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Guinness Sustainable Global Equity

Three Years of Investing in Sustainable Mid-Caps

GUINNESS GLOBAL INVESTORS

Guinness Sustainable Global Equity

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This is a marketing communication. Please refer to the prospectuses, KIDs and KIIDs for the Funds before making any final investment decisions. Past performance does not predict future returns.

INTRODUCTION

We are delighted to bring you our three-year review of Guinness Sustainable Global Equity. We launched the Guinness Sustainable Global Equity Fund on 15th December 2020, so this is an opportune moment to take stock of how it has performed in what have been a volatile three years, what we have got right and wrong, and how the portfolio has evolved.

When designing the strategy three years ago, we made two key observations on the broad group of 'ESG' funds available to investors. While the jargon varied – from ethical and integration funds to sustainable and impact funds – two common threads emerged. First, the majority of 'ESG' equity funds focus on the large-cap space, and increasingly, invest in the same large and mega-cap stocks. Secondly, those funds targeting higher-impact businesses ('sustainable and impact funds') tend to invest in the more speculative end of the growth spectrum, with less focus on quality credentials. Ultimately, we felt this created an opportunity for something different, but not for difference's sake. By focusing on the mid-cap space for opportunities, we steer away from the mega-cap names that appear in the majority of ESG funds (not to mention 'non-ESG' funds and passive funds) and find a group of businesses that have historically outperformed their large and small-cap counterparts with better risk-adjusted returns. When we combine this with our Guinness approach to investing in high-quality businesses and our high-conviction, equal-weight portfolio methodology, we get the Guinness Sustainable Global Equity strategy.

The last three years have provided the Guinness Sustainable Global Equity Fund with varying market challenges and drivers that have tested the resilience of the process (and its managers). The first full year since launch, 2021, saw further Covid-19 mutations and lockdowns. 2022 was a year of three I's – inflation, interest rates, and invasions – that broadly sent markets downwards, particularly affecting growth stocks, as central banks raised rates with unprecedented speed and magnitude. Most recently, 2023 was a year of artificial intelligence, banking crises, war in the Middle East, and the largest outperformance of large-caps versus mid-caps since 1998. While we are pleased with the Fund's first three years of performance, we believe the recent outperformance of large-caps (and increasingly the over-concentration within these names), coupled with the longer-term outperformance of mid-caps and the future direction of travel for interest rates, makes for an exciting opportunity for the strategy going forward.

We would like to thank all investors in the Guinness Sustainable Global Equity Fund and WS Guinness Sustainable Global Equity Fund for their support over the strategy's first three years and we look forward to updating you this year and beyond.

Sagar Thanki, CFA **Joseph Stephens, CFA**

The Guinness Sustainable Global Equity Funds are designed to provide exposure to high quality growth companies with sustainable products and practices. The Funds hold a concentrated portfolio of mid-cap companies in any industry and in any region. The Funds are actively managed and use the MSCI World Index as a comparator benchmark only.

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 Funds' documentation, available on our website.

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HOW WE MANAGE THE STRATEGY

The Guinness Sustainable Global Equity strategy is designed to provide investors with exposure to companies benefiting from the transition to more sustainable economy. We do this by constructing a concentrated portfolio of quality growth businesses, biased towards mid-cap companies in any industry and in any developed region.

We categorise the four main pillars of our investment approach as **quality**, **sustainability**, **growth**, and **conviction**

Quality

Our investment process specifically targets quality companies first.

Although the strategy is designed to invest in sustainable companies, our starting point in assembling our investment universe is to identify companies with persistently high and/or improving return on capital (ROC) and low levels of debt.

Specifically, we look for two separate – but not distinct – groups of companies:

Established Compounders that have a ROC greater than 10% in each of the previous 10 years; and

Emerging Compounders that have a ROC greater than 10% in each of the previous 5 years, with that ROC growing across the previous 5-year period.

It is a rare feat for a company to meet these criteria. We think it shows real quality. On average, only 3% of global listed companies achieve our threshold.

Good companies stay good

These ROC profiles tend to be powerful indicators of future success. History shows there is a >92% chance these companies continue to achieve a ROC over 10% the following year, and >75% chance they will still be doing it three years later.

Quality mid-caps outperform

Within the mid-cap space, which has historically outperformed their small and large-cap counterparts with better risk-adjusted returns, quality mid-caps outperform further with even better risk-adjusted returns.

