Guinness Emerging Markets Equity Income Fund

2022 Annual Review

This is a marketing communication. Please refer to the prospectus and KID/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

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. 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 (%)	-1.6	5.8	9.0	37.4
Index (%)	-10.0	1.5	4.8	33.9
Sector (%)	-12.2	-0.7	1.7	28.9

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.

EVENTS IN 2022

- Russia's invasion of Ukraine shook emerging and global markets in the first quarter, and the effects on economies lasted throughout the year.
- The invasion led to soaring energy prices, with reduced natural gas supply triggering an energy crisis in Europe.
- Rising commodity costs put further pressure on inflation, which surged to double-digit levels in developed economies.
- Covid-19 still affected many countries, although progress with vaccines allowed many to return to a more normal way of life throughout the year.
- China was the exception with its zero-Covid policy, which significantly dented economic activity for much of the year. Supply chain challenges continued and consumer spending was weak. Amid a wave of unrest towards the end 2022, the country's leadership moved away from the policy and eased many of the restrictions that had been in place.
- Emerging markets had a challenging year and underperformed developed markets, which were also weak. Encouraging signs of a revival emerged towards the end of the year.
- Central bankers around the world continued to raise interest rates in an effort to dampen the inflationary pressure.
- Markets rallied in the fourth quarter on hopes that the Fed would be forced to adopt a more dovish stance.
- The world's population passed 8bn (after passing 7bn in 2011).

The fund generated strong outperformance in relative terms, declining 1.6% (Y class, in GBP) against the MSCI Emerging Markets Index decline of 10.0%.

Of the 34 stocks held for the full year, 18 outperformed the benchmark and 16 underperformed.

The fund's distribution for the period rose by almost 20%. Since 2017, it has grown at a compound annual growth rate of 10% (both in sterling terms).

After the most recent distribution, the fund trades on a trailing distribution of 4.3%, significantly above the market. (Historic yield reflects the distributions declared over the 12 months expressed as a percentage of the mid-market price, as at 31st December 2022. It does not include any preliminary charges. Investors may be subject to tax on the distribution.)

We bought two new positions: ICBC and Hypera.

We sold two positions: KT&G Tobacco and China Lilang.

The effect of the portfolio changes was to increase exposure to Health Care and to Financials. Exposure to Consumer Discretionary and to Consumer Staples both declined.

Valuations for emerging markets ended the year looking reasonable, both on an absolute basis and on a relative basis compared with developed markets.

As of mid-January, the portfolio trades on 10.3x 2023 earnings, a 12% discount to the benchmark, which trades on 11.7x 2023 earnings.

SUMMARY REVIEW

In a difficult year for equity markets globally, the fund generated strong outperformance in relative terms, declining 1.6% (Y class, in GBP) against the benchmark decline of 10.0%.

Two distinct periods of outperformance occurred. First, in the first quarter around the Russian invasion of Ukraine, the fund benefited from having no Russian stock exposure. The fund also benefited from not holding many of the large Chinese internet companies which also sold off heavily. The second distinct period came in December, when the fund's Chinese exposure rallied sharply as the country abandoned its zero-Covid policy and took significant steps to reopen the economy.

The portfolio's Latin American holdings generally performed well in the year, in what was a good year for that region's equities, and demonstrated the benefit from a diversification perspective. Returns were further boosted by strengthening currencies, particularly in Brazil and Mexico, despite the strength of the US dollar for the year as a whole.

As in the preceding year, the fund benefited from its exposure to the value portion of the market, as this again outperformed growth. Value fell by 15.8%, more closely matching the performance of the fund, compared with growth, which fell by 24.0%. The latter was dragged down by the underperformance of Tencent and Alibaba, among others.

On the negative side, detractors from the portfolio included exposure to the China travel sector and some holdings in the Information Technology sector.

Emerging markets again underperformed developed markets, with the MSCI Emerging Markets Index declining 10.0% compared with the MSCI World Index and the S&P 500 Index which both fell by 8.4%. Within emerging markets, Latin America was the only region to generate a positive return, rising 21.9%. Asia, by far the largest component of the benchmark, fell 11.7% and EMEA (Europe, Middle East and Africa) declined 19.8%.

From an income perspective, for 2022 as a whole the fund distribution grew by 19.5% from the 2021 level. Since 2017, the distribution has grown at a 10.0% compound annual growth rate.

At the portfolio level, of the 33 stocks (from the 36-stock portfolio) that were held throughout both 2022 and 2021:

- 21 increased the dividend (one of which was a resumption).
- 3 kept the dividend unchanged.
- 9 cut or reduced the dividend.

Of the 20 stocks that increased the dividend, 16 did so by more than 10%, and 10 of those did so by 20% or more. (Measured in dividends per share in local currency terms.)

On the outlook for emerging markets, clearly the reopening in China is hugely significant, both from the perspective of the economy and of market sentiment. For the former, we are likely to see a strong recovery in the sectors that have been hardest hit by the Covid restrictions, for example in travel and hospitality. From a market sentiment perspective, we have already seen a strong rally in China in the last two months as many investors reappraise the country.

Notably, China's reopening, with its associate very stimulative effect, comes just as the global economy is slowing. Many investors' attention is occupied by the threat of a recession in the US, given the backdrop of higher interest rates than we have had for many years. As declines have started to come through in reported inflation data, some hope that the Fed will be forced to change course and move on from the current cycle of hiking interest rates, in order to address the slowdown in the economy. The Fed, however, has made clear its determination to head off inflation (and to be reasonably sure that the problem has been dealt with), so we could witness a scenario of higher rates for longer in order to ensure the flames of inflation are fully damped.

The other challenge to watch out for is the potential for Covid in China to impact the supply of goods, as we have seen on previous occasions where the economy has opened up. China of course does not have the same problem with inflation as in Western economies, and there is more room on the part of policymakers to provide economic stimulus if required. The reopening is therefore likely to be bumpy, but overall with a very beneficial effect.

Emerging markets still trade on very low valuations, and 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.

As of 31st December 2022, the portfolio trades on a trailing yield of 4.3% (this includes the fund's most recent distribution).

The implied earnings growth for the portfolio in 2023 is 7.6%, compared with that for the market of a 1.6% contraction. Looking at the compound growth rates over the next two years, we see a similar picture, with the fund at 9% versus the market at 7%. In general, the market tends to exhibit more volatility in earnings (in both directions), driven by the more cyclical nature of some of its constituent companies. We typically seek companies with more consistent earnings profiles – often those companies that tend to benefit more from structural than cyclical tailwinds.

From a valuation perspective, the portfolio trades on 10.3x 2023 earnings, which is a 12% discount to the benchmark which trades on 11.7x 2023 earnings.

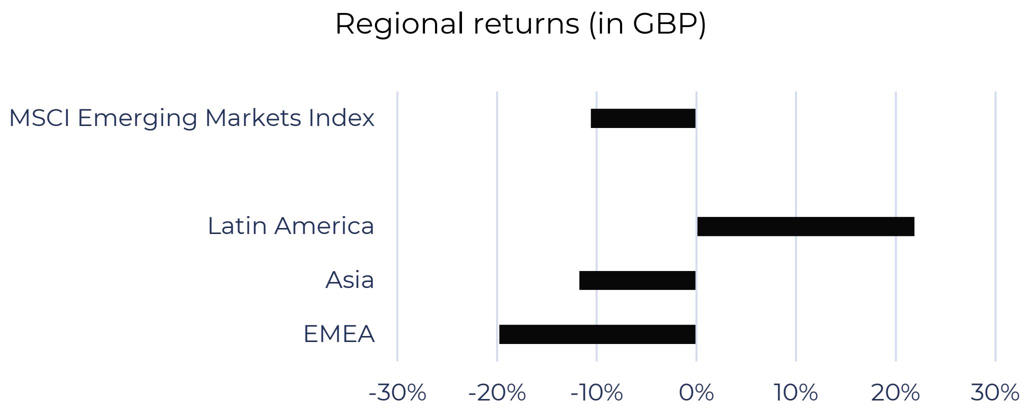
Within our investment process, we place emphasis on the following factors:

- Sustainable competitive advantage: Companies must have demonstrated the ability to earn returns on capital above the cost of capital, reflecting a competitive advantage that has persisted over time and that can be harnessed by management to the benefit of shareholders.
- Robust business model: The business needs to have a business model that is resilient to external factors, both at an industry and macro level; i.e. the company is able to generate strong cash flows through the cycle, despite facing challenging conditions at times.
- Attractive opportunities for reinvestment and growth: Opportunities exist for management to redeploy the capital generated by the existing business at attractive rates. Long-term opportunities for growth exist – these opportunities may offer more moderate (but more consistent and sustainable) growth rates.
- Strong dividend policy: Management must be committed to returning a meaningful portion of the capital generated by the business to shareholders.
- Attractive valuation: We seek investments that are undervalued by the market. We want valuation changes to be a positive contributor to overall returns, and we avoid stocks where they may be a detractor.

