Guinness Global Innovators

Investment Commentary – July 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	01.05.2003
Index	MSCI World
Sector	IA Global
Managers	Dr Ian Mortimer, CFA Matthew Page, CFA
Irish Domiciled	Guinness Global Innovators Fund
UK Domiciled	TB Guinness Global Innovators Fund

INVESTMENT POLICY

The Guinness Global Innovators Funds are designed to provide investors with global exposure to companies benefiting from innovations in technology, communication, globalisation or innovative management strategies. Innovation can take many forms, not just disruptive tech driven products. It is the intelligent application of ideas and is found in most industries and at different stages in company lifecycle. The Funds are actively managed and use the MSCI World Index as a comparator benchmark only.

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COMMENTARY

In the second quarter of 2023, the Guinness Global Innovators Fund returned 6.1% (in GBP), the MSCI World Index returned 3.9%, and the IA Global sector returned 2.4%. The Fund therefore outperformed the Index by 2.2% over Q2, and outperformed its peer group average by 3.7%.

In the first half of the year, the Fund returned 19.6% (in GBP), the MSCI World Index returned 8.9%, and the IA Global sector returned 6.5%. The Fund therefore outperformed the Index by 10.7% over the period and outperformed its peer group average by 13.1%.

After strong gains in the first quarter, equity markets continued their run of positive performance during Q2. Inflation remained sticky at the core level, tight monetary policy has stayed in place for longer than expected (and looks set to continue for longer), earnings downgrades were consistent throughout the first half, and the Chinese economic reopening failed to meet high expectations. It seems almost contradictory that equity markets have continued to tick upwards and even accelerate during June. But whilst corporate profit expectations may have fallen throughout the year, markets were focused on a more resilient economy than expected and appeared to recognise that recent developments in artificial intelligence had the potential to drive efficiencies and revenue opportunities for many companies.

While there was broad market strength over the quarter, index performance was driven by a narrow selection of 'Big Tech' stocks, particularly those most exposed to the long-term secular trend of artificial intelligence. The 'narrowness' was concentrated particularly within the technology sector, causing outperformance of growth for the second consecutive quarter, despite interest rate expectations increasing meaningfully over the period. In this quarterly review, we discuss the underlying drivers of equity market performance in the first half of 2023 with a focus on the rally in Q2 led by artificial intelligence and growth. We suggest why caution over the macroeconomic outlook might be advised. We also discuss how the Fund is positioned to benefit not just from developments in artificial intelligence, but a diverse group of long-term, secular growth themes.

Fund performance over the second quarter can be attributed to the following:

- The Fund's high relative exposure to the MSCI's best performing sector, Information Technology, and in particular the MSCI's top performing industry, Semiconductors, was a key source of outperformance over the period.
- Holding 'Big Tech' names Apple (+17.8%), Amazon (+26.2%), Alphabet (+15.4%), Meta (+35.4%), Microsoft (+18.4%) and Nvidia (+52.3%), which all delivered double-digit gains over the quarter, was a core driver of strong Fund performance. More broadly, our exposure to stocks related to the secular growth theme of artificial intelligence acted as significant tailwind, as both 'integrators' of the technology, such as Adobe (+26.9%), and 'enablers', such as semiconductor equipment manufacturers KLA (+21.9%) and Lam Research (+21.6%), were driven higher.
- The Fund suffered a slight headwind from its Apparel names, with Nike (-9.7%) and Anta Sports (-29.1%) making up two of the bottom three performers. Weakness in PayPal (-12.1%) also acted as a headwind, as the second bottom performing stock over the period.
- From an allocation perspective, having a zero exposure to the five weakest performing sectors, Energy, Materials, Utilities, Real Estate and Consumer Staples, acted as a positive for relative Fund performance.

Following the strong performance of the Guinness Global Innovators Fund during the quarter, it is pleasing to see it rank in the top two quartiles versus the IA Global Sector this year, as well as over the longer timeframes of 1, 3, 5, & 10 years and since launch.

Cumulative % total return in GBP to 30.06.2023	YTD	1 year	3 years	5 years	10 years*	Launch*
Guinness Global Innovators Fund	**19.6**	**6.05**	**19.7**	**34.6**	**72.7**	**281.3**
MSCI World Index	8.9	3.90	13.2	37.2	60.3	195.8
IA Global sector average	6.5	10.8	27.3	44.1	145.2	451.5
IA Global sector ranking	^	41/543	25/526	144/453	14/379	6/232
IA Global sector quartile	^	1	1	2	1	1

Source: FE fundinfo. Strategy launched 01.05.2003. ^Ranking not shown in order to comply with European Securities and Marketing Authority rules.

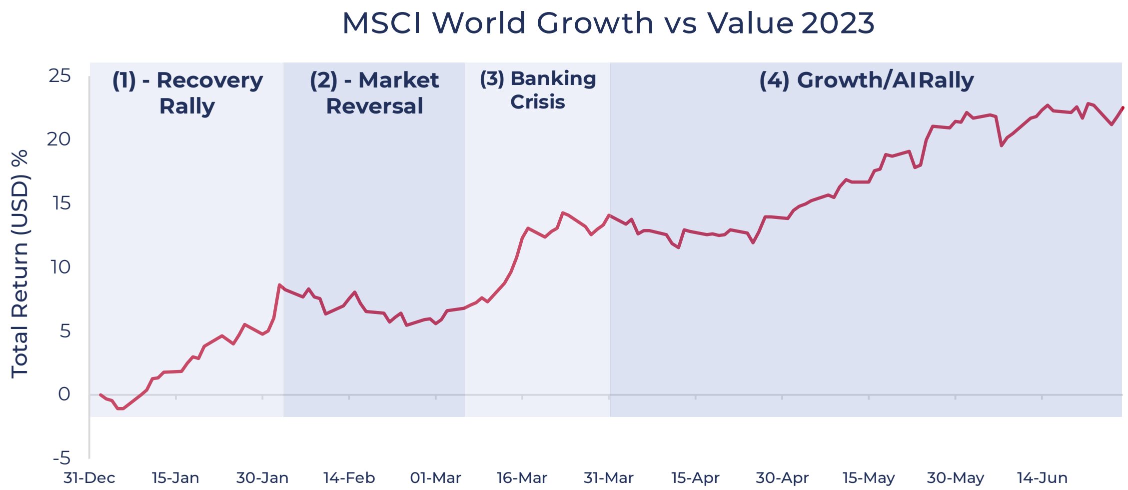
**Simulated past performance. The Fund was launched on 31.10.2014; performance data prior to this date is based on the actual returns of a US mutual fund managed by the same team using the same investment process as applied to the UCITS version.*

QUARTER IN REVIEW

Following a volatile first quarter, Q2 saw relative calm as equity markets ticked upwards, driven by growth-orientated stocks. The first half of 2023 can be split into distinct performance periods, each with different drivers and leaders from both a style and sector perspective.

Source: MSCI, Guinness Global Investors, Bloomberg, as of 30th June 2023

The performance of the MSCI World Growth Index against the MSCI World Value Index highlights more clearly the factor leadership within each period.



Source: MSCI, Guinness Global Investors, Bloomberg, as of 30th June 2023

(1) – Recovery Rally

Many of the key market concerns from 2022 abated somewhat (inflation, China's Covid policy, risk of recession and an energy crisis) during the period, with renewed hope of a 'soft landing'. As risk-on sentiment returned, the more cyclically orientated sectors that underperformed in 2022 outperformed in January. Paired with a market view of an earlier pivot towards looser monetary policy, this drove the outperformance of growth during the period.

(2) – Market Reversal

The market reversed course in early February as hopes of an earlier pivot away from tight monetary policy were dampened. Employment and inflation data came in surprisingly 'hot' in both the US and Europe, and Federal Reserve (Fed) Chair Jay Powell followed with hawkish rhetoric on the future path of interest rates. Expectations of a higher and later peak rate drove the underperformance of growth relative to value.

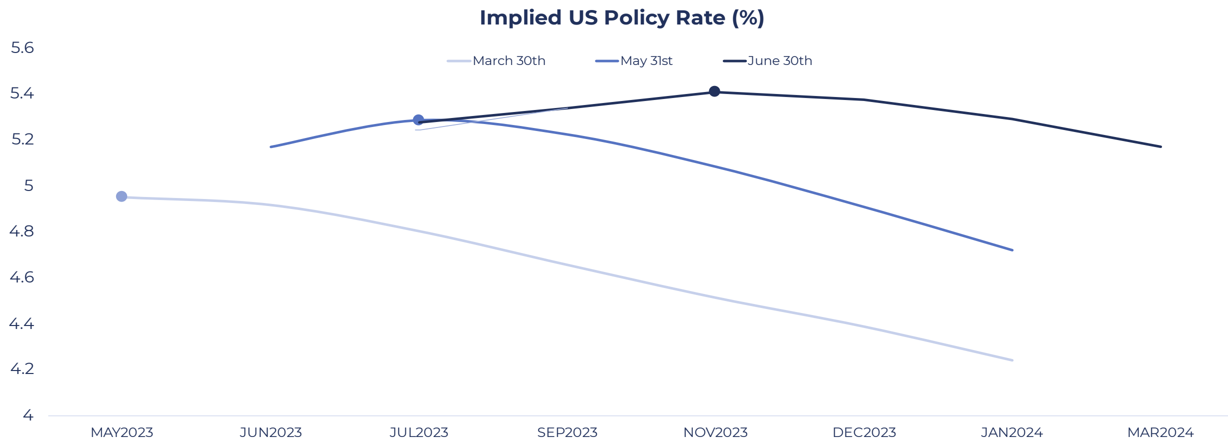
(3) – Banking Crisis

The collapse of Silicon Valley Bank introduced a level of volatility back into markets. Equities initially reacted with a sharp sell-off as fears of financial contagion grew. A strong policy response from regulators restored a level of confidence to the banking system and calm to equity markets, which rebounded over the subsequent weeks. The crisis drove a tightening of credit conditions, which typically creates a headwind for economic growth, driving a rotation towards higher-quality companies with strong balance sheets and margins. However, tighter credit conditions were also likely to play a part in reducing inflation, also supporting growth stocks, on the basis that the exogenous shock might play a part in bringing forward looser monetary policy.

