Guinness European Equity Income

2023 Annual Review and Outlook

GUINNESS GLOBAL INVESTORS

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
Manager	Nick Edwards Will James
EU Domiciled	Guinness European Equity Income Fund
UK Domiciled	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

In Q4 2023 the Guinness European Equity Income Fund rose 7.8% (in GBP), outperforming the MSCI Europe ex UK Net Return Index, which rose 5.4%, by 2.4%. In 2023 the Fund rose 17.2% (in GBP) over the year, versus the MSCI Europe Ex UK Net Return Index, which rose 14.8% (in GBP). The Fund therefore outperformed the Index by 2.4% over the year.

Performance (to Month End) - Past performance does not predict future returns

	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund (GBP)	+5.2%	+17.2%	+17.2%	+32.0%	+63.4%	+113.1%
Benchmark (GBP)	+4.4%	+14.8%	+14.8%	+23.8%	+59.7%	+106.4%
IA sector (GBP)	+4.8%	+14.0%	+14.0%	+20.1%	+59.3%	+106.8%
Fund (USD)	+5.9%	+24.2%	+24.2%	+23.1%	+63.5%	+64.5%
Benchmark (USD)	+5.1%	+21.7%	+21.7%	+15.5%	+59.8%	+58.8%
IA sector (USD)	+5.6%	+20.8%	+20.8%	+12.0%	+59.4%	+59.2%
Fund (EUR)	+4.6%	+20.0%	+20.0%	+36.3%	+69.3%	+104.2%
Benchmark (EUR)	+3.9%	+17.6%	+17.6%	+27.9%	+65.4%	+98.1%
IA sector (EUR)	+4.3%	+16.7%	+16.7%	+24.0%	+65.0%	+98.6%

Figure 1: Performance data as of 31st December 2023 in GBP. Source: FE fundinfo. Further details on page 19.

December 2023 also marked the 10th anniversary of the Fund and it is pleasing to see that the Fund has delivered an attractive total return both in absolute and relative terms over 1, 3, 5 and now 10 years.

INVESTMENT SUMMARY

The strategy is well balanced across a select 30 quality, value Europe ex UK companies, both cyclical and defensive, characterised by structural growth and supported by long histories of generating persistent high cash returns alongside strong balance sheets. This means that macro and short-term fluctuations should prove of little consequence to long-run returns. With the headwinds of inflation and the period of rapid interest rates perhaps behind us, and, in fact, with the prospect of interest rate cuts in 2024, the case for European equities is increasingly compelling. While geopolitics will continue to dominate the headlines in 2024, we continue to find plenty of opportunities amongst Europe's robust, dividend paying and globally leading companies.

THE DIVIDEND

The dividend (Z Share Class GBP) grew by 10.5% in 2023 (July 2023 and January 2024 payments). Despite the concerns in the latter half of 2022 and 2023 about the economic slowdown in Europe, the portfolio holdings demonstrated their ability to continue to grow their dividends and reflects their strong cash generation, effective capital allocation and strong balance sheets. The dividend compound annual growth rate (CAGR) since the strategy's inception on December 19th 2013 is now 6.5%. Based on year-end pricing, the last 12-month dividend yield is 3.2% (net of withholding tax vs MSCI Europe ex UK 3.2% gross. 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).

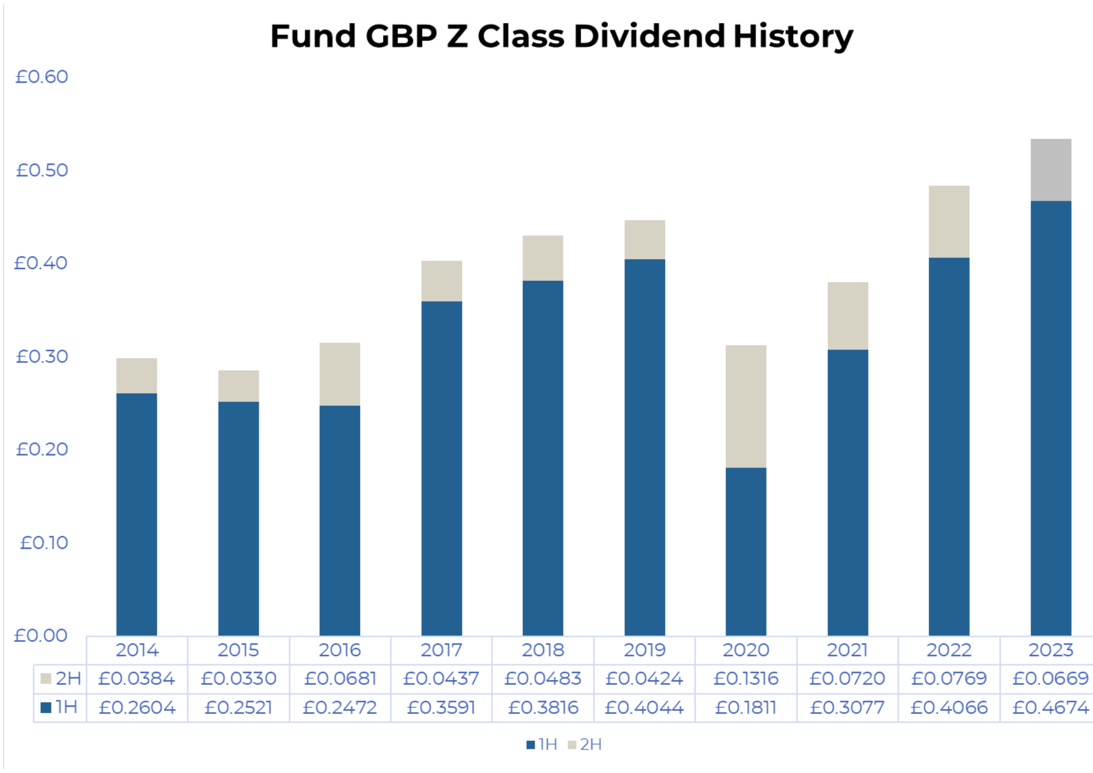


Figure 2: Fund dividend history since inception. H1 (July 2023 dividend in blue, H2 January 2024 dividend in grey). (Z Share Class GBP). Source: Guinness Global Investors:

INVESTMENT BACKDROP

After a challenging year for European markets in 2022 that was dominated by Russia's invasion of Ukraine, the associated energy crisis and wider concerns about inflation and growth, 2023 could perhaps be seen as offering relief for European investors. The speed and effectiveness of the response to both Silicon Valley Bank's failure in the US and the Credit Suisse crisis in Switzerland was impressive and demonstrated how far regulatory oversight has come since the Global Financial Crisis and European sovereign debt crisis, and with it, the ability to respond swiftly and decisively. With the risk of wider contagion to the financial system averted and lacklustre economic growth, the focus shifted back to inflation and the associated trajectory of interest rates.

Energy price inflation started to subside rapidly through 2023. This was in large part due to the rapid response by the EU to tackle the 'weaponisation' of Russian gas by President Putin. A combination of the concerted effort to source replacement natural gas from the US and the Middle East and warmer-than-expected weather were key drivers. In fact, Europe ended 2023 with gas storage facilities full and wind and solar electricity generation exceeding gas-fired generation for the first time, according to the energy think tank Ember, demonstrating Europe's role in the Green Revolution.

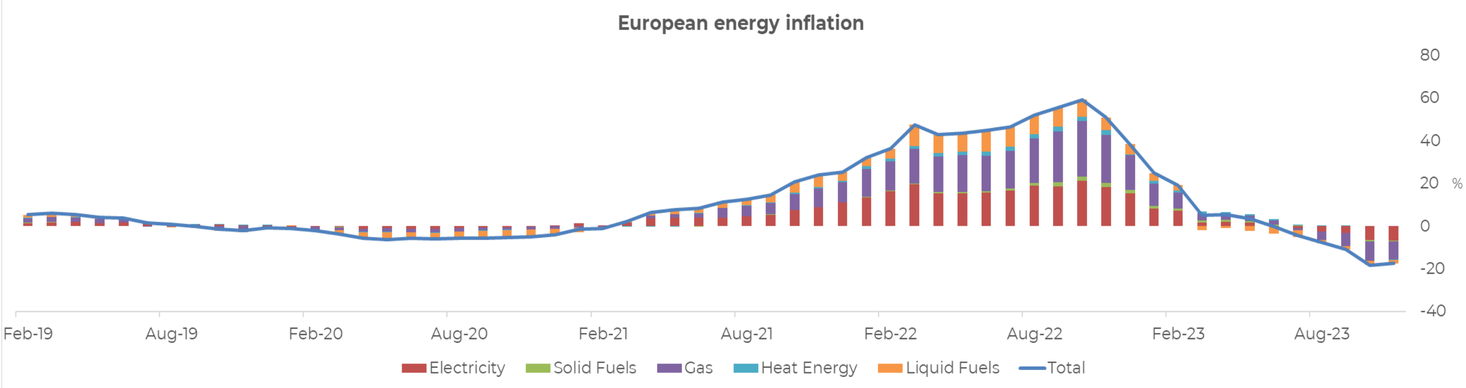
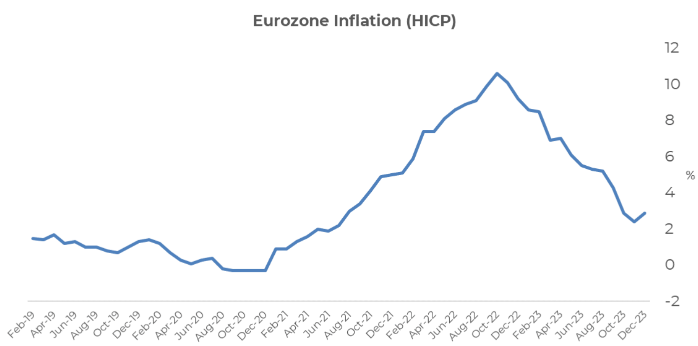


Figure 3: Inflation of different components of energy and total energy inflation. Data to 31.12.2023. Source: Bloomberg data.

As a result of the fall in gas and electricity prices, European headline inflation fell to 2.9% by the end of 2023 (having hit 10.6% in October 2022). Consequently, the European Central Bank (ECB) refrained from raising rates again in September.