We think such an approach works well in emerging markets and is suited to the uncertainties in today's economic environment that face both investors in the region and globally.

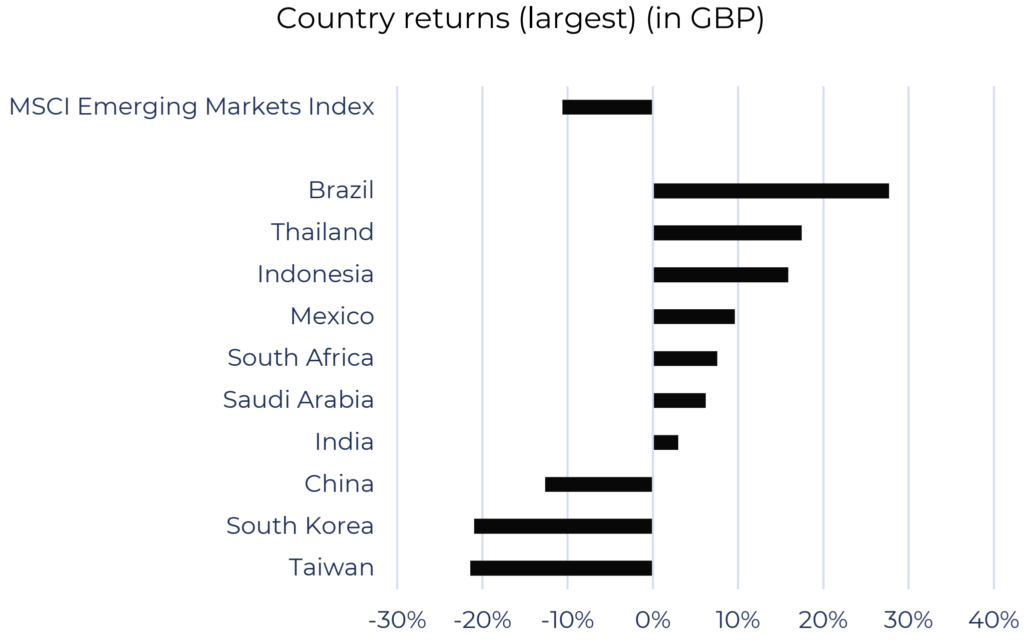
MARKET PERFORMANCE

Within emerging markets, Latin America was the only region to generate a positive return, rising 21.9%. Asia, by far the largest component of the benchmark, fell 11.7% and EMEA (Europe, Middle East and Africa) declined 19.8%.



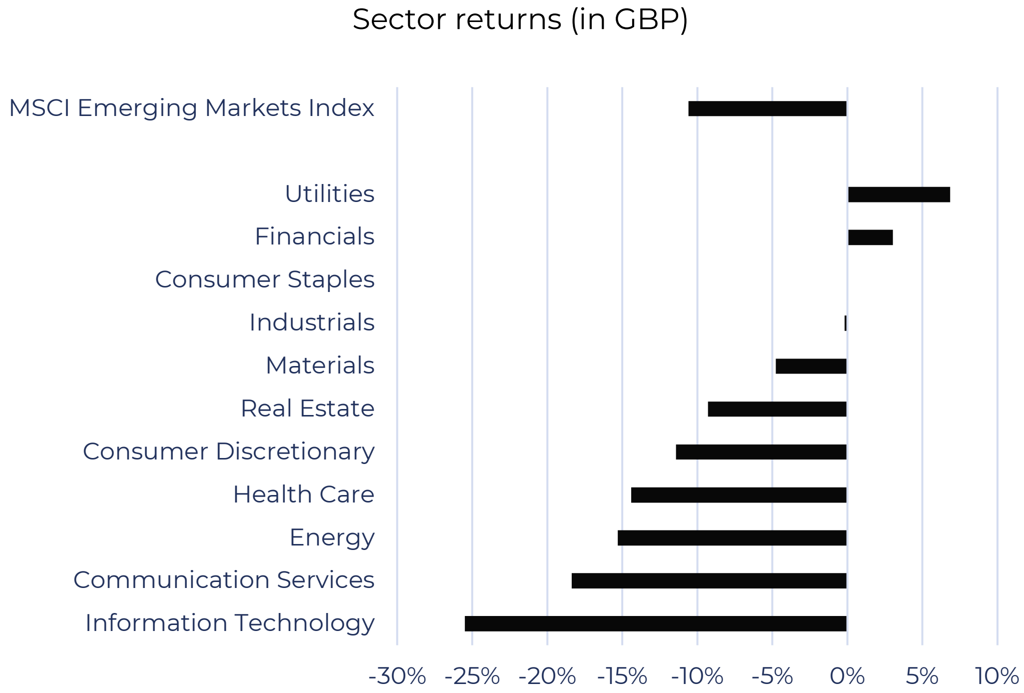
Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.

Looking at the largest countries in the benchmark (as at the end of the year), returns were as follows:



Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.

And sector returns were as follows:



Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.

The Russian invasion of Ukraine had a significant impact on 2022, both in its direct consequences for emerging market investors in the first quarter and the indirect consequences that followed in the latter part of the year.

Following the invasion and the suspension of trading on the Moscow Stock Exchange, Russian investments were in large part written off for global investors, with the removal of Russia from the MSCI Emerging Markets Index at zero value. Prior to the invasion, the country accounted for around 2.8% of the EM index, so performance was meaningfully impacted.

The fund fortunately went into the crisis with no direct exposure to Russia. The core elements of our philosophy and process, including quality management, governance and returns on capital, naturally steered us away from Russian equities. At the beginning of the year, only around three Russian companies qualify for our universe of around 500. The structure of the economy, being more exposed to energy and materials, meant it featured little in our universe.

The indirect consequences of the invasion as highlighted above have included the rapid price rises in energy commodities seen over the earlier part of 2022, resulting in an energy crisis in Europe. Late in 2022, the unusually mild first half of the winter in Europe alleviated some of the near-term pressure, allowing natural gas storage levels to rebuild. Nevertheless, the reductions in supply threaten to hamper the economy over the rest of this winter and potentially next winter.

Latin America had a very strong year as a region, with Brazil the best-performing among the larger countries and Mexico also performing well. Currency gains contributed to returns, with the Brazilian real rising 5.4% against the dollar. (This performance is particularly notable given that the dollar index (DXY) strengthened by 8.2%). Mexico also saw currency strength, with the peso gaining 5.3% against the dollar. Despite the good performance last year, equity valuations for both countries nevertheless look cheap relative to history, Brazil especially so.

In Brazil, the proactive response from the central bank towards raising rates aggressively in 2021 continued into 2022, easing inflationary pressure and spurring hopes that the interest rate hiking cycle is over. Rising commodity prices in response to the war in Ukraine have also contributed to benchmark returns, with Vale, the largest stock in the index, benefitting from the price increases.