(4) Growth/AI Outperformance

The drivers of growth outperformance in Q2 have differed from those in Q1. While Q1's first period of growth outperformance was one in which equities were rallying, and the second came amidst a market correction, both were driven in part by expectations of when a pivot in monetary policy will occur. The latest period of growth outperformance was, until early June, in the context of sideways moving equity markets. Under the surface, however, were interesting market dynamics.

In contrast with the previous two periods, interest rate expectations acted as a headwind for growth stocks, with the implied peak policy rate shifting both higher and later – but growth outperformed anyway.

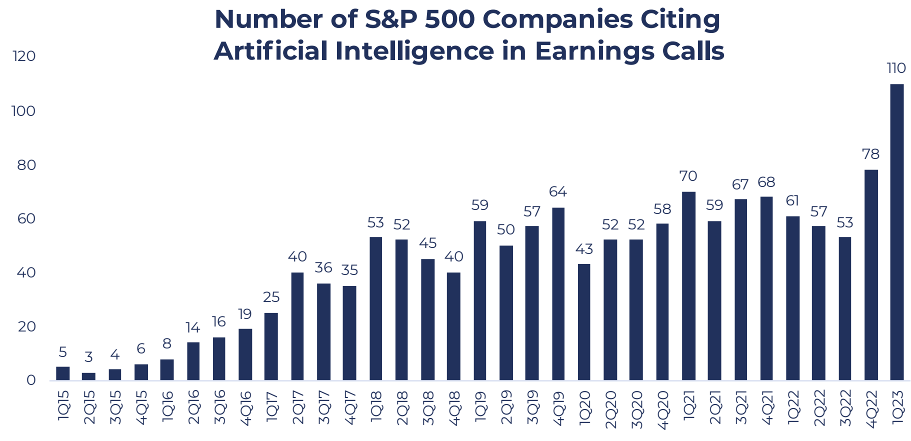


Source: Guinness Global Investors, Bloomberg, as of 30th June 2023

Growth outperformance in the second quarter was stark, but was driven by just a handful of stocks. After struggling throughout 2022, 'Big Tech' has continued its strong run in 2023 and was the core source of outperformance by growth and equities more broadly. Our analysis suggests that without the 'Big 6' tech stocks (Apple, Alphabet, Amazon, Meta, Microsoft and Nvidia) the MSCI World Growth Index would have closely tracked the MSCI World Value Index. This period of growth outperformance was arguably driven by an expectation of better prospects not for broadly defined growth stocks, but for a select few.

Source: MSCI, Guinness Global Investors, Bloomberg, as of 30th June 2023

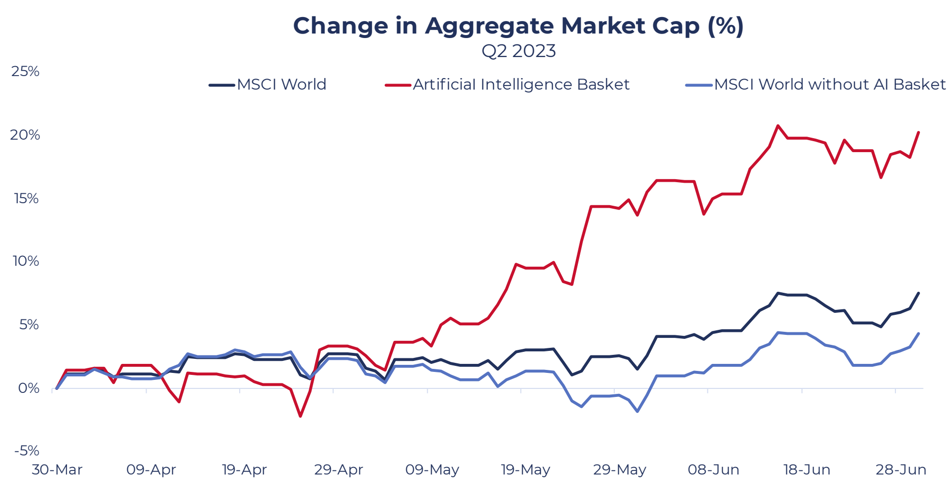
The catalyst was renewed enthusiasm for artificial intelligence (AI). Whilst AI is not a new phenomenon, the public launch of Chat GPT in late 2022 has captured the imagination of consumers and businesses alike in 2023, and catalyzed businesses in various sectors to investigate the best way to leverage and incorporate the technology into their business models and operations. As a result, the number of companies citing artificial intelligence in Q1 earnings calls surged to all-time highs (110 S&P 500 companies), more than 40% higher than the previous record set just a quarter previously.



Source: Guinness Global Investors, Factset, as of 30th June 2023

Investment in artificial intelligence was not just evident in company rhetoric and press releases, but also in company fundamentals. Nvidia added an astonishing $184bn to its market capitalisation after its quarterly earnings release, more than the entire market cap of its peer Intel, with the stock surging +24% on the day of results. Nvidia, which was the portfolio's top-performing stock for the second quarter in a row, guided for revenues of $11bn in the next quarter, over 50% higher than the $7bn estimated by analysts. Soaring demand for chips required for generative AI purposes was clearly much greater than the market expected, creating a tailwind for AI-exposed stocks.

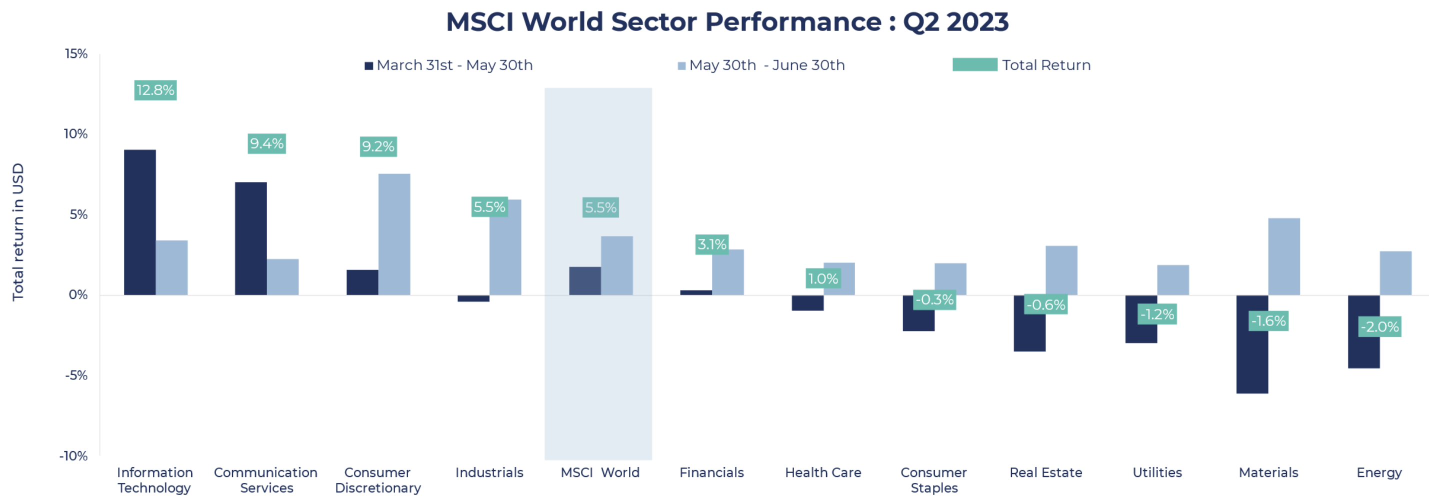
'Artificial Intelligence and Big Data' is one of the nine key innovation themes with which we begin to create the investible universe for the Guinness Global Innovators strategy. As part of our analysis into the theme, we have created a basket of stocks (not necessarily held in the Fund) that we believe to be most aligned to Artificial Intelligence and Big Data. These include stocks from both developed and emerging markets, including the likes of Nvidia, Microsoft, Adobe and TSMC. Over the quarter, we can see that stocks identified within the artificial intelligence basket created a significant tailwind to positive equity performance.



Source: MSCI, Guinness Global Investors, Bloomberg, as of 30th June 2023

The six 'Big Tech' names, which all feature within the artificial intelligence basket, are expected to be some of the key beneficiaries of this long-term growth trend. We also note, however, that in the context of tightening monetary conditions, debt ceiling concerns (up until June), and a risk of recession, big tech is an attractive area to invest. Long-term growth trends support strong free cash flow, helping these firms to continue investment in growth and innovation. But these firms also benefit from high barriers to entry which protect market share and stickier revenue models to increase the visibility of revenues. The cash-generative and quality properties of these companies encourage a market preference for their more assured long-term growth. Hence, the long-term growth theme of artificial intelligence, paired with their quality attributes, contributed to their outperformance over the period.

From a sector perspective, only four of the 11 GICS sectors finished in positive territory between the beginning of the quarter and the end of May, and only IT and Communication Services outperformed the MSCI World, highlighting the 'narrowness' of the market. Interestingly, the MSCI World would have fallen into negative territory in late May (for the quarter) had the Big Tech names not been included in the index, but instead finished +2.9% USD. On the whole, H1 2023 was a record low for US equity market breadth. Just 32% of US stocks have outperformed the market this year, highlighting the concentration of winners. In June, we have seen the rally broaden and the outperformance of growth decelerate, as all sectors finished in positive territory. Whilst the technology sector continued to run (+6.2%), the performance was shared more equally, with the more cyclically inclined Consumer Discretionary (+10.5%), Industrials (+9.0%) and Materials (8.3%) all outperforming the MSCI World Index.



