

## 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.

## ABOUT THE STRATEGY

<b>Launch</b>	19.12.2013
<b>Index</b>	MSCI Europe ex UK
<b>Sector</b>	IA Europe Excluding UK
<b>Manager</b>	Nick Edwards
<b>EU Domiciled</b>	Guinness European Equity Income Fund
<b>UK Domiciled</b>	WS 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.

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## COMMENTARY

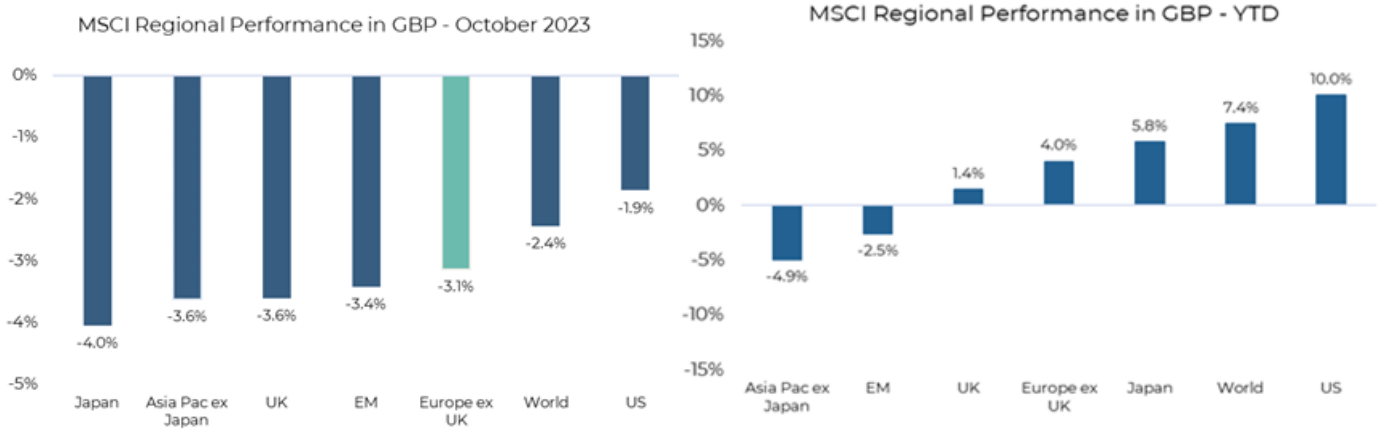
The Guinness European Equity Income Fund fell -3.9% (Y class, in GBP) in October and underperformed the MSCI Europe ex UK Index which fell -3.1%. The Fund remains just ahead of its benchmark over the year to date.

The biggest contributor to relative performance came from Health Care, specifically EssilorLuxottica and Novo Nordisk. Detractors came primarily from Technology and Consumer Discretionary. Communication Services and Financials underperformed modestly. Zero-weightings to Energy, Materials and Utilities, which tend not to meet our quality criteria, were also a small negative during the month.

The main detractors in Technology were Melexis (Belgium, chip designer for the auto industry) and TietoEVRY (Finland, software services). In Consumer Discretionary, declines were led by Mercedes Benz and Kaufman & Broad (France, property development and construction).

## Guinness European Equity Income

Chart: MSCI World Index Net Total Return breakdown by region in GBP terms.



Source: Bloomberg

### Backdrop

Headline inflation in the Eurozone slowed to 2.9% in October, the slowest in two years, helped lower by falling energy costs. Nevertheless, core inflation remains obstinately above 4% and in this, the ECB is facing to same problems as those experienced in the US and UK. However, Eurozone leading indicators remain roughly where they were in August with both Manufacturing and Services Purchasing managers Indices (PMI's) in contraction territory and this allows the ECB to adopt a wait-and-see-approach.