Brazil's equity market performance is particularly impressive in the context of the political events surrounding the presidential election in October. The incumbent, Jair Bolsonaro, lost a narrow run-off vote to former president Luiz Inácio Lula da Silva. Supporters of Bolsonaro, who made unsubstantiated claims that the election was rigged, went on to lead a riot at the Congress building in early 2023, a week after Lula's inauguration.

North Asian countries performance disappointed, with Taiwan and Korea the worst-performing among the larger countries. Both have significant exposure to global markets: in the case of Taiwan with technology; in Korea's, a wide range of goods spanning the capital spectrum (from consumer electronics and durables to cars, shipbuilding, chemicals and semiconductors). However, it was China's zero-Covid policy that dictated not only the direction of China's economy in 2022, but also investor sentiment towards emerging markets.

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, but their convergence together 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 the zero-Covid policy.

Changes to these positions, both domestic and international, were only likely to be possible following Xi Jinping's re-appointment in October and after 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 or reversal in domestic economic policies and no international weakness by aligning with the US against an ally, no matter how foolhardy they felt Russia to have been. 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, 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

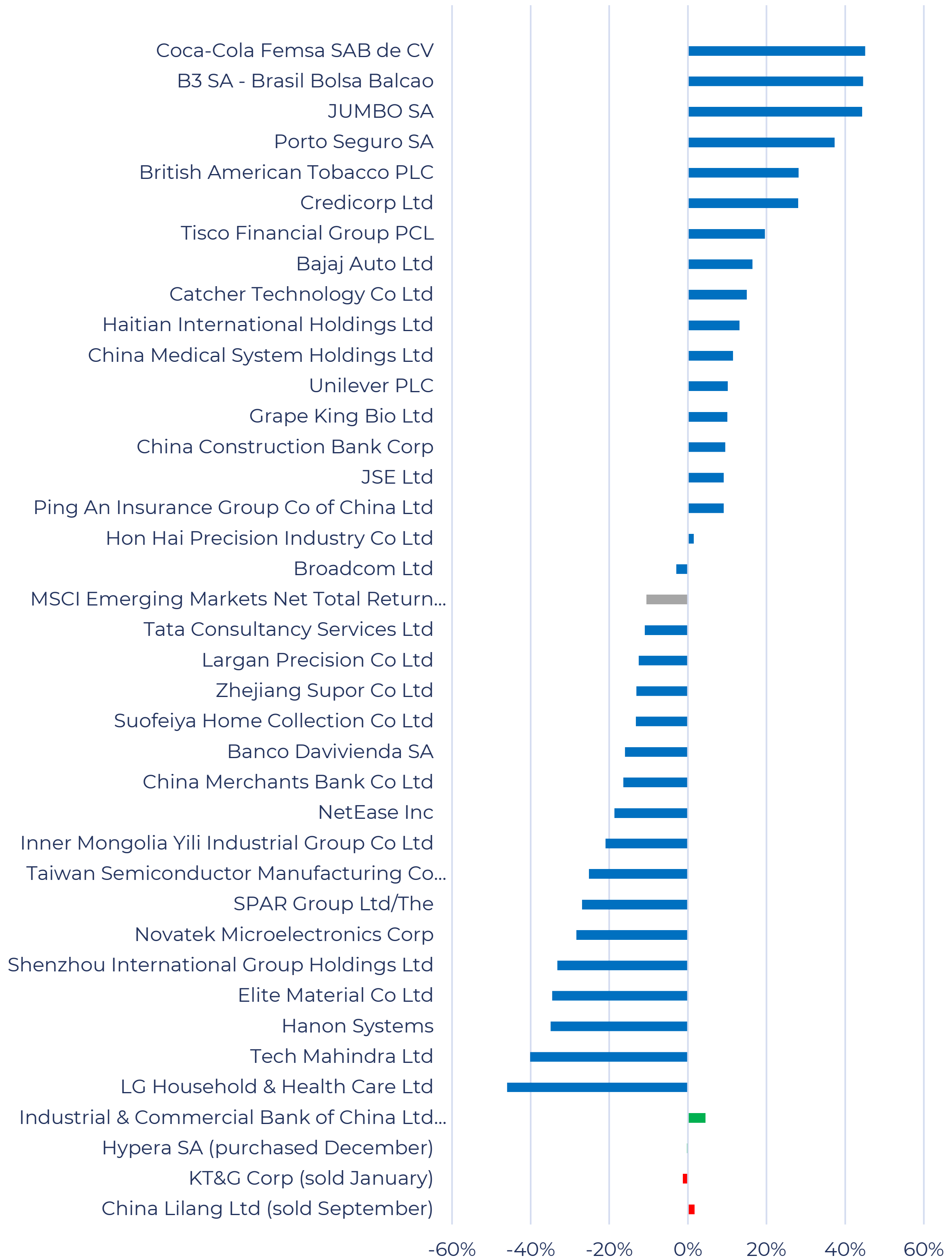
Chinese life, but those with common cause in multiple places tend bring about a change in government policy. It was this fear of widespread protest that caused the government to draw back from imposing a blanket vaccination policy early on in Covid, which in turn created the need for rolling lockdowns, and the deadly result of that policy failure is now becoming evident.

Nevertheless, stock markets have welcomed the changes in government stance and China continues to send reassuring messages, most recently at the World Economic Forum in Davos, that the country is not turning inward. 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."

PORTFOLIO HOLDINGS

Individual stock performance in 2022 (total return GBP)



Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.

Leaders

Within the portfolio, the best-performing stocks were Coca-Cola FEMSA (+45.1% in GBP), B3 (+44.6%) and Jumbo (+44.3%). Three of the top five performers in the portfolio came from Latin America – specifically, Mexico and Brazil.

Coca-Cola FEMSA is the world's largest Coca-Cola franchise bottler by volumes. The company was a significant beneficiary of the reopening and saw significant volume growth across markets in Mexico, Central and Southern America. Coca-Cola FEMSA also benefited from pricing growth and price mix effects, which contributed significantly to overall revenue growth. The ability of the company to pass on price increases to customers in an inflationary environment, while growing volumes, is one of its key attractions to investors. Currency gains contributed to returns as the Mexican peso gained 5.3% on the dollar (as noted above).

In a reversal of fortune, last year's weakest performer, the Brazilian stock exchange B3, was the second strongest in 2022. Although performance in the listed equities part of the business is cyclical and can be volatile, the company showed good progress in the other parts, for example in Fixed Income, Currency and Commodities, the over-the-counter segment and in data services. The company was a beneficiary of the additional volatility surrounding the presidential election, with a positive impact on equity value traded. Along with Mexico, Brazil also saw currency strength, with the real rising 5.4% against a strong dollar.

Jumbo, a retailer of toys, baby products and household items, benefited hugely from reopening and the easing of Covid restrictions, seeing very strong sales growth particularly in the first part of the year in Greece, which represents the majority of the company's turnover. Management impressively navigated the difficulties in the supply chain, for example the lockdowns in Chinese ports, ensuring that the inventory selection for customers was appropriate.

Laggards

The worst-performing stocks were LG Household & Health Care (–46.0% in GBP), Tech Mahinda (–40.1%) and Hanon Systems (–34.9%). All of the worst five stocks in the portfolio came from Asia.

LG Household & Health Care struggled as a result of restrictions on travel in China due to Covid. The company's cosmetics business has been severely impacted by the decline in travel, as many of its products are sold in duty-free retail. The stock price has rebounded strongly since the October 2022 lows, and the company is likely to see a more normal operating environment as China's travel restrictions have now eased.

In another reversal, Tech Mahindra, last year's best performer, was this year one of the weakest. The company is an IT consultancy business which has significant exposure (c.40% revenues) to the telecom sector, setting it apart from its Indian peers. 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.