Source: MSCI, Guinness Global Investors, Bloomberg, as of 30th June 2023

In June, the macro backdrop evolved positively for equities. A resolution to the US debt ceiling early in the month was the catalyst needed to broaden the rally, before further strong economic data buoyed sentiment further, boosting hopes of a soft landing. Headline CPI fell 90bps (year-on-year) compared to the previous month, and expectations of a pause in the rate hike cycle provided an additional tailwind for the first half of the month.

Whilst the Fed did pause for the first time in 10 meetings, it maintained a hawkish tone, which took equities temporarily lower, with slight outperformance from value. The 'dot plot' suggested committee members expected two more rate hikes this year due to concerns of core inflation being too sticky. While this drove concern over an increased prospect of recession, upbeat economic data in the final week of the month quelled these concerns, reversing the losses of the previous week. This data included consumer confidence at a 15-month high, new home purchases rising at the fastest rate in a year, and durable goods orders exceeding expectations. A revised GDP number for the first quarter in the US, from 1.3% to 2.0%, drove further gains in the final trading sessions of the quarter.

Macro Outlook

There is no doubt that the macro environment looks far more attractive for equities than it may have done at the beginning of the year. Even after a banking crisis, many more rate hikes than expected, a disappointing Chinese reopening and continued earnings downgrades across the market, equities have still recovered from the depths of 2022. The Nasdaq even recorded its best start to the year in four decades. It is easy to see why. Many of the core concerns that weighed heavily on equities over the prior year have diminished: the economy has remained remarkably resilient, headline inflation has fallen consistently, the hiking cycle is on pause (for now), and company earnings have, on the whole, continued to surprise to the upside. Whilst we are not necessarily 'bearish' on the current macro outlook, we do see reasons for caution.

(1) Company Earnings

Whilst company earnings have largely surprised to the upside over the first half of the year, with 78% of S&P 500 companies exceeding Q1 estimates (in line with the long-term average), this is largely in the context of cuts in earnings expectations. Throughout the year, we have seen continued cuts in earnings expectations for each quarter in 2023.

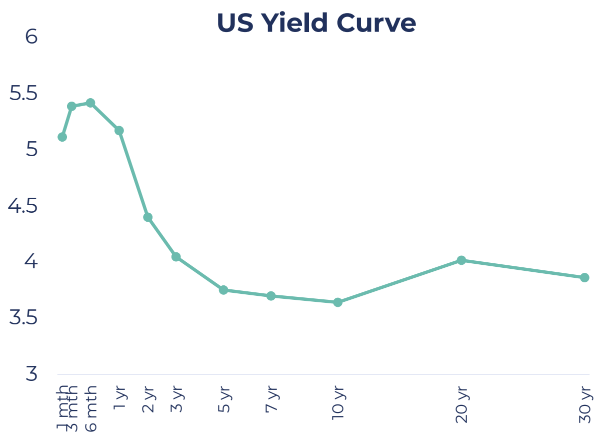
Source: S&P, Guinness Global Investors, Bloomberg, as of 30th June 2023

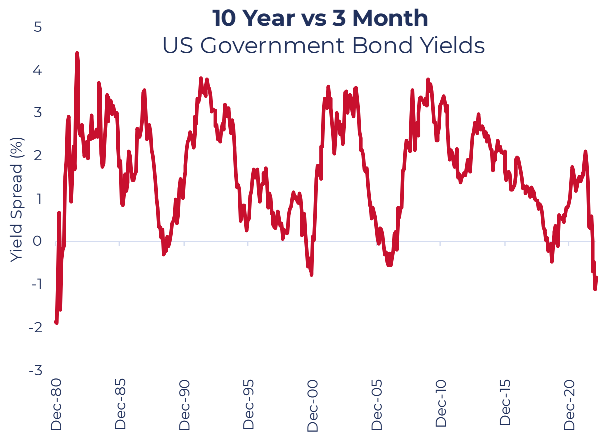
At the beginning of the year, the markets were expecting Q1 and Q2 EPS to come in moderately flat, and Q3 and Q4 to exhibit strong growth to deliver moderate full year EPS growth (+3%). The picture now looks significantly different, with year-on-year earnings declines in Q1 and Q2 and a flat(ish) full year. In order to achieve flat earnings for the full year, the implication is a significantly stronger second half of 2023 than last year, particularly in the final quarter. While economic activity has so far proved robust (amid strong consumer confidence and GDP growth), there are a number of indicators that may suggest the road may be bumpier than anticipated – due to a recession, for example.

Source: S&P, Guinness Global Investors, Bloomberg, as of 30th June 2023

(2) Recession risk

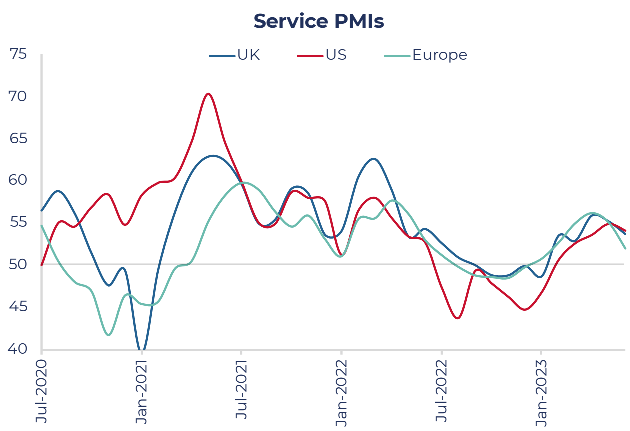
US recession expectations remain high, with the Bloomberg median forecasted probability of recession remains at 65%, the same as at the beginning of 2023. US economic growth has so far been remarkably resilient considering the rapid pace of rate hikes from the Fed, with US GDP being revised upwards to 2% for the first quarter. The fact that a recession has not yet occurred has positively surprised the market, and many are now expecting a less deep recession than before, with the potential even for a soft landing. Soft landing or not, negative GDP growth is likely to hurt equity prices, and we note a number of leading economic indicators that suggest an impending recession. The yield curve remains deeply inverted, with the 10 year/3 month indicator at its deepest inversion over the past 40 years – a period in which the curve has correctly indicated five out of five recessions.

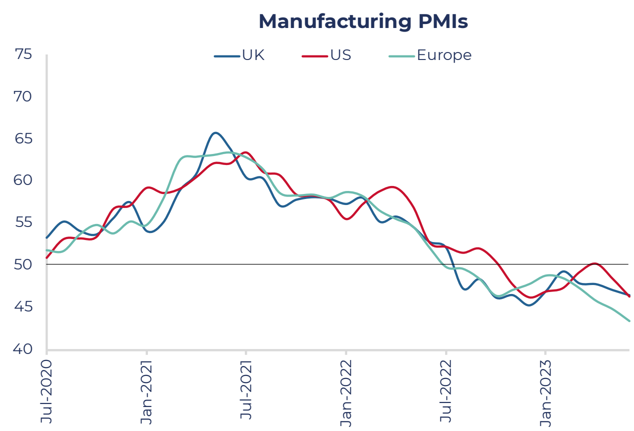




Source: Guinness Global Investors, Bloomberg, as of 30th June 2023

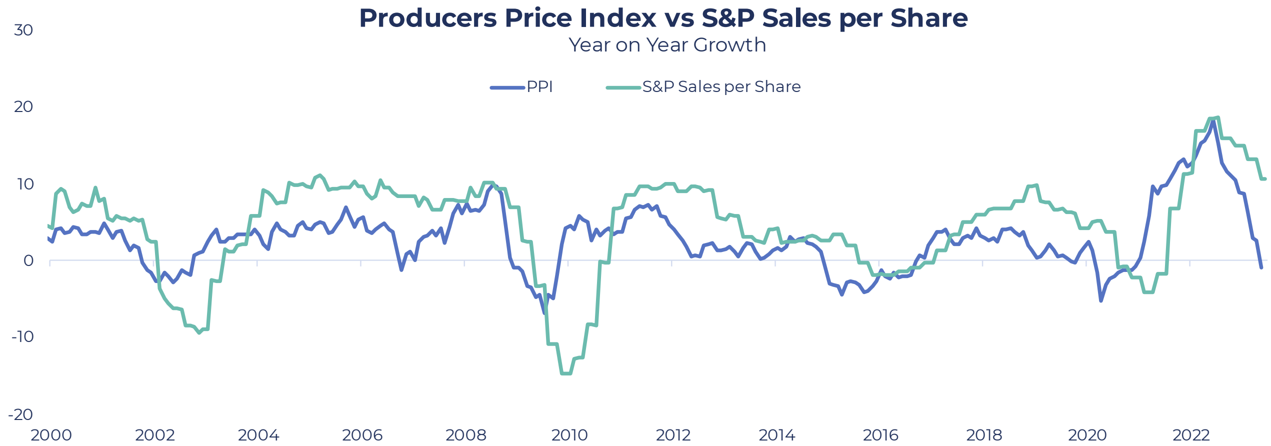
Although service Purchasing Managers' Indices (PMIs) remain in expansionary territory (above 50), they have recently turned back towards 50, while manufacturing PMIs remain in contractionary territory.





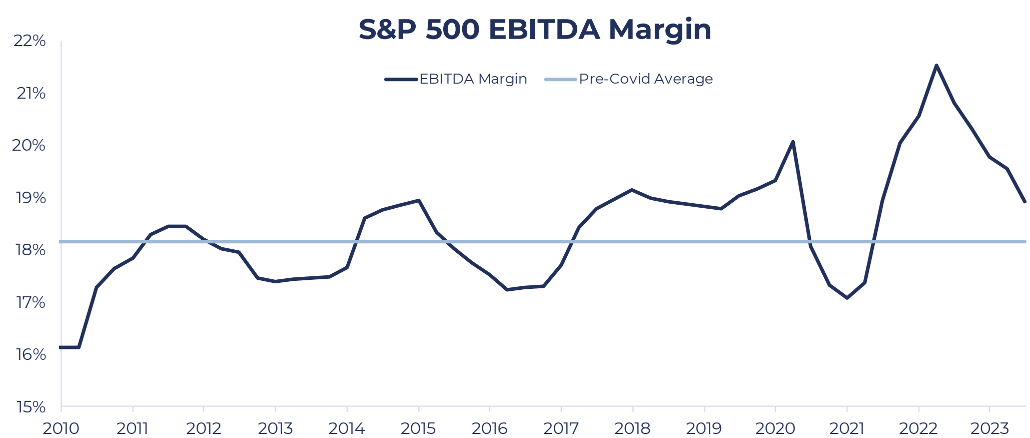
Source: S&P Global, Guinness Global Investors, Bloomberg, as of 30th June 2023

The Producers Price Index come down sharply, which has traditionally been a leading indicator for declines in sales growth.



