	6.6%	10.0	9.6	8.8			
Benchmark	8.0%	12.9	11.3	9.5	13.5	12.1	11.1
Developed Asia	5.9%	14.4	13.8	13.8	15.5	14.2	13.2
Emerging Asia	9.4%	13.3	11.4	9.2	13.1	11.4	10.3
US	8.0%	17.4	15.8	14.4	16.8	14.8	13.5
Europe ex-UK	5.5%	13.3	12.3	11.5	14.2	12.6	11.4
UK	0.2%	10.1	10.0	9.9	12.8	11.6	10.7
Developed World	6.4%	15.6	14.4	13.3	15.9	14.2	12.7

Sources: Guinness Global Investors, Bloomberg. Developed Asia as measured by MSCI Pacific ex Japan Index, Emerging Asia by MSCI EM Asia Index, US by S&P 500 Index and Europe ex UK by MSCI Europe ex UK Index. Figures in USD as of 31/12/2022

At the year end, we can show that the portfolio continues to deliver on all four of the pillars on which the Fund is built. Relative to the MSCI AC Pacific ex Japan Index benchmark, the portfolio exhibits metrics as follows:

		Fund	**MSCI AC Pacific ex Japan Index**
Quality	ROE	22%	12%
	Weighted average net debt / equity	13%	32%
Value	PE (2023e)	9.6x	12.1x
	FCF Yield (LTM)	14.1%	6.5%
Dividend	Dividend Yield (LTM)*	4.5% (net)	3.4% (gross)
	Weighted average pay-out ratio	75%	44%
Conviction	Number of stocks	36	1,138
	Active share	92%	-

*Source: Guinness Global Investors, Bloomberg. Portfolio metrics versus index. As of 31st December 2022. *Historic yield reflects the distributions declared over the 12 months expressed as a percentage of the mid-market price, as at the date indicated. It does not include any preliminary charges. Investors may be subject to tax on the distribution.)*

Portfolio managers

Edmund Harriss

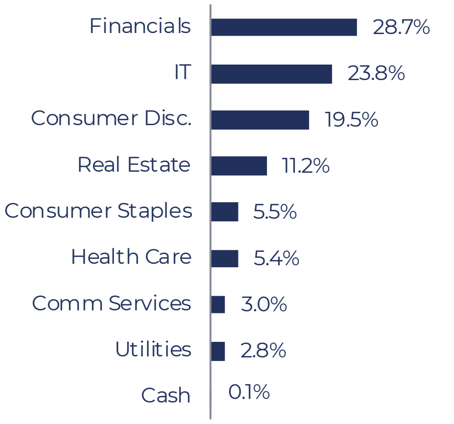
Mark Hammonds

PORTFOLIO

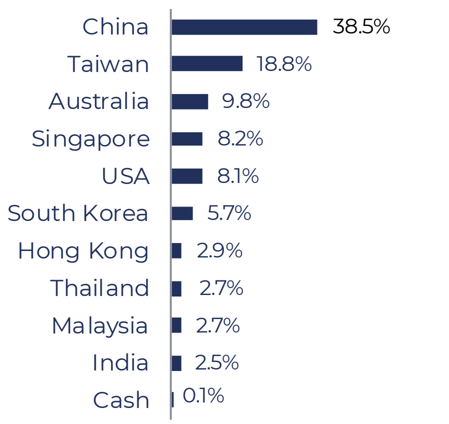
Fund top 10 holdings

China Merchants Bank	3.2%
Shenzhou International	3.2%
Ping An Insurance	3.2%
China Medical System	3.0%
Korean Reinsurance Co	3.0%
Zhejiang Supor	3.0%
NetEase	3.0%
Broadcom	2.9%
Suofeiya Home Collection	2.9%
ICBC	2.9%
% of Fund in top 10	30.3%
Total number of stocks in Fund	36

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Discrete 12m % total return (GBP)	Dec '22	Dec '21	Dec '20	Dec '19	Dec '18	Dec '17	Dec '16	Dec '15	Dec '14
Fund (Y class, 0.89% OCF)	-6.3	12.16	4.79	14.43	-10.25	24.64	28.23	1.16	17.59
MSCI AC Pacific ex Japan Index	-8.5	-4.98	19.24	15.65	-9.19	25.06	28.19	-4.41	7.81
IA Asia Pacific ex Japan	-6.9	1.47	20.01	15.78	-9.81	25.34	25.66	-3.35	9.47

Cumulative % total return (GBP)	1 M	YTD	1 Year	3 Yrs	5 Yrs	Launch*
Fund (Y class, 0.89% OCF)	0.4	-6.3	-6.3	10.1	13.1	116.1
MSCI AC Pacific ex Japan Index	-0.7	-8.5	-8.5	3.7	8.9	81.6
IA Asia Pacific ex Japan	-0.5	-6.9	-6.9	13.4	18.4	99.4

Annualised % total return from launch (GBP)

Risk analysis - Annualised, weekly, from launch on 19.12.2013, in GBP

31/12/2022	Index	Sector	Fund
Alpha	0	1.76	3.14
Beta	1	0.88	0.83
Information ratio	0	0.29	0.30
Maximum drawdown	-31.75	-24.54	-24.84
R squared	1	0.95	0.81
Sharpe ratio	0.21	0.31	0.37
Tracking error	0	3.63	6.75
Volatility	15.68	14.14	14.50

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. Source: FE fundinfo bid to bid, total return (0.89% OCF). *Fund launch date: 19.12.2013.

TB Guinness Asian Equity Income Fund

TB Guinness Asian Equity Income Fund - UK investors should be aware that the Guinness Asian Equity Income Fund is available as a UK-domiciled fund denominated in GBP. The TB Guinness Asian Equity Income Fund is available from 0.79% OCF. The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available at www.guinnessgi.com/funds/tb-guinness-asian-equity-income-fund

Important information

Issued by Guinness Global investors, 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 Asian 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 Fund invests only in stocks of companies that are traded on Asian stock exchanges or that do at least half of their business in Asia; 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 at guinnessgi.com/literature. 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 Document (KID) / 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 KID 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