

# Guinness Emerging Markets Equity Income

Investment Commentary – March 2023



## RISK

This is a marketing communication. Please refer to the prospectuses, KIDs and KIIDs for the Fund, which contain detailed information on its characteristics and objectives, before making any final investment decisions.

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

Past performance does not predict future returns.

## ABOUT THE STRATEGY

<b>Launch</b>	23.12.2016
<b>Index</b>	MSCI Emerging Markets
<b>Sector</b>	IA Global Emerging Markets
<b>Managers</b>	Edmund Harriss Mark Hammonds CFA
<b>Irish Domiciled</b>	Guinness Emerging Markets Equity Income Fund

## OBJECTIVE

The Guinness Emerging Markets Equity Income Fund is designed to provide investors with exposure to high-quality dividend-paying companies in Emerging Markets worldwide. 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.

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## COMMENTARY

Emerging markets turned around in February and sold off. The MSCI Emerging Markets Net Total Return Index fell 4.9% (all performance figures in GBP unless stated otherwise).

The fund performed well given this backdrop, falling by only 2.4% (Y share class).

For the year to the end of February, the fund leads the benchmark, up 3.3% versus the benchmark up 0.3%.

Emerging markets underperformed developed markets in the month, with the MSCI World Index down 0.6% and the S&P 500 Index also down 0.6%.

All regions were negative. The worst performing was Asia, down 5.1%. Latin America was next, down 4.4%. EMEA (Europe, Middle East and Africa) was the best performer, down 2.5%.

Growth bore the brunt of the sell-off, down 5.8% versus the Value index which fell 3.6%.

Among the largest countries, the best performing were Mexico (+1.7%), Indonesia (+0.9%) and Taiwan (+0.7%).

The worst performing countries were China (-8.7%), Brazil (-7.5%) and Thailand (also -7.5%).

The strongest performers in the portfolio were Novatek (+16.4%), Jumbo (+13.8%) and Zhejiang Supor (+9.3%).

The weakest performers were B3 (-18.9%), China Merchants Bank (-15.0%) and LG Household & Health Care (-14.2%).

### FEBRUARY IN REVIEW

US China tensions ramped up again following the downing of a Chinese balloon off the coast of South Carolina. Further unidentified aerial objects were subsequently shot down by the US.

Inflation data in the US showed a decline in the annual rate of change, but smaller than hoped for by the market.

European natural gas prices continued to fall, passing through the €50 per megawatt hour level. Mild winter weather has helped to alleviate pressure on demand.

Mexico's Senate approved a new law to reform the country's election watchdog. The measures, which entail large budget cuts to the National Electoral Institute, are controversial, and large demonstrations in the capital and across the country followed the vote.

South Africa declared a national state of disaster over the ongoing power blackouts that have blighted the economy.

Brent crude declined 3.4% over the month.

Emerging market currencies fell 1.9% as the dollar index gained 2.7%.

### MARKET REVIEW

The declines we saw in February should be seen in the context of a period of very strong performance seen at the end of last year, and in January this year. Since the low reached on 24 October 2022 to 28 February 2023, the market has gained 7.1% in sterling terms (timing of the low determined in USD terms). This represents significant outperformance of developed markets over this period, with the MSCI World Index up 1.9% and the S&P 500 Index down 2.0%.

Strength has been led by China's reopening. Despite the declines in February, Asia is up 11.5% over the period, compared with declines of 5.4% in Latin America and 6.8% for EMEA. China is up 24.5%, and Taiwan's performance is also notable, up 21.0%. Following strong relative performance in February, Mexico is up 13.3% since the market low, and is the best performing large country outside of Asia.

Over the period since the October low, the fund has outperformed significantly, rising 14.3%. The fund has benefited from its holding in Novatek, which has rallied 65.0% over this period, along with its China exposure: in particular, Suofeiya Home (+59.8%) and Ping An Insurance Group (+51.7%).

We comment further on market developments in March in the outlook section below.

### PORTFOLIO UPDATE

Updates came in during the month for several of the portfolio holdings.

