Guinness European Equity Income

Investment Commentary – April 2023

RISK

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

The Funds are equity funds. 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

Launch	19.12.2013
Index	MSCI Europe ex UK
Sector	IA Europe Excluding UK
Managers	Nick Edwards
Irish Domiciled	Guinness European Equity Income Fund
UK Domiciled	TB Guinness European Equity Income Fund

OBJECTIVE

The Guinness European Equity Income Funds are designed to provide investors with exposure to high-quality dividend-paying companies in the Europe ex UK region. The Funds aim to provide capital appreciation and a source of income that has the potential to grow over time. The Funds are actively managed and use the MSCI Europe ex UK Index as a comparator benchmark only.

CONTENTS

COMMENTARY

At the close of Q1 2023 the Guinness European Equity Income Fund had produced a total return of 8.4% YTD (in GBP) versus the MSCI Europe ex UK Index return of 8.9% (in GBP). The fund has therefore underperformed the index by 0.5% YTD. It is pleasing to see that both the short and long-term performance of the fund's strategy remains strong versus IA Europe excluding UK Sector peers.

Q1 2023 started with a continuation of the recovery rally, led by growth stocks, that began back in October 2022 amid a perception that peak rates had been achieved. European exporters and manufacturers also benefited throughout the quarter from the twin tailwinds of continued sharp falls in natural gas input costs and resurgent activity out of Asia amid China's reopening. In February, renewed hot wage and inflation data in general led to a sharp rally in treasury yields with the German 2Y yield rising by some 80bps, causing banks to rally and leveraged stocks such as Real Estate to sell off. In March government bond yields unwound gains and in total the German 2Y note lost nearly 100bps peak to trough in a week, as news of Silicon Valley Bank's insolvency, compounded by the arranged takeover of Credit Suisse by UBS, led to a flight to safety and downward reassessment of growth prospects along with concern about a new banking crisis.

The ECB raised interest rates by 50bps points in March and is expected to raise by 25bps again in May, in spite of the recent crisis, as core inflation (chart below) remains persistent, led in large part by wage growth within the services component. This needs to be brought under control to hit the ECB's 2% inflation target and achieve price stability before inflation becomes imbedded in the system. Interest rate hikes tend to feed through to the real economy with a lag, and after the recent banking scare, the sense is that rates really are close to peak.

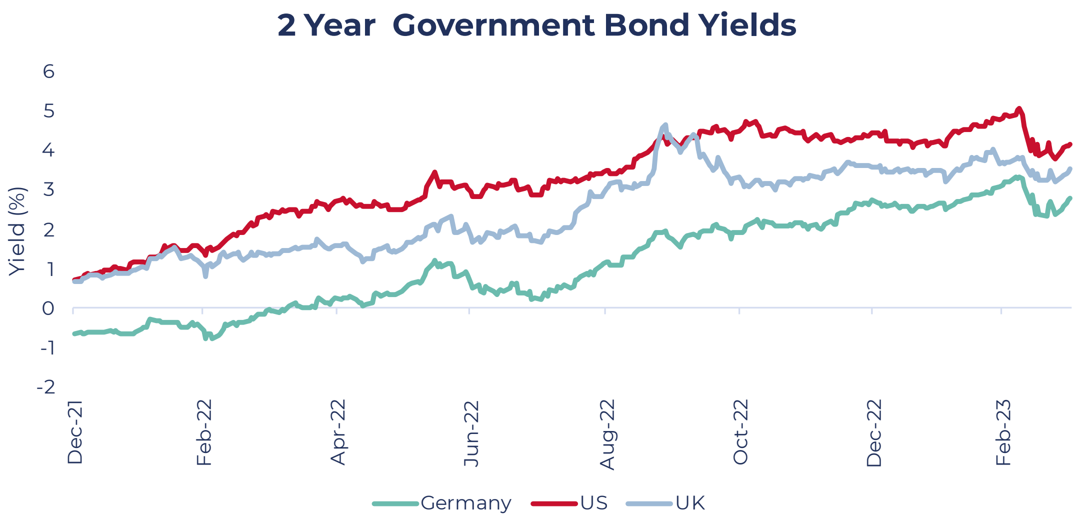


Chart 2: Germany (green), US (red), UK (white) 2Y government bond yields Dec 2021 – March 2023. Source: Bloomberg data.

Whatever the weather, a portfolio of globally leading companies with a proven track record of generating persistent high cash returns, supported by strong balance sheets and structural growth drivers, like those held in the Fund, is a good place to be.

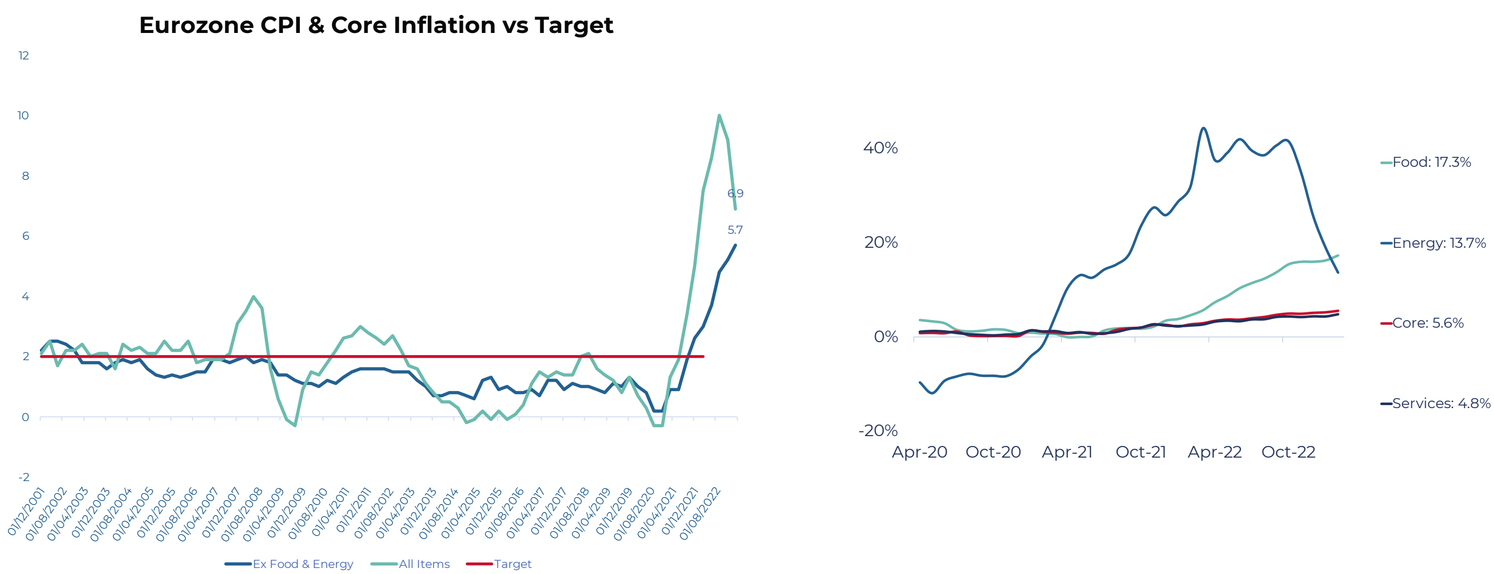


Chart 3: Eurozone CPI & Core Inflation vs target (left), and YOY change in main components (right). Data as of 31.03.2023. Source: Bloomberg.

The good news is that the credit market remains relatively calm, with risk measures such as high yield spreads over treasuries remaining at relatively low levels vs history. Meanwhile, some leading indicators such as German Services PMIs, IFO Expectations and Belgium Business Confidence have rebounded, supported by continued normalisation of input costs, a potential positive for profitability following recent price increases, alongside an improved outlook for exports.