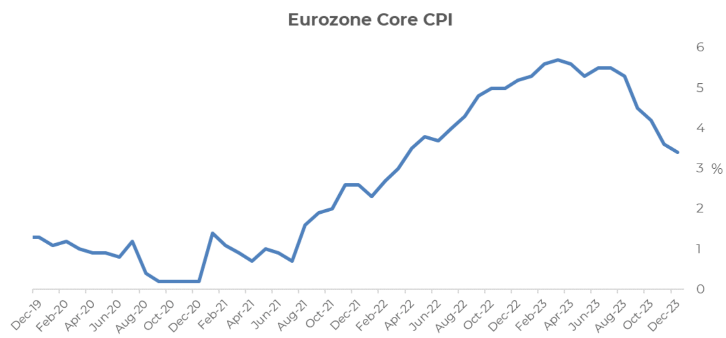


Figure 4: Eurozone Harmonized Index of Consumer Prices (HICP). Eurozone Core Consumer Price Index. Source: Bloomberg

This was accompanied by a suggestion from the ECB that interest rates had perhaps peaked for this cycle. That said, core inflation (ex-energy and food) in Europe remains somewhat stickier at 3.4% with both the ECB's harmonised index of consumer prices (HICP) and core CPI above the ECB target of 2%; something markets will continue to have a keen interest in over the course of 2024.

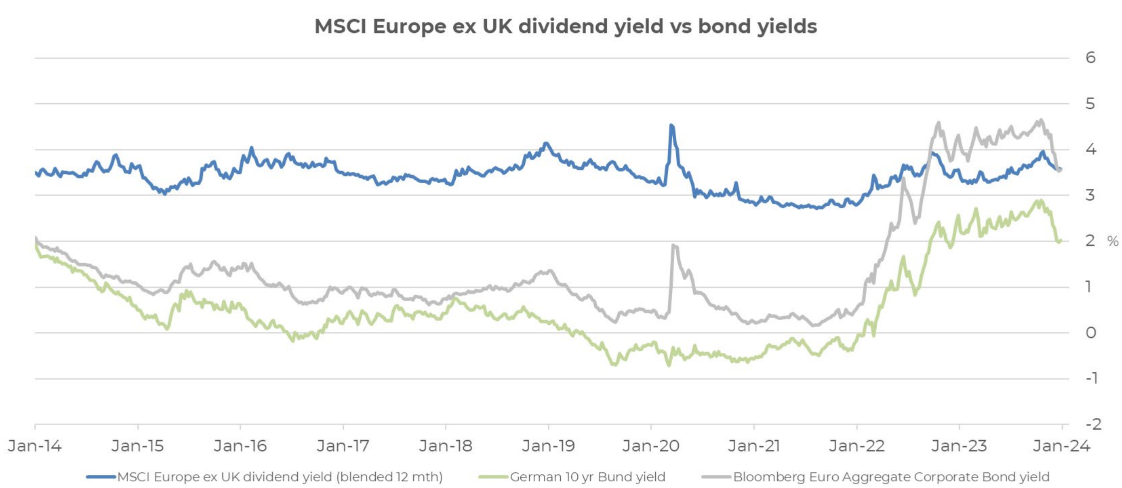


Figure 5: Comparison of yields on offer across MSCI Europe ex UK index, German 10 year Bund and Euro Aggregate Corporate Bonds. Data to 31.12.2023. Source: Bloomberg

Falling inflation and a more dovish outlook saw both government and corporate bond yields drop sharply (Figure 5) and prices rally as the market started to consider that the worst of the inflation squeeze had passed. As a result, equity markets also rallied strongly in Q4. In fact, it was interesting to note that corporate bond yields fell back towards equity dividend yields, thus diluting one of the recent arguments against investing in equity income strategies.

The economic backdrop in Europe

There were continued signs of rebounding consumer confidence (Figure 6) helped by falling input costs from the 30-year lows of 2022. In addition, labour markets remained remarkably strong with unemployment at 6.4% (a relatively good level for Europe). However, while consumers feel better off due to declining energy costs, businesses across Europe are becoming more circumspect after the initial bounce in confidence post the worst of the energy crisis in 2022.

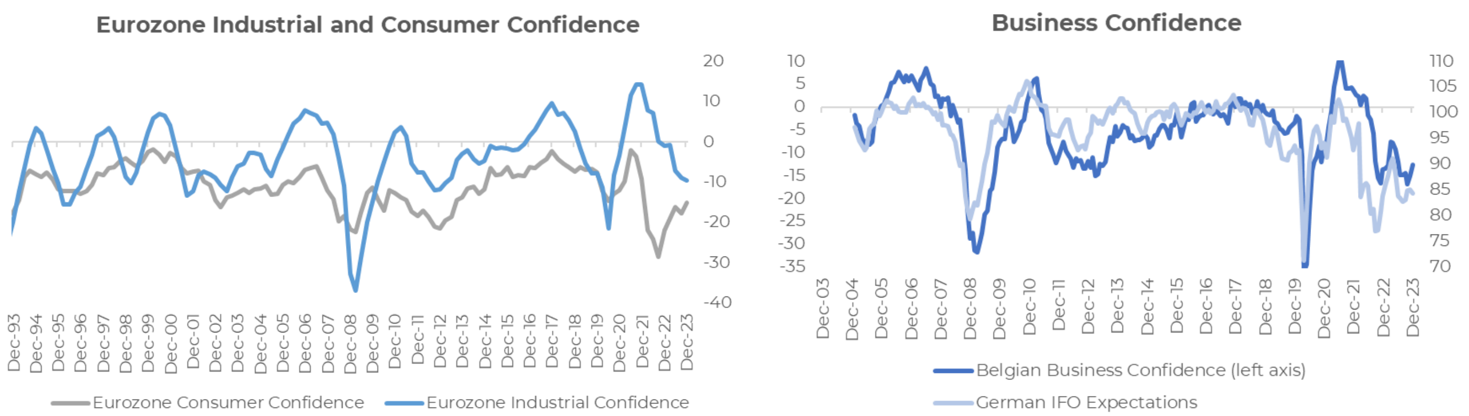


Figure 6: Eurozone industrial & Consumer Confidence, German IFO / Business expectations. Data to 31.12.2023. Source: Bloomberg

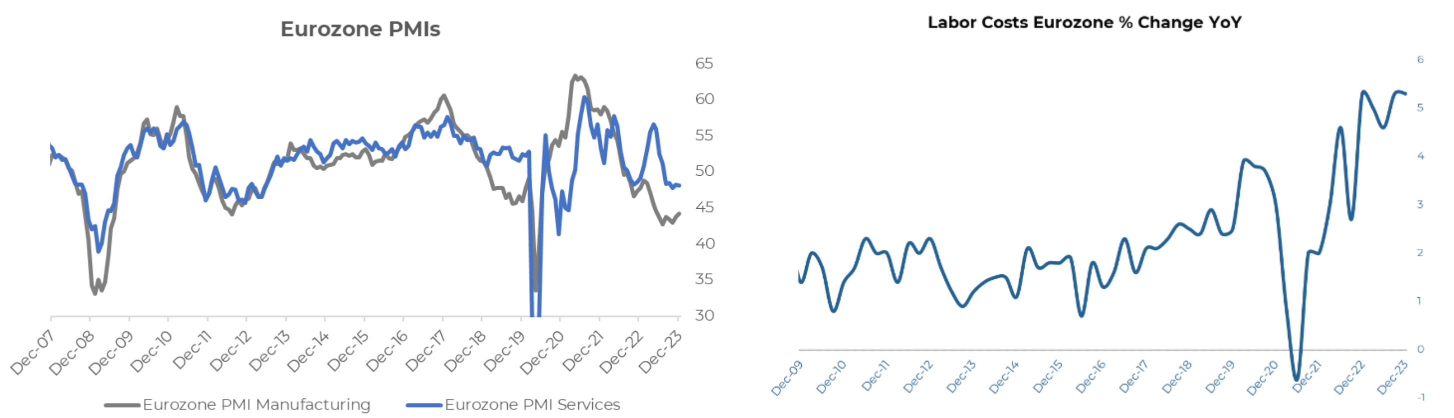


Figure 7: Eurozone PMIs, and Eurozone Labour inflation. Data to 31.12.2023. Source: Bloomberg.

Despite positive equity markets, the corporate outlook is perhaps more challenging as companies grapple with the impact of the recent wage inflation, an uncertain demand outlook and the complex geopolitical backdrop. This is mirrored in both Manufacturing and Services purchasing managers' indices (PMIs) (Figure 7) which are stuck doggedly below the 50 level (any number below 50 denotes contraction). Therefore, one can understand the reason for the more dovish rhetoric from the ECB and given the slack in the labour market (6.4% vs 3.8% in US), it makes sense that European rates should remain well below US rates. The ECB will potentially be one of the first developed market central banks to cut rates in 2024 – the timing of which remains to be seen.

Market valuation in Europe

Against this backdrop and even after Q4's recovery MSCI Europe ex UK's valuation is still trading below its long-run average. Even if one removes the anomaly in valuations as a result of 0% interest rates and COVID-19, the market's valuation is interesting from a longer-term perspective.

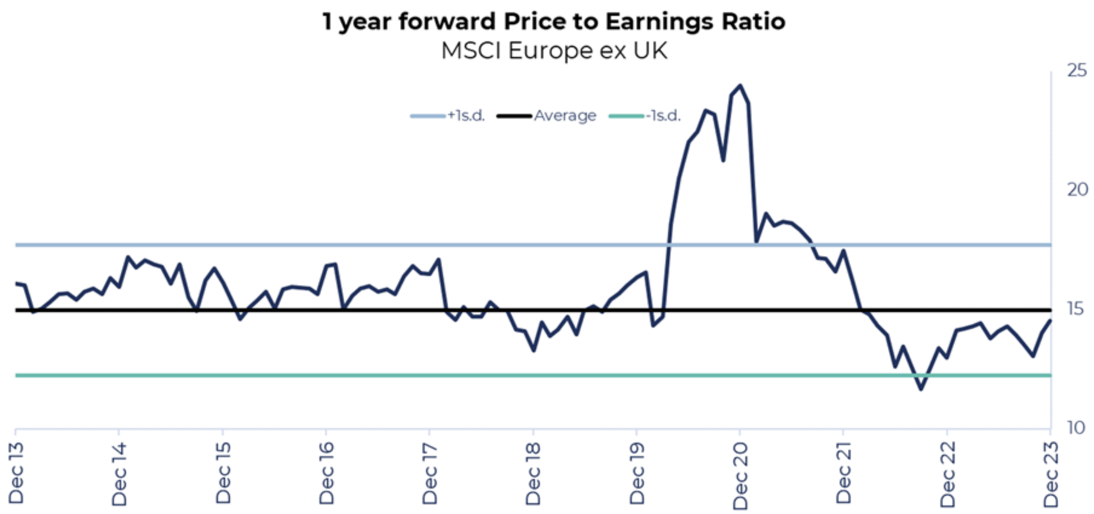


Figure 8: MSCI Europe ex UK PE (1 yr forward) vs history. Data to 31.12.2023. Source: Bloomberg data.