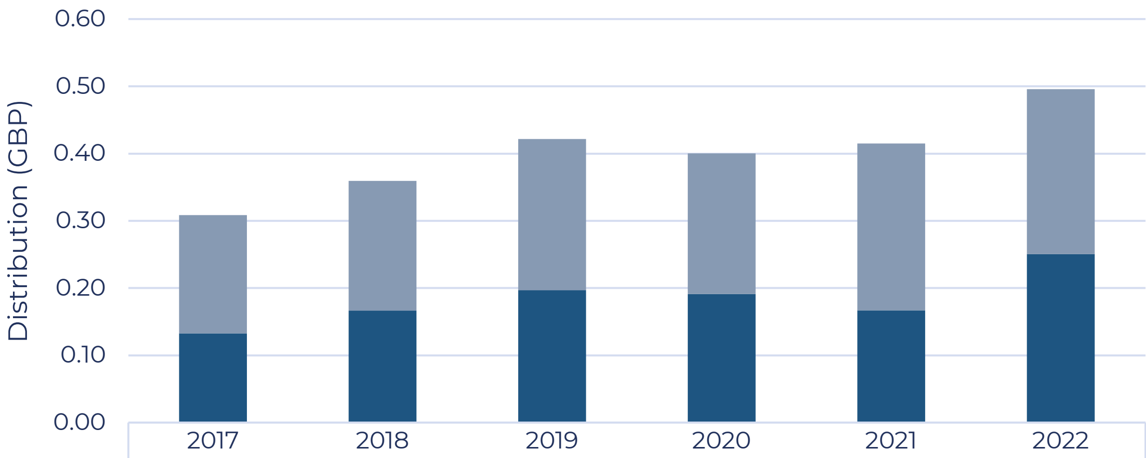
Hanon Systems was weaker after a slowdown in the auto market, for which the company is a supplier. After auto manufacturers struggled on the supply side as a result of component shortages, principally semiconductors, the outlook for the industry looks challenging as we enter a consumer slowdown and individuals' incomes are squeezed by inflation and higher interest rates. Profit margins have also come under pressure from high raw materials prices and rising energy costs. Hanon produces parts for both conventional ICE vehicles and electric vehicles, so we like the company's exposure to this growing segment of the market.

INCOME REVIEW

The fund declared a distribution of 0.2452 in GBP for the second half of 2022 (announced at the beginning of 2023). This amount is close to the amount distributed for the second half of 2021, which at the time was the largest distribution paid by the fund in its history, until it was superseded by the amount in the first half of 2022.

The total for 2022 represents growth of 19.5% year-on-year, partly reflecting a recovery from depressed levels in the prior year.

The following chart shows the progression of the distribution over time:

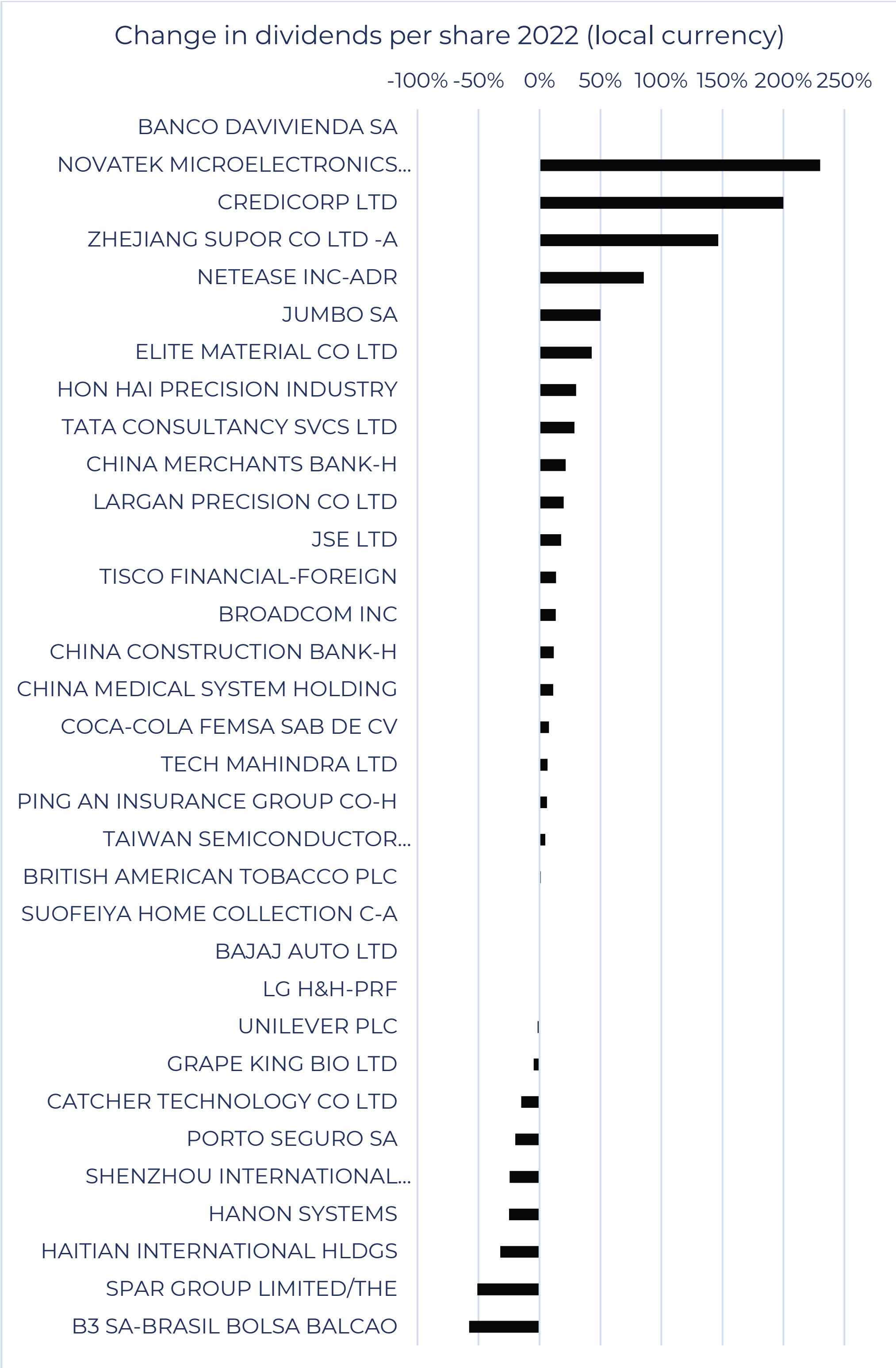


	2017	2018	2019	2020	2021	2022
H2	0.1758	0.1928	0.2249	0.2094	0.2479	0.2452
H1	0.1326	0.1665	0.1968	0.191	0.1669	0.2506

Source: Guinness Global Investors. Data as of 31/12/2022. Z distribution GBP share class

Since 2017 the dividend has grown at a compound annual growth rate of 10.0%. (If we take 2018 as a more conservative starting point, the compound annual growth rate is still 8.4%.)

We expect dividends to grow over time, though not necessarily in every 12-month period. As an illustration of the wide range of outcomes that are possible, the following table shows the change in dividends in 2022 versus 2021 for companies held in the fund for the full two years:



Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022. Chart shows dividends per share in local currency terms for each stock. Dividends allocated according to amounts going ex in each calendar year. Dividend in 2022 for LG Household & Health Care based on median analyst estimates at time of writing.

We exclude from the analysis above the two stocks that were bought in 2022 and the one stock that was bought in 2021 (and the three stocks that they replaced) to ensure as close as possible to a like-for-like comparison. Of the remaining 33 stocks (from the 36-stock portfolio):

- 21 increased the dividend (1 of which was a resumption);
- 3 kept the dividend unchanged;
- 9 cut or reduced the dividend.

Of the 20 stocks that increased the dividend, 16 did so by more than 10%, and 10 of those did so by 20% or more.

The median average change across the 32 stocks (excluding the resumption) was an increase of 7.2%. Due to some of the stocks having large percentage increases, the arithmetic average is too noisy to rely on – varying considerably depending on whether outliers are excluded or not.