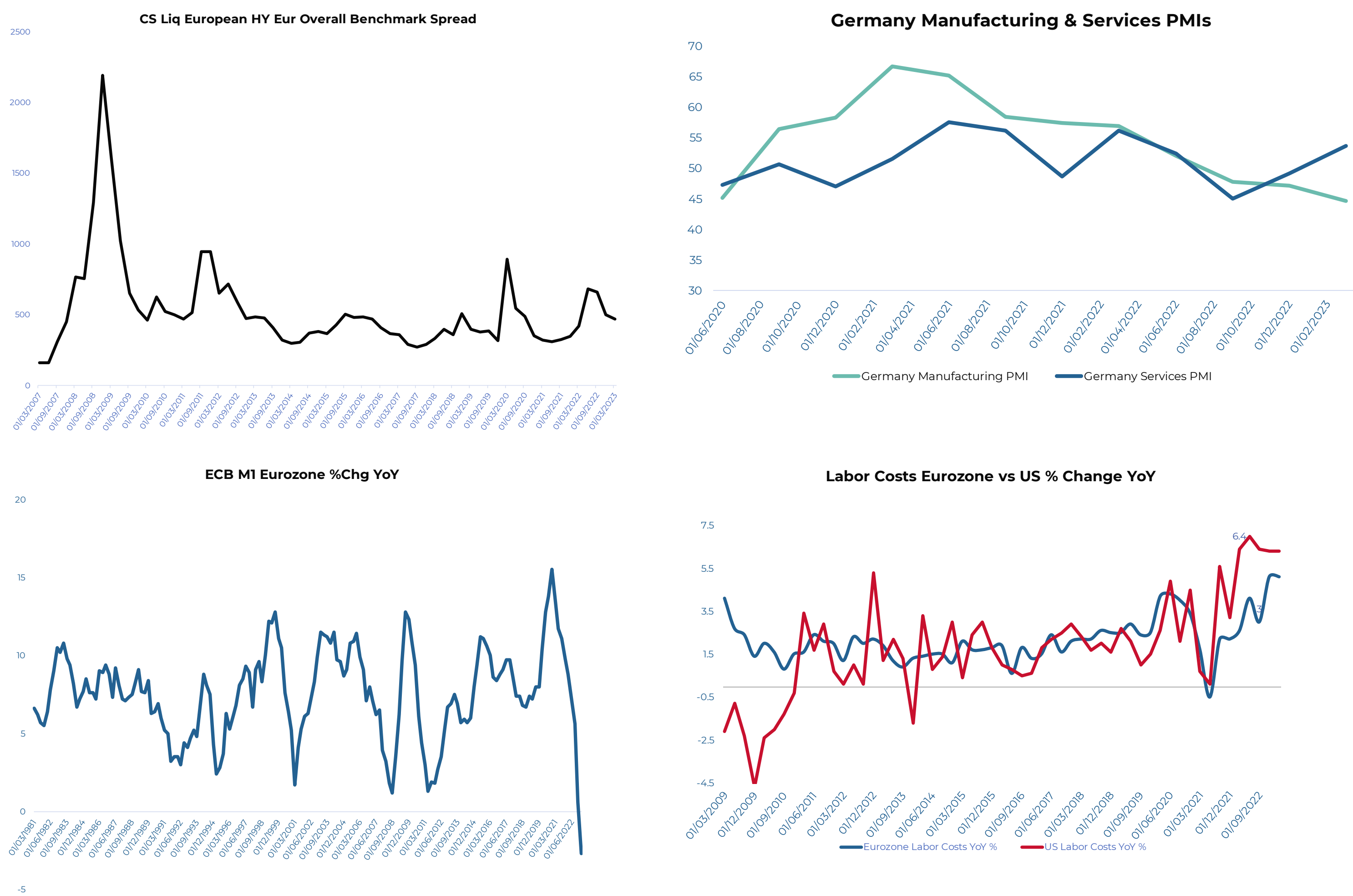


Chart 4: Clockwise from top left: CS European HY spreads, Germany Manufacturing and Services PMIs, ECB M1 % Chg, labour costs Eurozone vs US % Chg YoY. Data as of 31.03.2023. Source: Bloomberg data.

On the other hand, bank lending growth is understandably showing signs of softening from historically relatively high levels and growth in indicators such as M1, which tends to lead PMIs, has turned negative year-on-year for the first time in over forty years. This highlights contracting liquidity, and an arguably more difficult environment for leveraged companies or those reliant on external funding vs incumbents characterised by strong cash flows and balance sheets, such as those held in the Guinness European Equity Income Fund. Continued rises in labour costs may also suggest interest rates will remain higher for longer even if peak rates have been achieved, albeit with possible positive implications from consumer spending and demand if input and goods costs continue to fall.

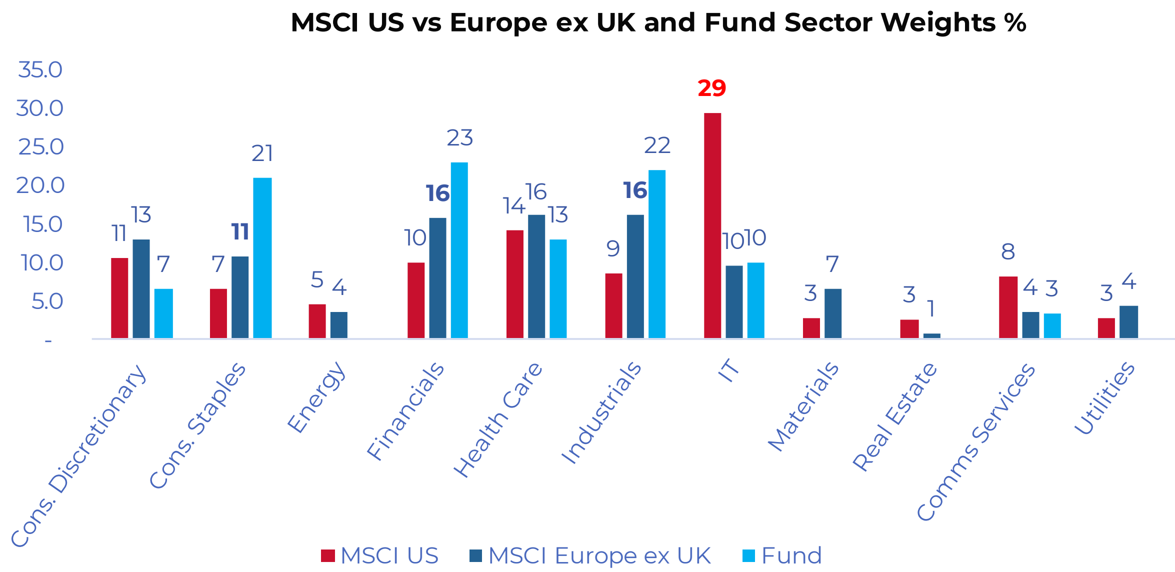


Chart 5: MSCI Europe ex UK Sector weights vs MSCI USA and Fund. Data as of 31.03.2023. Source: Bloomberg data.

MSCI Europe ex UK is well placed for this environment given reasonable valuations and attractive sector exposures. It offers 50%, 60% and 70% more exposure to Consumer Staples, Financials and Industrials, with their strong track records for passing on price, upside exposure to interest rates and rising climate capex respectively. This difference is amplified at Fund level. Meanwhile, MSCI US is defined by its high 29% exposure to growth via the IT sector, the higher-multiple or unprofitable parts of which could struggle in an environment characterised by higher interest/discount rates.

MSCI Europe ex UK finds itself in the refreshing position of being able to offer the best prospective 2Y earnings per share CAGR (7%) among main regions (ex-China), a large historical discount to MSCI US and MSCI World, and the highest regional dividend yield (unless including the UK).

	2023e EPS growth	2024e EPS growth	2Y EPS CAGR%	PE 2023e	PE 2024e	Eur ex UK prem/disc %	DPS gr 23e	DPS gr 24e	DY % 2023e	DY % 2024e	Eur ex UK prem/disc %	Payout 2022
MSCI World Index	1%	9%	5%	16.1	14.8	-14%	10.1%	12.7%	2.3	2.5	48%	40.1
MSCI USA Price Return USD Inde	-2%	11%	4%	18.3	16.5	-23%	11.9%	17.6%	1.7	1.9	96%	36.3
MSCI Europe Excluding United Ki	7%	8%	7%	13.7	12.7		9.4%	5.6%	3.4	3.7		46.8
MSCI Europe Index	3%	6%	4%	12.6	11.9	6%	8.4%	5.3%	3.7	3.9	-6%	46.1
MSCI China Index	1%	20%	10%	12.3	10.2	25%	10.8%	12.1%	2.5	2.6	42%	34.1
MSCI AC Asia Ex. Japan Index	-2%	8%	3%	13.9	12.8	-1%	8.6%	10.5%	3.1	2.8	30%	43.8

Chart 6: Main regions key metrics: 2Y EPS CAGR, PE, DY % and payout ratios. Data as of 31.03.2023. Source: Bloomberg data.

What is more, as shown below, earnings growth looks set to be driven quite consistently by the quality sectors where we find many of Europe's globally leading companies such as those held in the portfolio. Consumer Discretionary and Staples, Financials, Healthcare, Industrials and IT all have positive 2Y prospective earnings growth, and all in double digits apart from Industrials. Meanwhile, highly cyclical, commodity and regulated sector earnings growth – where many dividend funds find their higher levels of income - remains volatile and largely negative, apart from Communication Services, which is skewed positive by one or two larger constituents where earnings growth is turning to positive from negative.

