Guinness Asian Equity Income Fund

Investment Commentary – February 2023

GUINNESS GLOBAL INVESTORS

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	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.

31/01/2023	1 Yr	3 Yrs	5 Yrs	Launch*
Fund (%)	3.0	24.1	22.2	132.7
Index (%)	2.2	15.9	15.4	96.0
Sector (%)	2.1	24.5	24.3	111.8

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 January, the Fund rose 7.7% (Y share class, in GBP) compared to MSCI AC Pacific ex Japan Net Total Return Index benchmark which rose 7.9%.

(Market and stock returns discussed below, are in US dollar terms.)

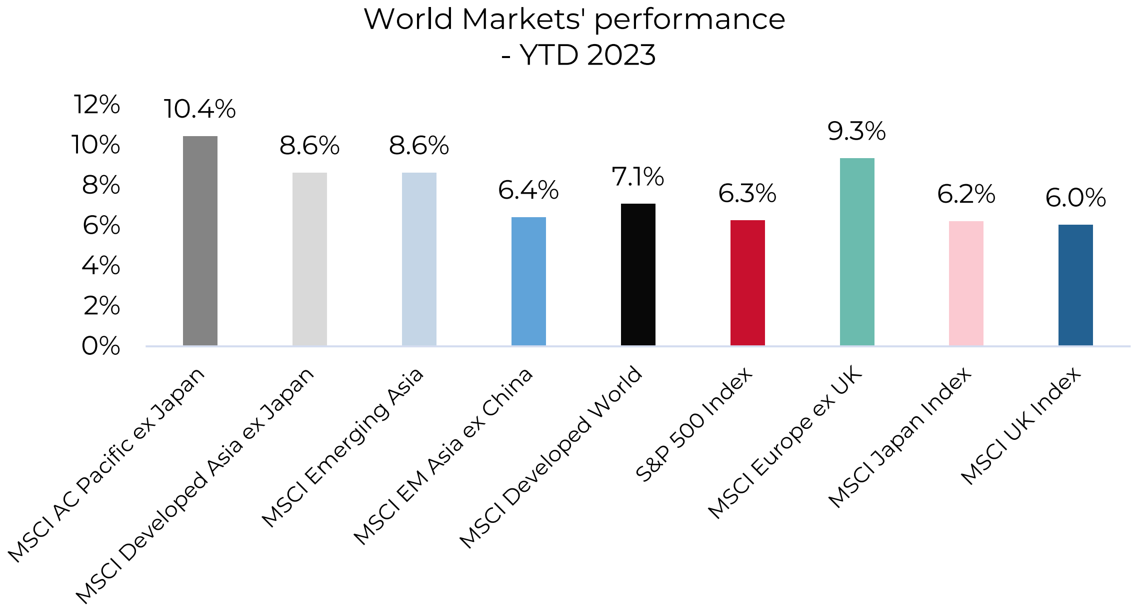
Major regional and country stock markets have had a strong start to the year following China's re-opening and despite weakening macroeconomic outlook for developed markets. The market appears to believe that inflation has reached or is close to the peak and that interests could start to come down this year. The best performance over the past month has come from Asia, as shown in the chart on the following page.

Asian markets rose across the region, with the sole exception of India, which has been roiled by alleged corporate governance failures at one of its leading conglomerates. The strongest markets this month were China, Korea and Taiwan, which rose c.12%.

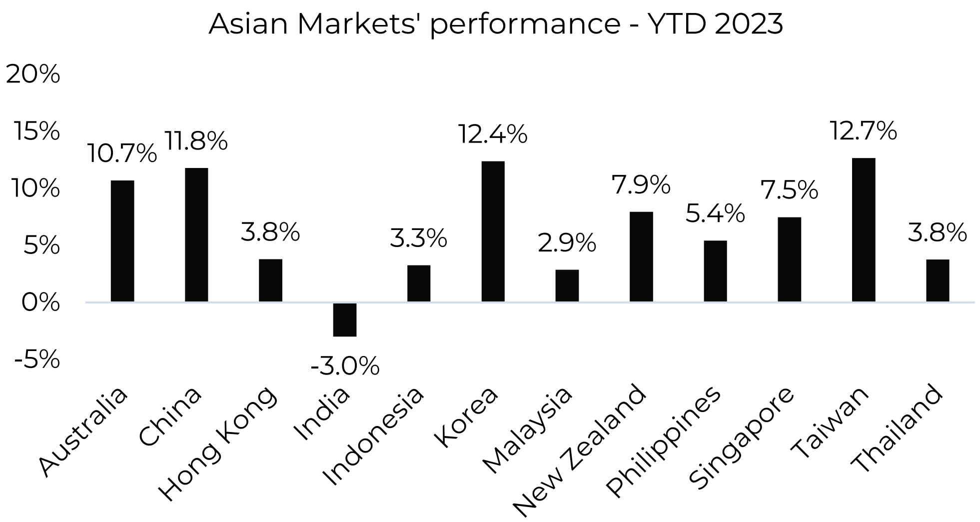
The portfolio has done well in keeping pace with market strength, and the fund's market weight exposure (35%) to China has certainly helped. Drivers of portfolio performance were stocks in Australia, Korea and Taiwan and from Qualcomm in the US. The rebound in Corporate Travel Management, related to expectations of increased regional travel, was notable. Especially welcome was the strength in our two Korean stocks, Hanon Systems and Korean Reinsurance, which have been facing headwinds over the past year, and in Hanon's case since 2020.

The Fund's underweight exposures to Australia and Korea detracted from performance but were compensated for by the underlying selection. The market weight in China meant the allocation effect on performance was neutral while the overweight position in Taiwan was a positive.

On a sector basis there were positive contributions from selection in Communication Services, Consumer Discretionary, Financials, Health Care and Utilities. Technology was the main detractor, with the failure of our positions in Hon Hai Precision, Largan Precision and Tech Mahindra to keep pace with the market. Our relative underweight position in TSMC (due to our equal-weighted portfolio construction approach) also cost us in a month when the stock rose almost 25%.



Source: Bloomberg, MSCI. Net returns in US dollars as of 31 January 2023.