While the valuation was perhaps not as compelling as during 2022, earnings have not suffered as much as had priced into markets during the energy crisis. In fact, despite the various economic headwinds and a widely anticipated recession, European companies have in aggregate fared much better than had been expected at the beginning of 2023. As can be seen in Figure 9, earnings revisions (when sell-side analysts upgrade/downgrade their forecasts) moved down as a result of the energy crisis in Europe in July/August 2022 (after the COVID recovery). Since then they have recovered somewhat even in the face of the anaemic growth in 2023.

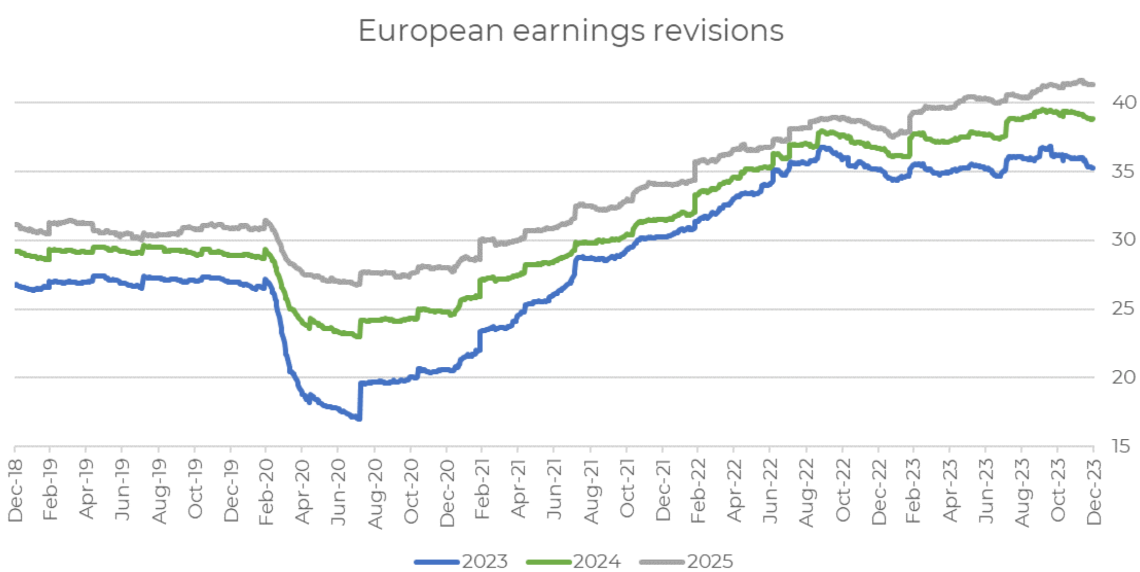


Figure 9: MSCI Europe ex UK earnings revisions vs history. Data to 31.12.2023. Source: Bloomberg data.

When one compares the valuation to the US equity market, Europe looks increasingly undervalued. It is clear from Figure 10 that the attraction of the US's relatively closed economy, better growth, and its relative insulation from the geopolitical turmoil we have seen since the coronavirus pandemic has been a boon for US equities. One could also argue that of late it has only been seven companies in 2023 that have truly benefited, the so-called 'Magnificent 7'.

As a result, it appears that a lot of bad news is in the price for Europe. Notwithstanding the ongoing war in Ukraine, the negative impact of the lack of energy self-sufficiency that dogged European markets has passed and so the relative valuation perhaps reflects how underweight Europe investors are in their asset allocation. Any signs of a softer-than-expected economic landing aided by interest rate cuts could see the picture below change markedly.

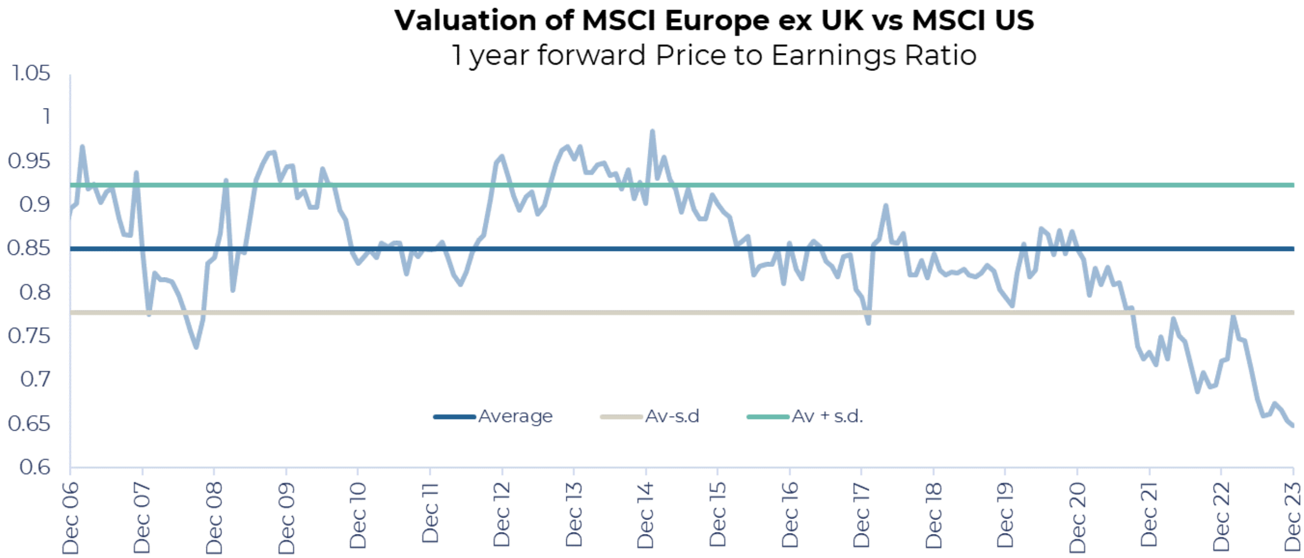


Figure 10: MSCI Europe ex UK valuation relative to US. Data to 31.12.2023. Source: Bloomberg data.

In addition, in a global context, Europe's dividend yield stands out at over twice that of the US and attractive vs other markets and asset classes. We continue to find this level compelling given the strong track record for dividend growth across Northern Europe's high-IP markets (see our white paper *Europe: a Destination for Income*) which historically (2004 – 2020) has at least matched up to levels recorded by MSCI US and MSCI Asia Pacific ex Japan.

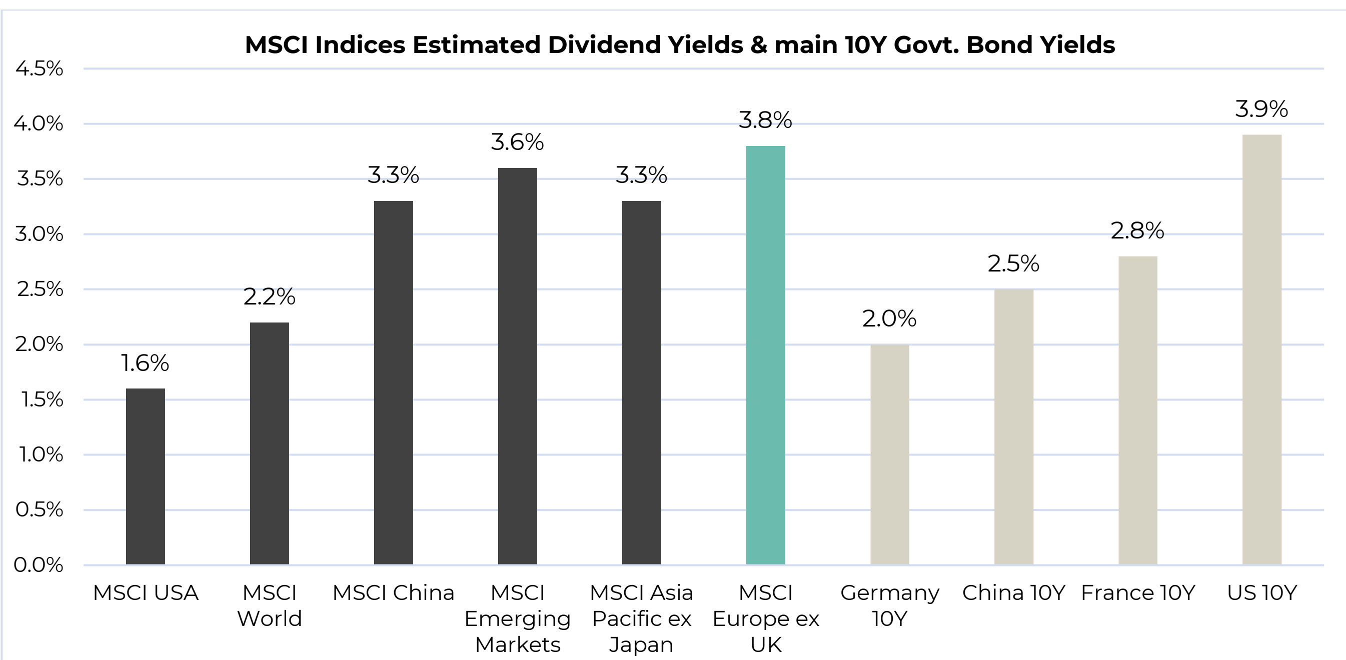


Figure 11: Main MSCI regional index dividend yields (Europe ex UK in green) and developed market 10Y bond govt. bond yields as of 31.12.2023. Source: MSCI data.