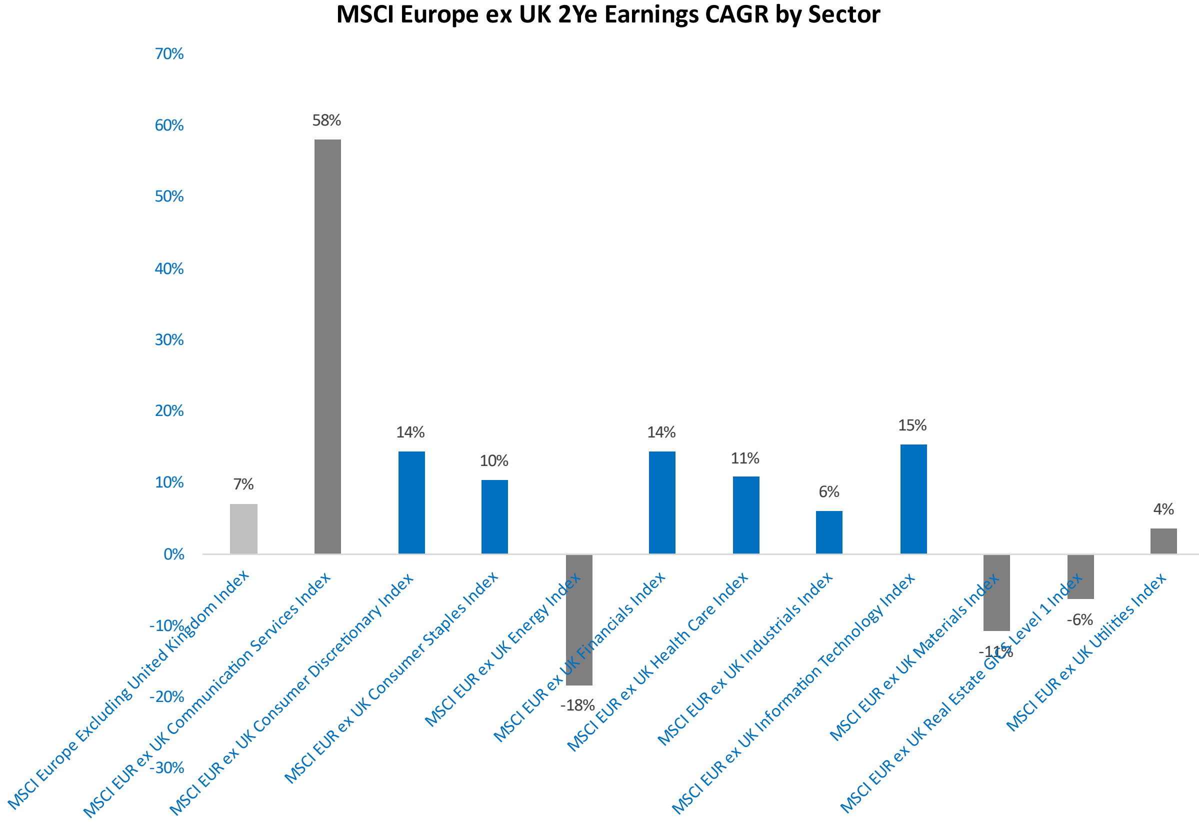


Chart 7: MSCI Europe ex UK 2Ye EPS CAGR (compound annual growth rate) by Sector. Data as of 31.03.2023. Source: Bloomberg data

The Europe ex UK region is also set apart by 10Y government bond yield valuation support, which remains meaningfully below index dividend yield. And as we have highlighted before, higher levels of dividend yield do not always mean lower growth. Breaking the region down, High-IP Europe (Scandinavia plus Netherlands and Switzerland) dividend growth has at least kept up with US and Asia Pac ex Japan dividend growth (2004 – 2020). Looking at the financials, we see ample room for improvements in earnings growth to feed through into dividend growth, with MSCI Europe payout ratios of 47% close to the low end of their 40-year range, and MSCI Europe ex Financials Net Debt / Equity of around 55% in the lower half of its 20Y range. Recent data also shows capex growth rising towards the upper end of its 20Y range.

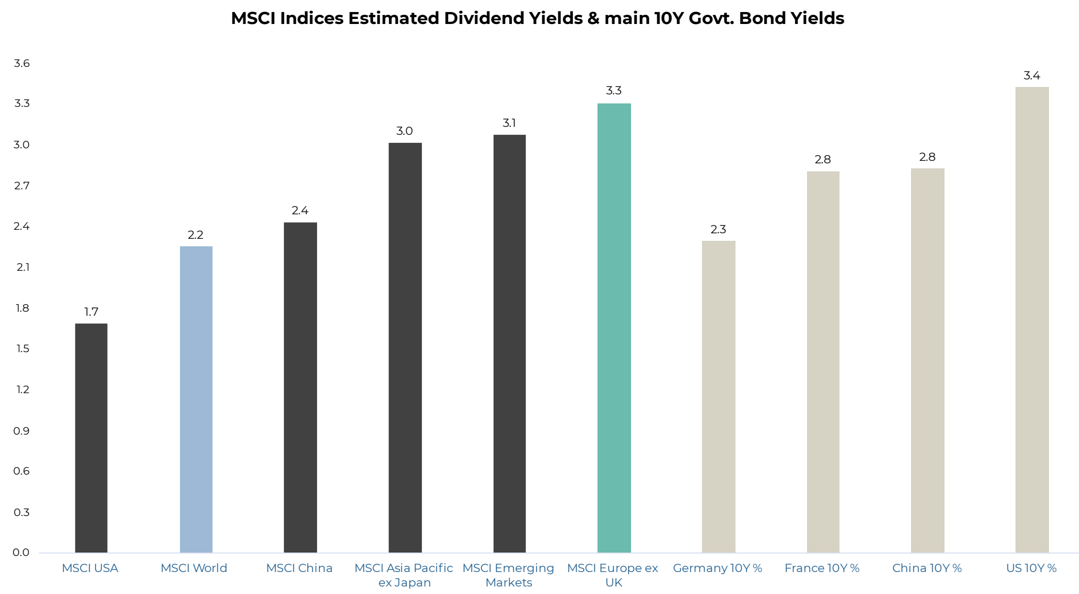


Chart 8: MSCI Europe ex UK performance +8.9% for Q1 2023, in GBP, as at 31st March 2023. Source: Bloomberg

DIVIDENDS SUMMARY

Already at the end of March 2023 we have a good level of visibility over the 2023 dividend. Incorporation of the January 2023 dividend to last 12 months (LTM) data makes little difference to the 2022 numbers – a 3.03% LTM yield, 27% year-on-year growth, +8% vs 2019 and a 6.2% lifetime CAGR. The latter however should continue to improve given generally healthy dividend proposals for 2023 from our portfolio companies so far this year, as shown in the table below.

In total 23 companies have proposed to grow their dividend, including some meaningful growth from some of the higher-yielding Consumer Discretionary and Financials holdings. Seven companies look likely to keep their dividend flat. Zero companies expect to reduce their dividend, and we have seen no suspensions or cancellations. Three dividends remain below 2019 levels.

Name	Sector	# divs / year		Currency	1st Ex date 2023	2nd Ex date 2023	1st	2nd	3rd	4th	2023	Growth YoY	v 2019	DY %
Capgemini SE	Information Tech	1	FR	EUR	30/05/2023		3.25				3.25	35%	91%	1.8
Melexis	Information Tech	2	BE	EUR	10/05/2023	18/10/2023	2.20	1.30			3.50	35%	59%	3.4
EssilorLuxottica SA	Healthcare	2	FR	EUR	08/06/2023		3.23				3.23	29%	58%	2.0
Kaufman & Broad	Consumer Discret	1	FR	EUR	31/05/2023		2.40				2.40	23%	-4%	8.2
Atlas Copco	Industrials	2	SE	SEK	28/04/2023	19/10/2023	1.15	1.15			2.30	21%	46%	1.8
Universal Music Group	Communications	2	NL	EUR	30/05/2023	10/10/2023	0.27	0.25			0.52	18%	NA	2.2
Novo Nordisk A/S	Health Care	2	DK	DKK	24/03/2023	18/08/2023	8.15	4.80			12.95	16%	59%	1.2
Legrand SA	Industrials	2	FR	EUR	02/06/2023		1.9				1.90	15%	42%	2.2
Euronext NV	Financials	1	FR	EUR	23/05/2023		2.22				2.22	15%	58%	2.9
Assa Abloy AB	Industrials	1	SE	SEK	27/04/2023	10/11/2023	2.40	2.40			4.80	14%	37%	1.9
Deutsche Boerse AG	Financials	1	DE	EUR	17/05/2023		3.60				3.60	13%	33%	2.1
AXA SA	Financials	1	FR	EUR	08/05/2023		1.70				1.70	10%	27%	5.5
Helvetia Holding AG	Financials	1	CH	CHF	03/05/2023		5.90				5.90	7%	23%	4.7
Schneider Electric SE	Industrials	1	FR	EUR	09/05/2023		3.15				3.15	9%	34%	2.1
Deutsche Post AG	Industrials	1	DE	EUR	05/05/2023		1.85				1.85	3%	61%	4.5
Nestle SA	Consumer Staples	1	CH	CHF	24/04/2023		2.95				2.95	5%	20%	2.7
Recordati Industria SpA	Health Care	2	IT	EUR	22/05/2023	20/11/2023	0.60	0.57			1.17	4%	23%	2.8
Mercedes	Consumer Discret	1	DE	EUR	04/05/2023		5.20				5.20	4%	60%	7.0
TietoEVRY Oyj	Information Tech	1	FI	EUR	24/03/2023	22/09/2023	0.725	0.725			1.45	4%	0%	4.8
Danone SA	Consumer Staples	1	FR	EUR	09/05/2023		2.00				2.00	3%	3%	3.7
Banca Generali	Financials	1	IT	EUR	20/02/2023	22/05/2023	0.80	1.00			1.80	3%	44%	4.0
ABB Ltd	Industrials	1	CH	CHF	27/03/2023		0.84				0.84	2%	5%	2.7
Roche Holding AG	Health Care	1	CH	CHF	16/03/2023		9.50				9.50	2%	9%	3.4

Name	Sector	# divs / year		Currency	1st Ex date 2023	2nd Ex date 2023	1st	2nd	3rd	4th	2023	Growth YoY	v 2019	DY %
Royal Unibrew	Consumer Staples	2	DK	DKK	26/04/2023		14.5				14.5	0%	34%	2.9
Unilever NV	Consumer Staples	4	GB	EUR	23/02/2023	27/04/2023	0.4268	0.4268	0.4268	0.4268	1.7072	0%	5%	3.5
Salmar ASA	Consumer Staples	2	NO	NOK	09/06/2023		20.0				20.0	0%	-13%	4.8
Amundi SA	Financials	1	FR	EUR	22/05/2023		4.10				4.1	0%	41%	6.6
Mapfre SA	Financials	2	ES	EUR	23/05/2023	24/11/2023	0.085	0.06			0.1	0%	-1%	7.4
Henkel AG Ords	Industrials	1	DE	EUR	17/04/2023		1.83				1.83	0%	0%	2.8
Konecranes Oyj	Industrials	1	FI	EUR	30/03/2023		1.25				1.3	0%	4%	4.0

Chart 9: Fund proposed YoY dividend growth by holding in local currency. Data as of 31.03.2023. Source: Bloomberg

Our focus on companies with proven track records of generating persistent high cash returns in all weather, supported by strong balance sheets and structural growth drivers means our companies should prove well placed to navigate current headwinds and pass on inflationary pressures in the form of a steadily rising stream of dividends.