Source: Bloomberg, MSCI. Net returns in US dollars as of 31 January 2023

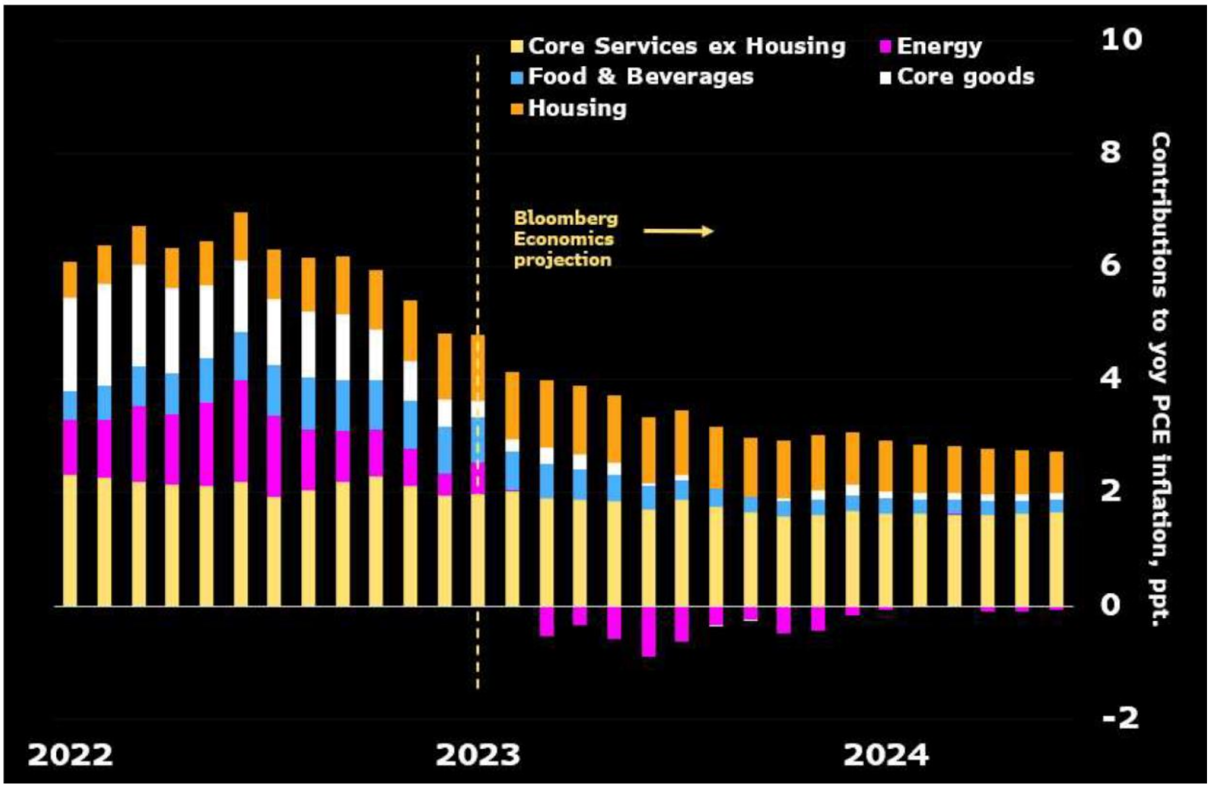
Overall, however, at a time when markets have been strong and when index heavyweights (which have low representation in the Fund) have led the charge, it is very encouraging to report that the Fund has kept pace, not only during this last month but also over the period of this rally beginning in November.

MACRO REVIEW

US interest rates

The Federal Reserve slowed the pace of interest rate increases, lifting the upper bound of the Fed Funds rate to 4.75%. Jerome Powell sounded a little more encouraging on the outlook, enough at least to maintain bullish market sentiment. The Fed focuses on Personal Consumption Expenditure (PCE) inflation and the Core PCE deflator, said to be the Fed's preferred measure for gauging the direction of inflation, came in at 4.4%, which continues its deceleration and was in line with expectations.

We can see that Consumer Price Inflation (CPI) is coming down in the US and this has raised expectations in some quarters that we could see interest rate cuts this year. However, we think this is the wrong measure to follow. PCE inflation looks stickier, especially in the core components. The difference between the two measures (CPI and PCE) lies in methodology. CPI data is collected by the Bureau of Labor Statistics and is narrower by comparison to PCE; it looks at the out-of-pocket expenses (spending) of urban households on a basket of goods. PCE data is collated by the Bureau of Economic Analysis (BEA) and is broader, looking at supplier prices of consumer items, and goes beyond urban households. The consumer baskets are markedly different between the two measures and price changes in the PCE basket are also less volatile. For example, the provision of healthcare services as paid for by businesses goes beyond what households spent over the past month is given a higher weight in the PCE measure. Bloomberg Intelligence produced a chart showing the breakdown of PCE inflation by components:



Source: BEA, Bloomberg Economics

We can see how the non-core elements of energy and food are coming down quite quickly (in pink and blue) but housing and especially core services ex-housing have been more resistant to declines. Core services ex-housing accounts for 50% of the PCE basket and only 25% in the CPI basket. The Fed is on record as attaching great importance to this larger weighted element. If the Fed were to cut rates while this component remains elevated, then once the disinflationary effects of falling energy prices have worn off there is a risk that headline inflation may pick up once again.

The Fed is also on record as focusing on the labour market, especially in services sector. Jerome Powell, the Chair of the Federal Reserve Board, in a November speech at the Brookings Institution described services ex housing is regarded as “maybe the most important category for understanding the future evolution of core inflation. Because wages make up the largest cost of providing these services the labor market holds the key to understanding inflation in this category”. He made three more points that we think investors should heed:

First, he said “For starters, we need to raise interest rates to a level that is sufficiently restrictive to return inflation to 2 percent”.