Suofeiya Home reported preliminary results for the fourth quarter. Revenues (reported as a range) came in slightly below expectations, and profit growth was also lower than predicted. Nevertheless, profitability is still good, with the net margin contracting slightly, by 0.8% to 9.2%.

Zhejiang Supor also reported results for the full year 2022 that came in light relative to expectations. Export sales (notably to the parent company SEB) have been weak. Net profit margin was at a similar level to Suofeiya at 10.2%. Despite missing forecasts, the stock performed well in the month on an improved outlook. Growth in 2023 is expected to be higher than 2022, with a rebound in overseas sales expected in the third quarter. The stock was the third best performer in the portfolio.

LG Household & Health Care reported results for the fourth quarter that reflected a difficult trading period, with the company's performance hampered by travel restrictions in China then in place. A recovery is expected this year, likely to

## Guinness Emerging Markets Equity Income

come from the second quarter onwards, as Chinese citizens resume international travel. Further upside could come from LGH&H's renewed focus on the digital channel. Management is confident in the positioning and perceived value of the company's brands, and so the problem is mainly one of demand linked to travel.

Novatek reported results for last year, with the fourth quarter beating expectations on good expense control. However, it was management's brighter outlook for the first quarter that was the highlight. China's reopening has led to an uptick in demand and customers are quickly restocking semiconductor inventory. The recovery in the China smartphone sector could still be relatively early in its progression. The stock was this month's best performer in the portfolio.

Hanon Systems reported results in line with consensus, posting fourth quarter revenue growth of 22% year-on-year. Stronger levels of production from semiconductor companies have allowed auto manufacturers to increase output, to the benefit of component suppliers like Hanon. Forward guidance has been impacted by foreign currency movements, but there are positive signs that the cost pressures are beginning to lift.

Coca-Cola Femsa reported results for the fourth quarter that came in above expectations, boosted by higher profitability. EBITDA for the company overall grew 12% year-on-year, almost keeping pace with the 14% increase in the third quarter. Brazil and Argentina were particularly strong markets, offsetting a weaker Colombia.

Unilever announced that Hein Schumacher would replace Alan Jope as CEO of the company. Schumacher currently head of a Dutch dairy co-operative, Royal FrieslandCampina, and is also a Unilever board member. The change in leadership comes at a time of increased activist involvement in the stock and follows the failed bid for GSK's consumer health business.

## OUTLOOK

Global markets have clearly entered a more volatile phase, with weakness in March seen across developed and emerging markets. Developed Europe has been particularly affected by weakness among banks – driven ultimately by structural weakness and continued underperformance in that sector, but triggered more recently by the collapse of Silicon Valley Bank in the US.

So far, emerging market Financials have fared relatively well, and are not even the worst performing sector month-to-date. Within Financials there has been a mix of positive and negative returns, with the weakness not being concentrated in particular stocks – suggesting there are no new specific company concerns.

Nevertheless, we are cognizant that problems in the US and European banking sectors will take time to work out. Further regulatory scrutiny is inevitable, and we should expect some tightness in lending conditions. Deposit insurance in the US is an issue that needs to be addressed, and this will likely govern the future shape of the regional banking industry.

The big unknowns are of course what this means for monetary policy. The ECB has already shown an inclination to stick with its planned rate hike progression, increasing rates most recently by 50 basis points. Our assumption is that the US is likely to continue to raise rates. The announcements it has made to facilitate liquidity with banks' holdings of treasuries and agency bonds give it cover to continue to address persistent inflation. (Note this is not so much a prediction as something we must be prepared for, should it happen!)

We will continue to focus on high-quality companies that have delivered returns on capital above the cost of capital persistently over time. Such companies have shown an ability to weather different economic conditions, while maintaining profitability.

Thank you for your continued support.