The benchmark deposit rate was last raised in September, by 0.25% to 4% and Christine Lagarde was quoted as saying on 10th November:

*“The level where we are at the moment, if we sustain it for long enough – and we can debate that, of course – will make a significant contribution to bringing inflation back to our 2% target. If major shocks come up, depending on the nature of the shocks, we’ll have to revisit that.”*

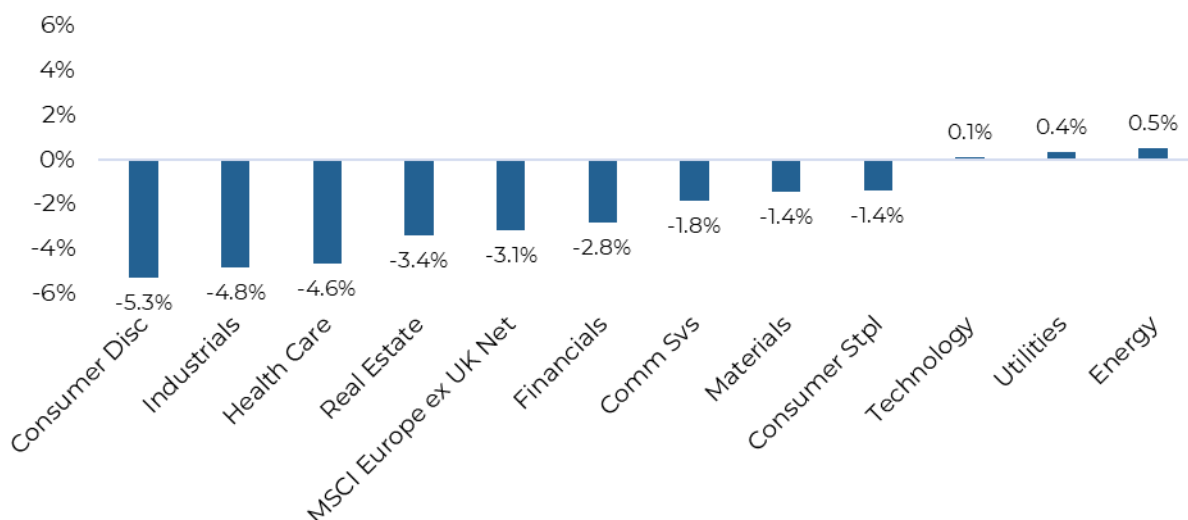
Markets have welcomed this pause, but we also have to bear in mind that the job is not yet complete; that the impact of the work done so far is not yet fully visible and that for the job to be complete the economy must have slowed sufficiently to create the slack that will allow core inflation to fall back to target. A major shock that is higher on the list of possibilities is the spillover of the war in Gaza into a regional conflict that could cause energy prices to surge.

In this environment of heightened macro-economic and geopolitical uncertainties, we think our focus on financially sound and well-managed businesses is a good place to be. Earnings and dividends are likely to be the drivers of investment returns, rather than valuation expansion.

PERFORMANCE

MSCI Europe ex UK Index performance in October was weighed by Consumer Discretionary, Industrials and Health Care which together account for 45% of the index.

MSCI Europe ex UK Sector performance in GBP - Oct 2023



Source: Bloomberg

In terms of country performance, France and Spain fell -3.3% and -3.6% respectively, in line with the index while Germany and Switzerland fell -4% and Sweden was the weakest, down 5.6%. Denmark (for whom Novo Nordisk accounts for 65%) rose +0.8% and the Netherlands and Italy were down less than 1%.

Earnings revisions for the Fund were cut in October by -0.6% for 2023, -1.9% for 2024 and -1.7% for 2025. This was weaker than market and is attributable to cuts in forecasts for Helvetia, Melexis, Mercedes Benz, Salmar, and TietroEVRY.

Despite these cuts to earnings forecasts, the portfolio is still expected to grow earnings by 9.0% per annum over the next three years compared to 8.3% per annum for the market and 6.2% per annum for the MSCI World Index.

**Contributors:**

**Novo Nordisk** (+5.5% in GBP terms) and **EssilorLuxottica** (+3.8%) were the two main contributors to relative performance from the Health Care sector. Novo Nordisk continued its outperformance driven by Wegovy, the weight loss treatment. Earnings forecasts continue to be revised higher, up 3% to 6% for each of the next three years and average annual growth is expected to average 28% per annum over the period to 2025. EssilorLuxottica's earnings have also seen some modest upgrades and to achieve better earnings growth than the market of 10% in both 2024 and 2025. Confidence in the company's operating outlook increased following its recent trading statement that indicate positive momentum across prescription and retail glasses and frames. North American sales have been weaker but are now steady while the integration of global optical retailer, GrandVision appears to be going well.