PERFORMANCE DRIVERS

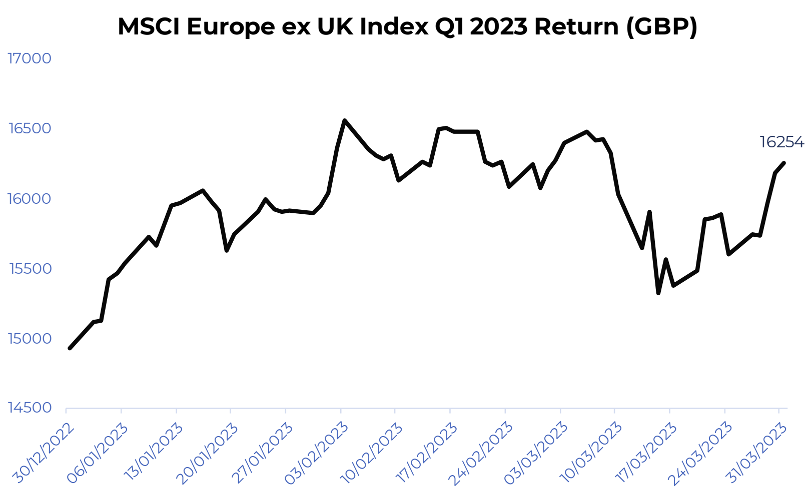


Chart 10: MSCI Europe ex UK performance +8.9% for Q1 2023, in GBP. Source: Bloomberg

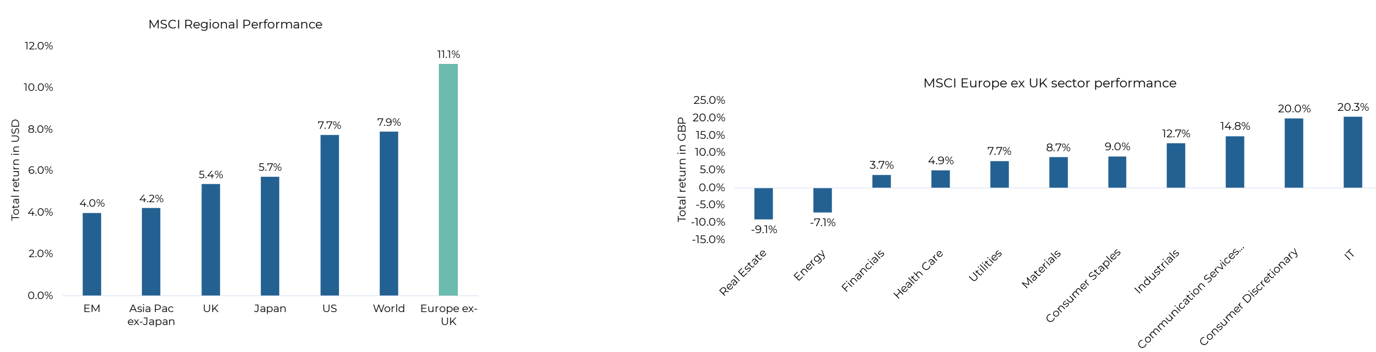
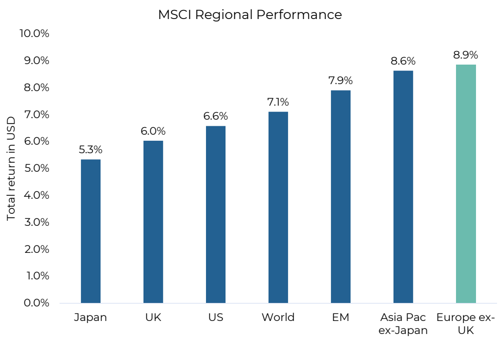


Chart 11: MSCI World Index geographic total return breakdown for Q1 2023, in USD (left), and MSCI Europe ex UK sector performance, in GBP (right). Source: Bloomberg

In Q1 2023 the MSCI Europe ex UK Index continued the recovery rally that started in October 2022, rising 8.9% in GBP or 11.1% in USD over the quarter, making Europe ex UK the best performing main region. It was supported by sharply falling input costs across gas and power, and Europe's high overseas exposure benefitting from China's reopening, all set against low expectations and valuations following Russia's invasion of Ukraine last year. In Europe, growth was the best performing style, with IT the best performing sector, followed by Consumer Discretionary as luxury stocks benefited from the prospect of China's reopening. Real Estate, Energy and banks were the worst performing areas. There were a lot of moving parts in the quarter, with inflationary effects continuing to make themselves felt in higher bond yields, followed by the destabilising effects of the SVB banking crisis. We break down performance on a month-by-month basis below.



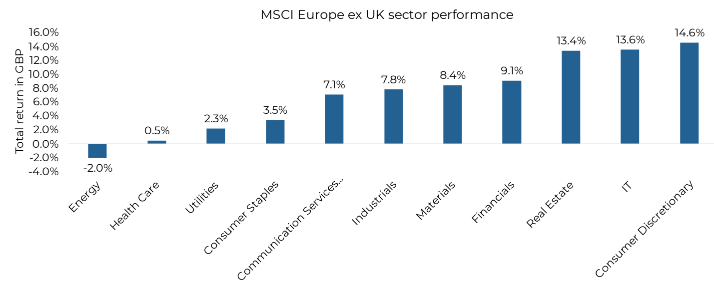
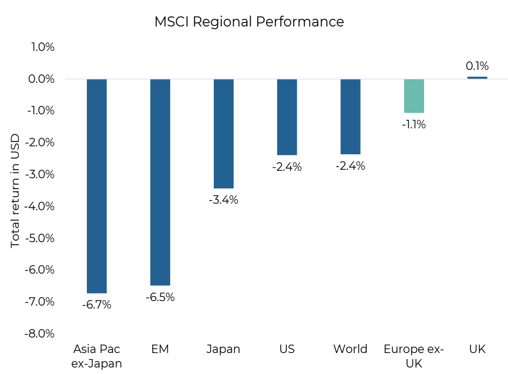


Chart 12: MSCI World Index geographic total return breakdown for January 2023, in USD (left), and MSCI Europe ex UK sector performance, in GBP (right). Source: Bloomberg

January was the strongest month, benefiting from a period of relative calm with respect to interest rates amid early perceptions that peak rates had passed. This was supportive for growth sectors like IT which benefit from lower discount rates and leveraged sectors like Real Estate. Industrials and manufacturing were helped by falling input costs, and Consumer Discretionary and luxury goods by China's reopening.



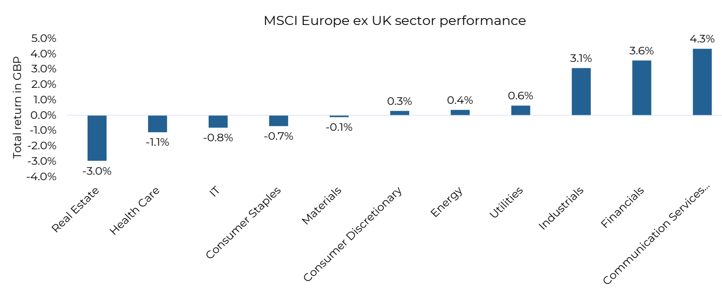
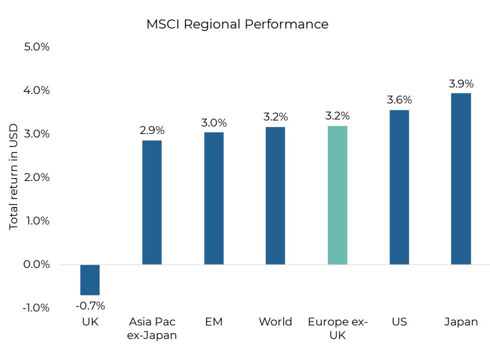


Chart 13: MSCI World Index geographic total return breakdown for February 2023, in USD (left), and MSCI Europe ex UK sector performance, in GBP (right). Source: Bloomberg

From 7th February to 7th March, interest rate expectations started to rise sharply driven by 'hot' jobs data out of the US and continued upside surprises to inflation data in Europe. Sharply rising rates (German 2Y yield +80bps to 3.3%) caused banks to lead Financials higher and leverage (Real Estate) and growth (Healthcare and IT) to sell off. Industrials still performed well, supported by lower energy costs and resurgent Asian markets.