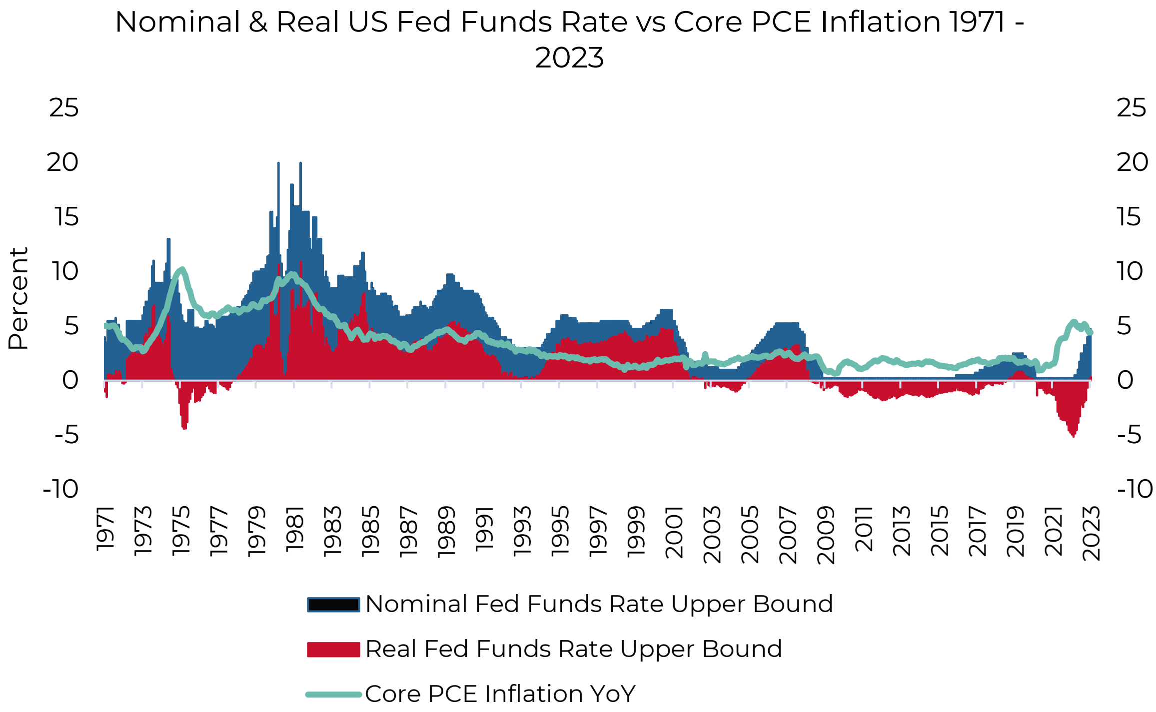
Second, “[N]ominal wages have been growing at a pace well above what would be consistent with 2 percent inflation over time.”

Third, we need “[…] to put aside the [private sector] forecasts and look instead to the macroeconomic conditions we think we need to see to bring inflation down to 2 percent over time.”

However, there is a tension between the political goals of the administration and monetary goal of the Fed in their respective approaches to labour and wages. The current administration is much more active in promoting the cause of labour. For example, when President Biden signed an executive order to ban non-compete clauses in employment contracts on 9th July 2021 he remarked “If an employer wants to keep you…he or she should have to make it worth your while to stay”. But at a press conference in June 2022, Powell was coming from the opposite direction: “You have two vacancies…for every person actively seeking a job, and that has led to a real imbalance in wage negotiating”. Over the longer term, these two positions can be reconciled through income and productivity growth. In the short term, these political and monetary priorities run counter to one another. The latest jobs figures for January record payrolls increased by 517,000 versus a forecast of 188,000 and a drop in the unemployment rate to a new cycle low of 3.4%. In other words, the labour market has tightened further and upward wage pressure looks set to continue.

Our view is that one more interest rate rise of 0.25% to 5%, as currently priced by the market, looks unlikely. More likely, we could see two or three more rises at least and rates moving to 5.5%. Our reasoning for this is given below. We note that with core inflation now at 4.4% and Fed Funds having moved to 4.75%, this is the first time in this cycle that real interest rates have turned positive to +0.35%, at least on a core inflation basis.

The following chart shows interest rates and core (PCE) inflation in the US over the past fifty years. A number of features jump out. First, we can see how the interest rate cuts and negative rates in 1975 and 1976 proved to be too early and were followed by a more severe run of inflation that took almost ten years to resolve. Second, positive real interest rates were the norm from 1979 to 2008, barring two years between September 2002 and November 2004. Since 2008, the US has been running a loose monetary policy with a short-lived attempt to normalise in 2018 and 2019 before turning ultra-loose in 2020. Third, if we take the period 1979 up to the Global Financial Crisis in 2008 as one of a ‘normal’ monetary policy setting, real interest rates average 3.4%. From 1985, when Core inflation fell below 4%, to 2008 the average real rate was 2.5%.



Source: Federal Reserve, BEA, January 2023

Based on this assessment of monetary settings it is quite possible that core inflation retreats to around 3% in the coming year, though it gets harder as we get closer, and that the Fed, consistent with its stated target of 2% inflation, keeps the real rate at 2.5% in line with earlier norms. This would imply a policy setting of (3% inflation + 2.5% real Fed Funds rate) 5.5%. In the long term, as inflation settles closer to the 2% target, we may see that real interest rate narrow. The real rate assumption may turn out to be overly aggressive but is not outlandish. The key point for us is that even after the rate rises we have seen monetary policy is not yet restrictive.

(There is a view that keeping interest rates negative, i.e. below the rate of headline inflation, is an overt strategy of financial repression supporting borrowers rather than savers whereby the value of the debt is 'inflated away' while savers receive less interest income on their deposits. While that is an argument, we do not believe the Fed is playing that game; that they perceive the risk of runaway inflation and its damaging effects in the near term to outweigh the benefits of debt devaluation over the longer term. We think the speed of interest rate rises and their impact needs to be considered in the context of debt levels built up in the low-rate years and potential systemic stress.)