### Portfolio Managers

Edmund Harriss  
Mark Hammonds

**GUINNESS EMERGING MARKETS EQUITY INCOME FUND - FUND FACTS**

Fund size	\$7.7m
Fund launch	23.12.2016
Benchmark	MSCI Emerging Markets TR
Historic yield	4.2% (Y GBP Dist)

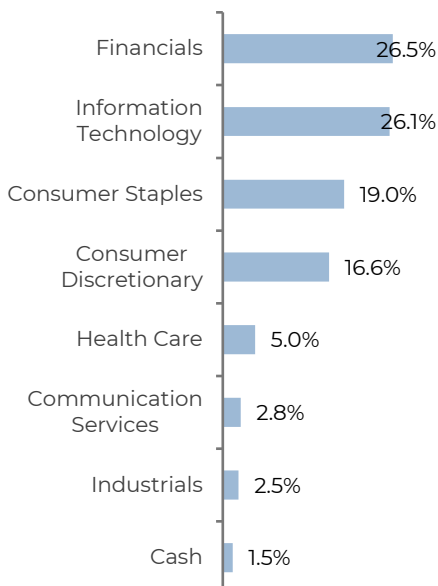
Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the month end. It does not include any preliminary charges. Investors may be subject to tax on the distribution.

**GUINNESS EMERGING MARKETS EQUITY INCOME FUND - PORTFOLIO**

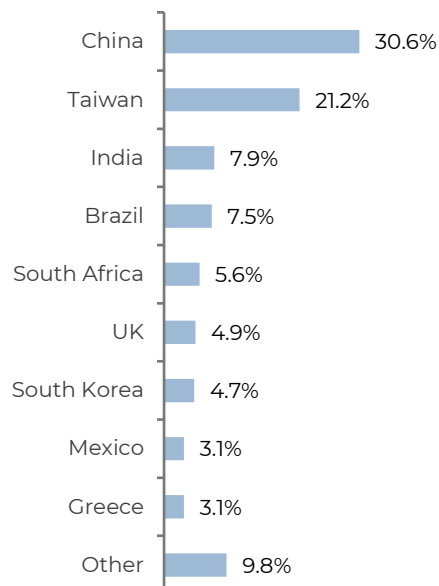
**Top 10 holdings**

Novatek Microelectronics	3.8%
Ping An Insurance	3.4%
Grape King Bio	3.3%
Largan Precision	3.2%
Coca-Cola Femsa	3.1%
Jumbo	3.1%
Suofeiya Home Collection	3.1%
Spar Group	3.0%
Zhejiang Supor	2.9%
Porto Seguro	2.9%
Top 10 holdings	31.8%
Number of holdings	36