There are several reasons why the growth in the fund distribution may differ from that of the underlying holdings:

1. Portfolio weighting – how close each position is to neutral weight;
2. Timing of portfolio changes – whether a stock is being bought or sold prior to or after a dividend payment. This effect is particularly pronounced for stocks that pay single or 'bullet' payments each year;
3. Currency movements.

In addition, it is worth noting that the analysis above is based on calendar years (using ex date as a reference point). Many companies have a reporting period distinct from the calendar year.

Individual company comments

The largest dividend increases were Banco Davivienda (resumption of dividends), Novatek Microelectronics (+230%), Credicorp (+200%) and Zhejiang Supor (+147%).

Banco Davivienda resumed dividend payments after having paid a stock dividend in the prior year. Not only was this a resumption, but it also represented meaningful growth of 16% from the 2020 level.

Novatek Microelectronics delivered significant dividend growth this year which follows a substantial increase in revenues and earnings over the past three years. It is a fabless chip designer, relying 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.

Credicorp's dividend increase mainly reflects a recovery from the depressed level in the prior year. However, it is also supported by underlying growth in revenues and profits.

Zhejiang Supor's management was prompted to return capital to shareholders at the end of 2022 with what is effectively a special dividend.

The biggest dividend declines were B3 (-57.7%), Spar Group (-51.0%) and Haitian International (-32.1%).

B3, one of the best performers for the year, saw a reduction in dividends partly due to the payment of a special in the prior year.

The reduction in Spar Group's dividend is accurate, although not particularly representative of the performance of the underlying business. Spar's management took an active decision to reduce the payout ratio by 50% from approximately two-thirds to one-third, resulting in the dividend decline above. The decision to lower the payout ratio for two years gives management some breathing room in relation to upcoming capital expenditure and potentially avoids an equity raise. While business conditions are challenging, the business still demonstrates a reasonably steady pattern of returns, albeit returns that are moving lower over time.

Haitian International's dividend apparent decline is due to the payment of a large special dividend in 2021. Excluding this amount, the dividend *grew* by 46% from the prior year.

CHANGES TO THE PORTFOLIO

Portfolio activity was relatively low in 2022, but slightly higher than the previous year, as we made two switches. The first change was to sell KT&G Tobacco in Korea and replace it with ICBC, a Chinese bank. The second change was to sell China Lilang, a clothing manufacturer and retailer, replacing it with Hypera, a Brazilian consumer pharmaceutical company.

Additions

ICBC is one of China's big four commercial banks. Chinese stocks have been out of favour in recent years and banks in particular as investors have been dazzled and then disappointed by the e-commerce companies and increasingly worried by regulatory and policy changes. This created a valuation opportunity. The stock traded on a market multiple of 4 times consensus estimated earnings, despite earnings growth over the next two years forecast at 6% - 7% per annum. The stock offered an historic yield of 5.6% while having grown its dividend since 2016 including through the pandemic period. The bank is priced for macroeconomic stress, but we expect China's monetary backdrop to be one of counter-cyclical easing while the rest of the world tightens.

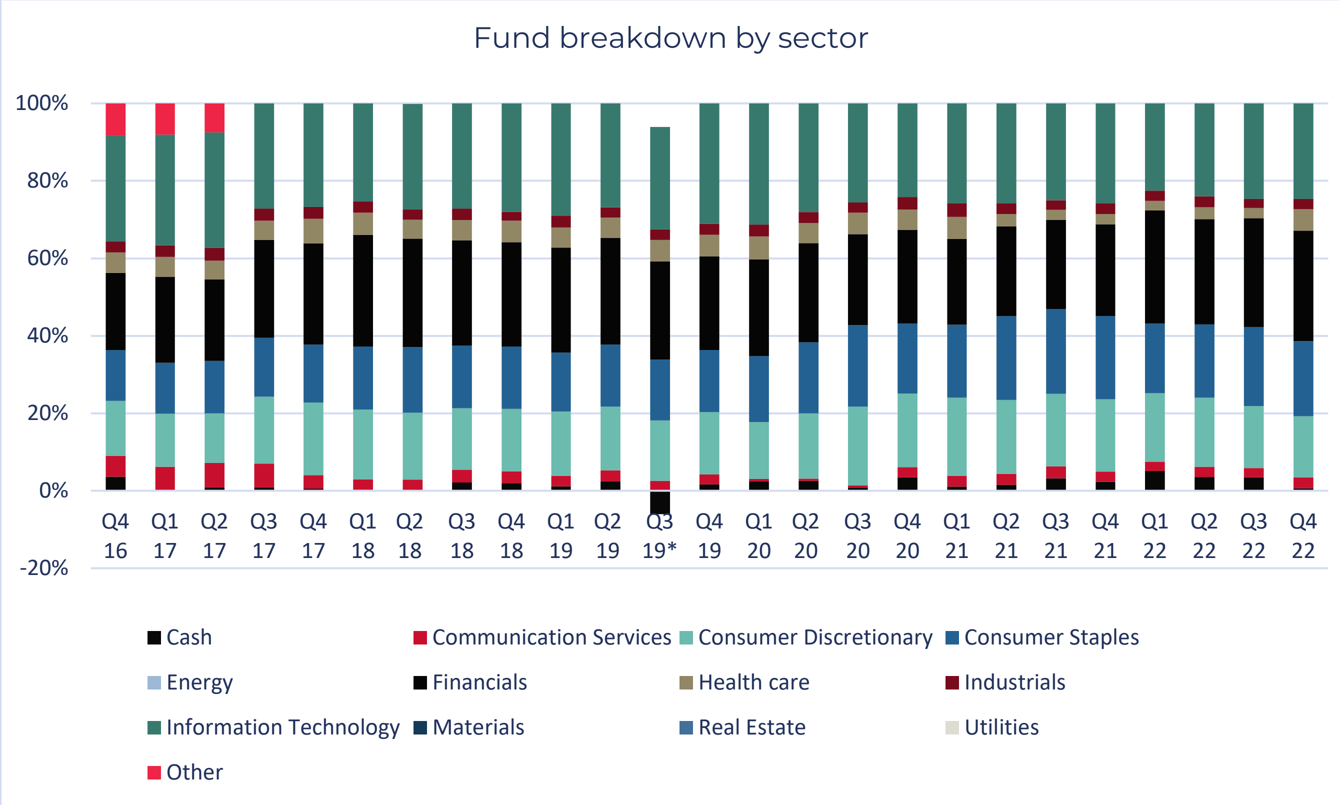
Hypera Pharma in Brazil owns many of the country's leading consumer pharma brands, with over-the-counter medicines in various categories: pain relief, flu and respiratory, gastrointestinal and vitamin supplements. The company also has a strong presence in the branded prescription market. Growth by acquisition has been a key part of the company's strategy, alongside pursuing a shareholder-friendly approach to capital allocation.

Disposals

KT&G offered a high historic yield of over 6% but did not, in our view, have the earnings growth to support it over the long term. We didn't share the excitement over 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. Along with the diminishing liquidity of its shares over the last two years, this led us, a little reluctantly, to sell the position.