Quality and Sustainability go hand-in-hand

We find that quality characteristics exhibited by a company positively correlate with better ESG scores. Hence, we find that by first screening for high-quality businesses, we indirectly exclude many businesses that have been deemed to have below-average or inadequate management of ESG issues.

Sustainability

We target companies whose products are enabling the transition to a more sustainable economy and whose management of material ESG issues is good and improving.

We take a three-pronged approach to sustainable investing: exclusionary, positive sustainability assessments, and active ownership. All our analysis is done in-house by the investment team. Read further here.

Exclusionary: We exclude both on a product and practice basis, filtering companies with harmful products such as tobacco, weapons, and fossil fuels, but also ESG laggards – those with inadequate management of material ESG issues.

Sustainability assessment: We actively seek companies whose products are tangibly linked to the transition to a more sustainable economy. Each holding must derive the majority of its revenue from at least one of our sustainability themes: health & wellbeing, productivity, and resource efficiency. However, we do not try to fill 'buckets'; instead, the portfolio is our 30 best ideas from the broader sustainable space.

Active ownership: We vote all proxy votes (where appropriate to do so) alongside direct engagement with holdings. We do so in a manner that promotes better governance of material ESG issues that will ultimately improve operational resiliency.

Persistent growth

Companies whose products and services are enabling the transition to a more sustainable economy are likely to experience persistent top-line growth as nations and consumers continue to change preferences.

Operational resilience

Businesses with strong and improving ESG practices are likely to reduce their operational risk, whilst better alignment of management remuneration incentivises long-term value creation.

Forward-thinking management

We believe that sustainable companies are likely to be strategically placed for long-term growth, with more forward-thinking management teams able to better capitalise on future opportunities.

Growth

We target quality growth through a mid-cap lens.

When looking for quality growth businesses, we believe the mid-cap space is an intelligent place to look. The area is traditionally rather unloved, with investors focused on large or small-caps. But having overcome the growing pains of small firms, while having room for growth and expansion, mid-caps are the best potential pool of companies that could be tomorrow's leaders. Read more on the case for mid-caps here.

1. **Outperformance:** Mid-caps have outperformed their large and small-cap counterparts over the average 1, 3, and 5-year rolling periods since 1996 with better risk-adjusted returns.

2. **Diversification:** ESG funds are overcrowded in the large-cap space, and often invest in the *same* mega-cap stocks. By focusing on the mid-cap space, our portfolio offers truly differentiated exposure.

3. **Higher degree of materiality:** By function of their size, mid-caps tend to have fewer reporting segments or business lines than their large-cap counterparts and tend to be more pure-play in their products. Seeking mid-cap businesses in sustainability areas thus leads us to businesses with greater intentionality and materiality within those areas.

Conviction *Our equally weighted portfolio approach provides a sensible balance of risk and return.*

We hold a concentrated portfolio of 30 approximately equally weighted stocks selected from our investible universe. This provides a number of useful attributes:

1. It reduces stock-specific risk as we will not be overweight in a small number of favourite companies.

2. We will not run a portfolio with a long tail of small holdings which can be a distraction and drag on performance.

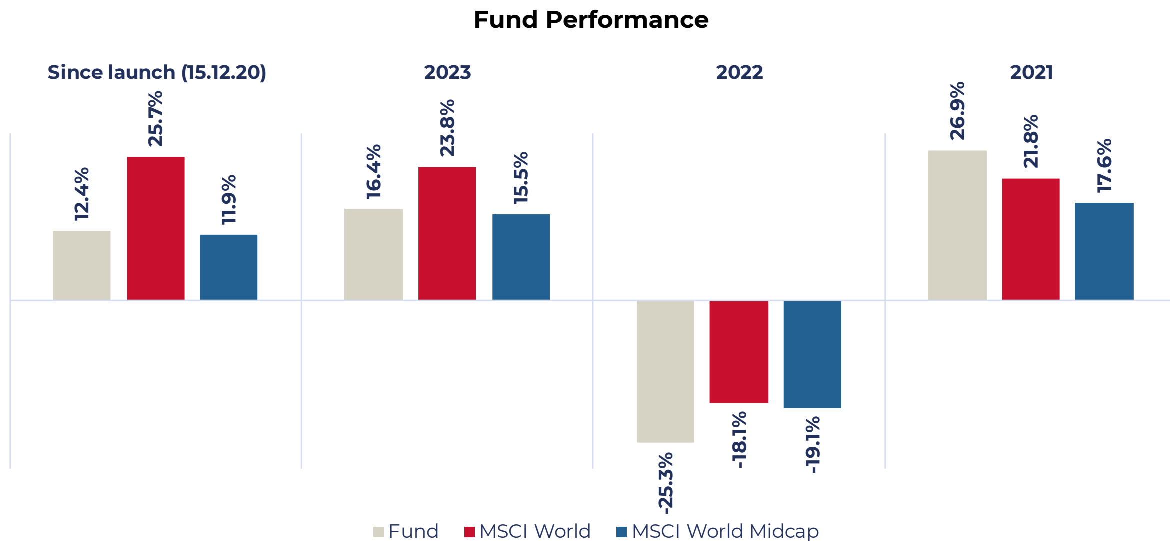
3. It instils a strong sell discipline as we must typically sell a position in order to make way for a new one; this provides an additional benefit in that we must constantly assess the companies we own in the portfolio in comparison to the rest of the universe available to us.