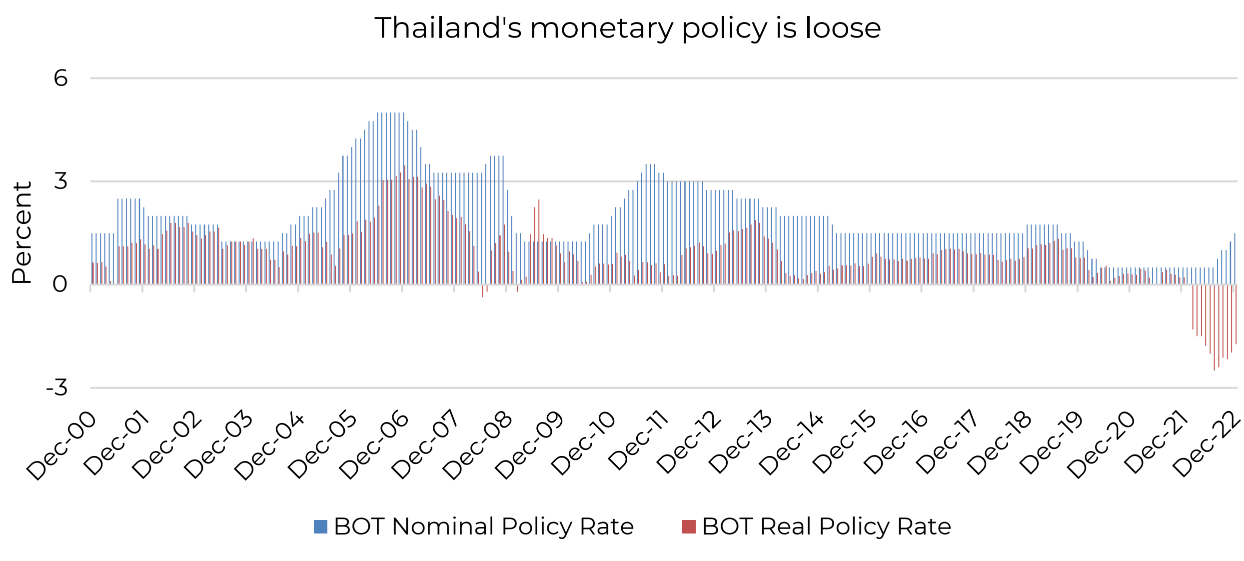
We have dwelt on this at some length because US interest rates and related bond yields form the basis of the global 'risk-free rate' that goes into the discount rate we apply to company cash flows to arrive at a share price valuation. This discount rate disaggregated into the risk-free rate, plus a premium over that for country risk and a further premium to reflect sector or company specific risk. When we say there is a likelihood that markets are underestimating the trajectory of US interest rates, we are saying that the risk-free rate, and therefore the discount rate for valuing cash flows may also move/stay higher, which would exert downward pressure on the value of future cash flows and thus, share valuations. This re-emphasises the importance, in our view, of focusing on current and near-term profits and cash flows, rather than a hope of valuation expansion, as drivers of shareholder returns.

Asian interest rates

Interest rates in Korea, Indonesia and Thailand moved higher in January. **Korea's** increase was in line with expectations but just as in the US, markets seem to be pricing in an end to the cycle with the 3-year bond yield now lower than the policy rate, but the Governor is more cautious. From a purely domestic perspective, the market may be correct since slower exports are beginning to weigh on industrial output. The once-hot housing market is weakening and unlike in the US, the unemployment rate rose more than expected, to 3.3% in December. According to the Bank of Korea's Financial Stability Report for the second half of 2022, released in mid-December, the Financial Stress Index (FSI) has passed the threshold which the bank calls "crisis stage". (This does not equate to Korea being in crisis, but that there has been a sharp jump in gauge which we also note fell back from peak stress by December.)

Korea's FSI uses 20 monthly indicators in both financial and real asset sectors to gauge financial stress. The bond market turmoil following the Legoland construction bond in Gongwon Province (which we discussed in the November 2022 update) and a weaker exchange rate both contributed to a drop in institutional and market liquidity in September/October. The situation since then has improved with bond market stabilisation measures and the 3% rise in the Won versus the US dollar. The main concern for the central bank is the risk of a hard landing in house prices in 2023 pushing mortgage borrowings into negative equity. However, the bank also measures systemic financial vulnerability which looks at asset prices, debt levels and system resilience and this Financial Vulnerability Index has improved, falling from a peak of 58.5 in the second quarter of 2021 to 44.9 in the third quarter of 2022.

Thailand stands out from the rest of Asia in that it was the last (excepting China and Japan) to increase the policy interest rate. This reflects the major role played by tourist arrivals on economic growth, accounting for c.20% of GDP. Visitor numbers began to rise in the latter part of 2022 to c.1.5 million per month and are expected to approach pre-pandemic levels of 3.3 million per month in 2023/24. Core inflation jumped from 0.3% year-on-year at the end of 2021 to 2% at the end of the first quarter of 2022 and then to 3.2% in the third quarter, where it ended the year. If we add in the effects of food and energy then headline inflation is running at 5.9% and has cooled from 7.86% in August, but core inflation pressure is the key measure and this is still evident. As the chart below indicates, Thailand's monetary policy is the loosest for 20 years and rates still have further to go before they could be said to be restrictive. The Bank of Thailand has given no indication of an imminent pause.



Source: Bank of Thailand (BOT), Thailand Ministry of Commerce, January 2023. BOT Nominal policy rate is given as the Bank of Thailand Repurchase Market 1 Day Rate. Real Policy rate is given as the Nominal Policy Rate less Thailand Core CPI Inflation rate.

Indonesia raised its benchmark rate to 5.75% in line with expectations (a contrast with **Malaysia** which unexpectedly remained unchanged suggesting their focus on risks to growth). In Indonesia's case, currency considerations are the main driver of interest rate moves; it should be noted that Indonesia has been a significant recipient of portfolio flows seeking yield. Bank Indonesia has said it will continue to buy government bonds in the secondary market and that it will maintain accommodative macroprudential policies for commercial banks.

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.