**Detractors:**

**Melexis** (-13.4%) and **TietroEVRY** (-6.7%) were the two main detractors from Technology. Results from Melexis in both 2Q and 3Q have been in line with expectations and have delivered both sales growth and margin expansion with latest gross margin of 46.1% ahead of forecasts and delivered higher-than expected operating profit. Management reiterated its guidance for 15% sales growth and solid margins of 45%+ gross and 27%+ operating. However, the company is focused on the auto sector

## Guinness European Equity Income

and the market is focused on cooling demand in the EV segment leading to cuts in earnings forecasts for 2024 and 2025 and this, plus valuation compression explains the share price fall. We think that the capital light and innovative nature of the business, with robust margins that have remained stable over time make this one to stick with over the long term. In the case of TietoEVRY, its software services to the banking sector remain the main cause for concern. The market is happy enough with management's strategic plan for specialisation but the current revenue growth and margin for this segment have been softer. Management has already stated its aim to turn this into a standalone business and the tech services business is also undergoing strategic review. In the meantime, earnings growth in 2024 is expected to 5% accelerating to 9% in 2025.

In the Consumer Discretionary sector, **Kaufman & Broad** (-8.7%) and **Mercedes Benz** (-15.5%) fell most. Kaufman is a French property developer of both residential and commercial buildings. The company is financially sound but at its recent results announcement reported volume declines of -12.6% for the first nine months of the year, albeit far less than the -35% for the sector. Earnings forecasts are unchanged for 2023 and 2025 but weakness is expected in 2024 with an earnings contraction of -14% sandwiched by 25% growth in 2023 and 15% in 2025. The company offers a trailing yield of 9% and the dividend is expected to grow again for next year. Mercedes has been affected by the autoworkers' strikes in the US which have delayed the supplies of certain parts but the main reason for the share price decline is slower deliveries in the third quarter making the full-year targets hard to achieve. There was pricing pressure and delivery delays in the car segment but commercial vehicles beat forecasts. Earnings forecasts have been trimmed by -2% to -4% over the next three years and earnings growth momentum appears to have stalled for the moment. The stock yields over 9% on a trailing basis.

### Others (Earnings revisions):

We highlighted cuts to earnings forecasts for Helvetia (-4.2%) and Salmar (-6.7%). Helvetia is a Swiss insurance company offering both life and Property & Casualty insurance. Downgraded forecasts are linked both to pressure on underwriting margins on weather-related losses in Switzerland and Italy and to returns on its investment portfolio. The results is the company is expected to generate only modest 4% annual growth over the next three years but its below average valuation and above average yield and steady dividend growth are supportive. In the case of Salmar, the story is already turning. Cuts to forecasts in October have reversed sharply in November with both forecasts and share price jumping. 3Q results were much better than expected with a perfect combination of lower costs and higher selling prices. Guidance for the fourth quarter is also positive on both. The stock has been an outperformer this year and this looks set to continue.

## OUTLOOK

The macroeconomic environment remains in flux as the work of the central banks in Europe, the US and UK to bring underlying inflation back to 2% continues. While markets have been encouraged by the robustness of the consumer, especially in the US, it is hard to see how this can continue if the conditions are to be met to bring inflation down. Therefore, we see investment returns being driven by operating performance of companies driving profits and dividends. We would be very cautious of thematic positioning with a view to driving valuation expansion in anticipation of earnings to come. The philosophy of the Fund and its investment strategy focuses on the earnings and dividends approach with its quality company approach.

The portfolio is forecast by the consensus to grow its earnings by an average 9% per annum over the next three years, which is faster than the market. The valuation of 13.8x 2023 estimated earnings and 12.9x 2024 puts it at a modest 5% premium to the market. The trailing yield on the Fund is 3.6% (Y share class, GBP as at the end of October.)