4. We are index agnostic; we buy companies based purely on their business fundamentals rather than their index weight or adherence to sector constraints.

FUND PERFORMANCE

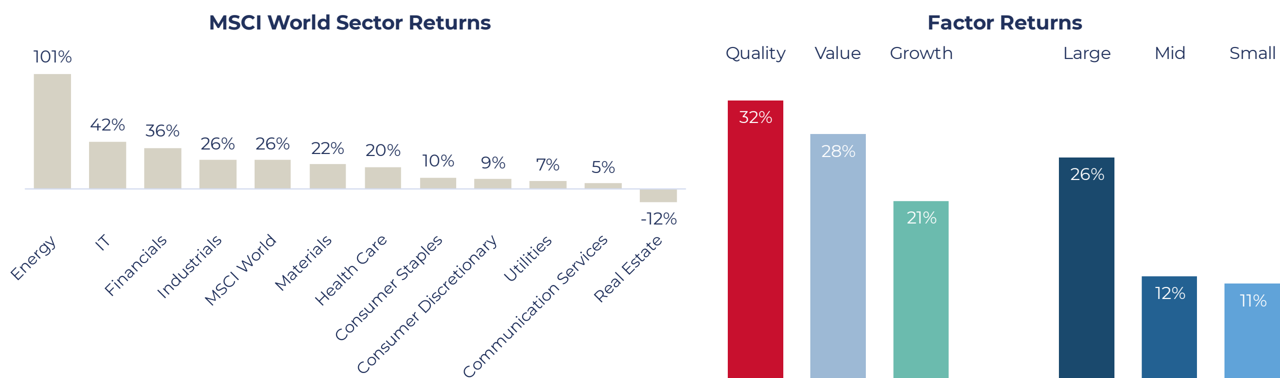
Over the last three years, markets have been volatile as they have processed the outcome of a global pandemic, multi-decade high inflation, unprecedented interest rate hikes, and wars in Europe and the Middle East. Given those dynamics, we have been pleased with how the Guinness Sustainable Global Equity Fund has performed, particularly given that investors sought the relative safety of larger-cap, mature businesses and interest rate hikes more negatively impacted higher-growth mid-cap stocks.

From the launch of the Guinness Sustainable Global Equity Fund (15.12.2020), until the end of 2023, the Fund returned 13.7% (USD) versus the MSCI World 25.7% (USD) and MSCI World Mid Cap Index 11.9% (USD). Therefore, the Fund has underperformed the MSCI World by 12.0% but has outperformed the MSCI World Mid Cap Index by 1.8% (the Fund's benchmark Index is the MSCI World; we include the MSCI World Mid Cap for useful context given the Fund's mid-cap focus).



Source Guinness Global Investors, Bloomberg. Data as of 31.12.2023 in USD

Attribution since launch



Source: Guinness Global Investors, Bloomberg. Data 15.12.2020 - 31.12.2023, in USD

Over the last three years, the Fund's performance relative to the MSCI World Index can be attributed to the following:

- The Fund benefited from not owning or having relative underweights to the worst performing sectors: Real Estate, Communications, Utilities and Consumer Discretionary.
- Exposure to the IT sector was marginally net negative as positive asset allocation (particularly through the Fund's exposure to semiconductors – the best performing industry over the last 3 years) was offset by stock selection. Here, *not* owning Nvidia, which was up over 270% (USD), was a material drag and was responsible for c.2% of the Fund's relative underperformance.
- Focused on the mid-cap space, the outperformance of large-caps was a drag on Fund performance, particularly not owning many of the mega-cap names that drove the broader index returns in 2021 and 2023. However, positive stock selection within the mid-cap space enabled the Fund to outperform the MSCI World Mid Cap index.
- The market rewarded quality as a factor over the last 3 years as investors digested higher interest rates, supply chain disruptions, and broader volatility. This benefited the Fund with its quality threshold and focus on low-leverage businesses, allowing it to avoid much of the weakness at the more speculative end of the growth spectrum, particularly over 2021 and 2022.
- Stock selection within the Fund's exposure to Financials was a material drag principally due to Worldline, which was the Fund's weakest performer until its sale in 2023.
- Finally, Healthcare as a sector has been weak, particularly medical technology businesses, where sentiment has been weighed on due to weakness in China and cautious spending from pharmaceutical companies. The Fund's overweight exposure to this sector was a drag on performance.

Top and bottom Fund performers since launch

Best 5 performing stocks	Total return (USD)
Arista Networks	236.9%
KLA Corp	130.9%
Cadence Design Systems	121.8%
A O Smith Corp	54.0%
Tetra Tech Inc	47.8%

Worst 5 performing stocks	Total return (USD)
Worldline	-86.2%
DiaSorin	-48.7%
Trex	-30.6%
Jazz Pharmaceuticals	-29.2%
Zebra Technologies	-28.7%

Source: Guinness Global Investors, Bloomberg. Data as of 31.12.2023

Buys and sells

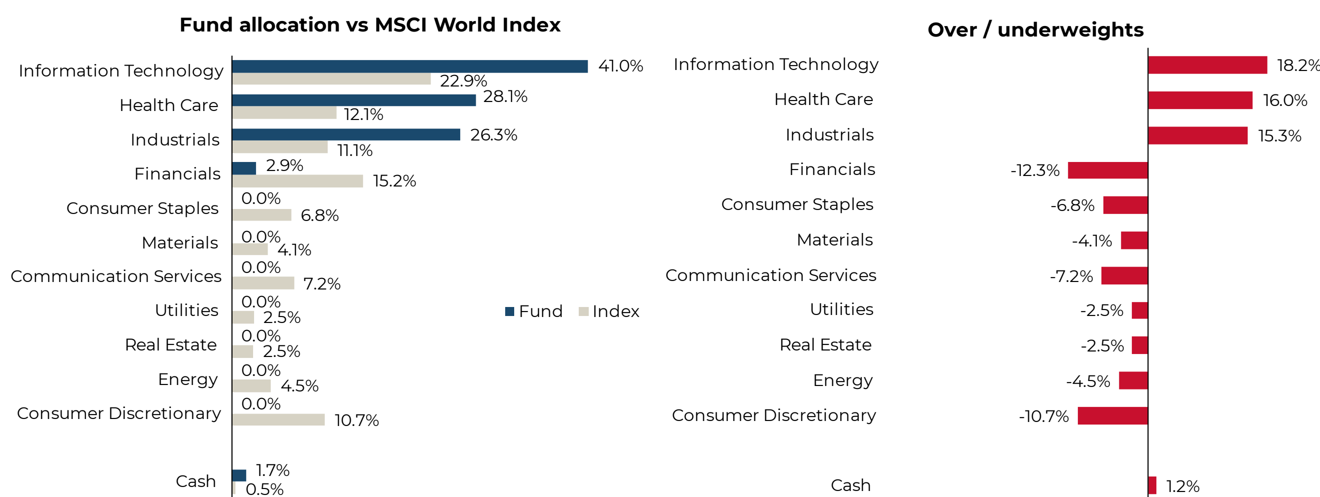
Over the last three years, we have made a total of 8 changes to the portfolio as outlined below. We detail the rationales for each change in the following pages.