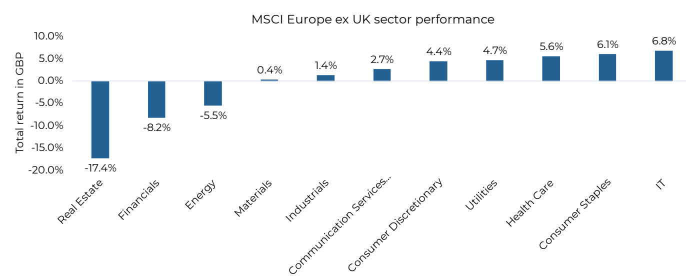


Chart 14: MSCI World Index geographic total return breakdown for March 2023, in USD (left), and MSCI Europe ex UK sector performance, in GBP (right). Source: Bloomberg

Starting the 8th March, markets sold off as news of Silicon Valley Bank's insolvency resulted in a flight to safety which saw 2Y German government bond yields fall nearly 100bps to 2.3% in the space of a week, and Stoxx 600 Banks sector to fall -13% through to month end. This offered a tailwind for fund performance relative to IA Europe excluding UK sector peers. Your fund holds no banks. It also benefited as defensive sectors such as Consumer Staples, where we are overweight, outperformed along with cash-rich sectors like IT which also benefit from lower discount rates. The ECB raised rates again by 50bps in March and may do so again in May, but peak rate expectations have shifted lower on fears of slower economic growth as bank lending contracts.

POSITIONING

Your fund holds no exposure to highly cyclical areas such as mining and oil or regulated ones including utilities, telecoms and banks. Few companies from these sectors make it into our universe due to our focus on quality and persistent high cash returns. Your fund also has limited exposure to the high street, with an underweight to **Consumer Discretionary**, now our largest underweight following the sale of Kering. Our two holdings Mercedes-Benz and Kaufman & Broad are well diversified and largely focused on the premium end of their markets. **Industrials, Consumer Staples,** and **Financials** (exchanges, insurers and wealth managers) remain our sector overweight holdings, as shown in the tables below. The fund has a small overweight to the IT sector, but nearly all the companies held are notable for their **best-in-class use of technology**, and our overweight Industrials sector is focused almost entirely on globally leading **industrial technology and automation** which looks well placed for the decade ahead. For a sector breakdown of fund positioning since launch please see our annual review 2022.

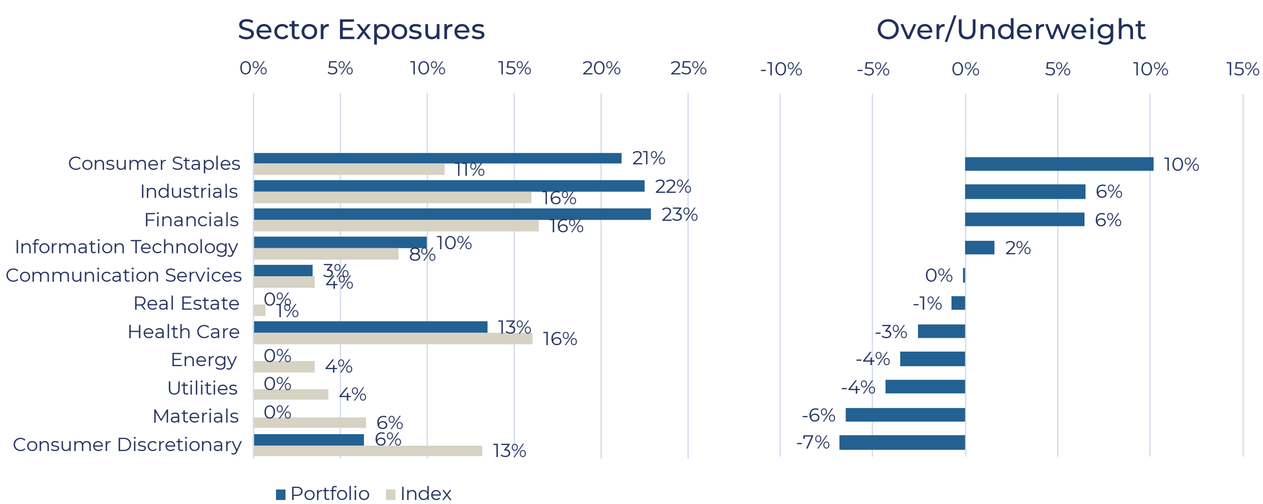


Chart 15: Left: Sector weightings, Right: Sector overweight / underweight vs. MSCI Europe ex UK. Data as of 31.03.2023

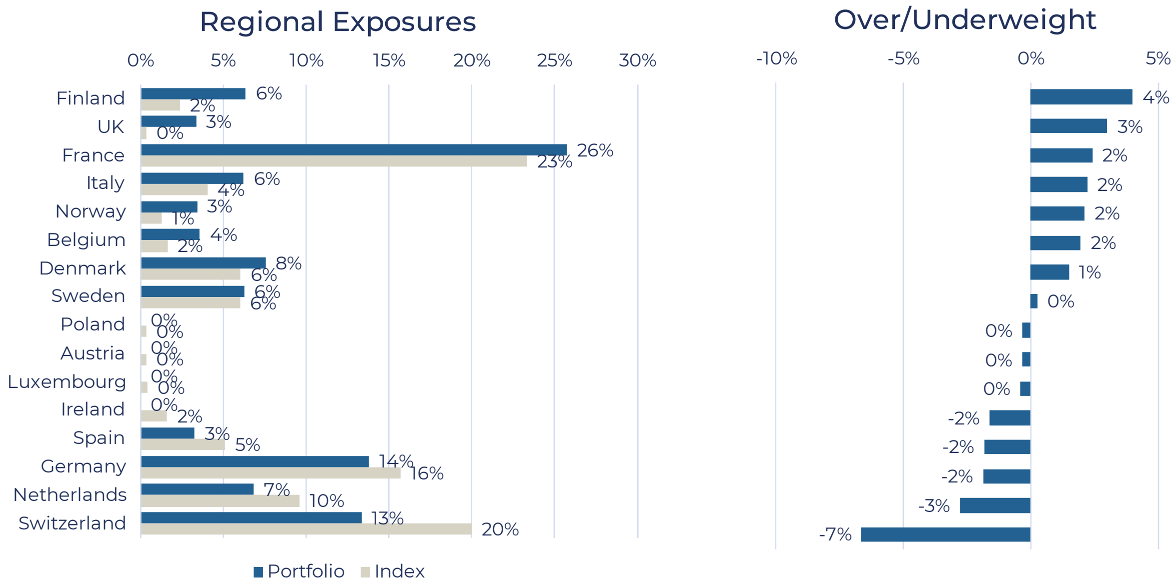


Chart 16: Left: Country weightings, Right: Country overweight / underweight vs. MSCI Europe ex UK. Data as of 31.03.2023

By country we remain predominantly **overweight high-IP northern European countries** including Scandinavia and France; now joined by **Italy** following the three switches made this quarter (discussed below). If EssilorLuxottica, Amundi and Euronext's Italian exposure were included, Italy would now be close to our largest overweight. The high northern Europe exposure results from two factors. First, we find more high-quality companies with attractive long-term dividend growth potential in Scandinavia and Northern Europe, and secondly, some of these countries represent quite low weights in the MSCI Europe ex UK Index. Perhaps more importantly in the current context, the fund is predominantly invested in globally leading European companies.

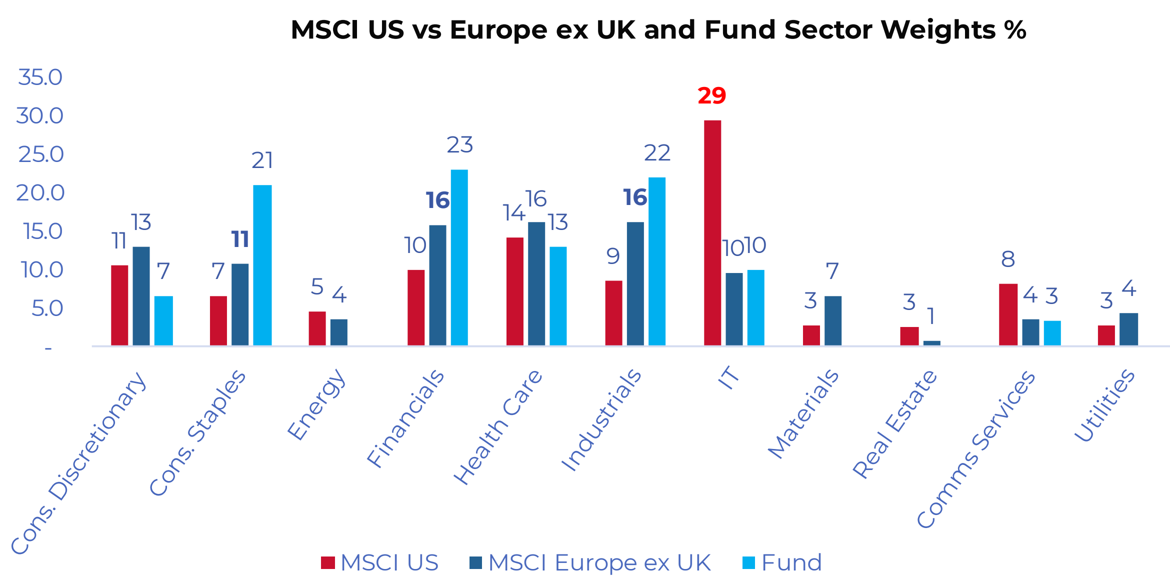


Chart 17: Sector weights: MSCI Europe ex UK vs MSCI US and the Fund. Source: MSCI and Bloomberg data. Data as of 31.03.2023