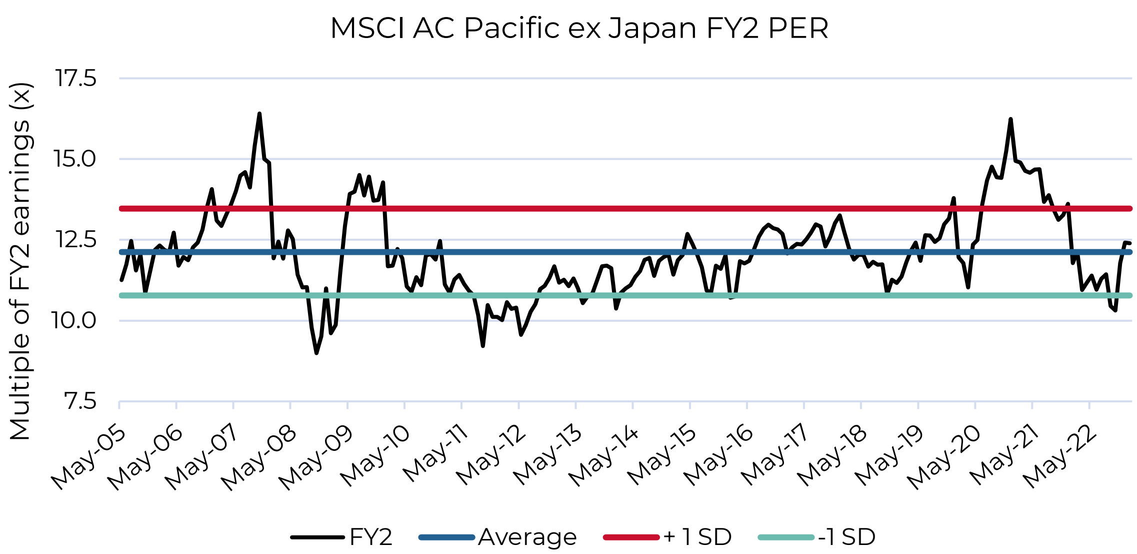
National base rates by month

	Jan-22	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan-23
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	3.65
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	**3.50**
Taiwan	1.125	1.125	1.375	1.375	1.375	1.50	1.50	1.50	1.63	1.625	1.625	**1.75**	1.750
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	**5.75**
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	2.75
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**	5.50
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	**1.50**
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**	6.25
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**	3.10
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**	4.25
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	-0.10
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	**4.75**
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	**2.50**
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	**4.00**

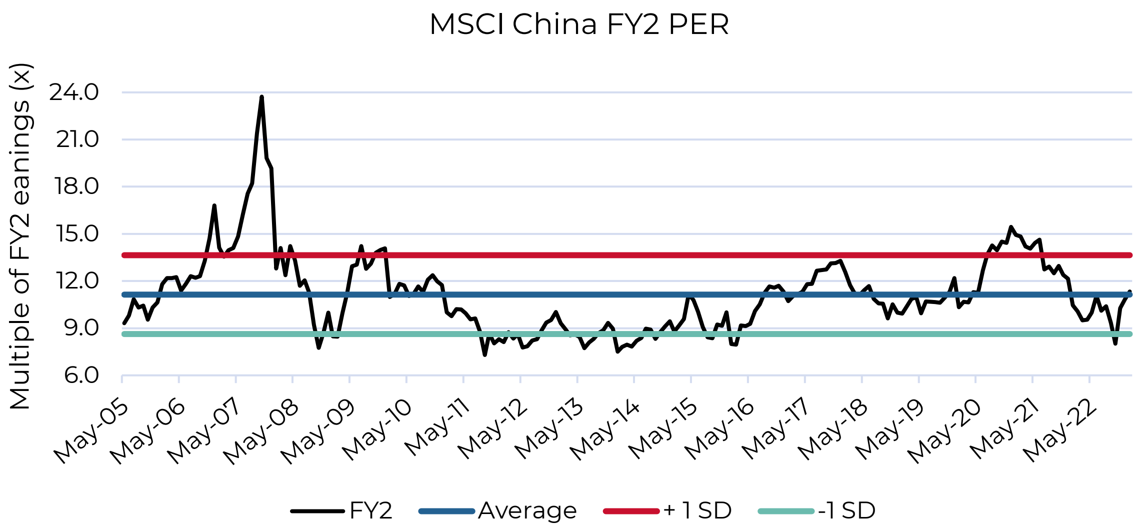
Source: Central Banks' data, as of 31/01/2023

MARKET & FUND REVIEW

Asian markets have had a strong run since the trough at the end of October 2022 rising 32.9% (in USD, as measured by MSCI AC Pacific ex Japan Net Return Index) led by MSCI China, up 52.5%. This compares to a 9.7% rise in the MSCI World Index, 5.6% for the S&P 500 Index and 17.5% for the MSCI UK (also in USD terms). This marks a reversal in the depressed valuations prevailing at the end of October, especially in China. The charts below show valuations based on a multiple of consensus estimated 2023 earnings (FY2 PER - Price/Earnings Ratio) for the region:



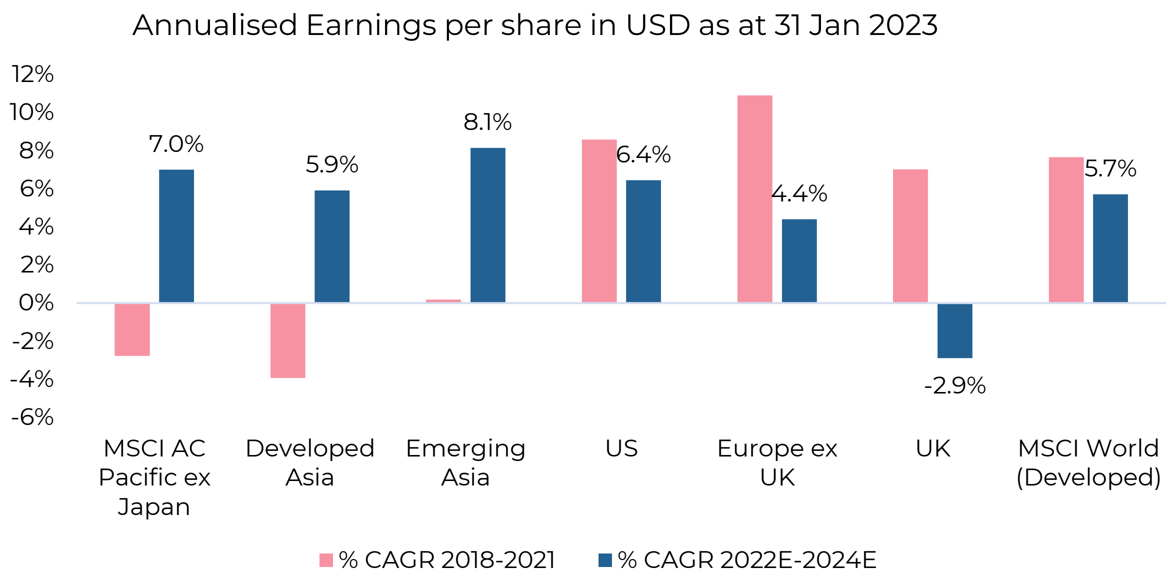
And for China:



Data as of 31 January 2023. 1 SD = One Standard deviation above (red line) or below (green line) the average FY2 PER multiple over the period.