**Sector**



**Country**



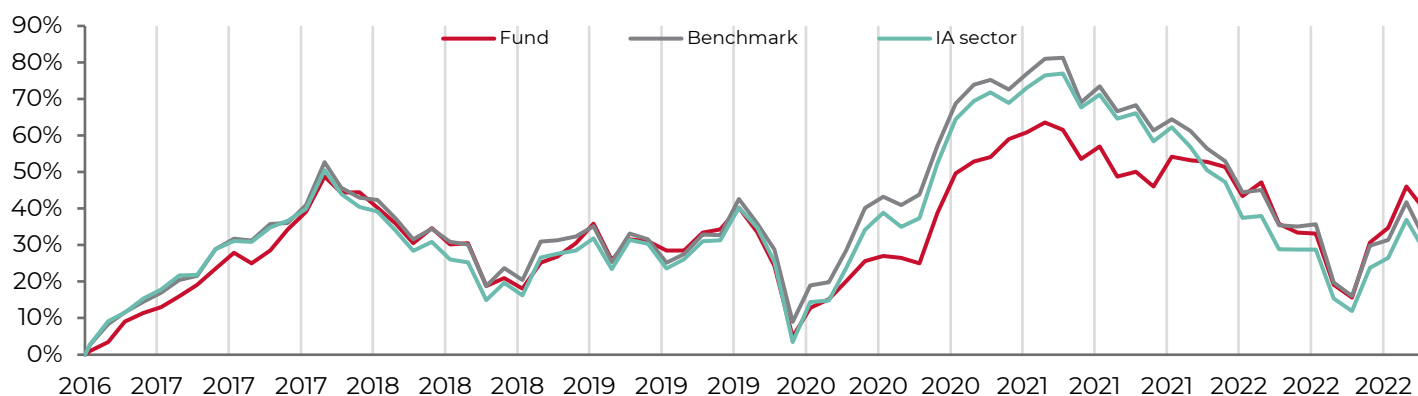
**GUINNESS EMERGING MARKETS EQUITY INCOME FUND - CUMULATIVE PERFORMANCE**

<b>Total Return (GBP)</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 yr</b>	<b>3 yr</b>	<b>5 yr</b>	<b>10 yr</b>
Fund	-2.4%	+3.3%	+1.7%	+19.0%	+10.5%	-
MSCI Emerging Markets TR	-4.9%	+0.3%	-6.1%	+8.6%	+3.6%	-
IA Global Emerging Markets TR	-4.1%	+1.4%	-5.0%	+8.6%	+2.0%	-
<b>Total Return (USD)</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 yr</b>	<b>3 yr</b>	<b>5 yr</b>	<b>10 yr</b>
Fund	-4.0%	+4.0%	-8.2%	+12.8%	-2.9%	-
MSCI Emerging Markets TR	-6.5%	+0.9%	-15.3%	+2.9%	-9.0%	-
IA Global Emerging Markets TR	-5.7%	+2.1%	-14.3%	+2.9%	-10.4%	-
<b>Total Return (EUR)</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 yr</b>	<b>3 yr</b>	<b>5 yr</b>	<b>10 yr</b>
Fund	-1.7%	+4.7%	-2.8%	+16.8%	+11.6%	-
MSCI Emerging Markets TR	-4.2%	+1.5%	-10.3%	+6.6%	+4.7%	-
IA Global Emerging Markets TR	-3.5%	+2.7%	-9.2%	+6.6%	+3.1%	-

**GUINNESS EMERGING MARKETS EQUITY INCOME FUND - ANNUAL PERFORMANCE**

<b>Total Return (GBP)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Fund	-1.6%	+4.0%	+3.4%	+14.2%	-9.8%	+25.8%	-	-	-	-
MSCI Emerging Markets TR	-10.0%	-1.6%	+14.7%	+13.9%	-9.3%	+25.4%	-	-	-	-
IA Global Emerging Markets TR	-12.2%	-0.5%	+13.7%	+16.0%	-11.8%	+24.4%	-	-	-	-
<b>Total Return (USD)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Fund	-12.6%	+3.1%	+6.7%	+18.8%	-15.1%	+37.7%	-	-	-	-
MSCI Emerging Markets TR	-20.1%	-2.5%	+18.3%	+18.4%	-14.6%	+37.3%	-	-	-	-
IA Global Emerging Markets TR	-22.0%	-1.4%	+17.3%	+20.7%	-16.9%	+36.2%	-	-	-	-
<b>Total Return (EUR)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Fund	-6.8%	+10.9%	-2.2%	+20.9%	-10.8%	+20.9%	-	-	-	-
MSCI Emerging Markets TR	-14.9%	+4.9%	+8.5%	+20.6%	-10.3%	+20.6%	-	-	-	-
IA Global Emerging Markets TR	-16.9%	+6.1%	+7.6%	+22.9%	-12.8%	+19.7%	-	-	-	-

**GUINNESS EMERGING MARKETS EQUITY INCOME FUND - PERFORMANCE SINCE LAUNCH (USD)**



Source: FE fundinfo to 28.02.23. 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 current OCF for the share class used for the fund performance returns is 0.89%. Returns for share classes with a different OCF will vary accordingly. Transaction costs also apply and are incurred when a fund buys or sells holdings. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charges. Investors may be subject to tax on the distribution.

## 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 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.

### 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](http://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](http://www.carnegie-fund-services.ch). The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Geneva, Switzerland.

### Singapore

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

Telephone calls will be recorded and monitored