In the context of fair valuations vs history and relative to the US, it is worth highlighting portfolio sector exposure relative to the benchmark and MSCI US. MSCI Europe ex UK and the portfolio offer significantly higher exposure vs MSCI US to quality value areas of the market that can prosper in a more inflationary, higher-rate and capex-led environment. MSCI Europe ex UK offers some 50% more exposure to Consumer Staples (with their good track record for passing on price rises) than MSCI US, some 60% more to Financials (with their upside exposure to interest rates) and approximately 70% more to high-quality

Industrials (that look likely to benefit from higher capex driven by the energy transition). This is amplified at the fund level with all three sectors being significant overweights for the portfolio at 21%, 23% and 22% weightings respectively. There is a contrast to MSCI US's high weighting to growth stocks via 29% exposure to the IT sector, parts of which can struggle in an environment characterised by higher interest/discount rates.

HOLDINGS PERFORMANCE ANALYSIS

In Q1 2023 we made three changes to the portfolio, buying **Legrand** against the sale of Epiroc AB at the end of January and acquiring **EssilorLuxottica** and **Banca Generali** against the sale of Kering and Fresenius SE on 13th February.

In aggregate, the switches increased Financials exposure by 3.3% and reduced Consumer Discretionary exposure by 3.3%; resulting in Financials joining Industrials and Staples in representing over 20% of the portfolio and seeing Consumer Discretionary fall to our largest underweight.

Geographically, the changes increased Fund exposure to France and Italy by 3.3% respectively, the latter rising to a 2% overweight which would be closer to 4% if EssilorLuxottica, Amundi and Euronext's Italian exposure were included. Exposure to Sweden and Germany fell by 3.3% each.

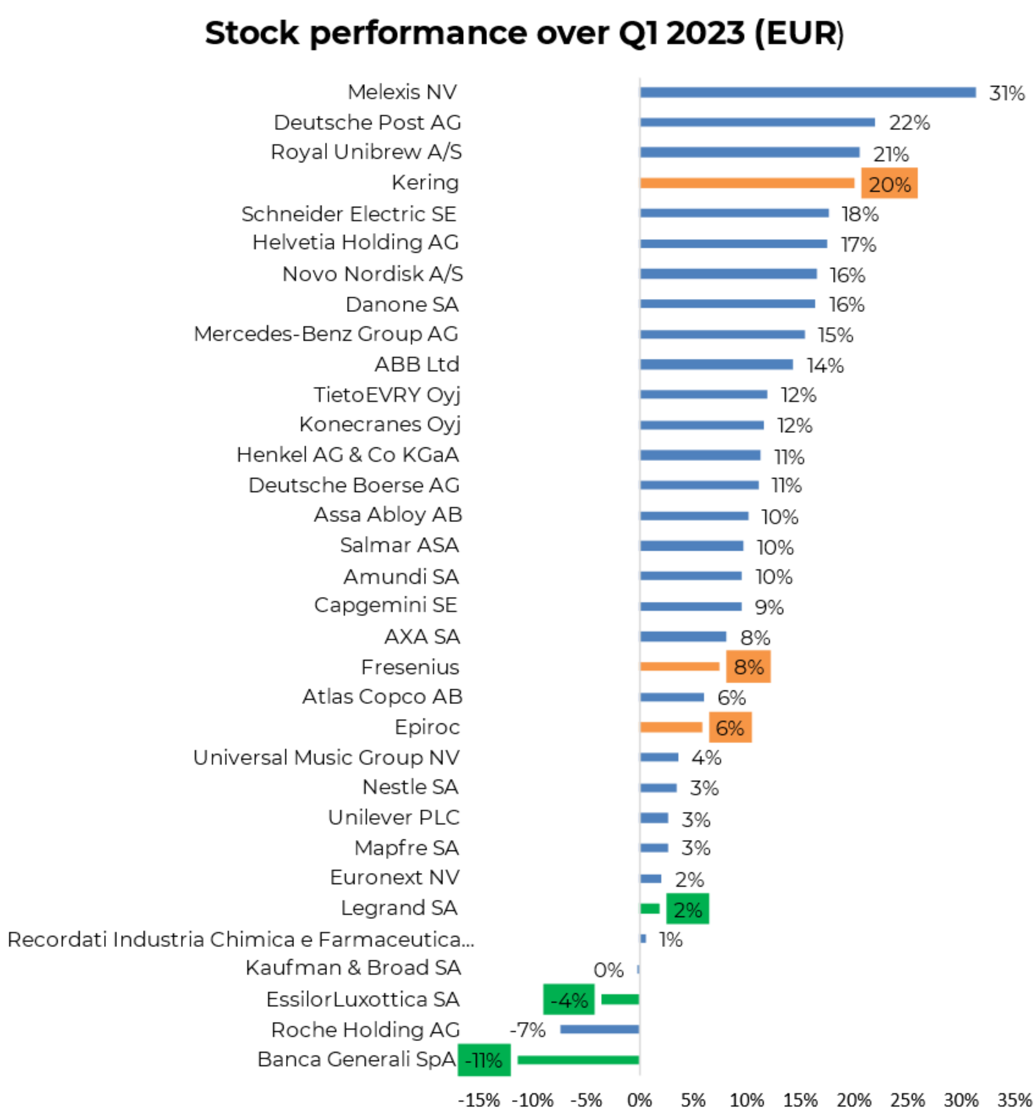


Chart 18: Individual stock performance over Q1 2023, in EUR. Legrand** acquired 30th January vs sale of Epiroc AB, **EssilorLuxottica** and **Banca Generali** acquired 13th February vs sale of Kering and Fresenius SE. **Source: Bloomberg data.

At the end of the month of January we bought **Legrand SA**, against the sale of **Epiroc AB,** where valuation and margin had begun to look up with events. As such, country exposure moved in favour of France and against Sweden while sector exposure to Industrials remained the same (approximately 23% or 8% overweight vs the Index). Legrand is well placed for the energy and digital transitions, being the world's only global specialist in electrical and digital buildings infrastructures with over 300k product references. It occupies #1 or #2 product leadership positions across approximately 70% of developed market sales (with Europe and Americas representing nearly 40% each). Sales exposure is split c.40% respectively to residential and non-residential buildings construction, and approximately 10% to both datacentres and infrastructure, giving high exposure to strong structural growth drivers across electrification, ageing demographics, environmental regulation, digital and health. The quality of revenues is high, with recurring renovation sales accounting for nearly 45% of revenue. High and gently upward trending margins speak to strong barriers to entry. This is a highly fragmented market with hundreds of thousands of customers, but one where the buyer and main decision makers are the installers and product price only accounts for around 7% of total costs, meaning availability, reliability and ease of use rather than price are paramount, as electricians tend to be trained on one product set. As a result, brand loyalty to Legrand with its world-class product portfolio is high. Competition outside of main peers (Schneider Electric and ABB) is fragmented among some 3000 SMEs, many of which are sub-scale for a globalised world with ever increasing digital complexity, and which struggle to expand beyond national borders due to high levels of variation in regional electrical efficiency and safety regulations. This in turn means that Legrand is in a very strong position to continue to pursue bolt-on acquisitions at low multiples relative to its own, taking market share in downturns when such opportunities increase.

Levels of innovation at Legrand are high; something that can be seen in both its expenditure on research and development (>5% of sales) and persistent new product development. Legrand estimates its products help deliver energy savings of up to 35% and some 75% of its sales are from products that are deemed eco-responsible. Looking at the numbers, this is a company with pricing power and multiple levers for growth; persistent organic growth has been supported by average annual pricing from 2010 to 2021 of +1.7% per annum alongside +4.2% per annum from bolt-on M&A. For those worried about the building cycle in the face of rising interest rates we would highlight Legrand's high exposure to recurring renovation sales, and regarding new construction we note that US home sales volumes (as opposed to values) are already at 2008 lows and capacity is short, with demand well above low new-build rates. Perhaps because of such concerns and the recent lockdown in China which has led to temporary impacts on the supply chain the shares were on offer in January for around 12x EV/EBITDA, a discount to the 10-year average and peers despite Legrand's peer-leading margins. With its strong market position and long-runway for growth, we think this is a company with the potential to grow earnings and the dividend for the long term.