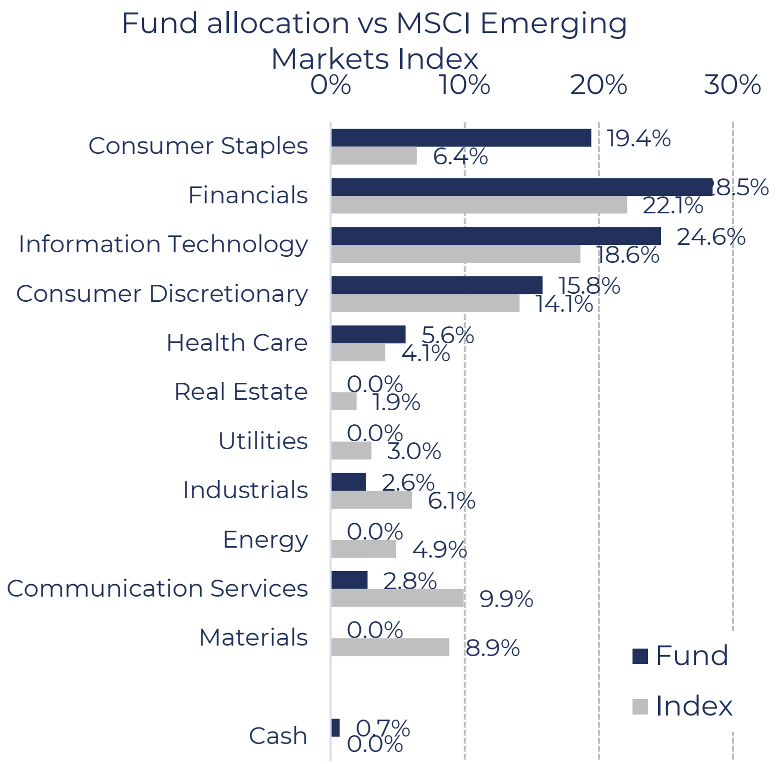
POSITIONING



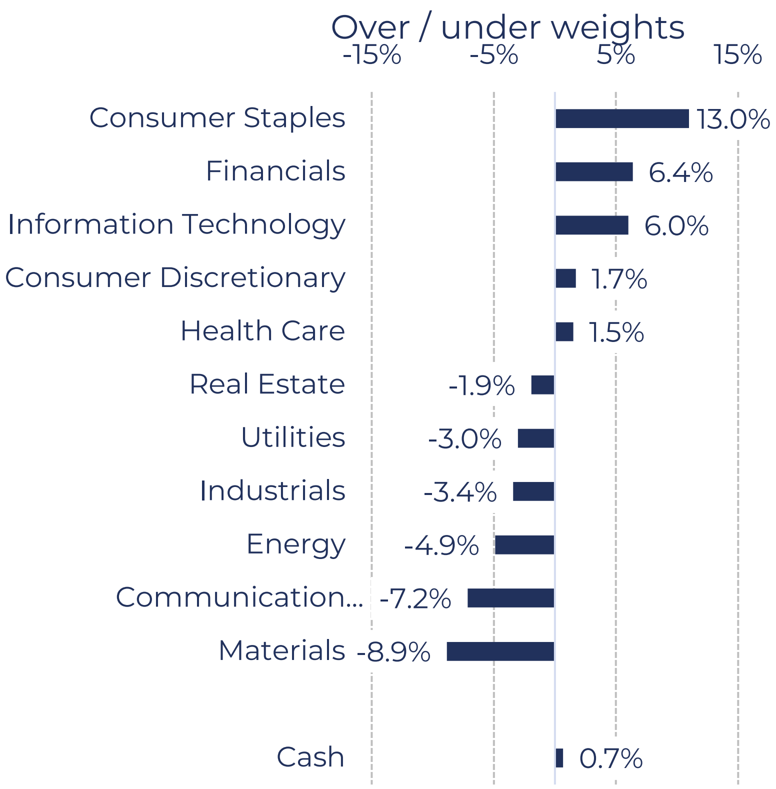
*Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022. *Outflow in Q3 2019*

Other category refers to an India ETF held for the first six months of the Fund's life which was replaced by direct Indian holdings once local market access was granted.

Benchmark relative weights are as follows:



Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.



Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.

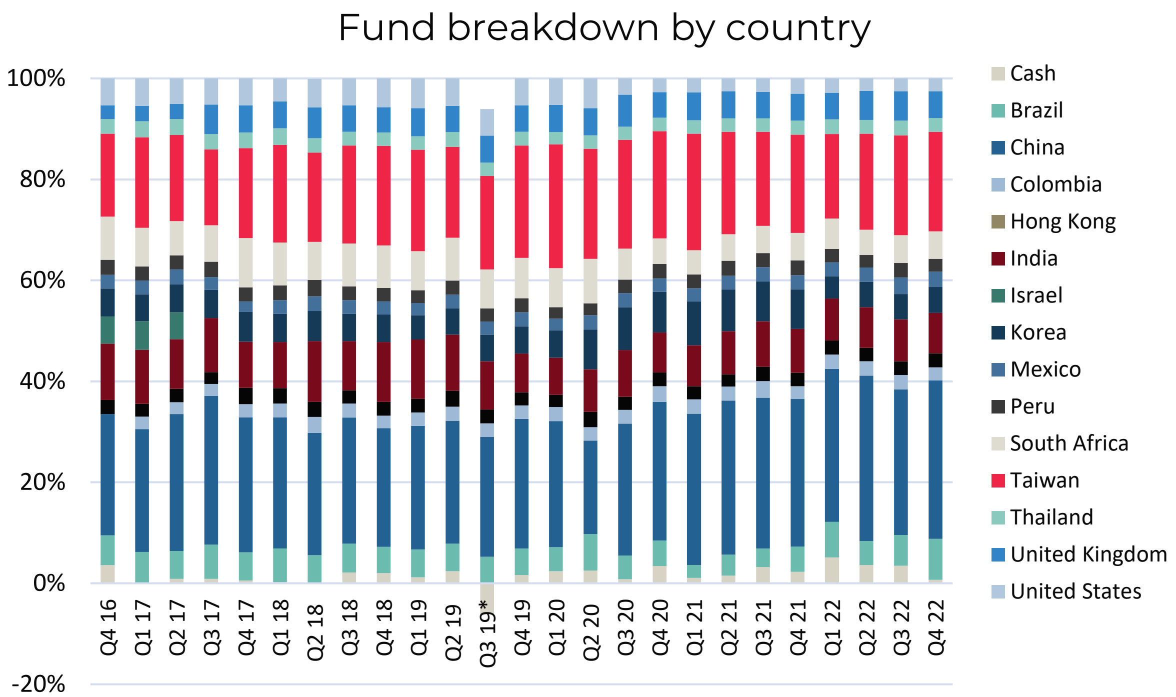
The fund has no exposure to the Materials, Energy, Utilities or Real Estate sectors. The fund is significantly overweight Consumer Staples, as well as the Financials and Information Technology sectors. The fund is significantly underweight Materials, Communication Services and Energy.

The effect of the switches during the year was to increase exposure to Health Care by one position (2.75% at neutral weight) and to increase exposure to Financials by one position. Exposure to Consumer Discretionary and to Consumer Staples both declined by one position.

By *number* of companies, our exposure at the end of 2022 and the preceding five years was as follows:

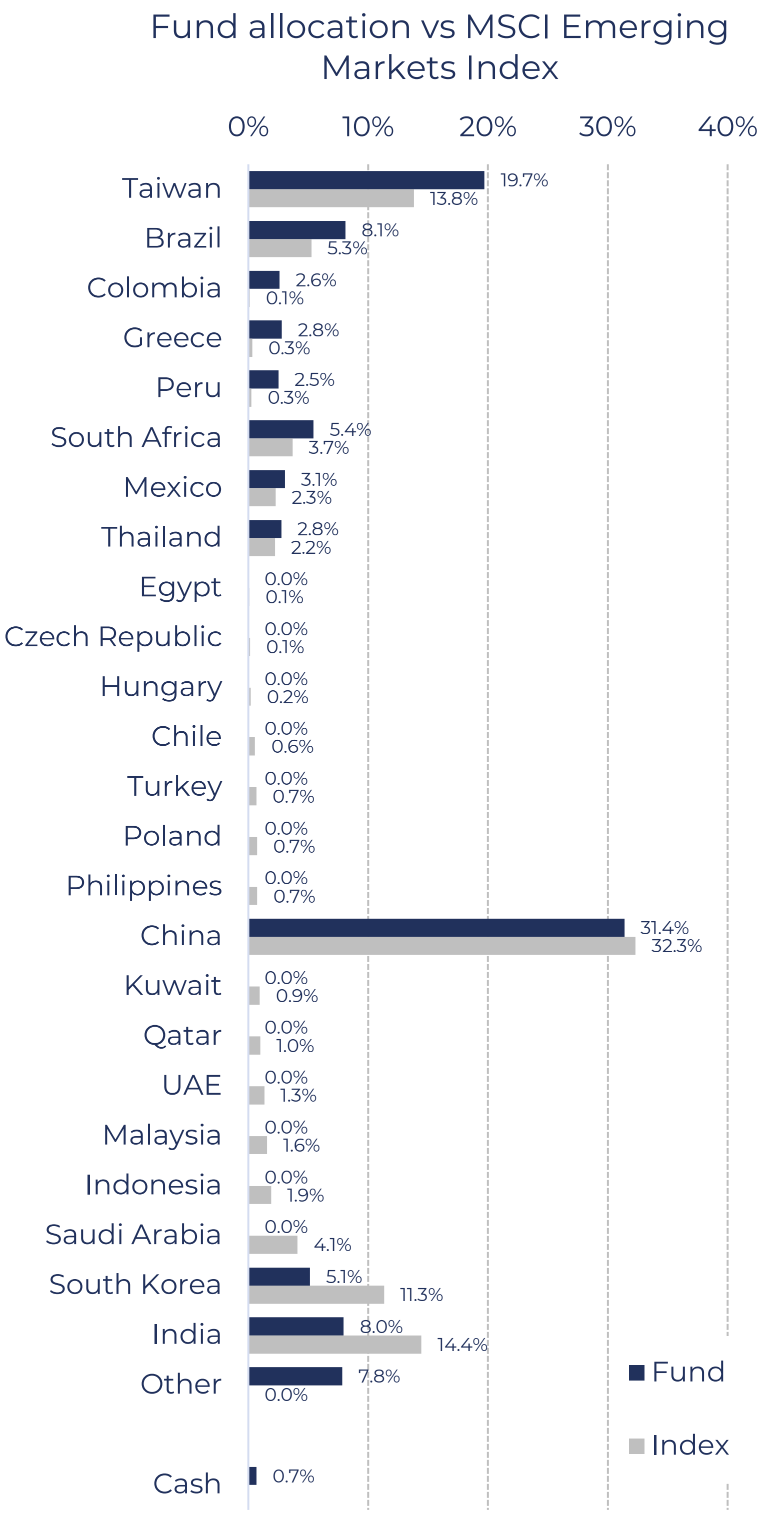
	2022	2021	2020	2019	2018	2017
Financials	10	9	9	9	10	9
Information Technology	9	9	9	11	10	11
Consumer Staples	7	8	7	6	6	6
Consumer Discretionary	6	7	7	6	6	6
Health care	2	1	2	2	2	2
Communication Services	1	1	1	1	1	1
Industrials	1	1	1	1	1	1
Energy	0	0	0	0	0	0
Materials	0	0	0	0	0	0
Real Estate	0	0	0	0	0	0
Utilities	0	0	0	0	0	0
Total	36	36	36	36	36	36

Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.

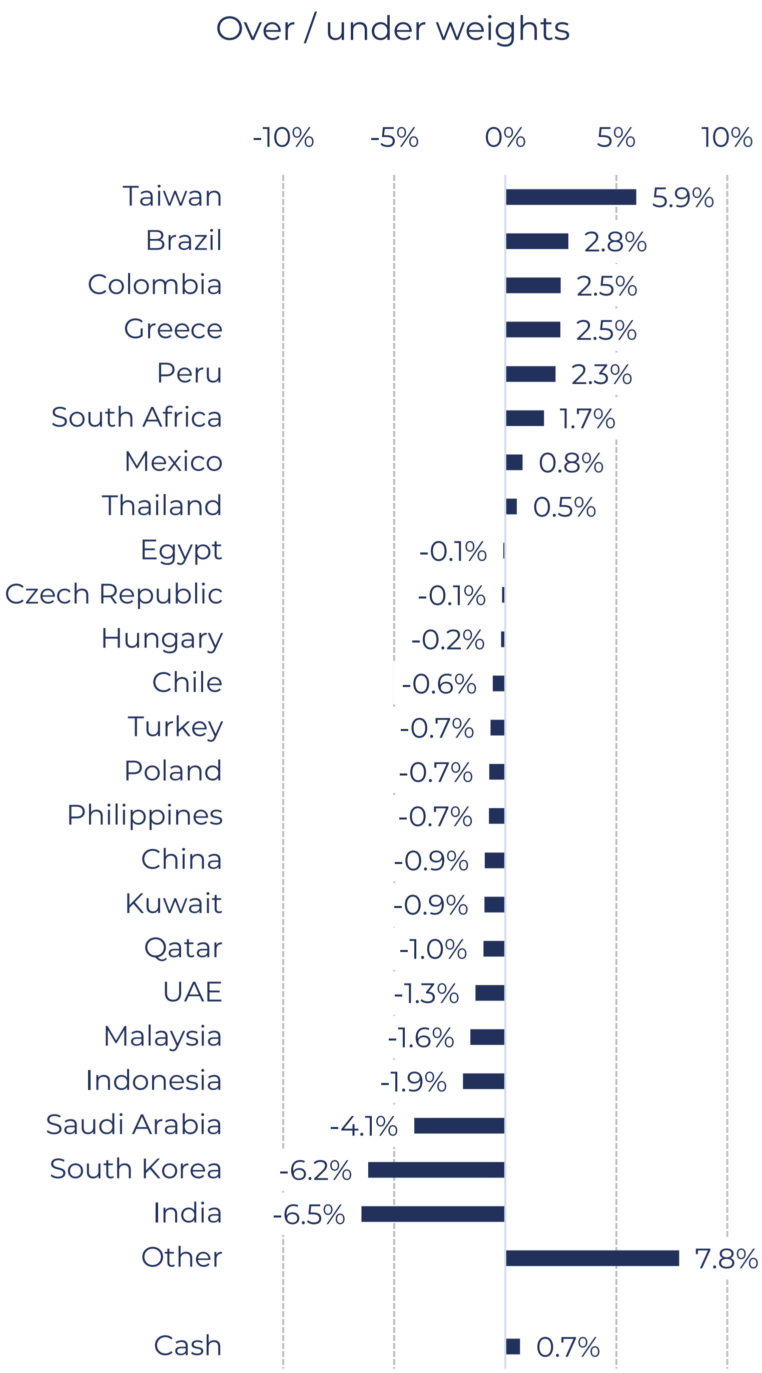


*Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022. *Outflow in Q3 2019*

Benchmark relative weights are as follows:



Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.



Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.

The fund's biggest overweight is Taiwan and the 'other' category, which reflects the fund's two UK holdings and one US holding that all derive more than 50% of their revenue from emerging markets. The biggest underweights are to India, South Korea, India and Saudi Arabia.