The yield on offer across "quality" European sectors which the strategy targets, remains healthy. Particularly when considered against those sectors in the US, notably the Consumer Discretionary, Consumer Staples, Financials, Healthcare, Industrials and IT sectors. Beyond the fact that US equities have historically commanded an optical valuation premium to other regions, we struggle to justify this premium when one inspects the strength of franchises, balance sheets and cash generation available in Europe.

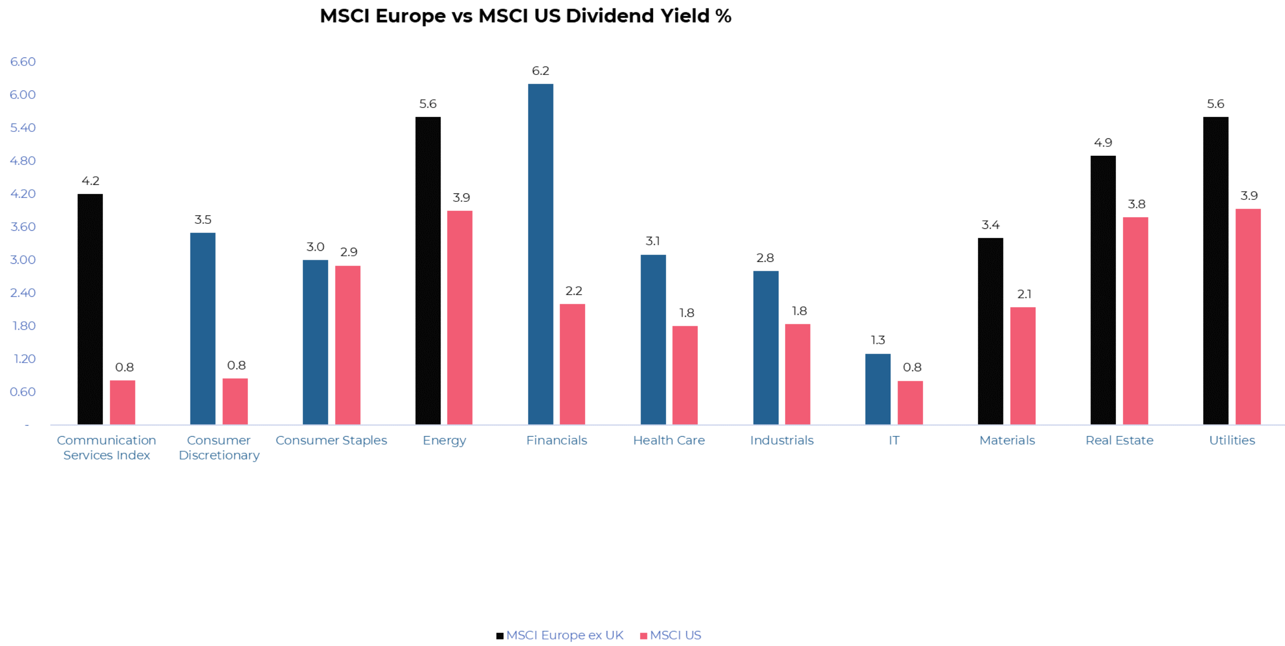


Figure 12: Sector dividend yields, MSCI Europe ex UK (blue "quality sectors" where the Fund is focused) vs MSCI US (red) as of 31.12.2023. Source: Bloomberg data.

PERFORMANCE DRIVERS

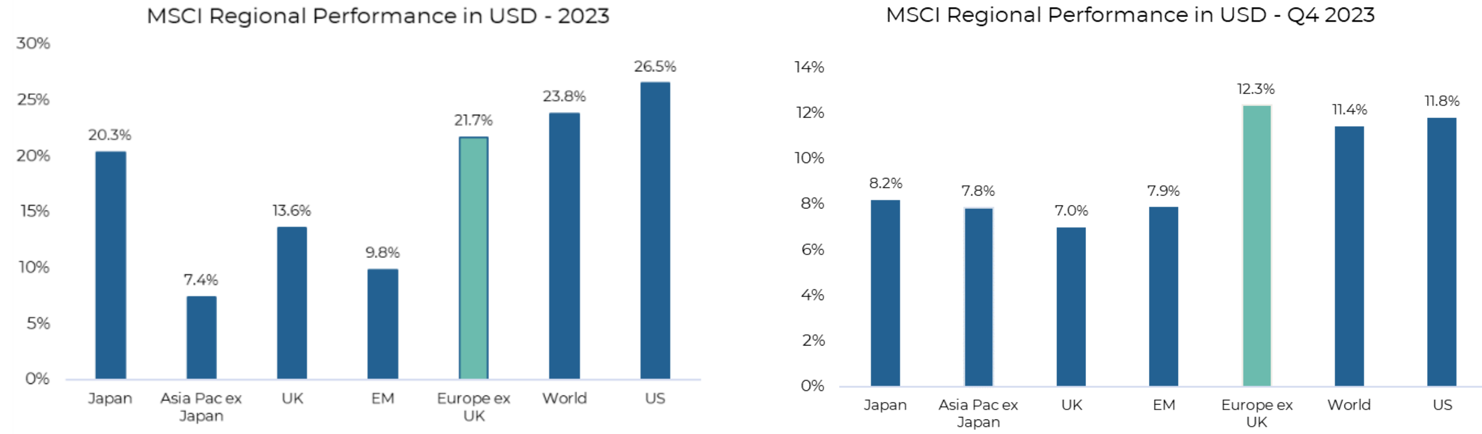


Figure 13: MSCI World Index geographic total return breakdown for FY 2023, in USD (left) and Q4 2023 in USD (right). Europe in light green. Source: Bloomberg data

In a global context the MSCI Europe ex UK index was the second best performing developed regional market during 2023. This might be a surprise to some, but as highlighted above, 2023 was in many respects a year of reversals, and this was also reflected in market and sector performance. However, a large portion of this strong performance was confined to the fourth quarter following signs that growth was not slowing further, coupled with more dovish comments from the ECB and the US Federal Reserve. As a result, sector, and stock performance for Q4 was a mirror of performance for the full year: interest rate sensitive (and cyclical) sectors such as Technology and Industrials performed strongly while Energy, Healthcare and Consumer Staples lagged. (For comparison, the MSCI Europe ex UK index rose 17. 8 % in EUR.).

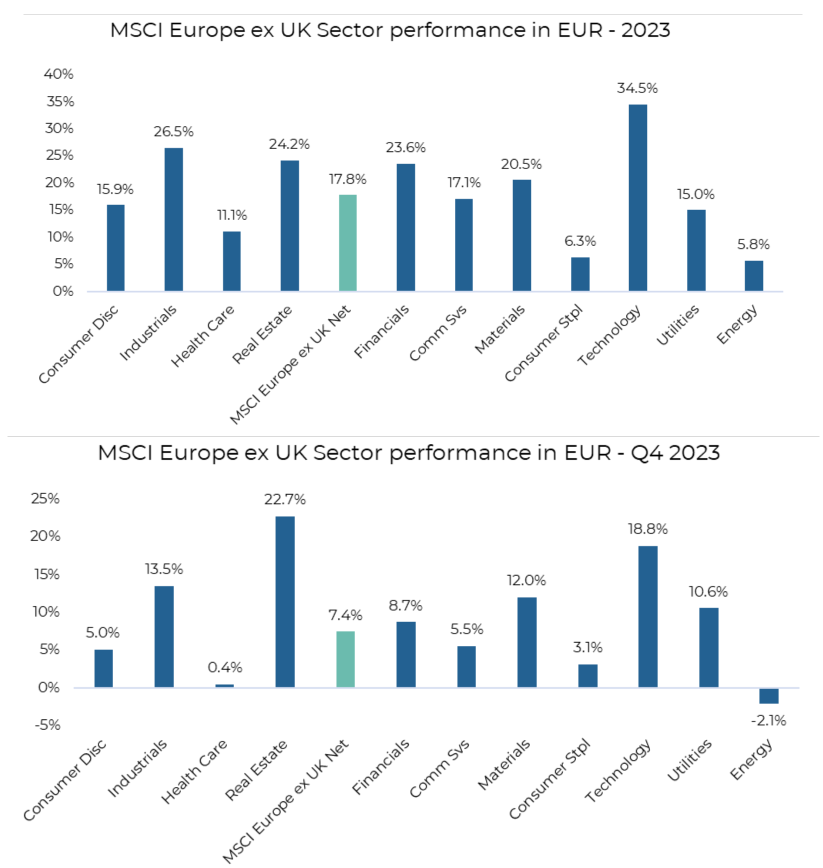
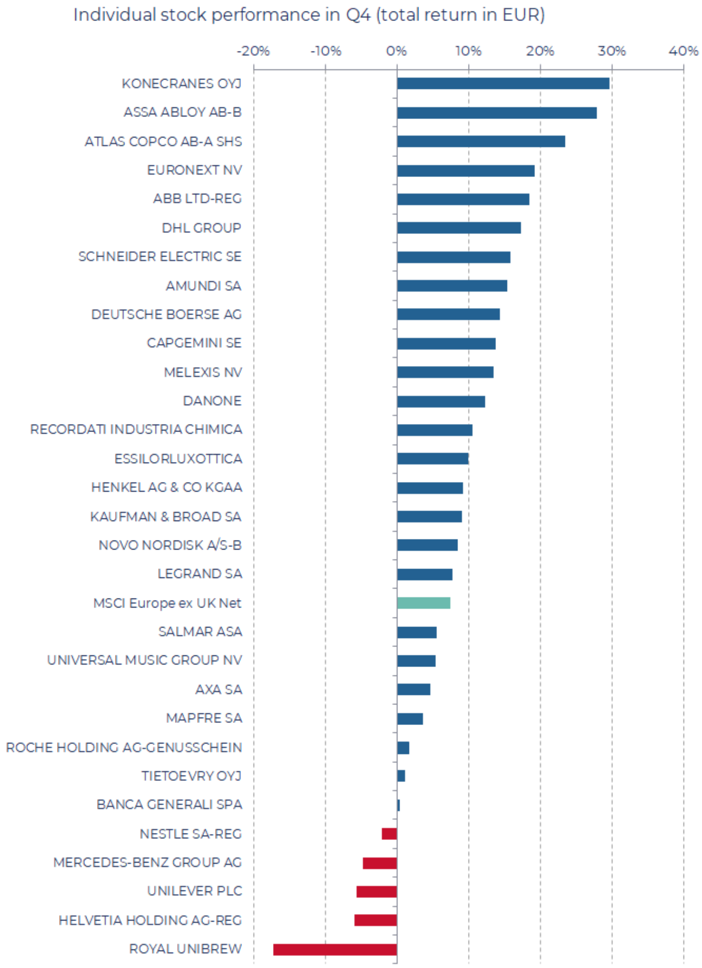


Figure 14: MSCI Europe ex UK Index sector total return breakdown for FY 2023 (top) and Q4 2023 (bottom), in GBP. Source: Bloomberg

As a result, post the rate and growth induced weakness of 2022, Technology rebounded and was the strongest sector closing 2023 up +34.5% (in EUR) boosted by the thematic excitement around artificial intelligence, growth coming in better than expected and interest rate expectations falling on improved inflation data. Similarly, Real Estate advanced +24.2% after a challenging 2022. The Financials sector continued its strong showing from 2022 rising +23.6%.