On 13th February **EssilorLuxottica** replaced **Kering** in the portfolio and the latter's high reliance on Gucci earnings with luxury that really is good for you. EssilorLuxottica (EL) is the global market leader in optical lenses with c.40% market share and accounting for approximately 75% of total industry R&D spending. This is supported by an enviable eyewear brands portfolio, including lens technology brands Essilor, Satisloh, Barberini, Oakley, Eyezen, Xperio, Varilux, Shamir, Crizal, and own fashion brands including Ray-Ban, Persol, Vogue Eyewear, Arnette, Alain Mikli, Costa and Bolon plus many other direct-to-consumer licensed brands. EL has a strong track record for generating persistent high cash returns and robust balance sheet with D/E of just 37%. Revenues are highly resilient with recurring prescription demand accounting for some 75% of sales vs approximately 25% for discretionary sunglasses demand. EL's vast distribution network, contrasting with independent retailers' pursuit of high-value/low-volume strategies in an otherwise fragmented market, both work to limit competitor and customer negotiating power and mean EL is well placed to continue bolt-on M&A at attractive multiples.

EL has a long runway for growth, targeting mid-single-digit volume-led sales growth and c.100bps of margin growth per annum to near-20% operating margin in 2026, the latter driven by efficiency measures and ongoing synergies from the 2018 merger of Essilor and Luxottica and the subsequent Grand Vision acquisition. Structural growth drivers including ageing populations, increasing penetration in emerging markets and awareness of the benefits of preventative eye care look set to ensure continued attractive levels of top-line growth far into the future (with some 2.7bn people suffering from uncorrected poor vision and 6.2bn who do not currently protect their eyes). On top of this EL represents a free option on the growth of augmented reality via its dominance of lens technologies and the growth of smart glasses, already seen in EL's joint venture with Meta and its Ray-Ban Stories smart glasses.

The current valuation is favourable, in our view, with the shares trading on the lower end of their 10Y historic range on just over 12x EV/Ebitda, which is also at the low end of both Healthcare Equipment and luxury peers. The presence of Delphin (32.1% of shares and votes, representing Luxottica's founder Leonardo del Veccio's family) represents a positive for long-term thinking and capital allocation, as do high levels of employee involvement in the annual share plan, holding 4.4% of shares outstanding across 180k employees. All of which means EssilorLuxottica looks well placed to generate attractive earnings and dividend growth for its shareholders for the long term.

Banca Generali (BG) also replaced **Fresenius SE** on the same day, resulting in lower leverage and increased Financials sector and positive interest rate exposure. Banca Generali is a high-quality wealth gatherer with a long history of generating high returns on capital supported by a strong capital position. The company occupies a leading #3 position in the Italian high net worth wealth management sector with approximately 4.5% market share vs just 1.1% back in 2011. Consistent market share gains have been supported by persistent inflows, with BG reporting monthly net inflows since 2008. This can be attributed both to the strength of BG's financial advisor network and more broadly to the strong grip of the Italian Assoreti over distribution, along with BG's open data driven customer service focused business model and value-added expertise in financial wrappers, with some 62% of AUM accounted for by advanced solutions (including long-term planning and bespoke solutions across in house and third-party funds, insurance, alternatives and real assets). The ability to leverage off parent company Assicurazioni Generali (50.17% of shares outstanding), with its strong Lion brand and in-depth insurance industry expertise and large product portfolio, is a key advantage, with stand-alone insurance wrapper solutions accounting for some 12% of total assets.

The shares trade on just c.11x recurring earnings (i.e. excluding performance fees, and close to the low end of its 10Y history at 20x – 9.1x) and offer a 6.1% dividend yield (at c.70% payout ratio). This is attractive in the context of BG's strong balance sheet and capital-light business model with a track record for generating returns on equity averaging over 25% for over 10 years. It is supported by high levels of recurring revenue and a strongly customer-focused, data-led business model and innovative product portfolio. Banca Generali targets a recurring net profits CAGR of 10% - 15% through 2024. With AUM estimated at just c.2.4% of targetable financial wealth and a track record of persistent asset gathering and market share gains, BG looks well placed to continue to grow shareholder earnings and dividends for the long term.

Portfolio switches Q1 2023 key metrics

		Legrand	Eprioc	Essilorluxottica	Kering	Banca Generali	Fresenius SE
		Industrial	Industrial	Health	Cons. Disc.	Financials	Health
Leadership #1, 2 or 3.		#1 Low Voltage	#1 Hard Rock Drilling	#1 Optical Lenses	Lux. Leather HDD %	#3 Italy Private Banking	GE, SP Hospitals
Quality	ND/E	35%	8%	9%	52%	-152%	93%
	EBIT %	17%	21%	17%	25%	31%	12%
	Beta	0.8	1.1	0.9	1.2	1.0	0.7
	Capex / sales %	2.1	1.4	4.5%	6.0%	0.2%	6.6%
	R&D / Sales %	5.2%	2.9%	3.8%	0%	NA	2.1%
Valuation	PE	19.7	24.4	26.1	17.8	12.9	8.9
Dividend	Yield %	2.30%	2.1%	2.0%	2.7%	5.3%	3.2%
	Payout Ratio	49%	51%	50%	47%	41%	28%
	3Y Div CAGR	7.2%	12.6%	7.0%	7.0%	11.9%	4.8%

Chart 19: Portfolio switches Q1 2023 key metrics. Source: Bloomberg data.

PORTFOLIO POSITIONING

The four key tenets to our approach are: quality, value, dividend, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will.

At the quarter end, we are pleased to report that the portfolio continues to deliver on all four of these measures relative to the benchmark MSCI Europe ex UK Index.

		Fund	MSCI Europe ex UK Index
Quality	Debt / equity	67.9%	180.9%
	Return on equity	24.0%	12.3%
Value	PE (2023e)	14.6	14.3
	FCF Yield	6.8%	6.9%
Dividend	Dividend Yield (LTM)	3.0%	3.1%
	Weighted average payout ratio	47.3%	51.6%
Conviction	Number of stocks	30	344
	Active share	83%	-

Portfolio metrics versus index. As of 31st March 2023
Source: Guinness Global Investors, Bloomberg
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.

OUTLOOK

Our focus on companies with a proven track record of generating persistent high cash returns in all weather, alongside strong balance sheets and the presence of structural growth drivers, leaves the strategy well placed in an uncertain environment characterised by inflation, rising interest rates and recent concerns around bank capital adequacy. In this context, the portfolio's main overweight sectors Staples, Financials and Industrials have a track record for passing on price rises, offering upside exposure to interest rates and benefiting from higher levels of capital investment relating to green investment. While good portfolio balance with 44% defensives and 56% quality cyclicals sets the strategy apart from many income funds which focus on higher dividend yields across highly cyclical and regulated sectors. In the near term, resurgent activity in Asia should remain supportive for globally leading European exporters; though we remain alert to risks that increased competition for gas could at some stage drive energy input costs higher again, and the possibility of further interest rate rises. EU gas storage levels of 55.7% for April 2023 are encouraging, being the highest level for April since 2011.

An equally weighted conviction portfolio of high-quality companies trading at reasonable valuations paying moderate to high and growing dividends is an attractive profile in a low-growth volatile environment. Your fund offers significantly higher return characteristics and favourable balance sheet metrics compared to the wider index, whilst trading on a valuation multiple approximately in line with the Index. In general, our portfolio companies exhibit strong levels of self-determination, characterised by market leadership positions, widening moats, aligned interests and long runways for growth. We believe that whatever the weather this represents a good place to be.

Thank you for your continued support.

Portfolio Manager
Nick Edwards

GUINNESS EUROPEAN EQUITY INCOME FUND - FUND FACTS

Fund size	$7.9m
Fund launch	19.12.2013
Benchmark	MSCI Europe ex UK TR
Historic yield	3.0% (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 latest month end. It does not include any preliminary charges. Investors may be subject to tax on the distribution.

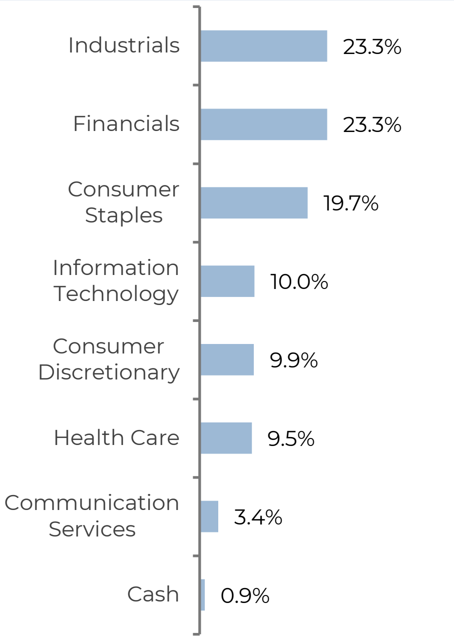
GUINNESS EUROPEAN EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

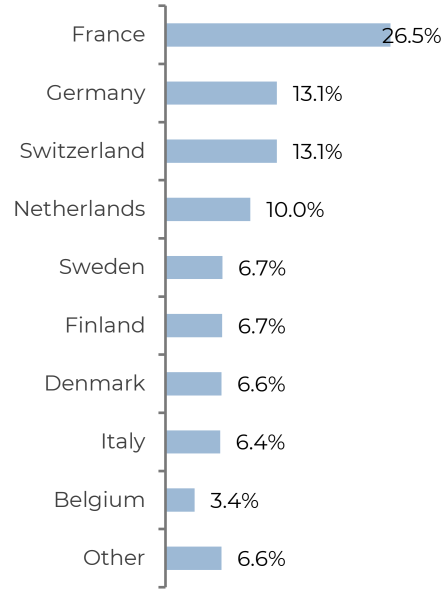
Deutsche Post	3.5%
Kaufman & Broad SA	3.5%
Helvetia Holding	3.4%
Melexis	3.4%
Atlas Copco	3.4%
Euronext	3.4%
Universal Music Group	3.4%
Amundi	3.4%
Salmar	3.4%
AXA	3.4%