Geographic exposures shifted marginally over the course of the year. The net effect of the switches during the year was to increase exposure to Brazil by one position and reduce exposure to Korea. Again, by *number* of companies, our exposure at year-end 2022 and the preceding five years was as follows:

	2022	2021	2020	2019	2018	2017
China	11	11	10	9	9	9
Taiwan	7	7	8	8	7	7
India	3	3	3	3	4	4
Brazil	3	2	2	2	2	2
Korea	2	3	3	2	2	2
South Africa	2	2	2	3	3	3
United Kingdom	2	2	2	2	2	2
Colombia	1	1	1	1	1	1
Greece	1	1	1	1	1	1
Mexico	1	1	1	1	1	1
Peru	1	1	1	1	1	1
Thailand	1	1	1	1	1	1
United States	1	1	1	2	2	2
Total	36	36	36	36	36	36

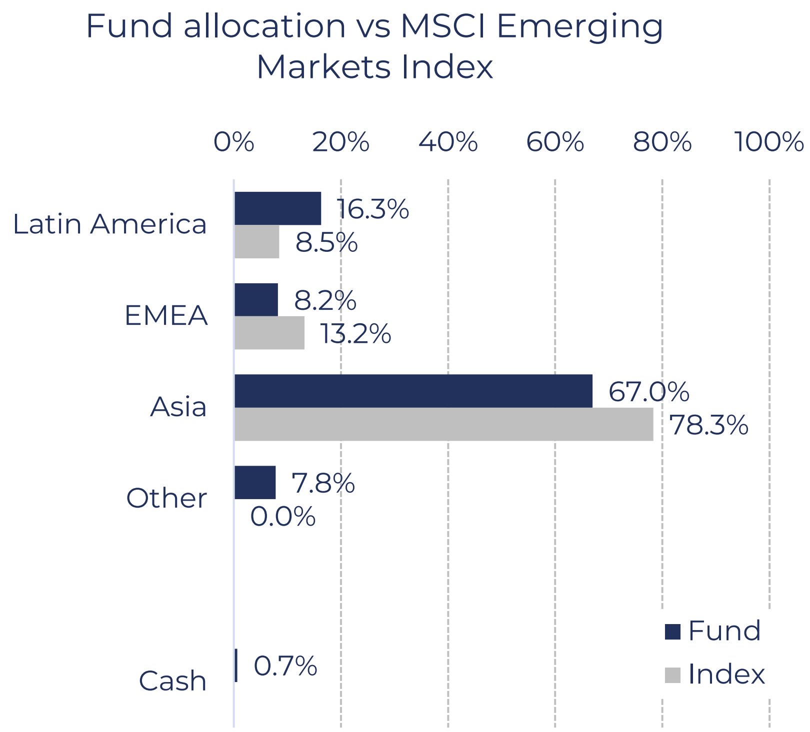
Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.

From a regional perspective, the switches marginally altered the numbers, but not the order. The position at year-end was as follows:

	2022	2021	2020	2019	2018	2017
Asia	24	25	25	23	23	23
Latin America	6	5	5	5	5	5
EMEA	3	3	3	4	4	4
Other	3	3	3	4	4	4
Total	36	36	36	36	36	36

Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.

Benchmark relative weights are as follows:



Source: Guinness Global Investors, Bloomberg. Data as of 31/12/2022.

OUTLOOK

Clearly the reopening in China is hugely significant, both for the economy and for market sentiment. For the former, we are likely to see a strong recovery in the sectors that have been hardest hit by the Covid restrictions, for example in travel and hospitality. From a market sentiment perspective, we have already seen a strong rally in China over the past couple of months as many investors reappraise the country.

Notably, China's reopening, with its associate very stimulative effect, comes just at the time that the global economy is slowing. Many investors' attention is occupied by the threat of a recession in the US, given the backdrop of higher interest rates than we have had for many years. As declines have started to come through in reported inflation data, some hope that the Fed will be forced to change course and to move on from the current cycle of hiking interest rates in order to address the slowdown in the economy. The Fed, however, has been clear in its determination to head off inflation (and to be reasonably sure that the problem has been dealt with), so we could witness a scenario of higher rates for longer in order to ensure the flames of inflated are fully damped.

The other challenge to watch out for is the potential for Covid in China to impact the supply of goods, as we have seen on previous occasions where the economy has opened up. China of course does not have the same problem with inflation as in Western economies, and there is more room on the part of policymakers to provide economic stimulus if required. The reopening is therefore likely to be bumpy, but overall with a very beneficial effect.

Emerging markets still trade on very low valuations, and 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.

As of 31st December 2022, the portfolio trades on a trailing yield of 4.3% (this includes the fund's most recent distribution).

The implied earnings growth for the portfolio in 2023 is 7.6%, compared with that for the market of a 1.6%

contraction. Looking at the compound growth rates over the next two years, we see a similar picture, with the fund at 9% versus the market at 7%. In general, the market tends to exhibit more volatility in earnings (in both directions), driven by the more cyclical nature of some of its constituent companies. We typically seek companies with more consistent earnings profiles – often those companies that tend to benefit more from structural than cyclical tailwinds.

From a valuation perspective, the portfolio trades on 10.3x 2023 earnings, which is a 12% discount to the benchmark which trades on 11.7x 2023 earnings.

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. This gives us confidence that we will achieve the earnings growth and dividend growth that is essential to the investment case.

Portfolio managers

Edmund Harriss

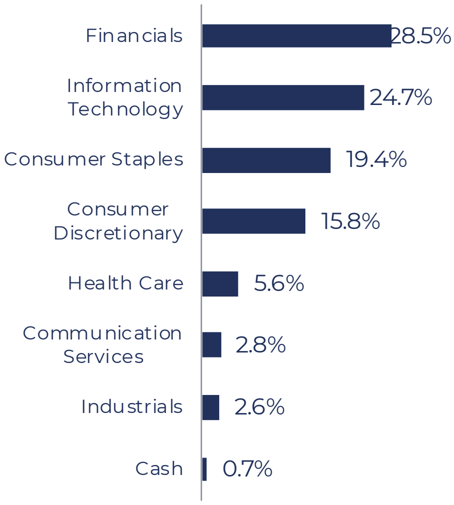
Mark Hammonds

PORTFOLIO

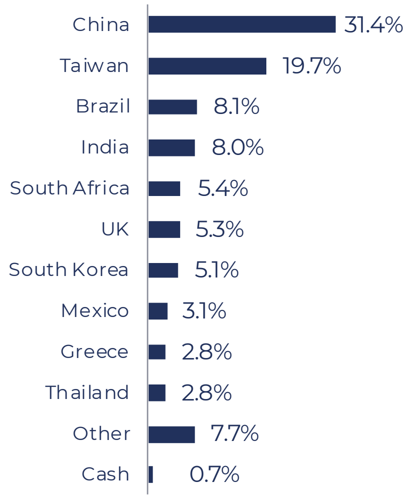
Fund top 10 holdings

Ping An Insurance	3.5%
Grape King Bio	3.2%
China Merchants Bank	3.1%
Largan Precision	3.1%
Coca-Cola Femsa	3.1%
Novatek Microelectronics	3.0%
China Construction Bank	2.9%
ICBC	2.9%
HYPERA SA	2.8%
Jumbo	2.8%
% of Fund in top 10	30.4%
Total number of stocks	36

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Annualised % total return from launch (GBP)	**31/12/2022**
Fund (Y class, 0.89% OCF)	5.4%
MSCI Emerging Markets Index	5.0%
IA Global Emerging Markets sector average	4.3%

Discrete 12m % total return (GBP)	**Dec '22**	**Dec '21**	**Dec '20**	**Dec '19**	**Dec '18**	**Dec '17**
Fund (Y class, 0.89% OCF)	-1.6	4.0	3.4	14.2	-9.8	25.8
MSCI Emerging Markets Index	-10.0	-1.6	14.7	13.9	-9.3	25.4
IA Global Emerging Markets sector average	-12.2	-0.5	13.7	16.0	-11.8	24.4

Cumulative % total return (GBP)	**1 Yr**	**3 Yrs**	**5 Yrs**	**Launch**
Fund (Y class, 0.89% OCF)	-1.6	5.8	9.0	37.4
MSCI Emerging Markets Index	-10.0	1.5	4.8	33.9
IA Global Emerging Markets sector average	-12.2	-0.7	1.7	28.9

RISK ANALYSIS **31/12/2022**

Annualised, weekly, from launch on 23.12.16, in GBP	**Index**	**Sector**	**Fund**
Alpha	0.00	-0.28	1.57
Beta	1.00	0.91	0.82
Information ratio	0.00	-0.17	0.10
Maximum drawdown	-26.05	-26.33	-23.22
R squared	1.00	0.95	0.78
Sharpe ratio	0.07	0.03	0.13
Tracking error	0.00	3.64	7.24
Volatility	15.39	14.46	14.31

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 Information 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