### Portfolio Manager

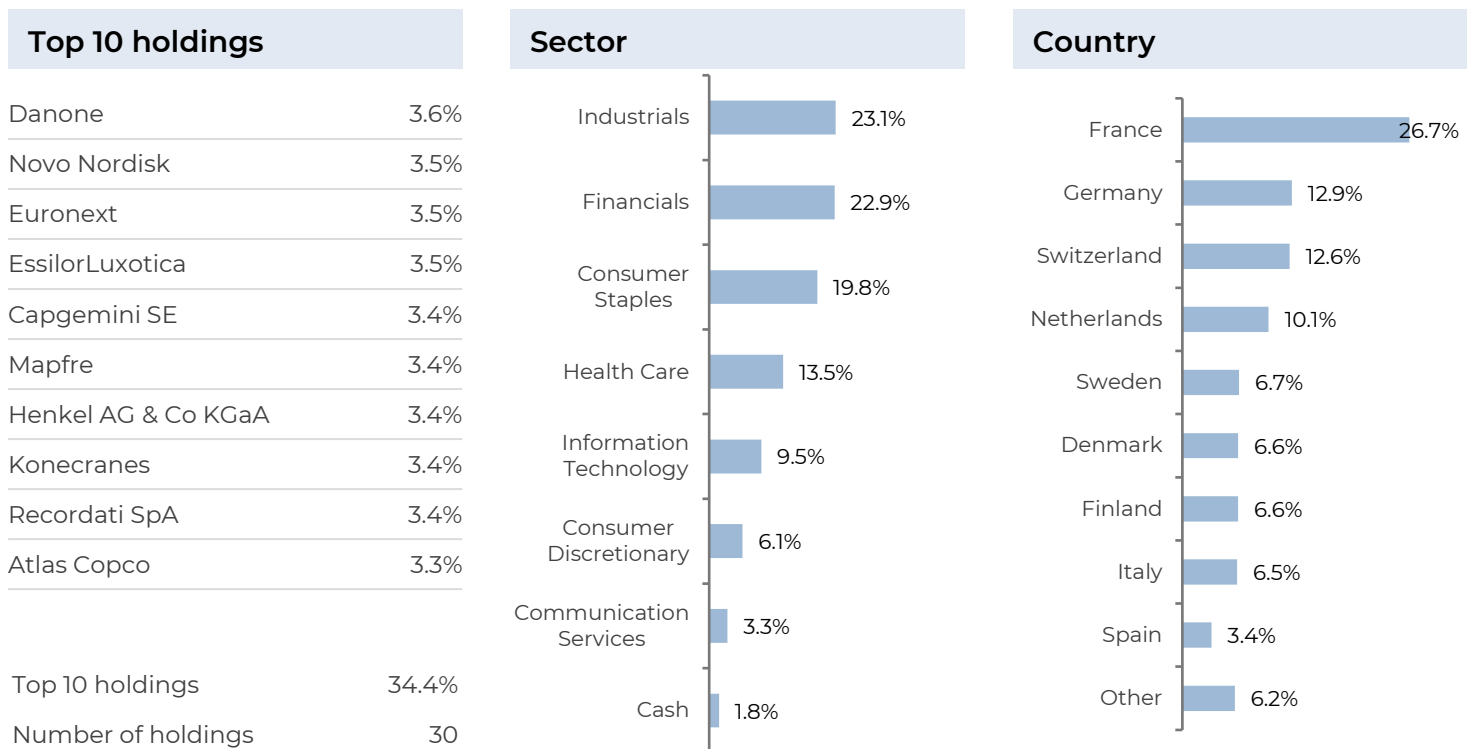
Nick Edwards

**GUINNESS EUROPEAN EQUITY INCOME FUND - FUND FACTS**

Fund size	\$9.2m
Fund launch	19.12.2013
OCF	0.89%
Benchmark	MSCI Europe ex UK TR
Historic yield	3.6% (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**



## Guinness European Equity Income Fund

Past performance does not predict future returns.