Top 10 holdings	34.1%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

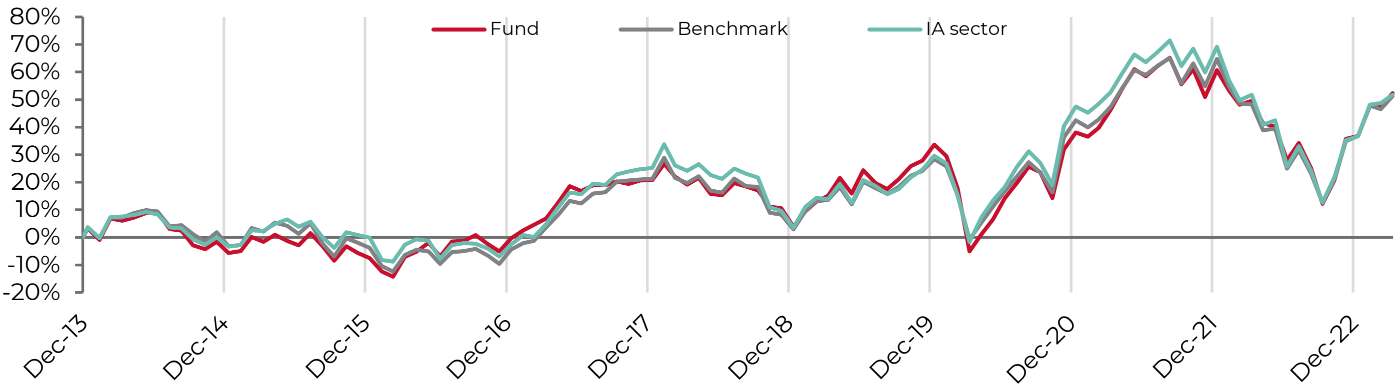
GUINNESS EUROPEAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

Total Return (GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+1.2%	+8.4%	+8.4%	+61.0%	+45.0%	-
MSCI Europe ex UK TR	+1.1%	+8.9%	+8.6%	+52.9%	+43.3%	-
IA Europe Excluding UK TR	-0.1%	+8.0%	+6.5%	+54.8%	+38.7%	-
Total Return (USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+3.4%	+11.4%	+1.8%	+60.6%	+27.9%	-
MSCI Europe ex UK TR	+3.3%	+11.9%	+2.0%	+52.5%	+26.3%	-
IA Europe Excluding UK TR	+2.0%	+11.0%	+0.0%	+54.4%	+22.2%	-
Total Return (EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+0.9%	+9.4%	+4.3%	+62.2%	+44.7%	-
MSCI Europe ex UK TR	+0.8%	+10.0%	+4.5%	+54.0%	+43.0%	-
IA Europe Excluding UK TR	-0.4%	+9.1%	+2.5%	+55.9%	+38.4%	-

GUINNESS EUROPEAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

Total Return (GBP)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund	-4.2%	+17.5%	+0.1%	+23.7%	-8.8%	+10.7%	+28.5%	+3.6%	-3.0%	-
MSCI Europe ex UK TR	-7.6%	+16.7%	+7.5%	+20.0%	-9.9%	+15.8%	+18.6%	+5.1%	-0.7%	-
IA Europe Excluding UK TR	-9.0%	+15.8%	+10.3%	+20.3%	-12.2%	+17.3%	+16.4%	+9.3%	-0.9%	-
Total Return (USD)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Fund	-14.9%	+16.4%	+3.3%	+28.6%	-14.0%	+21.2%	+7.8%	-2.0%	-8.6%	-
MSCI Europe ex UK TR	-18.0%	+15.7%	+10.9%	+24.8%	-15.1%	+26.8%	-0.6%	-0.7%	-6.6%	-
IA Europe Excluding UK TR	-19.2%	+14.7%	+13.8%	+25.2%	-17.3%	+28.4%	-2.4%	+3.3%	-6.7%	-
Total Return (EUR)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Fund	-9.3%	+25.2%	-5.2%	+31.1%	-9.8%	+6.4%	+10.9%	+9.0%	+3.9%	-
MSCI Europe ex UK TR	-12.6%	+24.4%	+1.8%	+27.1%	-10.9%	+11.4%	+2.4%	+10.7%	+6.4%	-
IA Europe Excluding UK TR	-13.9%	+23.4%	+4.4%	+27.5%	-13.1%	+12.8%	+0.5%	+15.1%	+6.2%	-

GUINNESS EUROPEAN EQUITY INCOME FUND - PERFORMANCE SINCE LAUNCH (USD)



Source: FE fundinfo to 31.03.23. 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.

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 designed to inform you about Guinness European 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 European 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. 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.

TB GUINNESS EUROPEAN EQUITY INCOME FUND - FUND FACTS

Fund size	£0.5m
Fund launch	30.12.2022
Benchmark	MSCI Europe ex UK TR

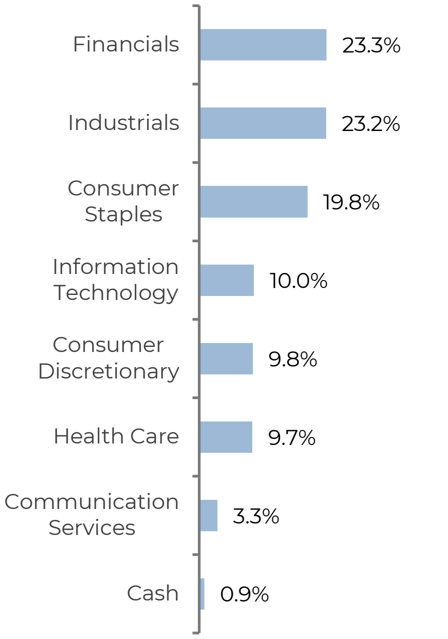
TB GUINNESS EUROPEAN EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

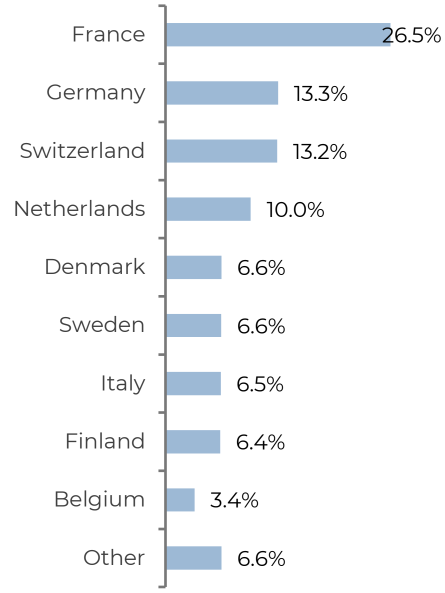
Helvetia Holding	3.5%
Kaufman & Broad SA	3.5%
Schneider Electric	3.5%
Melexis	3.4%
Henkel AG & Co KGaA	3.4%
Unilever	3.4%
ROYAL UNIBREW	3.3%
Deutsche Boerse	3.3%
Universal Music Group	3.3%
Atlas Copco	3.3%

Top 10 holdings	34.0%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

TB GUINNESS EUROPEAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

Total Return (GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
MSCI Europe ex UK TR	-	-	-	-	-	-
IA Europe Excluding UK TR	-	-	-	-	-	-

TB GUINNESS EUROPEAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

Total Return (GBP)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
MSCI Europe ex UK TR	-	-	-	-	-	-	-	-	-	-
IA Europe Excluding UK TR	-	-	-	-	-	-	-	-	-	-

TB GUINNESS EUROPEAN EQUITY INCOME FUND - PERFORMANCE SINCE LAUNCH (GBP)

For regulatory reasons, we are unable to provide performance information where the track record is less than 12 months.

Source: FE fundinfo to 31.03.23. 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.

IMPORTANT INFORMATION

Issued by Guinness Global Investors. Guinness Global Investors is a trading name of Guinness Asset Management Limited which is authorised and regulated by the Financial Conduct Authority.

This report is designed to inform you about TB Guinness European 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 TB Guinness European 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. Details on the risk factors are included in the Fund's documentation, available as described below. Shareholders should note that all or part of the fees and expenses will be charged to the capital of the Fund. This will have the effect of lowering the capital value of your investment.

Documentation
The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available in English from www.tbaileyfs.co.uk or free of charge from:-

T. Bailey Fund Services Limited ("TBFS")
64 St James's Street
Nottingham
NG1 6FJ
General enquiries: 0115 988 8200
Dealing Line: 0115 988 8285
E-Mail: clientservices@tbailey.co.uk

T. Bailey Fund Services Limited is authorised and regulated by the Financial Conduct Authority.

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.
.
Structure & regulation
The Fund is a sub-fund of TB Guinness Investment Funds, an investment company with variable capital incorporated with limited liability and registered by the Financial Conduct Authority.

Telephone calls will be recorded and monitored.