In terms of sectors that underperformed, the Energy sector was a notable laggard in 2023 (+5.8%) and especially in Q4 post a strong 2022. This was despite the conflict in Gaza and the associated risk of it spreading further within the region; suggesting that the wider softening of global economic growth and sufficient oil supply was preventing the oil price from advancing further. It is also worth noting that the Energy sector tends to respond less favourably to falling interest rate expectations. In addition, both Healthcare (+11.1%) and Consumer Staples (+6.3%) lagged the wider market rally. Despite falling inflation and moderating interest rate expectations (which normally would be seen as positive for Consumer Staples), the market preferred to reflect this environment through more cyclical sectors given the initial view that central banks are perhaps managing to engineer a softer than expected landing with regards to the economy. At the same time, the scope for further price rises within the sector to protect margins appears limited as consumers feel the squeeze from the interest rate hikes of the last couple of years.

INDIVIDUAL HOLDINGS



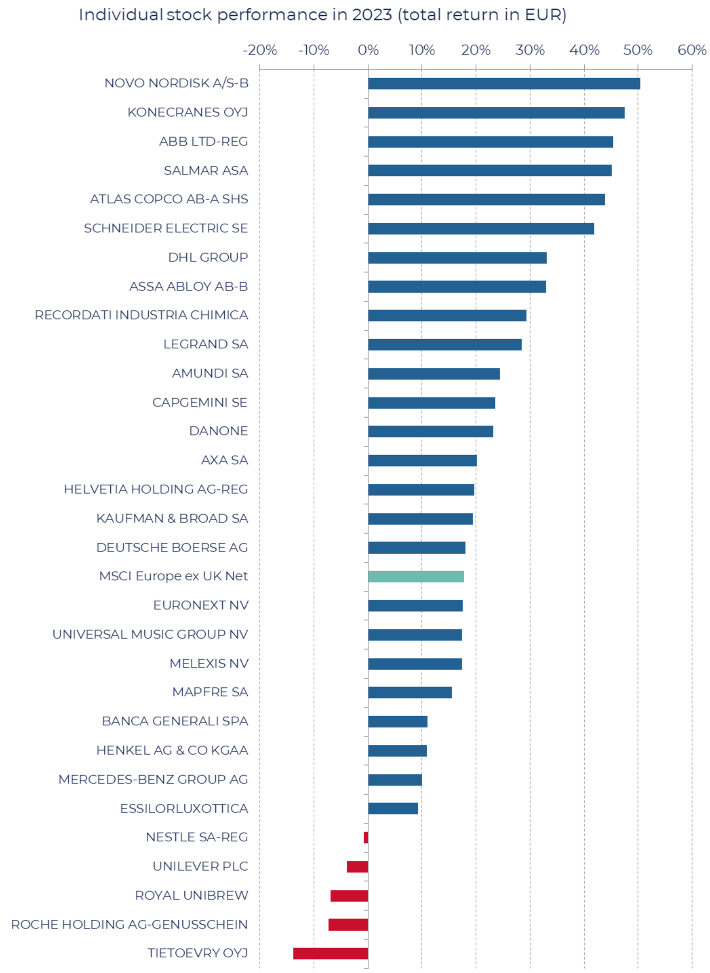


Figure 15: Holdings performance in Q4 and 2023. Source: Bloomberg data.

Fourth Quarter 2023

The growth and interest sensitive holdings in the strategy benefited from the market's changing inflation and interest rate expectations as well as solid Q3 earnings reports (suggesting companies in Europe have managed the headwinds better than expected). The overweight exposure to Industrials (+26.5%) was a key contributor to the strategy's strong performance. The leading global franchises of Assa Abloy (entrance systems) (+27.8% in EUR), Atlas Copco (compressed air and vacuum solutions) (+23.4%) were strong alongside ABB (industrial automation) and Schneider (electrical power). The strategy's zero exposure to banks – which recovered strongly post the Silicon Vally Bank/Credit Suisse crisis – was counterbalanced by good stock selection through: Euronext (stock exchange (+19.2%) benefited from solid Q3 numbers and highlighted strong synergies post the Borsa Italia acquisition in 2021; and strong performance from Amundi (+15.5%) (asset manager) which was boosted by positive capital markets. Effective stock selection within the Healthcare sector, which lagged the index, was helpful to performance with both Novo Nordisk (diabetes and weight loss drugs) and Recordati (specialty pharma and rare diseases) positively contributing to performance. In addition, not owning Sanofi (large pharmaceutical) boosted performance given its large profit warning. The Fund's zero exposure to oil was also a benefit.

The overweight exposure to Consumer Staples was a drag on performance from holdings such as Unilever (-5.6%) and Royal Unibrew (-17.3%) (Nordic beverages). Royal Unibrew issued a third quarter trading update which, despite highlighting both profit growth and margin expansion, fell short of market volume expectations due to poor weather in July and August. In addition, the company is still grappling with the impact of raw material and wage inflation while price increases are harder to achieve in a more challenging consumer environment.

Unilever's Q3 trading update cited similar and ongoing inflationary headwinds with limited appetite from customers to digest further price rises. The trading update was also accompanied by an update from the new CEO about how he is planning to reinvigorate and accelerate growth. However, given previous pronouncements have delivered little, the market remains sceptical.

It is worth highlighting a couple of the notable performers during the year: Konecranes and TietoEVRY.

Konecranes (+47.5%) (port equipment) delivered strongly through 2023. Post the failed merger with Cargotec in 2022 due to the UK Competition and Markets Authority blocking the deal, Konecranes changed its CEO and announced a Capital Markets Day (CMD) for May 2023. While the business benefited from an improving demand backdrop in early 2023, the main focus for the market was the announcement at the CMD of new growth and profitability targets: to grow faster than the market (nominal world GDP growth) and deliver a profit margin (EBITA) of between 12-15% no later than 2027. This is higher than the company has previously delivered and so was taken positively. In fact, Q3 saw the margin move into that margin corridor. In addition, the company highlighted its strong balance sheet and reiterated its dividend policy of a stable to increasing dividend per share over the cycle.

TietoEvry (-13.8%) (Nordic IT services) had a negative impact on performance due to news that an ongoing strategic review was taking longer than the market expected. IT demand also disappointed through the year. The share price had performed strongly in the latter half of 2022 on the announcement that there would be review of their Banking division and subsequently their Tech Services business. An exit of the latter would be taken very positively by the market and so when it became clear that this process was more prolonged than anticipated, the share price suffered. In our view this remains a timing issue versus anything more serious. In the meantime a dividend yield above 7% suggests the market remains sceptical while the strategy gets paid to wait.

ACTIVITY

There were three switches made during 2023. These were all executed in the first quarter. (Text as of month end after purchase).

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, aging demographics, environmental regulation, digital and health. The quality of revenues is high, with recurring renovation sales accounting for nearly 45% of revenue, while 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. Product price only accounts for around 7% of total costs, meaning availability, reliability and ease of use rather than price are the main thing, as electricians tend to be trained on one product set. As such, brand loyalty to Legrand, with its world class product portfolio, is high. Competition (outside of Schneider Electric and ABB) is fragmented with some 3000 SMEs, many of which are sub-scale in a globalised world characterised by ever increasing digital complexity, and 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, which 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 supply chain, the shares are on offer for c.12x enterprise value (EV) over earnings (EBITDA), a discount to the ten-year average and peers in spite of 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.

In 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. It has an enviable eyewear brands portfolio, including lens technology brands Essilor, Satisloh, Barberini, Oakley, Eyezen, Xperio, Varilux, Shamir, Crizal, and its own fashion brands including Ray-Ban, Persol, Vogue Eyewear, Arnette, Alain Mikli, Costa and Bolon in addition to many direct-to-consumer other licensed brands. EL has a strong track record for generating persistent high cash returns and robust balance sheet with debt-to-equity of just 37%. Revenues are highly resilient, being characterised by 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, limits 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 in 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 valuation was favourable, in our view, with the shares trading on the lower end of their 10Y historic range on just over 12x EV/Ebitda, and 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** in February, 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 the number-three position in the Italian high net worth wealth management sector with approximately 4.5% market share compared to just 1.1% in 2011. Consistent market share gains have been supported by persistent inflows, with Banca Generali reporting monthly net inflows since 2008. This can be attributed both to the strength of its financial adviser network and more broadly to the strong grip of the Italian Assoreti over distribution. It is helped too by Banca Generali'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 were trading 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.

		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%

Figure 16: Portfolio switches Q1 2023 key metrics as of 31.03.2023.. Source: Bloomberg data.

PORTFOLIO POSITIONING

Country allocation

The Guinness European Equity Income Fund's country over and underweight positions result from a pull between two factors. Due to the size their respective economies, France and Germany represent high absolute weights in the index at 23% and 16%, while the strategy is index agnostic and allocates from a bottom-up perspective. In addition, we simply find a greater number of dividend paying, high-quality companies with strong prospects in the 'high-IP' markets of Northern Europe. This is reflected in effective corporate governance, capital allocation and a firm commitment to paying and growing dividends, notably in Scandinavia.