Source: S&P, ISM, Guinness Global Investors, Bloomberg, as of 30th June 2023

On top of declining sales growth, margins have been contracting and have headroom to fall further, with the S&P 500 EBITDA margin still ahead of the long-term pre-covid average.

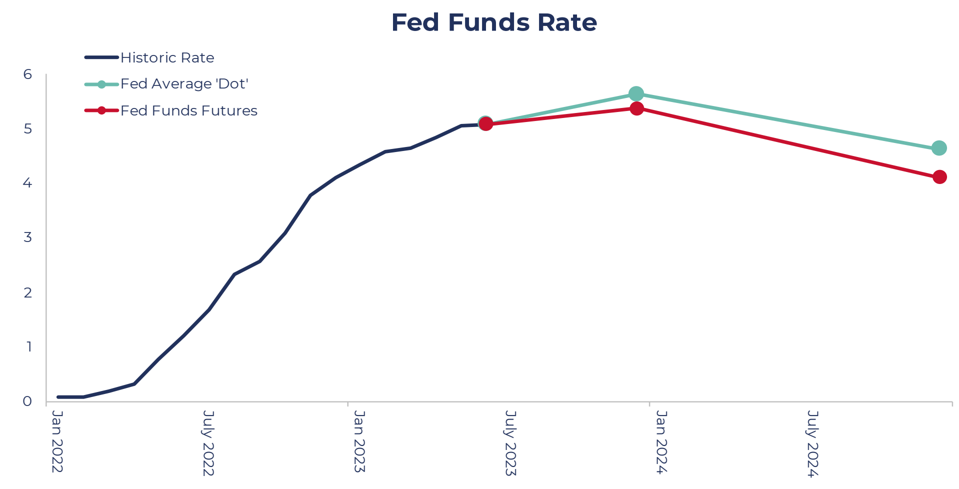


Source: S&P, Guinness Global Investors, Bloomberg, as of 30th June 2023

While the economy has remained surprisingly resilient, there are signs that a slowdown could be on the horizon.

(3) Interest Rate Expectations

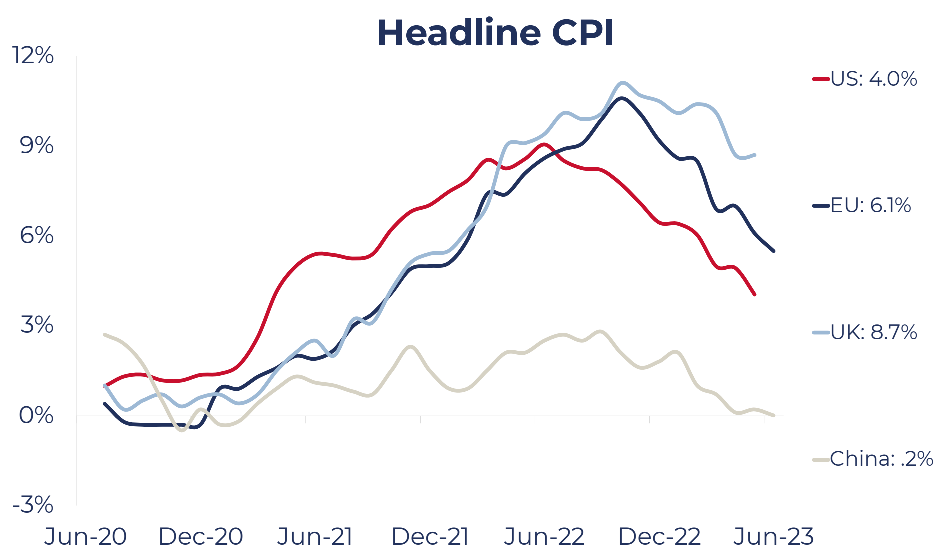
Hawkish monetary policy has played a key part in driving recession expectations. In June, the Federal Reserve offered its first tangible indication that we are near peak interest rates after announcing a pause in the hiking cycle following 10 consecutive rate hikes. Chair Jay Powell was keen to stress that this was a hawkish pause, with the Fed's dot plot indicating expectations of an additional two rate rises by the end of 2023, but here is a divergence between Fed expectations and what the market is pricing in. Fed Funds futures suggest markets are pricing in an earlier pivot, with just one hike by the end of the year and more rate cuts in 2024. One way or another, this gap between the Fed's forecast and market expectations will need to close. If the Fed is correct, this could create a headwind for valuations, whilst if the market is correct, this is already priced in. Much of the future path of interest rates may rest on progress on inflation.



Source: Federal Reserve Bank of New York, FOMC, Guinness Global Investors, Bloomberg, as of 30th June 2023

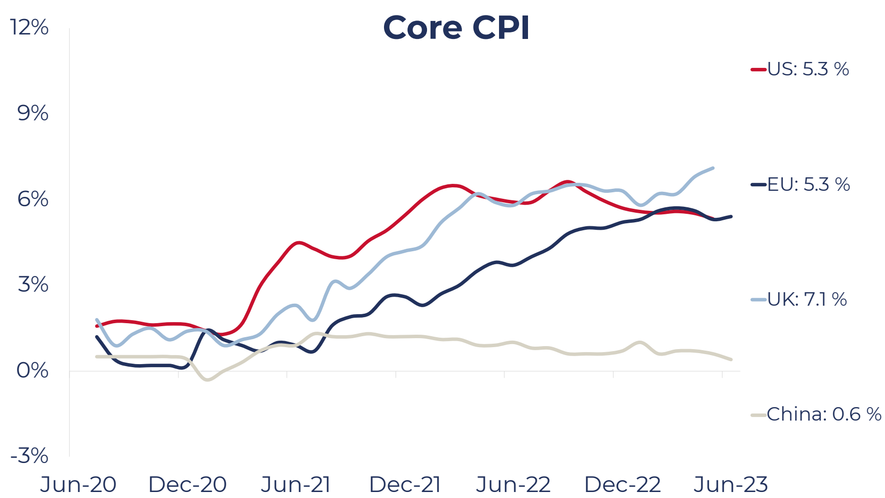
(4) Inflation may not be as 'cool' under the surface.

Whilst significant progress has been made in driving down headline inflation…



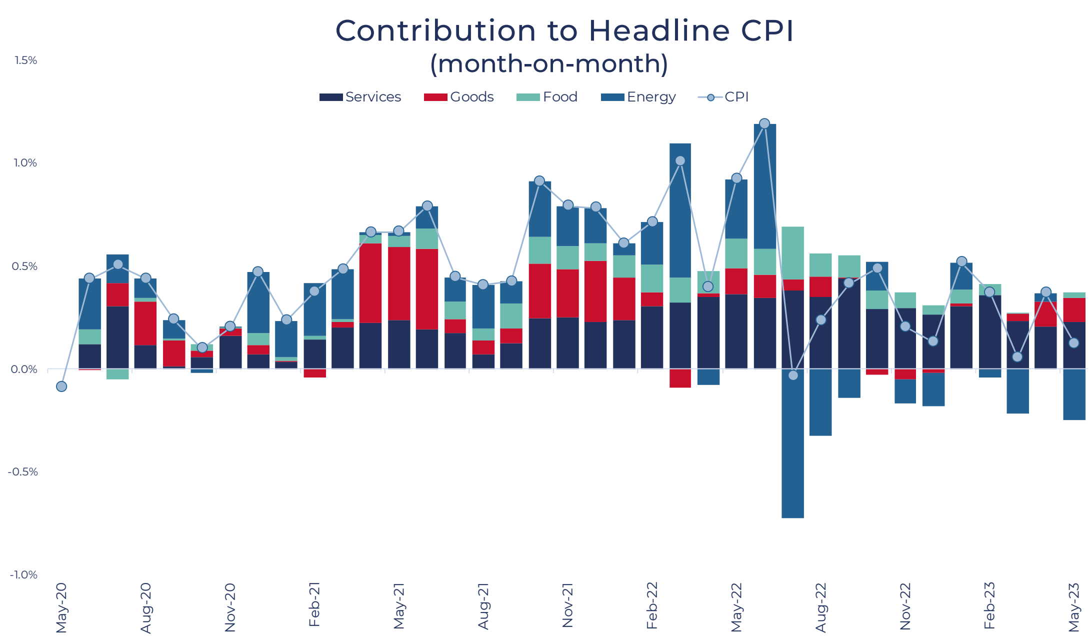
Source: Bureau of Labor Statistics, UK Office for National Statistics, Eurostat, National Bureau Statistics of China, Bloomberg, Guinness Global Investors, 30th June 2023

… the core index is yet to have made a decisive turn towards disinflation.