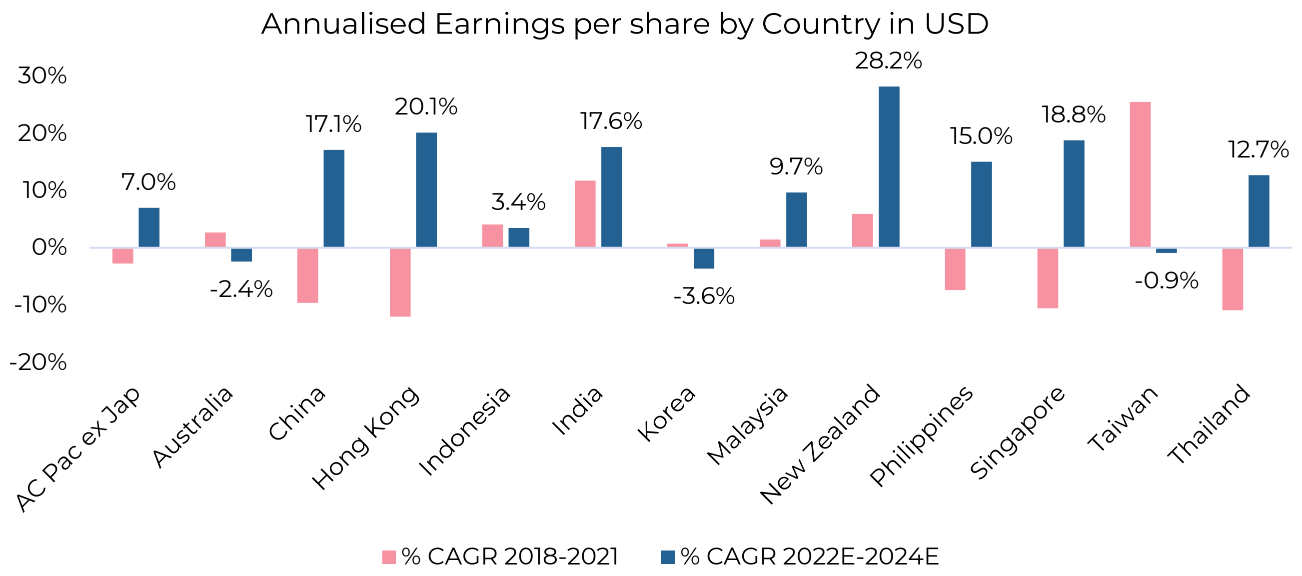
Although the rebound has been swift and substantial, neither the region as a whole nor China is in expensive territory. Furthermore, given economic forecasts are for growth acceleration in the region, in contrast to much of the rest of the world, we think that that there is still an opportunity beyond this initial recovery, supported by earnings growth.

The following charts review where we are, on the basis of consensus earnings estimates for the region and for the countries:



Sources: 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, Europe ex UK by MSCI Europe ex UK NTR Index and the UK by MSCI UK Index, all in US dollar terms to 31st January 2023.

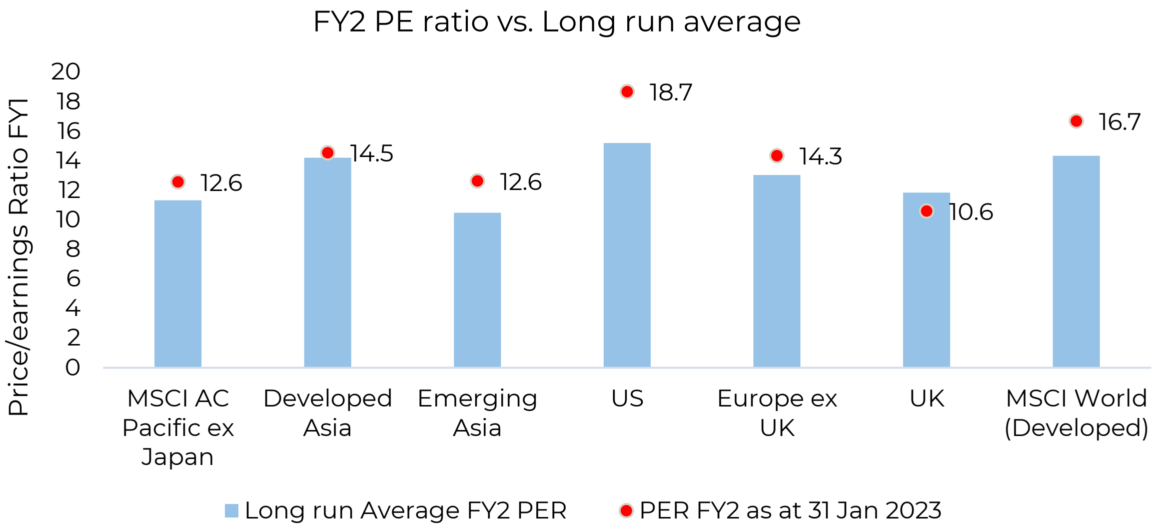
The chart above shows average annual earnings growth over the next couple of years is now looking stronger than all other regions. Earnings forecasts for the US are now coming down for 2023 as analysts price in the effects of interest rate increases and the possibility of a recession. Asian growth is led by emerging Asia, which perhaps does not look as strong as some might have expected, the reasons for which are evident in the chart below.