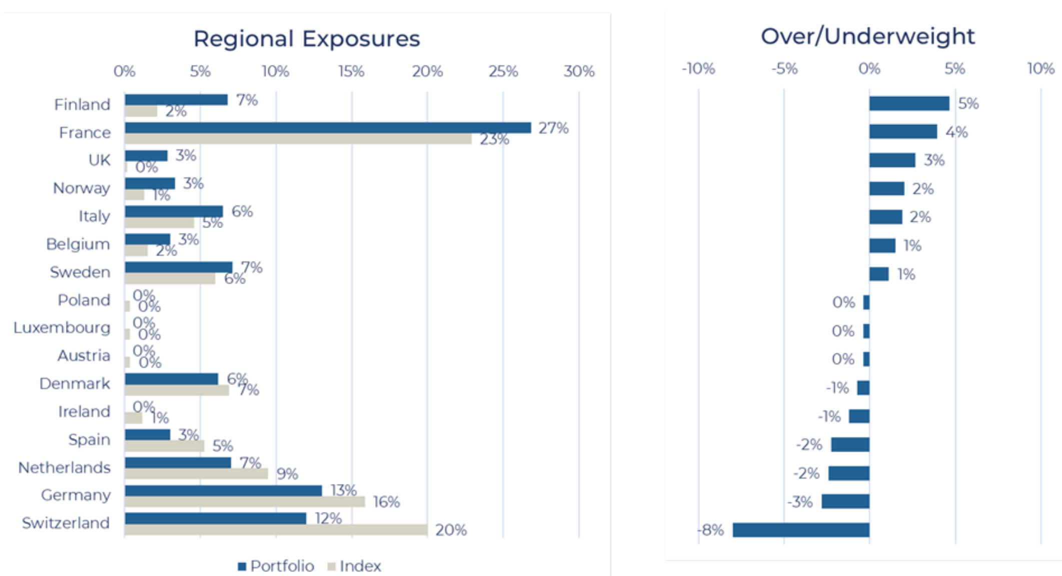


*Figure 17 : Regional breakdown of the Fund versus MSCI Europe ex UK Index on a geographic basis. Source: Guinness Global Investors, Bloomberg (data as at 29.12.2023). *UK exposure represents Unilever which is now domiciled in the UK and listed in the UK and also on Euronext Amsterdam.*

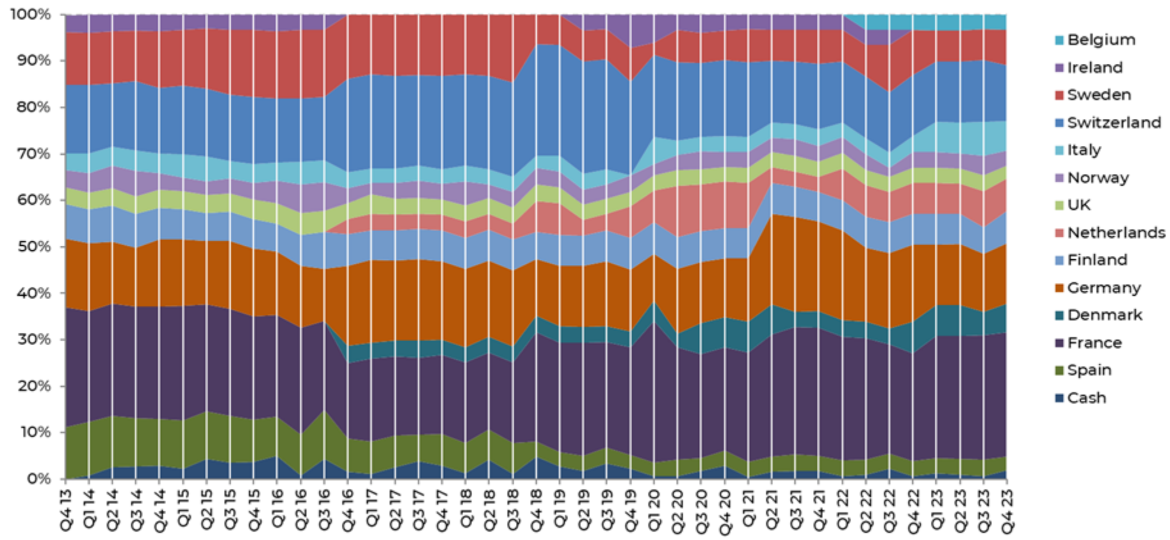


Figure 18: Portfolio geographic breakdown. Source: Guinness Global Investors, Bloomberg (data as at 29.12.2023).

Sector allocation

The Guinness European Equity Income Fund is characterised by a high 83% active share against the Europe Ex UK benchmark. Our focus is on companies with good track records and control over their own destinies and which have the potential to deliver high and rising returns over the long term. This means the Fund has virtually no exposure to commodity and regulated sectors whose revenue, profits and cashflow are very dependent on external factors and forces, such as Materials, Utilities, Real Estate, Energy and banks. Meanwhile sectors like Industrials, Financials, Consumer Staples and IT in which the strategy is overweight, consist of many of the high-quality globally leading and scalable companies which we find attractive. The strategy's headline exposure to Information Technology is only a small 1% overweight, but all companies held in the portfolio use technology well – notably our large overweight to industrial technology, which includes many market leaders across areas including automation, software, low voltage and cyber security.

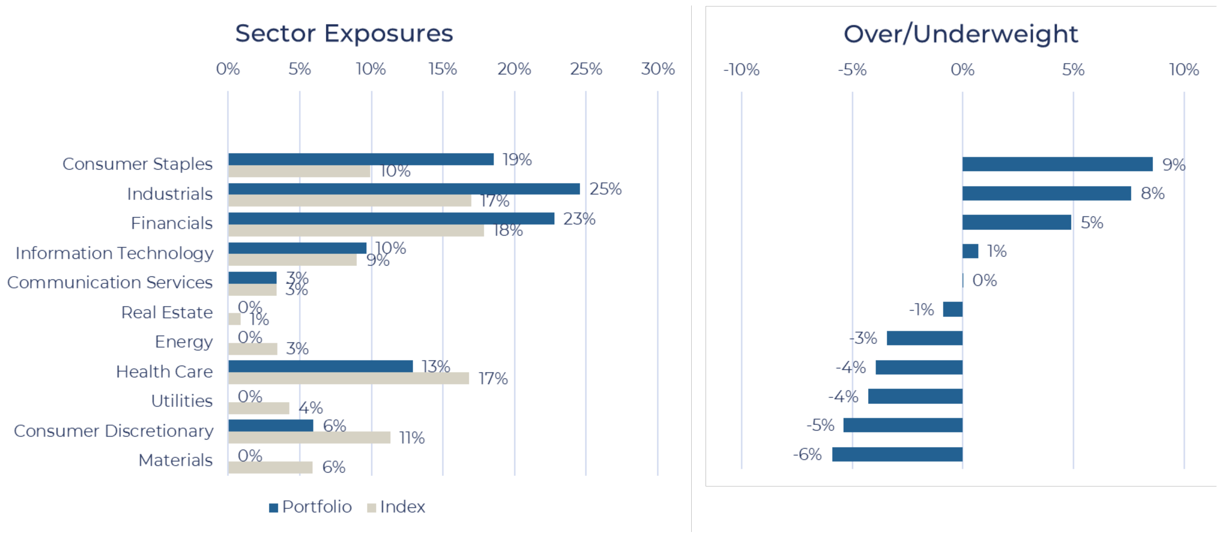


Figure 19: Sector over/underweight % breakdown of the Fund versus MSCI Europe ex UK. Source: Guinness Global Investors, Bloomberg (data as at 29.12.2023).

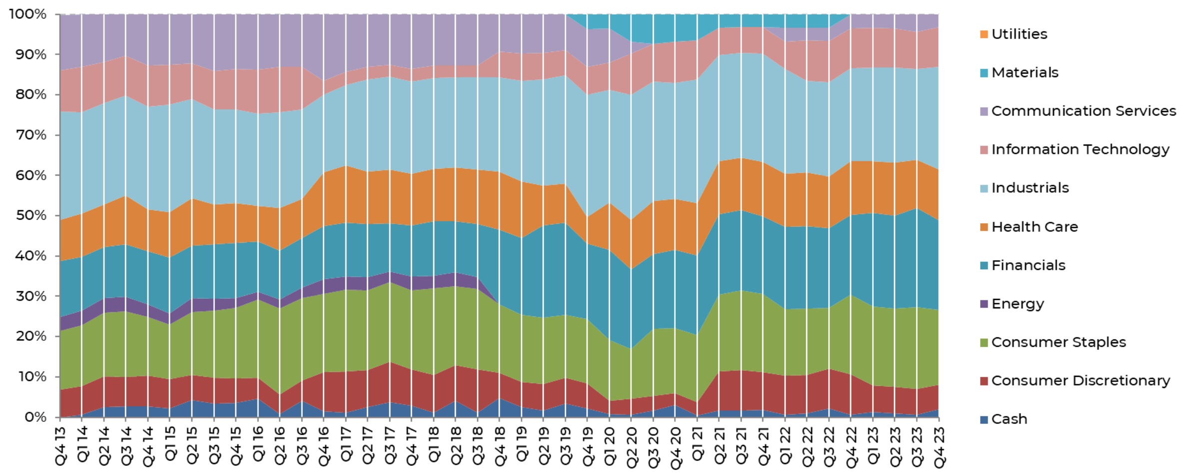


Figure 20: Portfolio sector breakdown. Source: Guinness Global Investors, Bloomberg (data as at 29.12.2023).

With the sale of Kering, the Fund moved underweight the Consumer Discretionary sector while the exposure to Healthcare (where the Fund remains underweight) remained broadly consistent as Essilor replaced Fresenius SE from a sector perspective. The switch between Epiroc and Legrand ensured an ongoing large overweight position to quality capital goods companies within the Industrials sector. Finally, Banca Generali lifted the Financials sector further overweight.