	2021	2022	2023
No. Switches	3	3	2
Bought	Jazz Pharamceuticals Diasoin Addus Homecare	Skyworks Keysight Technologies Teradyne	Edwards Lifesciences Monolithic Power Systems
Sold	Xylem Teradyne Fisher & Paykel	Aptiv Ansys Kerry Group	Trex Co. Worldline

Source: Guinness Global Investors, Bloomberg. Data as of 31.12.2023

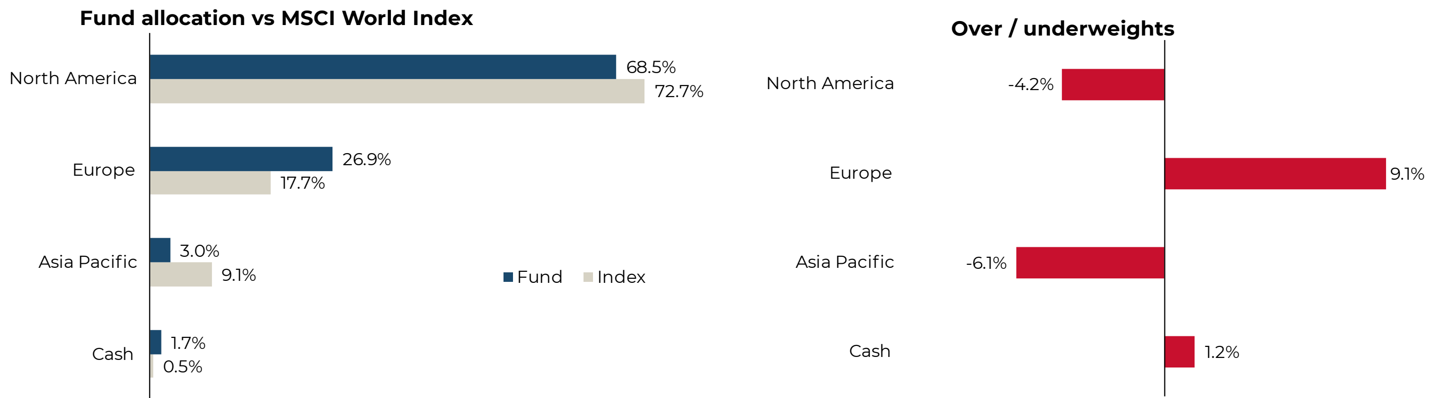
FUND POSITIONING

Looking at the Fund's exposure based by sector, the Fund continues to have no exposure to the highly regulated and commoditised areas of Real Estate, Energy, Materials, and Utilities. We continue to hold the majority of Fund holdings within the IT (41%), Health Care (28%), Industrial (26%), and Financial (3%) sectors. This doesn't reflect a view of the outlooks for these sectors but is rather a bottom-up consequence of 1) our focus on quality 2) our search for companies with sustainable products and services and 3) our emphasis on mid-cap growth businesses.



Source: Guinness Global Investors, Bloomberg. Data as of 31.12.2023. Allocations subject to change.

On a regional basis, North America continues to be the Fund's largest exposure (69%), followed by Europe (27%) and Asia Pacific (3%). The Fund has a modest underweight to North America and Asia-Pacific vs the MSCI World Index, which is offset by its overweight exposure to Europe.



Source: Guinness Global Investors, Bloomberg. Data as of 31.12.2023. Allocations subject to change.

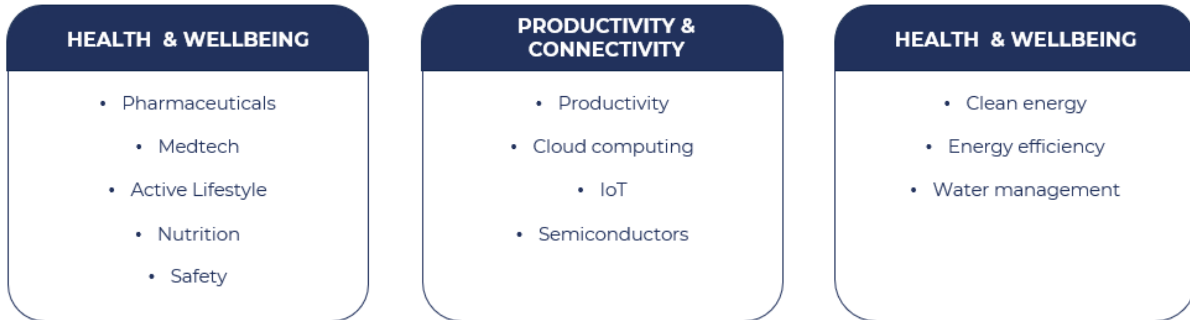
Finally, we assess metrics across the tenets of our approach. We follow these to make sure we are providing what we say we will. At the end of 2023, we are pleased to report that the portfolio continues to deliver relative to the benchmark MSCI World and the MSCI World Mid Cap – the portfolio provides investors with a set of higher-quality, higher-growth businesses within a concentrated portfolio with a very high active share.