Sources: Bloomberg, MSCI AC Pacific ex Japan Index, MSCI country indices and consensus estimated earnings for 2023 in US dollars as of 31st January 2023.

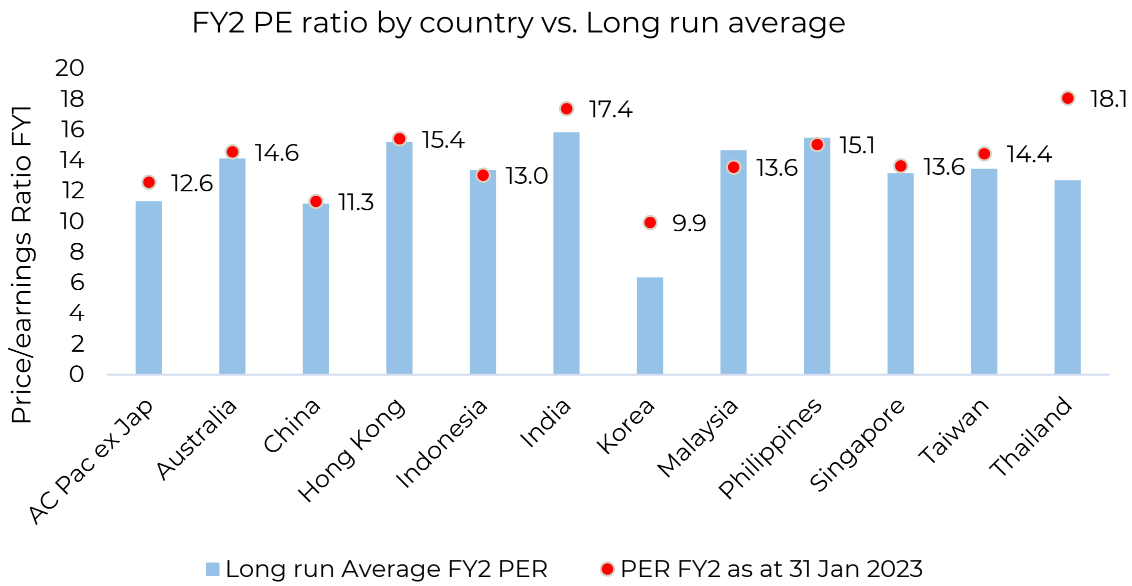
Chinese earnings growth forecasts look strong, as we would expect given forecasts of an economic rebound in 2023. However, earnings in Korea and Taiwan, which together account for a third of emerging Asia, are expected to contract as the expected global slowdown drags on exports. India is the other major emerging Asian market and earnings here are also forecast to be strong, but India is wrestling with a corporate governance storm which has engulfed one its largest and most politically connected conglomerates.

In developed Asia, Australian earnings are forecast to contract over the next two years following a substantial uplift in 2020-21 in energy and materials on the back of a commodity boom which has subsided for now, but could yet stage a resurgence if Chinese growth meets the more bullish forecasts. Earnings contraction in these two sectors obscures growth in Australian consumer, health care and industrial sectors. In the meantime, Hong Kong and Singapore are both forecast to deliver strong earnings although from a narrow base. In Hong Kong's case the growth comes from Financials that account for 50% of the country Index and in Singapore, it is industrials (specifically, Singapore Airlines' swing from loss to profit) supported Genting Singapore in the consumer discretionary sector and financials.



Sources: 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, Europe ex UK by MSCI Europe ex UK NTR Index and the UK by MSCI UK Index, based on consensus earnings estimates in USD to 31st January 2023. The long run average is based on a period of 20 years.

Most regions are now trading above their long run averages. As discussed earlier, we do not think Asia has reached expensive territory after a strong rally, having seen a valuation rebound from very depressed levels. The US, however, is looking stretched in our view, not only against its average but also in the context of downward revisions to forecast earnings.



Sources: Bloomberg, MSCI AC Pacific ex Japan Index, MSCI country indices and consensus estimated earnings for 2023 in US dollars as of 31st January 2023. The long run average is based on a period of 20 years.

China is the key market to both economic and stock market performance and is trading at its long run average even after a 50% rebound from lows. Thailand is the standout relative to its average, as the market is pricing a recovery driven by the return in tourist arrivals following the opening of its borders (and those of China) in 2022. India's valuation, by contrast, has come down from a PE multiple of 25x at the start of the year to 17.4x at the end of January.

DIVIDEND REVIEW

Four companies have declared dividends over the past month.

- **Aflac** raised its dividend by a modest 5%, compared to the 21% increase last year. The market was disappointed by the sales growth number and even though the earnings number was better than expected, the share price fell sharply on the day. Sales in Japan grew 11.4%, driven by demand for the cancer health care policy. The growth came despite another Covid wave in the fourth quarter, but it appears nevertheless the market had been hoping for more. We remain happy with the stock.
- **Ascendas REIT** declared a distribution that was 1% above market forecasts. Some analysts are pointing out that Singapore REITs have tended to do well when the US Fed stops raising rates. As we have discussed, we don't think that is imminent, but is still good to know. In the meantime, Ascendas' operating performance has been satisfactory, with rent rises of 8% in 2022 and occupancy reaching a record high of 94.6%. Logistics assets were the brightest area, with rent rises of 7% in Singapore, 14.2% in Australia, 29.2% in the US and 11.7% in the UK.
- **CapitaLand Integrated Commercial Trust** reported a distribution for the second half of 2022 that was 5% up on the prior year. The company reported 98% occupancy for retail properties and 94% for office (well above the Singapore average of c.70%). Rent renewal rates were 1.2% higher in 2022 and management expects to see a positive renewal rate in 2023. Debt financing rates have come down from a few months ago due to an inverted yield from c.4.5% to high 3s percent.
- **Qualcomm** declared its fourth quarterly dividend. The company is forecast to lift the dividend by 8% from the next quarter. The company says it is looking to diversify its business from its reliance on smartphones and its fractious relationship with Apple, to address "demand for similar components from cars to connected devices such as smart grocery carts", according to Barron's. The company did report a 41% revenue increase from the auto segment, but smartphones will remain the main business for a while yet. The analyst community has been and remains divided on the stock. We, however, are positive, and the stock continues to deliver for the Fund.