In terms of the split between 'Defensive' and 'Cyclical', the Fund maintains a c.40:60 spilt. It is worth reiterating that the cyclical exposure consists of high 'quality' cyclicals (vs deep value cyclicals) that have demonstrated the ability and have the potential to deliver profitable and cash generative growth, thus allowing them to deliver attractive compound growth in the future.

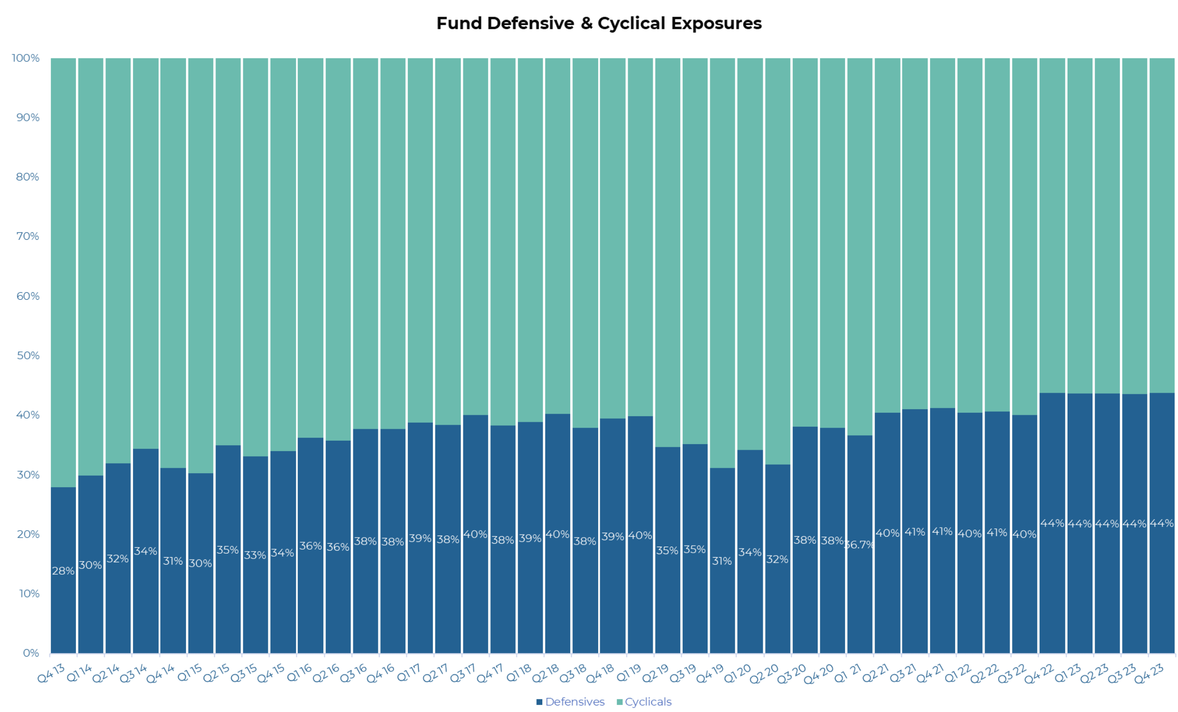


Figure 21: Exposure to cyclical vs defensive sectors. Source: Guinness Global Investors, Bloomberg (data as at 29.12.2023)

An observation on 'style investing'

Given the overarching driver of markets over the last seven or eight years has been inflation and interest rates one could have justifiably chosen to back specific equity investment styles: Growth (from 2016-2021) on quantitative easing and as rates went negative, or Value (from 2020-2022) on the post-COVID rally and the subsequent inflation scare when shorter-duration assets did well. However, the push and pull between expected and realised inflation, as well a slowing of the trajectory in interest rates, meant that backing a specific style in 2023 was not as simple as it perhaps has been.

Past performance does not predict future returns.

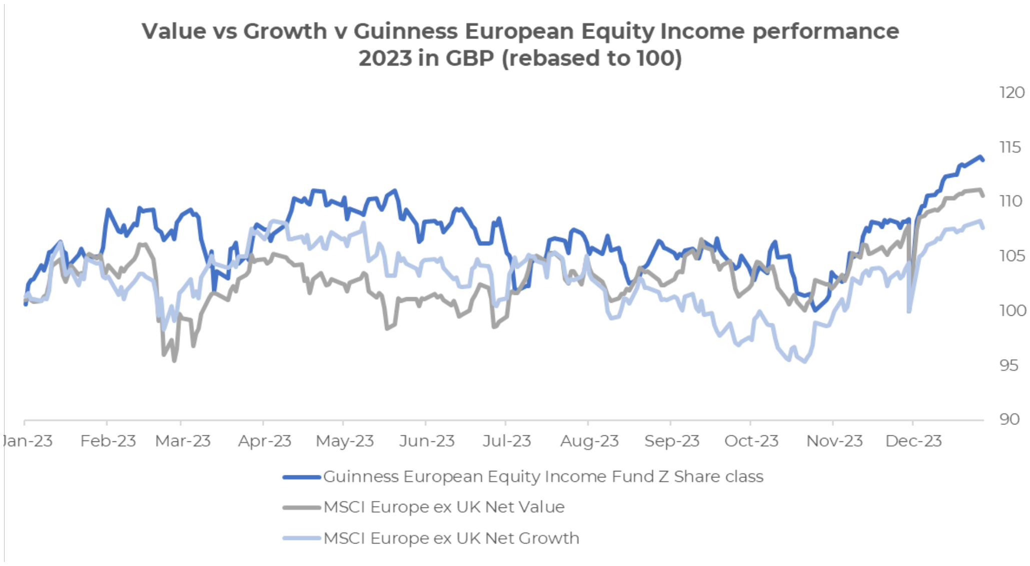


Figure 22: The performance of MSCI Europe ex UK Value, Growth and the Guinness European Equity Income Fund rebased 100 in 2023. Source: Bloomberg (data as at 29.12.2023).

While 2023 can be seen as a good year in terms of European market returns, it is interesting to note that while Value stocks (as defined by MSCI) outperformed the market, as well as Growth stocks, the more balanced quality income approach of the strategy did even better. This suggests that as we likely enter a more normal and less volatile period in terms of inflation and interest rates in Europe, an active fundamental bottom-up approach with a focus on quality, valuation and dividends will be crucial.

OUTLOOK

2024 is looking set to be another interesting year for equity markets in Europe. The headwinds of inflation and interest rates that held back Europe over the last year appear to be dissipating. With the prospect of potential interest cuts, and hopes, at a market level at least, that central banks have managed to engineer a relatively soft landing have given the market cause to be more optimistic and this could continue if delivered.

However, if one thing is clear in the period post COVID-19, it is that nothing is certain. While the fall in inflation should be seen as a positive, it is still above the ECB's 2% target and could prove stickier than the market expects, leading to ongoing bouts of volatility. In addition, the speed of the tightening cycle coupled with the post-COVID supply disruptions and excess consumer savings has likely distorted the monetary transmission mechanism; there is the potential for a lag in monetary policy impacting the real economy and so the interest rate rises of the last couple of years may be taking longer to bite. In the meantime, as long as the consumer remains employed and still has excess savings, the situation may not deteriorate further. However, given these variables, how far demand and consumption could fall or recover is hard to judge at this point. Finally, 2024 is a year of unprecedented political elections across the globe and so geopolitics will continue to dominate the headlines.

What is clearer though is that the volatility around inflation and interest rate expectations is likely to subside and investors will not be able to just back Value or Growth styles of investment to deliver a return. It will become ever more important to be stock-specific and apply fundamental analysis to identify the winners in this opaque economic and demand environment. As a result, our focus on quality companies that generate persistent high cash returns supported by strong balance sheets will serve investors well for the long term. We remain positive that the strategy remains positioned to continue to deliver for you over the medium to long term. We will continue to work hard to deliver long-term capital growth and a steady, growing income stream. The strategy is equipped for all weathers, being well balanced across quality and value, with a focus on globally leading European companies supported by strong structural growth drivers and a solid and growing dividend yield.

We thank you for your continued support.

Portfolio Managers
Nick Edwards
Will James

GUINNESS EUROPEAN EQUITY INCOME FUND - FUND FACTS

Fund size	$11.1m
Fund launch	19.12.2013
OCF	0.89%
Benchmark	MSCI Europe ex UK TR
Historic yield	3.2% (Y GBP Dist)

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

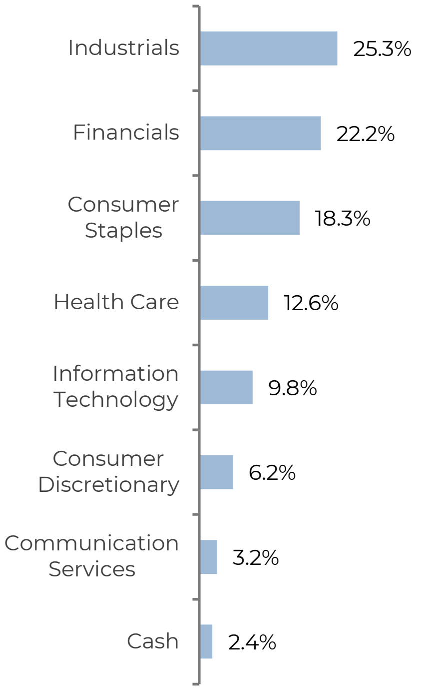
GUINNESS EUROPEAN EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

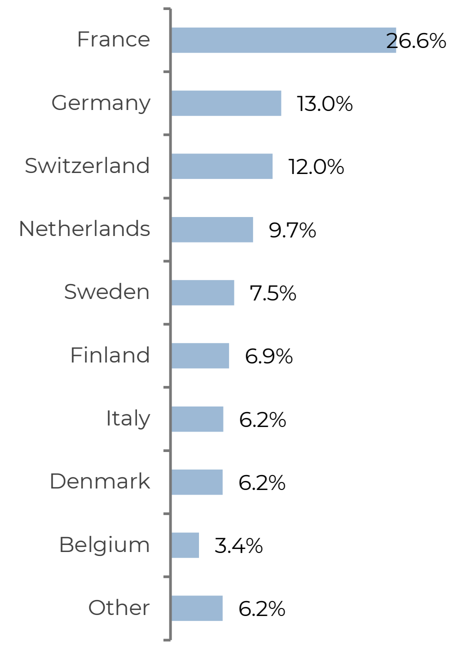
Konecranes	4.0%
Assa Abloy AB	3.9%
Atlas Copco	3.8%
Euronext	3.7%
ABB	3.7%
Schneider Electric	3.6%
Deutsche Post	3.6%
Amundi	3.6%
Deutsche Boerse	3.5%
Capgemini SE	3.5%