	Fund	MSCI World	MSCI World Mid Cap
Return on capital	▲16.7%	5.8%	4.4%
Debt/Equity	▼58.1%	152.6%	187.1%
Profit Margin	▲17.4%	9.6%	6.3%
Trailing 5-year sales growth (annualised)	▲11.4%	3.9%	5.5%
Trailing 5-year Earnings Per Share growth (annualised)	▲16.4%	5.6%	9.9%
Estimated 1-year Forward Earnings Per Share Growth	▲15.0%	10.1%	16.8%
PE (2024e)	▲23.0x	17.6x	16.3x
Number of stocks	30	1550	850
Active share		99%	98%

Source: Guinness Global Investors, Bloomberg. Data as of 31.12.2023

SUSTAINABLILITY REVIEW

We currently use three broad sustainability themes with sub-themes to help guide our assessment of potential investments based on the degree to which a company is part of the transition to a more sustainable economy. These long-term structural changes have been driven by changes in behaviours and preferences by consumers and governments alike. Evidently, over the last three years, there have been opportunities and challenges, with Covid-19 and its resultant effects on businesses and consumers, the need for more resilient supply chains, and ongoing government stimulus packages aimed at carbon reduction and semiconductor production. Moving forward, in what is likely to be a lower-growth global economy than the last 10 years, we believe that companies which can truly grow real earnings will be best placed.



Broadly, over the last three years, our themes have been impacted in the following ways:

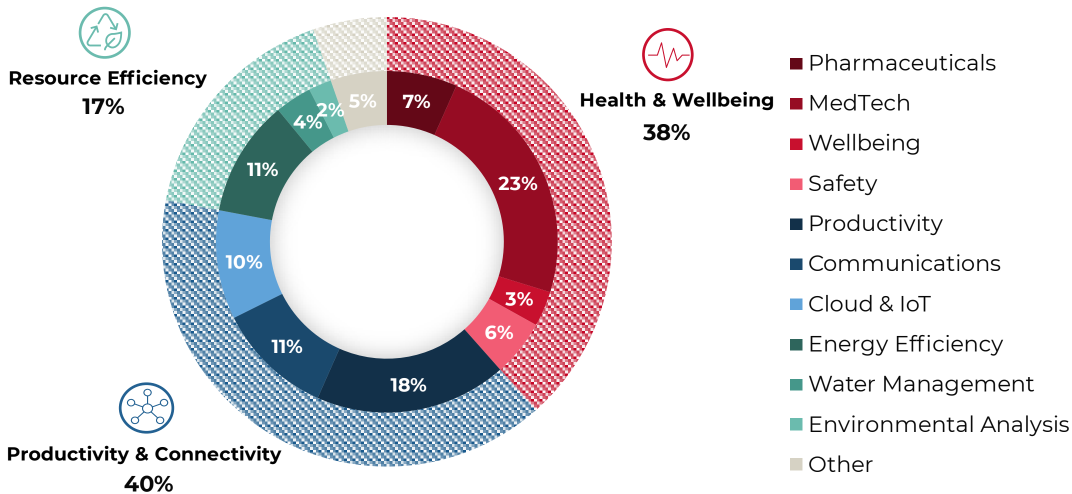
- **Health & Wellbeing** – Whilst Covid-19 benefited the diagnostics companies which provide related tests, those companies have since dealt with the hangover of such an unprecedented spike in sales. More broadly, healthcare has struggled over the last few years with the China reopening trade not going as planned, and broader cautiousness from pharmaceutical and biopharma businesses. More recently, the impressive results from Novo Nordisk around its GLP-1 obesity drugs have added new excitement to the area. For the Fund, an overweight exposure to the broad healthcare sector has been a drag on performance. However, we have now seen examples of lasting changes from the pandemic, such as an emphasis on greater hygiene (benefiting Fund holding Steris) and a shift towards at-home care (benefiting Addus Homecare).

- **Productivity & Connectivity** – Companies exposed to this this theme include key enablers of innovations across industries. Whilst 2021 saw material increases in investment into logistics and warehouse automation, we have since seen a more cautious approach by large capex spenders as inventories have built up. Elsewhere, the excitement around artificial intelligence which started with the launch of Chat-GPT in 2023 has benefited Fund holdings such as Arista Networks, which supplies high-end networking switches and software to data centres, and Cadence Design Systems, which supplies electronic and system design software primarily to semiconductor businesses.