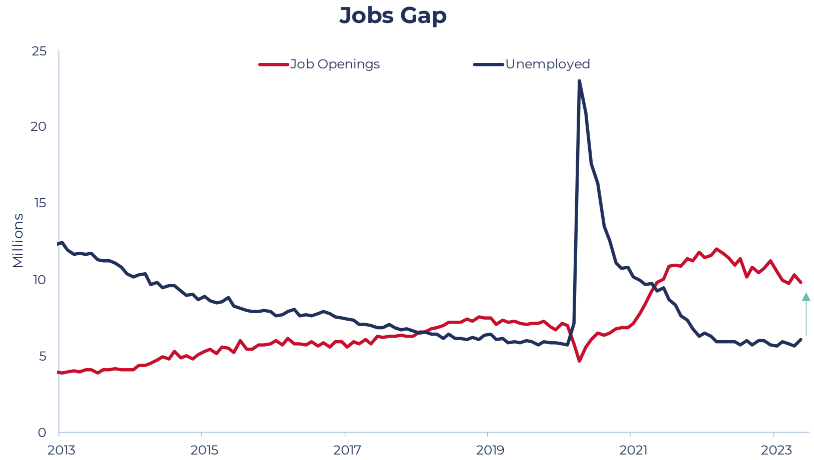
Source: Bureau of Labor Statistics, UK Office for National Statistics, Eurostat, National Bureau Statistics of China, Bloomberg, Guinness Global Investors, 30th June 2023

Breaking down the components of headline CPI, we can see that services inflation remains firmly positive, and a return to Goods inflation in the last two months of the quarter has also added pressure to the index.



Source: Bureau of Labor Statistics, Guinness Global Investors, Bloomberg, as of 30th June 2023

The majority of the cost base for Services is wages. We expect that progress in the jobs market will need to be made for pressure on Services inflation to ease. However, the jobs gap (vacancies minus unemployed) shows continued tightness in the labour market, and wage inflation may persist until this gap closes.

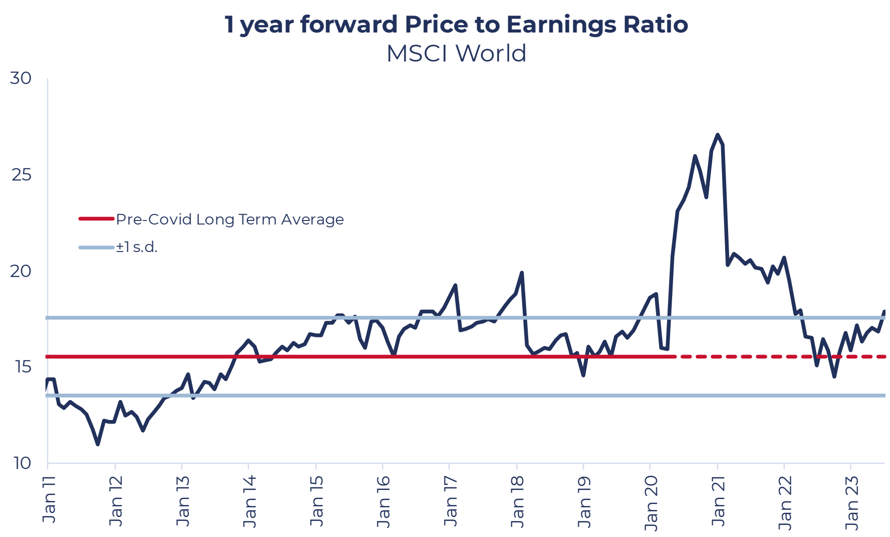


Source: Bureau of Labor Statistics, Guinness Global Investors, Bloomberg, as of 30th June 2023

In the context of a seemingly resilient economy and limited progress in taming core inflation towards target levels, the Fed may yet be emboldened to maintain hawkish monetary policy, leading to later rate cuts than expected.

(5) Valuations remain elevated

We are also conscious of valuation risk. Although earnings expectations have declined, equity markets have climbed over the duration of 2023 and remain 1 standard deviation above their long term pre-covid average on a 1 year forward PE basis.



Source: MSCI, Guinness Global Investors, Bloomberg, as of 30th June 2023

STOCK PERFORMANCE

During the quarter, the Fund benefitted from the excitement generated by artificial intelligence. Based on our analysis of company data, we estimate that around 18 of our 30 holdings have at least some exposure to Artificial Intelligence and Big Data. On average, this exposure is around 17% of revenue generating activities, making overall Fund exposure around 10%. The impact of artificial intelligence is not limited to revenues, however. Stocks exposed to artificial intelligence can be classified as either 'enablers' of the technology, or 'integrators' – those which leverage the technology meaningfully within their businesses. Within the Fund, we hold a number of enablers, such as Nvidia, TSMC, Alphabet and Microsoft, as well as integrators, including Meta, Adobe, Intuit and Salesforce. Two case studies of how these firms are benefiting from the AI trend follow:

NVIDIA.

Nvidia – Enabler of AI

Nvidia is the leading chip designer for graphics processing units (GPUs) used in generative AI systems, and sells related software to customers.

"Generative AI is driving exponential growth in compute requirements and a fast transition to NVIDIA accelerated computing, which is the most versatile, most energy-efficient and the lowest TCO approach to train and deploy AI. Generative AI drove significant upside in demand for our products, creating opportunities and broad-based global growth across our markets." – Colette M. Kress, CFO, on 1Q24 Earnings Call

Adobe

Adobe – Integrator of AI

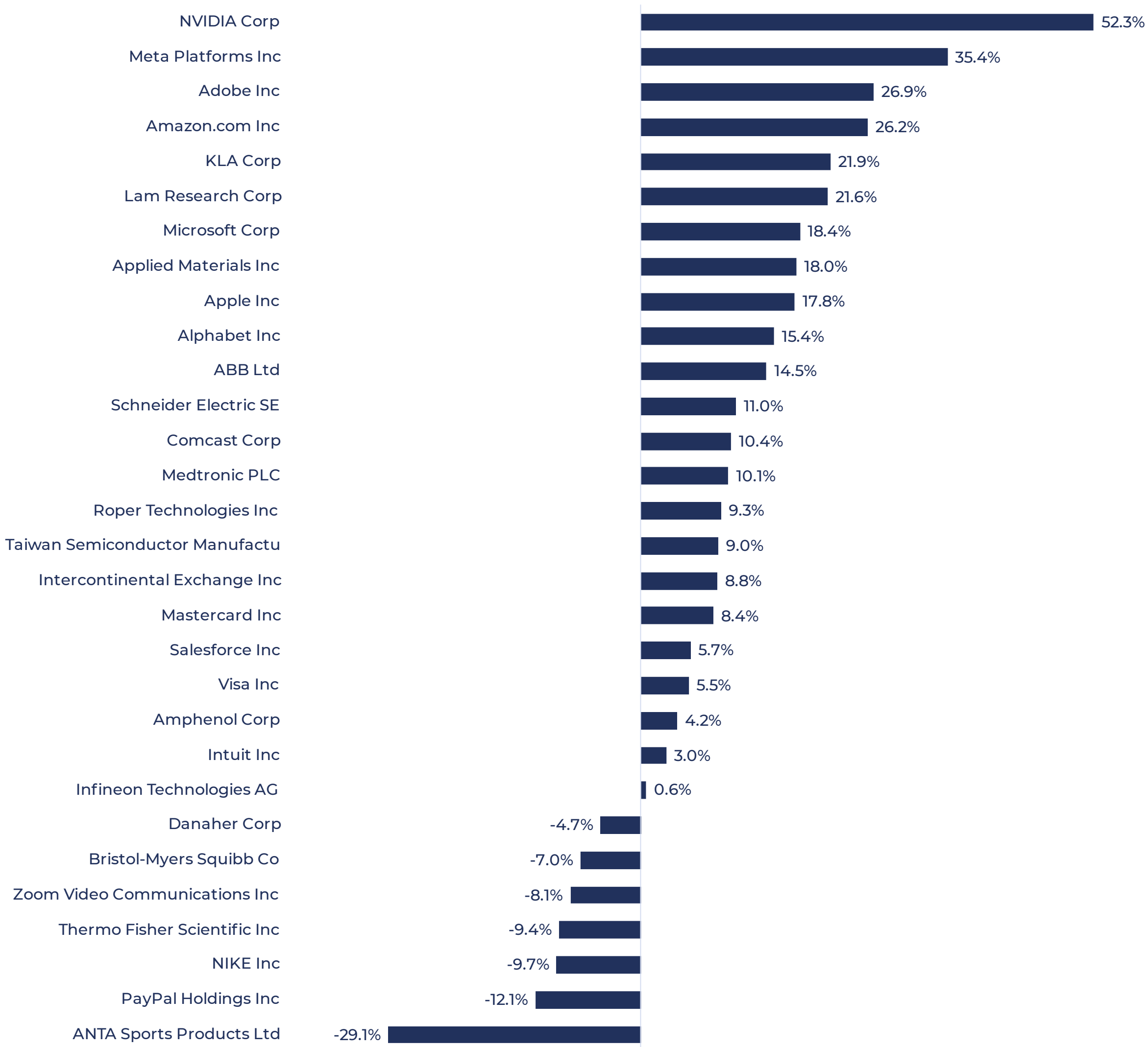
Adobe has leveraged AI in such a way that its features can help users boost their productivity and idea generation. For example, through Adobe's Sensei offering, the firm helps creators with their editing and organisation, as well as producing real-time insights and predictive analysis.

"So that's why I would say AI is this platform shift because it really changes the nature of how we use all of these products. But for us, it's value expansion in the sense that people are going to get more value out of the tools we're giving them. They're going to be able to explore more possibilities, try more things, convert to more formats and more languages and they're going to be able to pay for that." - Scott Belsky, Chief Strategy Officer at SVB Moffett Nathanson's TMT Conference

The Fund has good exposure to AI, investing in a number of the leading enablers and integrators. However, the Fund is diversified across a number of other long-term themes that we believe should benefit from dampened cyclicality and continued growth prospects, regardless of the market environment. In our view, a diversified approach helps protect the Fund against the boom-bust cycles that a single theme (such as AI) may experience, reducing volatility of returns whilst also capturing the long-term growth trends that these companies are exposed to. Whilst we identify companies with exposure to a number of themes that are driving growth, disrupting incumbent business models or technology, or significantly improving current products or services, our focus is on high-quality businesses with strong fundamental characteristics, rather than those at the more speculative end of the spectrum.