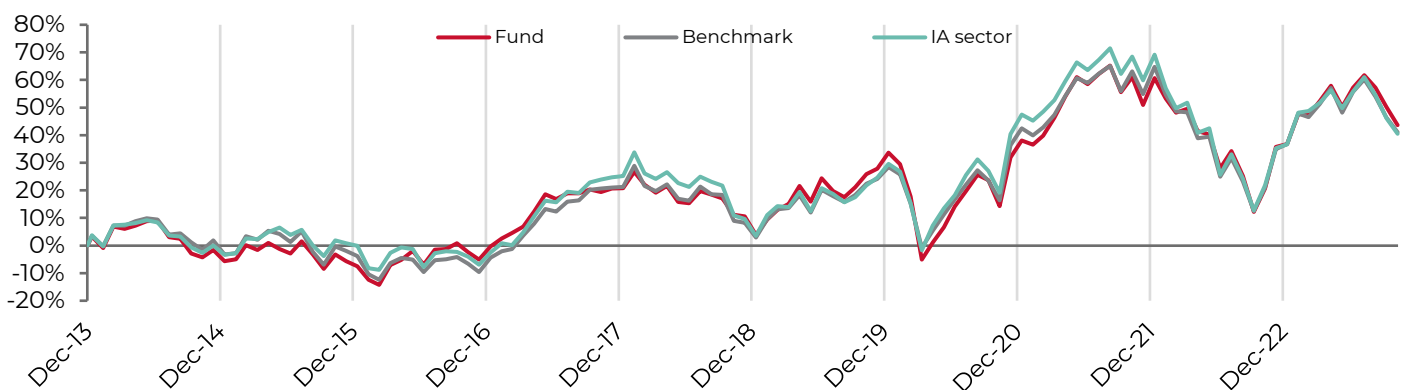
### GUINNESS EUROPEAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-3.9%	+4.1%	+13.6%	+33.9%	+36.0%	-
MSCI Europe ex UK TR	-3.0%	+3.5%	+10.7%	+29.2%	+36.4%	-
IA Europe Excluding UK TR	-3.4%	+1.9%	+9.4%	+25.6%	+33.4%	-
(USD)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-4.5%	+5.0%	+19.0%	+25.6%	+29.2%	-
MSCI Europe ex UK TR	-3.6%	+4.4%	+16.6%	+21.2%	+29.6%	-
IA Europe Excluding UK TR	-3.9%	+2.8%	+15.3%	+17.9%	+26.7%	-
(EUR)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-4.3%	+6.0%	+12.0%	+38.5%	+38.6%	-
MSCI Europe ex UK TR	-3.4%	+5.4%	+9.1%	+33.6%	+38.9%	-
IA Europe Excluding UK TR	-3.8%	+3.8%	+7.8%	+29.9%	+35.8%	-

### GUINNESS EUROPEAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

(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%	-
(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%	-
(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)



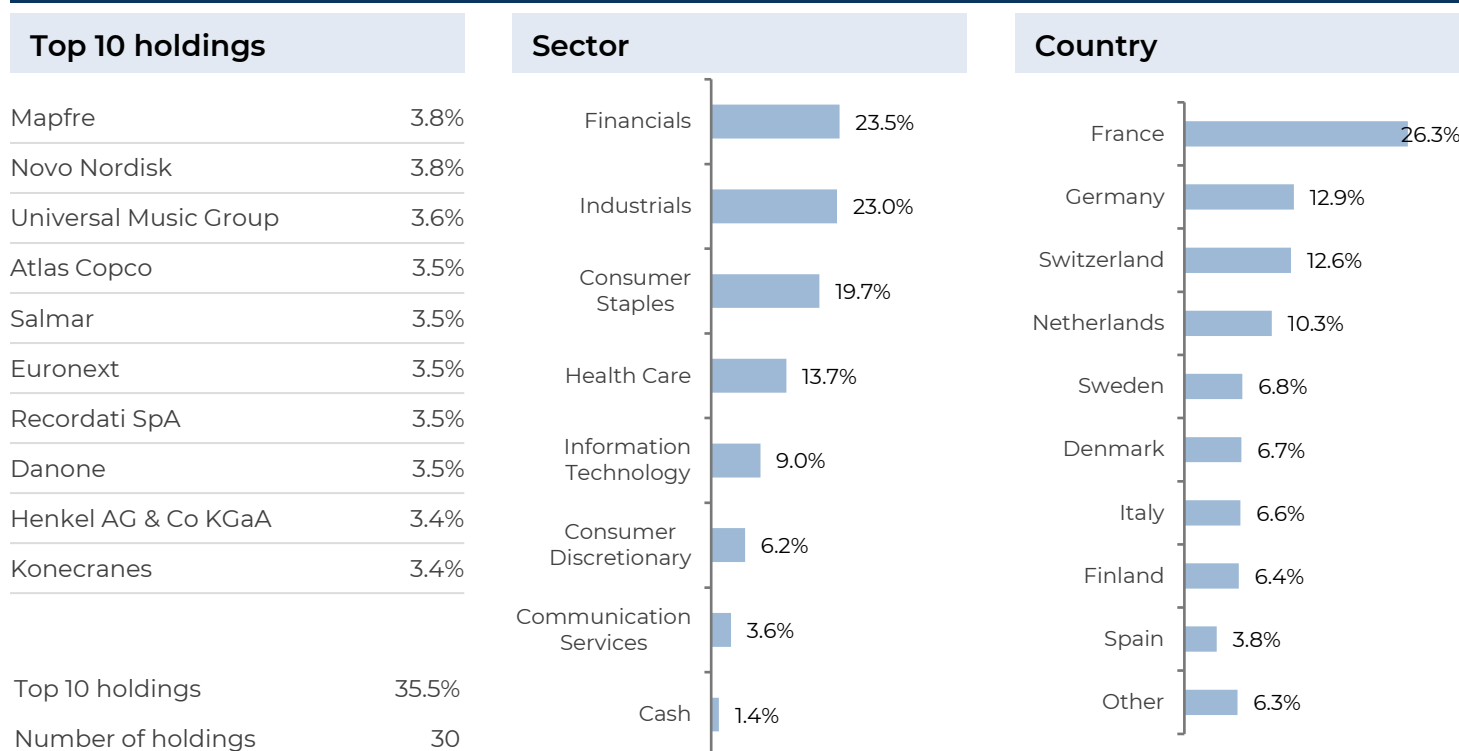
Source: FE fundinfo to 31.10.23. Investors should note that fees and expenses are charged to the capital of the Fund. This reduces the return on your investment by an amount equivalent to the Ongoing Charges Figure (OCF). The current OCF for the share class used for the fund performance returns is 0.89%. 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.