Other stocks that reported earnings but are not due to declare a dividend at this point include the following:

- **Tech Mahindra** reported results for their third quarter. Sales were 5% higher on a sequential basis but increased operating margin, higher utilisation, lower staff attrition lifted net profit by 11% compared to the prior quarter. Results are still weaker than they were a year ago, but the company appears to be addressing successfully the challenges it faced over the previous 12 months. The company reported a client environment that includes longer decision making times and cuts to 'discretionary' spending.
- **Tisco Financial Group** reported fourth quarter results. Full year net profit rose 6% year-on-year. It looks as though, once again, they have used a strong period of profitability to build up loan loss reserves in line with their prudent approach. Loan growth was 8% year-on-year, net interest margin was higher than expected at 5.09%, while the non-performing loan ratio was lower at 2.09% of Gross Loans.
- **JB Hi-Fi** announced preliminary results for their first half which beat expectations on sales, up 8.6%, operating profit up 14% and net profit up 14.6%. Consumer electricals were notably strong, suggesting market share gains with its value-led offering. We are aware that bearish market bets (short positions) on this stock have increased on expectations of a consumer slowdown in Australia, but we think its competitive positioning and strong cost control will continue to work in its favour.

OUTLOOK

The Fund's position still looks attractive:

- Average annual earnings growth for the Fund over the next two years is forecast to be 6.9% 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 2023 valuation multiple of 10.1x is still 6.5% below its average since launch of 10.8x and the discount to market of 17% is 3% 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.	**6.9%**	**10.9**	**10.3**	**9.5**			
Benchmark	7.0%	12.4	12.6	10.8	12.8	11.3	10.2
Developed Asia	5.9%	16.0	14.5	14.2	16.0	14.2	13.1
Emerging Asia	8.1%	12.3	12.6	10.5	12.1	10.5	9.3
US	6.4%	19.4	18.5	16.9	17.0	15.2	13.9
Europe ex-UK	4.4%	14.7	14.3	13.4	14.7	13.1	11.8
UK	-2.9%	9.9	10.6	10.5	13.3	11.9	10.9
Developed World	5.7%	17.5	16.7	15.5	16.2	14.3	13.1

Sources: Guinness Global Investors, Bloomberg. Based on consensus estimates as of 31st January 2023, in US dollars. All Indices are MSCI regional or country indices, except the US which is measured by the S&P 500 Index. The region is represented by the Fund's benchmark and Developed Asia is measured by MSCI Pacific ex Japan Index, consisting of Australia, New Zealand, Hong Kong and Singapore.

Portfolio managers

Edmund Harriss

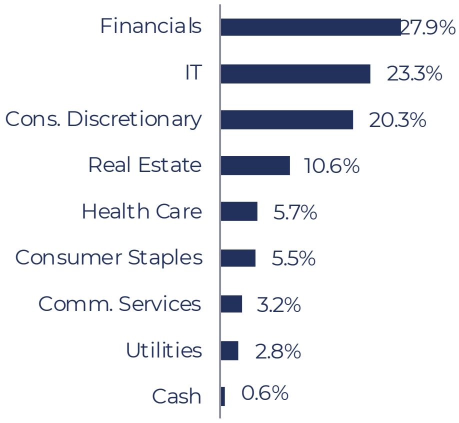
Mark Hammonds

PORTFOLIO

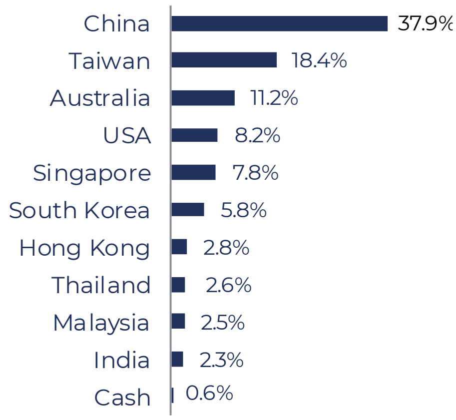
Fund top 10 holdings

China Merchants Bank	3.3%
Ping An Insurance	3.3%
NetEase	3.2%
Shenzhou International	3.2%
Suofeiya Home Collection	3.1%
Korean Reinsurance Co	3.0%
Corporate Travel Management	3.0%
China Medical System	3.0%
Novatek Microelectronics	3.0%
Taiwan Semiconductor	2.9%
% of Fund in top 10	30.9%
Total number of stocks in Fund	36

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Discrete 12m % total return (GBP)	Jan '23	Jan '22	Jan '21	Jan '20	Jan '19	Jan '18	Jan '17	Jan '16	Jan '15
Fund (Y class)	3.0	6.59	13.09	5.54	-6.69	20.78	35.11	-5.66	28.71
MSCI AC Pacific ex Japan Index	2.2	-11.44	28.02	6.56	-6.56	22.37	39.38	-12.80	18.33
IA Asia Pacific ex Japan	2.1	-4.89	28.12	7.84	-7.35	21.25	37.98	-12.41	20.06

Cumulative % total return (GBP)	1 M	YTD	1 Year	3 Yrs	5 Yrs	Launch*
Fund (Y class)	7.7	7.7	3.0	24.1	22.2	132.7
MSCI AC Pacific ex Japan Index	7.9	7.9	2.2	15.9	15.4	96.0
IA Asia Pacific ex Japan	6.2	6.2	2.1	24.5	24.3	111.8

Annualised % total return from launch (GBP)

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

31/01/2023	Index	Sector	Fund
Alpha	0	1.69	3.17
Beta	1	0.88	0.84
Information ratio	0	0.24	0.28
Maximum drawdown	-31.75	-24.54	-24.84
R squared	1	0.95	0.82
Sharpe ratio	0.27	0.37	0.44
Tracking error	0	3.64	6.73
Volatility	15.71	14.16	14.53

Fund returns are for share classes with current Ongoing Charges Figure (OCF) of 0.89%; returns for share classes with a different OCF will vary accordingly. Source: FE fundinfo bid to bid, total return. *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 0.89% 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.