We believe there is a good argument for high quality stocks with exposure to long-term secular growth themes in this current market environment, as these companies should continue to be able to grow despite market headwinds and cyclicality, whilst being protected by better fundamental characteristics in terms of margins and balance sheets. Our bottom-up approach helps to identify these quality growth companies, whilst also maintaining a valuation discipline. In addition, our equally weighted positions limit over-reliance on any single company. We continue to focus on these key tenets in the Fund and remain confident of this process over the long term. To read more about the key themes we identify, please see our white paper *Opportunities in Innovation*, available on our website.

The chart below shows the portfolio constituents' returns over Q2 2023 in USD.



Source: Guinness Global Investors, Bloomberg, as of 30th June 2023

Nvidia (+52.3% USD)

After returning +90.1% in the first quarter, Nvidia was the Fund's top performer for the second consecutive quarter, outperforming the broader MSCI World by 45.3% and the MSCI World Semiconductor Index by 31.6%, taking year-to-date total return to 189.5% USD. The majority of this outperformance came at the end of May following the company's blowout earnings release, where guidance of $11bn for the next quarter was $4bn ahead of expectations. The chip designer's unique position in supplying GPU chips that can handle the computing power required for generative AI drove the stock to new heights, breaching the $1trn market capitalisation threshold for the first time on 30th May. The chip in question, the H100, was released last year and costs around $40,000 each, promising higher performance and reduced training costs for AI learning systems. Excitement over the technology demonstrated by ChatGPT led to a rush in tech firms across sectors attempting to purchase the chip, driving a positive read-across for the semiconductor industry in general, with semiconductor equipment manufacturers such as Applied Materials, Lam Research and KLA all benefiting, and foundries such as TSMC also being dragged upwards. The Fund's overweight position to the semiconductor industry is based on the view that these stocks have significant exposure to a number of the Fund's long-term secular growth themes – not just Artificial Intelligence and Big Data, but also themes such as Cloud Computing, Internet of Things, and Internet, Media and Entertainment which are likely to drive long-term growth in the industry. We continue to believe that Nvidia's unique, defensible and market-leading position, reputation as an innovator, exposure to numerous long-term secular growth themes and high-quality fundamental characteristics justify a premium valuation, and we are confident the firm can continue to outperform the broader market.

Meta (+35.4% USD)

After suffering a tumultuous 2022, Meta's stellar 2023 (+138.5% USD year to date) continued into Q2, and it was the Fund's second top performer (+13.4% USD) for the second quarter running. Earlier in the year, Meta shifted its focus towards its cost structure, which had been a core drag on the share price over 2022, particularly with respect to its Metaverse investments. Whilst the headline news in February was certainly the cost focus, the underlying strength of the core platform was also apparent. The firm's Q1 results, released at the end of April, were no different. After three consecutive quarters of negative top-line growth, revenues grew 2.6% year-on-year, ahead of consensus (-1% expected). This was led by strong ad revenues (+7% year-on-year) stemming from better engagement and more effective monetisation – highlighting Meta's ability to grow even during a difficult spending environment in advertisements. The firm also saw a number of improvements to customer metrics, including above expected growth in Daily Active Users. The firm's 'reels' product has proven itself to be highly effective at driving greater engagement, with AI recommendations driving a +24% increase in time spent on Instagram since the launch of the product. Meta also issued an improved cost guidance forecast for FY2023 as its efforts to realise efficiency gains progress. This was a great quarter for Meta, whose renewed focus away from 'growth at any cost' is proving to be the right strategy.

Anta Sports (-29.3% USD)

Following a positive Q1, Anta Sports sunk -29.3% USD in the first two month of Q2, before the share price levelled off in May. In 4Q22, investors piled into the stock amid the Chinese reopening, but the valuation has since fallen as the rebound has failed to meet expectations. The firm's 'top-up' placement of $1.5bn weighed heavily on the share price during April, and the shares continued to slide until the end of May. The placement price was at an 8.8% discount to the firm's closing price at the time, and accounted for 4% of issued share capital. The proceeds are to be used for paying down some outstanding debt, investment in the South-East Asia business, and adding to the firm's general working capital. The placement is a decision based on capital structure, bolstering an already strong balance sheet that had net cash of $1bn prior to the raise. Although this has created an overhang for the stock, we view the decision on the whole as a positive, giving management the flexibility to continue investing in the business and allowing the firm to take advantage of long-term opportunities. During the placement briefing, management noted encouraging quarter-to-date trends, with full-year guidance maintained at double-digit growth for the core business. From a fundamental perspective, we note that the post-lockdown reopening could lead to a consumption-driven recovery – a result of excess savings accumulated over the prior three years. From a stock perspective, we remain confident in the outlook of Anta Sports, which benefits from long-term structural tailwinds. The Chinese government continues to promote exercise and sports, pouring billions into initiatives such as the "Healthy China 2030" Plan, which should serve to lift the sports industry's contribution to GDP. China's per capita spending on sportswear remains comparatively low at $31, but as the middle class emerges, analysts expect this to rise to a similar level as Japan ($110) by 2030 (while in the US the level is $307). The firm has a number of meaningful growth opportunities including geographical expansions and forays into the premium segments of the market. We believe the fundamentals behind the company remain strong, and underlying secular trends should serve to boost Anta's revenue profile into the long term.

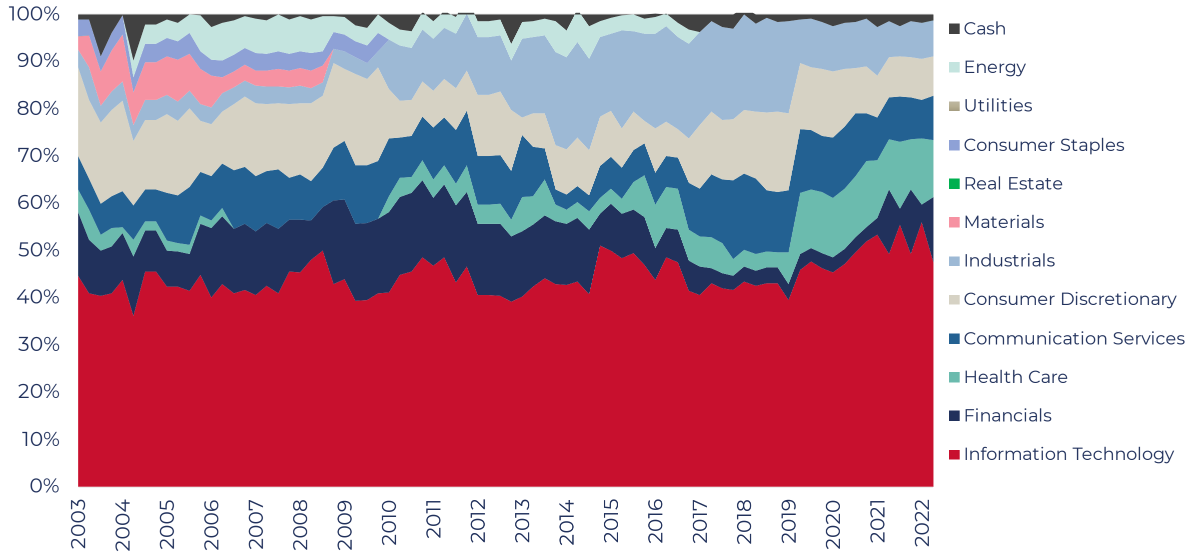
PayPal

PayPal (-12.1% USD)

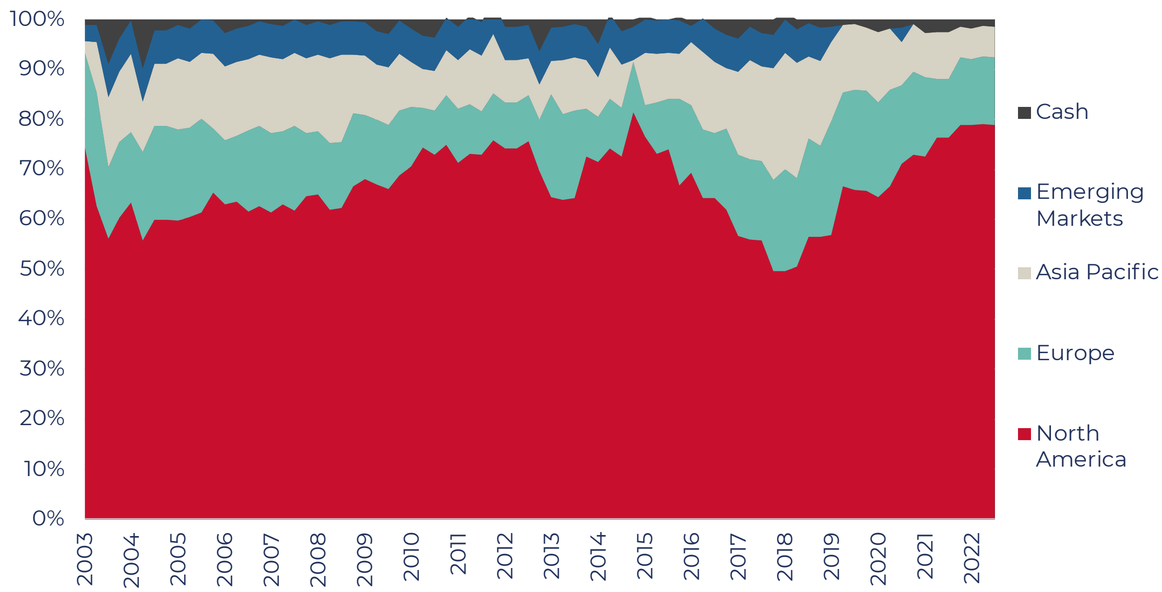
PayPal ended the quarter as the Fund's second bottom performer. While the stock ended the quarter strongly, this was not enough to offset the weakness arising from May's earnings release. Despite a beat to the top-line and a raise of bottom-line guidance, the stock fell 13% on the day of results. Revenues were up +10% at constant currency, with the firm's core Transaction segment up +6% (vs +5% consensus) and Other Value Added Services such as interest from customer deposits and credit products delivering +39% year-on-year growth. But whilst Total Payment Volumes grew +12% at constant currency, the negative price reaction was driven by weaker Transaction margins (+47.1% vs the prior quarter's 49.7%). These weaker margins were driven by the firm's unbranded suite of products, PCP and Braintree, an unbranded checkout alternative to the firm's traditional payment button. The product is aimed at small businesses and allows them to accept cards, digital wallets, and even Apple Pay. Whilst currently lower-margin, the product is a 'strategic imperative' for the firm since it is growing faster than the market and allowing the firm to take share of new market with approximately $750 million in total addressable market. More importantly, the unbranded suite offers a "significantly enhanced margin structure compared with the largest enterprise customers", an area that should allow the firm to demonstrate margin expansion over the long term. We therefore view the negative price movement as unjustified, particularly as operating margin actually came in ahead of estimates. Whilst transaction margin may be pressured over FY23, we expect long-term benefits to the margin profile. Outside of transaction margin, the firm has performed very well. The branded portion of the business continues to grow and even accelerate (+6.5% vs +4% the quarter prior), with core PayPal transactions per user increasing by 4% year-on-year, with the newer cohort of customers offering average revenues per account +40% higher than the prior year. Management guided to +100bps full year margin expansion, a downgrade from their previous +125bps estimate driven by the lower-margin unbranded business. However, solid revenue trends paired with efficiency gains in the operating expense line (management expects a 10% decline year-on-year) led to an incremental improvement in EPS guidance for the full year (+20% vs +18% prior).