**WS GUINNESS EUROPEAN EQUITY INCOME FUND - FUND FACTS**

Fund size	£0.5m
Fund launch	30.12.2022
OCF	0.89%
Benchmark	MSCI Europe ex UK TR
Historic yield	3.2% (Y Inc)

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.

**WS GUINNESS EUROPEAN EQUITY INCOME FUND - PORTFOLIO**



## WS Guinness European Equity Income Fund

Past performance does not predict future returns.

### WS GUINNESS EUROPEAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

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

### WS GUINNESS EUROPEAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

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

### WS 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 31.10.23. 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** 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 European Equity Income Fund and the WS Guinness European Equity Income 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. OCFs for all share classes are available on [www.guinnessgi.com](http://www.guinnessgi.com).

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 EUROPEAN EQUITY INCOME 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](http://www.guinnessgi.com) or free of charge from:-

- the Manager: Waystone Management Company (IE) Limited (Waystone IE) 2nd Floor 35 Shelbourne Road, Ballsbridge, Dublin DO4 A4E, Ireland or the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

Waystone IE Management Company (IE), 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.waystone.com/waystone-policies/>

#### Residency

In countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful, the Fund should not be distributed to resident Retail Clients. NOTE: THIS INVESTMENT IS NOT FOR SALE TO U.S. PERSONS.

#### Structure & regulation

The Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and

authorised and supervised by the Central Bank of Ireland, which operates under EU legislation. If you are in any doubt about the suitability of investing in this Fund, please consult your investment or other professional adviser.

#### Switzerland

This is an advertising document. The prospectus and KID for Switzerland, the articles of association, and the annual and semi-annual reports can be obtained free of charge from the representative in Switzerland, Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva, Switzerland, Tel. +41 22 705 11 77, [www.carnegie-fund-services.ch](http://www.carnegie-fund-services.ch). The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Geneva, Switzerland.

#### Singapore

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

### WS GUINNESS EUROPEAN EQUITY INCOME 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 <https://www.waystone.com/our-funds/waystone-fund-services-uk-limited/> or free of charge from:-

Waystone Fund Services (UK) Limited  
64 St James's Street  
Nottingham  
NG1 6FJ  
General enquiries: 0115 988 8200  
Dealing Line: 0115 988 8285  
E-Mail: [clientservices@waystonefs.co.uk](mailto:clientservices@waystonefs.co.uk)

Waystone Fund Services (UK) 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 WS 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.