Top 10 holdings	36.9%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

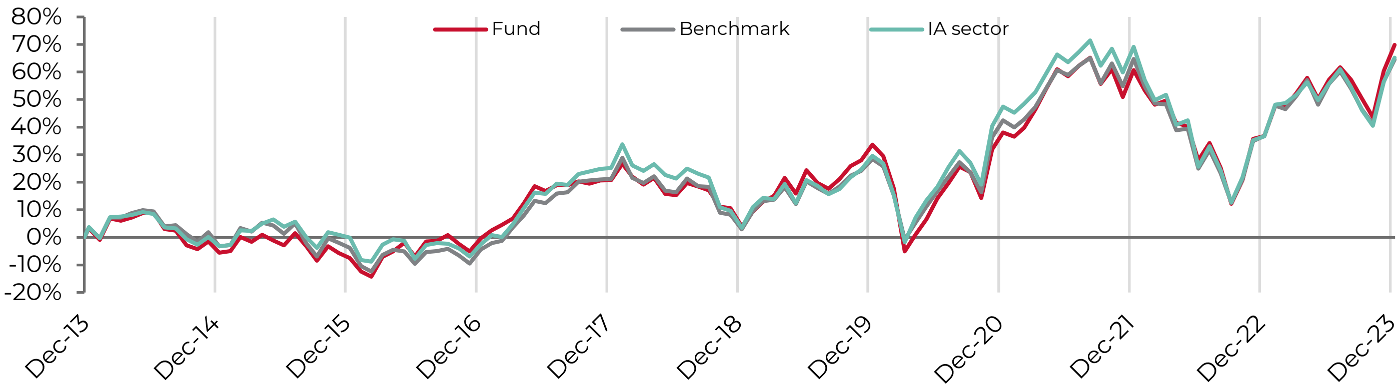
GUINNESS EUROPEAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+5.2%	+17.2%	+17.2%	+32.0%	+63.4%	+113.1%
MSCI Europe ex UK TR	+4.4%	+14.8%	+14.8%	+23.8%	+59.7%	+106.4%
IA Europe Excluding UK TR	+4.8%	+14.0%	+14.0%	+20.1%	+59.3%	+106.8%
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+5.9%	+24.2%	+24.2%	+23.1%	+63.5%	+64.5%
MSCI Europe ex UK TR	+5.1%	+21.7%	+21.7%	+15.5%	+59.8%	+58.8%
IA Europe Excluding UK TR	+5.6%	+20.8%	+20.8%	+12.0%	+59.4%	+59.2%
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+4.6%	+20.0%	+20.0%	+36.3%	+69.3%	+104.2%
MSCI Europe ex UK TR	+3.9%	+17.6%	+17.6%	+27.9%	+65.4%	+98.1%
IA Europe Excluding UK TR	+4.3%	+16.7%	+16.7%	+24.0%	+65.0%	+98.6%

GUINNESS EUROPEAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

(GBP)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	+17.2%	-4.2%	+17.5%	+0.1%	+23.7%	-8.8%	+10.7%	+28.5%	+3.6%	-3.0%
MSCI Europe ex UK TR	+14.8%	-7.6%	+16.7%	+7.5%	+20.0%	-9.9%	+15.8%	+18.6%	+5.1%	-0.7%
IA Europe Excluding UK TR	+14.0%	-9.0%	+15.8%	+10.3%	+20.3%	-12.2%	+17.3%	+16.4%	+9.3%	-0.9%
(USD)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	+24.2%	-14.9%	+16.4%	+3.3%	+28.6%	-14.0%	+21.2%	+7.8%	-2.0%	-8.6%
MSCI Europe ex UK TR	+21.7%	-18.0%	+15.7%	+10.9%	+24.8%	-15.1%	+26.8%	-0.6%	-0.7%	-6.6%
IA Europe Excluding UK TR	+20.8%	-19.2%	+14.7%	+13.8%	+25.2%	-17.3%	+28.4%	-2.4%	+3.3%	-6.7%
(EUR)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	+20.0%	-9.3%	+25.2%	-5.2%	+31.1%	-9.8%	+6.4%	+10.9%	+9.0%	+3.9%
MSCI Europe ex UK TR	+17.6%	-12.6%	+24.4%	+1.8%	+27.1%	-10.9%	+11.4%	+2.4%	+10.7%	+6.4%
IA Europe Excluding UK TR	+16.7%	-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 31.12.23. 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	£0.6m
Fund launch	30.12.2022
OCF	0.89%
Benchmark	MSCI Europe ex UK TR
Historic yield	2.8% (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.

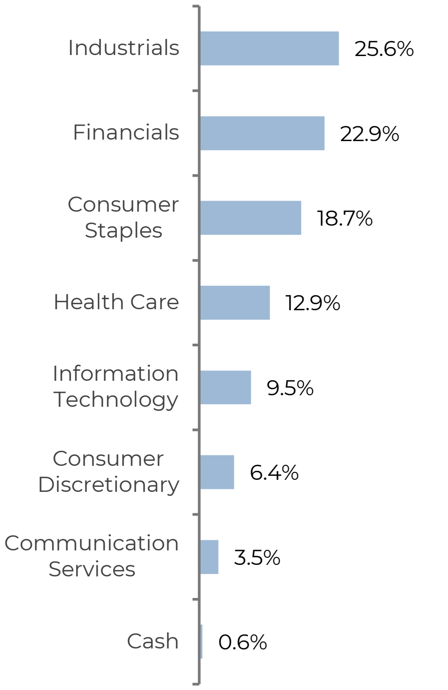
WS GUINNESS EUROPEAN EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

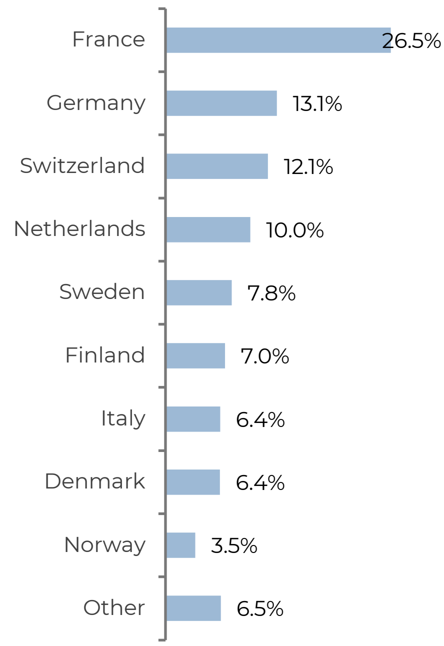
Konecranes	4.1%
Atlas Copco	4.0%
Assa Abloy AB	3.8%
Euronext	3.7%
Amundi	3.6%
Salmar	3.6%
Deutsche Post	3.5%
Universal Music Group	3.5%
Kaufman & Broad SA	3.5%
Schneider Electric	3.5%

Top 10 holdings	36.8%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

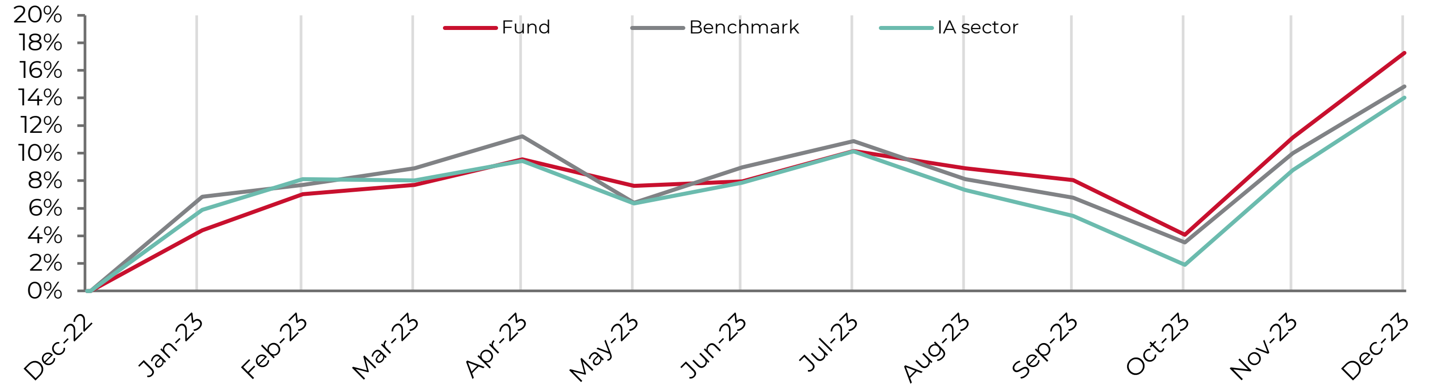
WS GUINNESS EUROPEAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+5.5%	+17.3%	+17.3%	-	-	-
MSCI Europe ex UK TR	+4.4%	+14.8%	+14.8%	-	-	-
IA Europe Excluding UK TR	+4.8%	+14.0%	+14.0%	-	-	-

WS GUINNESS EUROPEAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

(GBP)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	+17.3%	-	-	-	-	-	-	-	-	-
MSCI Europe ex UK TR	+14.8%	-	-	-	-	-	-	-	-	-
IA Europe Excluding UK TR	+14.0%	-	-	-	-	-	-	-	-	-

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



Source: FE fundinfo to 31.12.23. 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.

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 or free of charge from:-
• the Manager: Waystone Management Company (IE) Limited (Waystone IE) 2nd Floor 35 Shelbourne Road, Ballsbridge, Dublin D04 A4E0, Ireland or the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

Waystone IE is a company incorporated under the laws of Ireland having its registered office at 35 Shelbourne Rd, Ballsbridge, Dublin, D04 A4E0 Ireland, which is authorised by the Central Bank of Ireland, has appointed Guinness Asset Management Ltd as Investment Manager to this fund, and as Manager 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. 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.

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

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.
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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.