FUND POSITIONING

The two charts below show how the exposure of the portfolio has evolved since we launched the strategy in 2003. We continue to hold no exposure to Real Estate, Energy, Materials, Consumer Staples, and Utilities. Information Technology remains our largest exposure, split between the three sub-sectors of semiconductors, software and services, and technology hardware. On a regional basis, North America continues to be the largest exposure (79%), followed by Europe (14%) and Asia Pacific (6%).



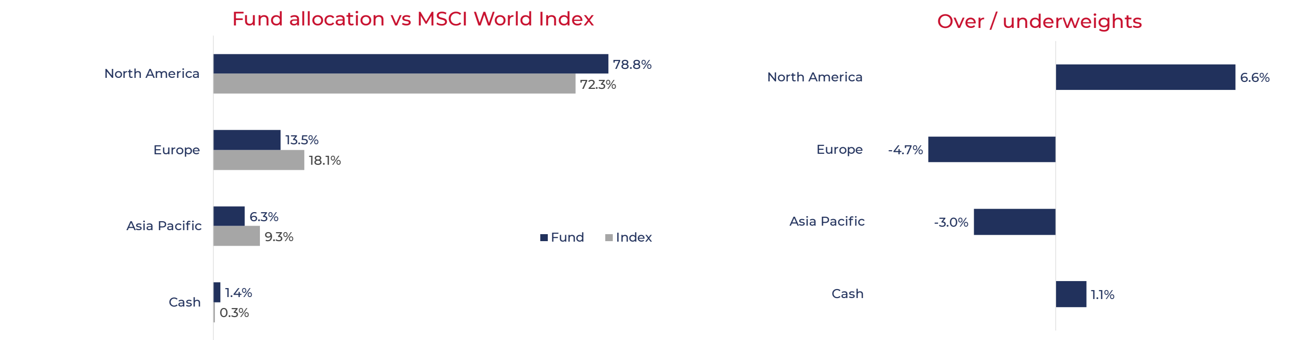
Source: Guinness Global Investors, Bloomberg (30th June 2023)



Source: Guinness Global Investors, Bloomberg (30th June 2023)

On a regional level, at the end of the quarter the Fund held a small overweight position to North America, and small underweight positions to Europe and Asia Pacific.

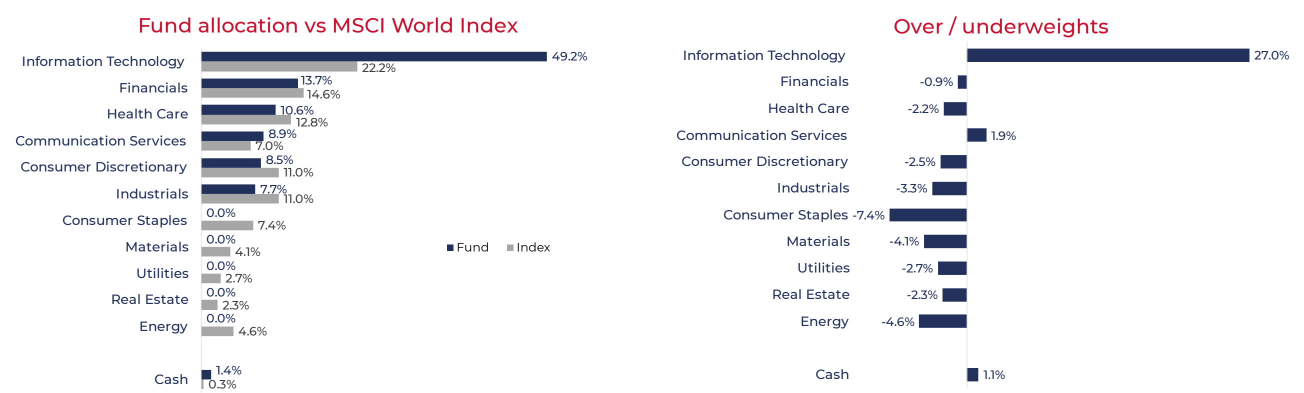
Geographic breakdown versus MSCI World Index



Source: Guinness Global Investors, Bloomberg (30th June 2023)

On a sector level, the Fund continues to have a large overweight to IT (27%), while its 0% exposure to Real Estate, Energy, Materials, Consumer Staples, and Utilities leaves these areas underweight relative to the benchmark.

Sector breakdown of the Fund versus MSCI World Index



Source: Guinness Global Investors, Bloomberg (30th June 2023)

OUTLOOK

The Guinness Global Innovators Fund seeks to invest in quality, innovative growth companies trading at reasonable valuations. By doing so, we seek to invest in companies that are experiencing faster profit growth and larger margins and which have less susceptibility to cyclical pressures. In particular, our focus on quality 'growth at a reasonable price' has shown its strength in avoiding the highly valued, non-profitable tech businesses that have swung between large rises and falls, but ultimately underperformed significantly over the last two years.

Innovation: We seek companies that are exposed to secular growth themes, which should therefore be more insulated to cyclical cycles.

Quality: We only invest in companies with good (and ideally growing) returns on capital and strong balance sheets.

Growth and valuation: We look to buy good growth companies at reasonable valuations and specifically we try to avoid paying too high a premium for expected future growth as this is inherently less predictable.

Conviction: We run a concentrated portfolio of 30 equally weighted stocks.

The table below illustrates how the portfolio reflects the four key tenets of our approach of innovation, quality, growth, and conviction. The Fund has superior characteristics to the broad market; higher spend on intellectual property through research and development (R&D), less capital intensiveness, higher cash flow returns on investment, with higher historic growth. The portfolio currently trades at a 22.9% premium to the benchmark on a PE basis, which we believe is a reasonable price to pay for this attractive set of characteristics.

		Fund	MSCI World Index
Innovation	R&D / Sales	9.6%	7.0%
	CAPEX / Sales	6.5%	8.7%
Quality	Return-on-Capital	19.4%	6.1%
	Weighted average net debt / equity	25.9%	40.8%
Growth (& valuation)	Trailing 5-year sales growth (annualised)	17.1%	3.5%
	Estimated earnings growth (2023 vs 2022)	8.4%	8.5%
	PE (2023e)	22.0	17.9
Conviction	Number of stocks	30	1630
	Active share	81%	-

Source: Guinness Global Investors, Bloomberg (data as at 30th June 2023)

In the current market environment, where inflation concerns, slower growth, and broader economic uncertainty remain top of mind, we are confident that the Fund's focus on high-quality growth stocks underpinned by secular trends should stand us in good stead.

We thank you for your continued support.

Portfolio Managers

Matthew Page
Ian Mortimer

Investment Analysts

Sagar Thanki
Joseph Stephens
William van der Weyden
Jack Drew

GUINNESS GLOBAL INNOVATORS FUND - FUND FACTS

Fund size	$710.7m
Fund launch	31.10.2014
Benchmark	MSCI World TR

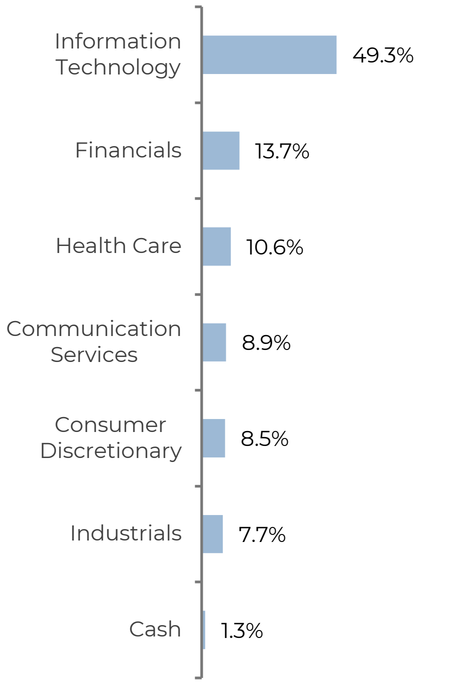
GUINNESS GLOBAL INNOVATORS FUND - PORTFOLIO