- **Resource Efficiency** – The importance of transitioning away from fossil fuels, becoming more energy efficient, and becoming more energy self-sufficient was made ever more evident when Russia invaded Ukraine in 2022. The resulting spike in energy prices was a key contributor to global inflation numbers particularly for regions such as Germany. Elsewhere we have seen continued government stimulus into the area with the US Inflation Reduction Act and the EU Industrial Strategy, as well as initiatives established at the annual COP events. Whilst implementation is uncertain, particularly for the EU's strategy with funding determined country by country, the direction of travel has been positive for the theme. Fund exposure includes Tetra Tech, a US consultancy specialist focused on areas of water, environment, infrastructure, resource management and energy. Tetra Tech has continued to win new contracts throughout the period as governments placed greater focus on climate change initiatives.

Fund sustainability footprint

Whilst we do not target a proportion of the Fund to be invested in any one theme or sub-theme, a breakdown by theme can give insight into the Fund's exposure that a simple sectoral breakdown may not. As can be noted from the below, the Fund has a good split between our three broad sustainability themes and their respective sub-themes.



Source: Guinness Global Investors, company data, data as of 31.12.2023

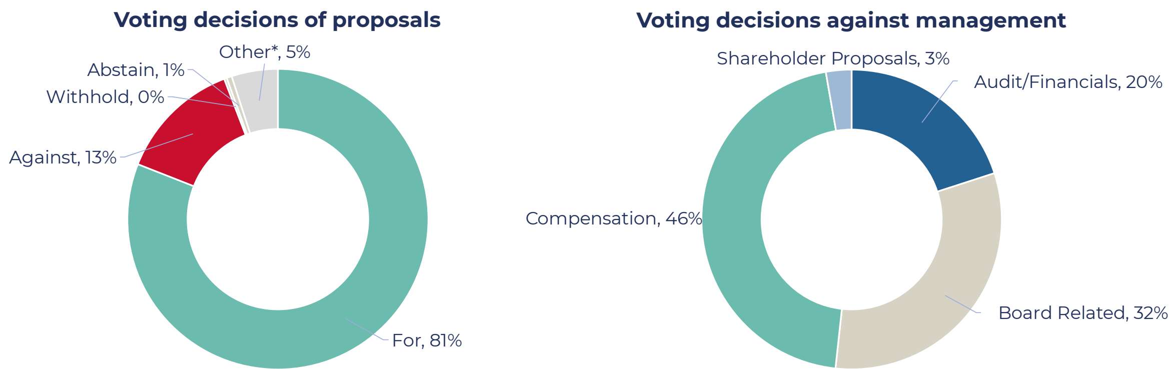
Active ownership

As active owners of the underlying holdings, we believe focusing on the most material ESG issues for any company and encouraging management to improve their oversight and processes around these will ultimately lead to lower operational risk. We encourage companies through proxy voting and direct engagement. Below, we outline our efforts over the last three years.

Proxy Voting

At Guinness Global Investors, we manage the voting rights of the shares entrusted to us. Our voting philosophy reflects our corporate values, our long-term perspective, and our focus on sustainable returns. Over the last three years, we voted on 92% of the 1201 proposals allocated to holdings within the Guinness Sustainable Global Equity Fund. It is important to note that in order to vote in some markets, such as Switzerland, shares are temporarily immobilised from trading until after the shareholder meeting has taken place. In these instances, the team decided it would be in clients' best interests to refrain from voting. These 'non-voted' proposals accounted for the remaining 8% of proxy votes.

Guinness Sustainable Global Equity



Source: Guinness Global Investors, company data, data as of 31.12.2023

Of the proposals voted, 13% were 'Against' management. Within this, 46% of proposals voted 'Against' related to management compensation. We believe that there is good evidence to suggest that management incentive packages do indeed influence decision making, company strategy and overall company performance. We outline our thoughts in our paper *Our Approach to Executive Remuneration*. Following these proposals in which we voted 'Against', we engaged with several holdings directly to request more detail and to encourage a more optimal framework.

Engagement

At Guinness Global Investors, we believe that both individual and collaborative action around ESG issues is an important part of the investment process. Over the last three years, we have engaged with 19 of our holdings across various topics but with an emphasis on what is most material to the respective company. To do so, we have engaged both independently, but also as part of collaborative campaigns.