Top 10 holdings

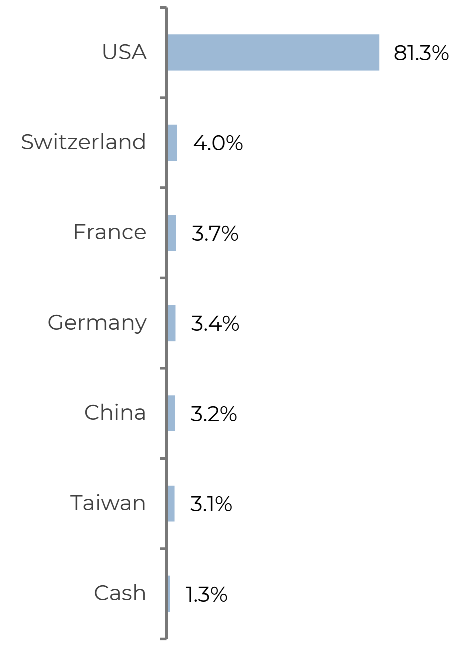
Nvidia Corp	4.2%
Microsoft	4.1%
ABB	4.0%
Amphenol Corp	3.8%
Mastercard Inc	3.8%
KLA-Tencor	3.8%
Lam Research	3.8%
Applied Materials	3.7%
Schneider Electric	3.7%
Roper Technologies Inc	3.6%

Top 10 holdings	38.6%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

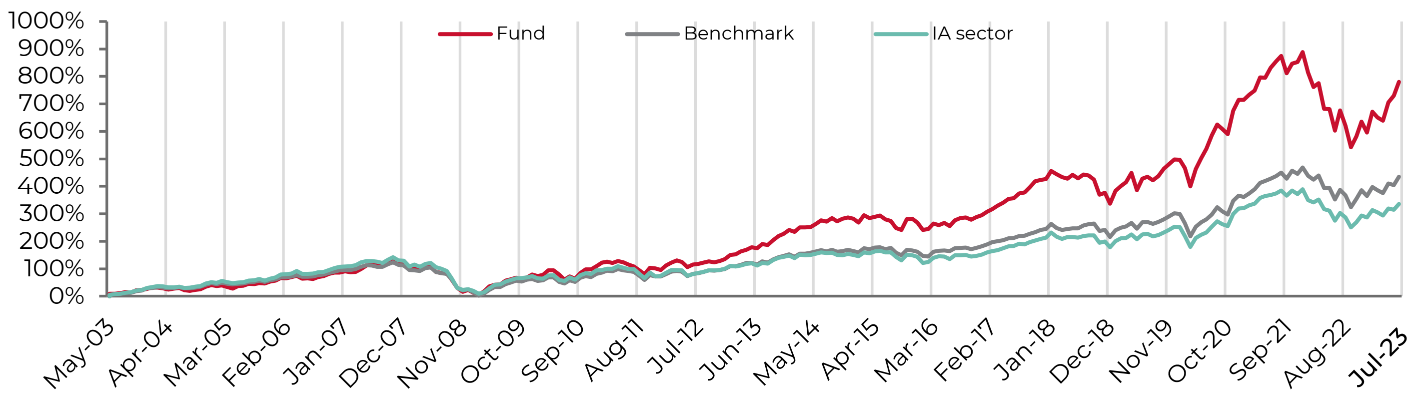
GUINNESS GLOBAL INNOVATORS FUND - CUMULATIVE PERFORMANCE

Total Return (GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+3.4%	+19.6%	+19.7%	+34.6%	+72.7%	+281.3%
MSCI World TR	+3.4%	+8.9%	+13.2%	+37.2%	+60.3%	+195.8%
IA Global TR	+2.4%	+6.5%	+10.8%	+27.3%	+44.1%	+145.2%
Total Return (USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+6.1%	+26.4%	+25.4%	+38.4%	+66.3%	+220.4%
MSCI World TR	+6.1%	+15.1%	+18.5%	+41.2%	+54.4%	+147.9%
IA Global TR	+5.0%	+12.6%	+16.0%	+30.9%	+38.8%	+105.5%
Total Return (EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+3.6%	+23.7%	+20.1%	+42.5%	+78.0%	+280.3%
MSCI World TR	+3.6%	+12.6%	+13.6%	+45.3%	+65.2%	+195.4%
IA Global TR	+2.6%	+10.1%	+11.1%	+34.8%	+48.5%	+144.9%

GUINNESS GLOBAL INNOVATORS FUND - ANNUAL PERFORMANCE

Total Return (GBP)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund	-20.7%	+22.6%	+32.1%	+31.3%	-11.9%	+22.0%	+27.7%	+2.0%	+18.9%	+42.6%
MSCI World TR	-7.8%	+22.9%	+12.3%	+22.7%	-3.0%	+11.8%	+28.2%	+4.9%	+11.5%	+24.3%
IA Global TR	-11.1%	+17.7%	+15.3%	+21.9%	-5.7%	+14.0%	+23.3%	+2.8%	+7.1%	+21.7%
Total Return (USD)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Fund	-29.6%	+21.5%	+36.3%	+36.6%	-17.0%	+33.6%	+7.2%	-3.5%	+11.9%	+45.3%
MSCI World TR	-18.1%	+21.8%	+15.9%	+27.7%	-8.7%	+22.4%	+7.5%	-0.9%	+4.9%	+26.7%
IA Global TR	-21.0%	+16.6%	+18.9%	+26.8%	-11.2%	+24.8%	+3.4%	-2.9%	+0.8%	+24.0%
Total Return (EUR)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Fund	-25.0%	+30.7%	+25.0%	+39.1%	-12.9%	+17.3%	+10.2%	+7.3%	+27.4%	+39.0%
MSCI World TR	-12.8%	+31.1%	+6.3%	+30.0%	-4.1%	+7.5%	+10.7%	+10.4%	+19.5%	+21.2%
IA Global TR	-15.8%	+25.5%	+9.1%	+29.2%	-6.8%	+9.6%	+6.5%	+8.2%	+14.8%	+18.6%

GUINNESS GLOBAL INNOVATORS FUND - PERFORMANCE SINCE LAUNCH (USD)



Simulated past performance in ten year and since launch figures . The Fund was launched on 31.10.2014; performance data prior to this date is based on the actual returns of a US mutual fund managed by the same team using the same investment process as applied to the UCITS version.

Source: FE fundinfo to 30.06..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 0.87%. 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. Graph data is in USD from 01.05.03.

TB GUINNESS GLOBAL INNOVATORS FUND - FUND FACTS

Fund size	£0.6m
Fund launch	30.12.2022
Benchmark	MSCI World TR

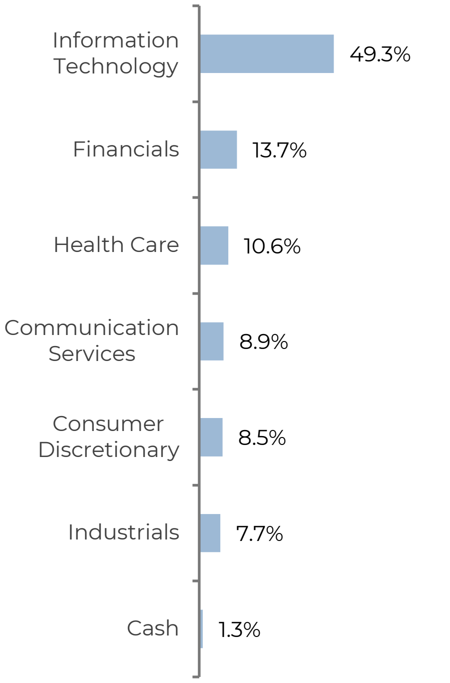
TB GUINNESS GLOBAL INNOVATORS FUND - PORTFOLIO

Top 10 holdings

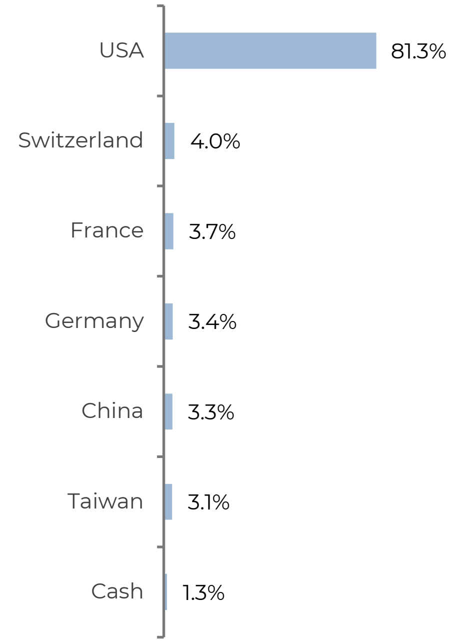
Nvidia Corp	4.1%
Microsoft	4.1%
ABB	4.0%
Amphenol Corp	3.8%
Mastercard Inc	3.8%
Applied Materials	3.8%
Lam Research	3.7%
KLA-Tencor	3.7%
Schneider Electric	3.7%
Roper Technologies Inc	3.6%

Top 10 holdings	38.4%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

TB GUINNESS GLOBAL INNOVATORS FUND - CUMULATIVE PERFORMANCE

Total Return (GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
MSCI World TR	-	-	-	-	-	-
IA Global TR	-	-	-	-	-	-

TB GUINNESS GLOBAL INNOVATORS FUND - ANNUAL PERFORMANCE

Total Return (GBP)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
MSCI World TR	-	-	-	-	-	-	-	-	-	-
IA Global TR	-	-	-	-	-	-	-	-	-	-

TB GUINNESS GLOBAL INNOVATORS 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 30.06.23. 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 0.79%. 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 which is a trading name of Guinness Asset Management Limited which is authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about the Guinness Global Innovators Fund and the TB Guinness Global Innovators Fund. It may provide information about the Funds' 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 Funds or to buy or sell individual securities, nor does it constitute an offer for sale.

GUINNESS GLOBAL INNOVATORS FUND

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.

TB GUINNESS GLOBAL INNOVATORS FUND

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.

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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.