As an example, across 2022 and 2023, we participated in the Carbon Disclosure Project (CDP) non-disclosure campaign, which offers investors the opportunity to engage with companies that have received the CDP disclosure request but have not yet provided a response. The objective of the annual campaign is to drive further corporate transparency around climate change, deforestation and water security, by encouraging companies to respond to CDP's disclosure requests.

On behalf of the Guinness Sustainable Global Equity Fund, we led a collaborative letter to Interroll requesting that it disclose to the CDP. Given the business's recent implementation of the Ecovadis platform and sustainability report that follows the Global Reporting Initiative standards, Interroll replied that it is unlikely to disclose to the CDP in the short term but will consider disclosure for the future. Whilst we are encouraged by the positive steps Interroll has taken, particularly as it remains a relatively small company (market cap c.$2bn), we will continue to follow up in 2024.

OUTLOOK

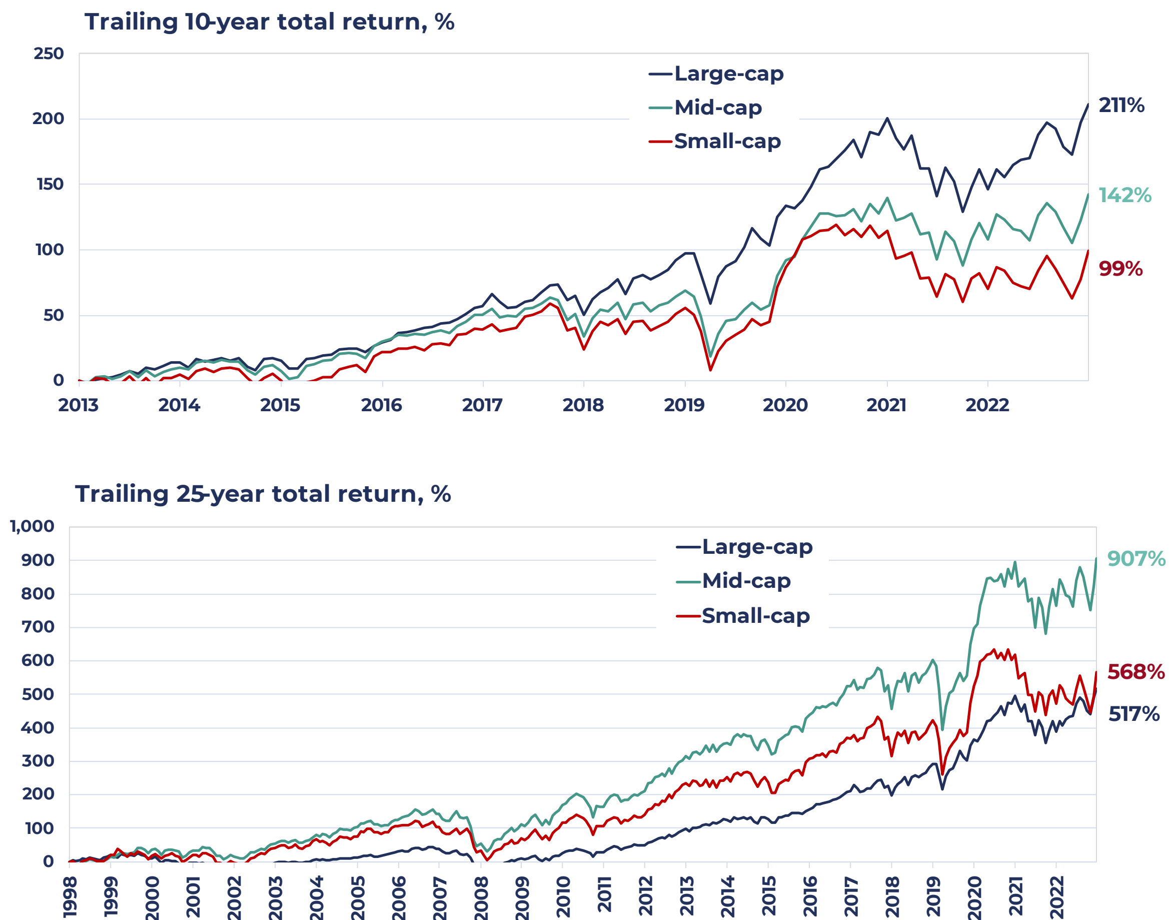
Looking forward, we believe that the outlook for mid-cap stocks – and, in particular, high-quality mid-caps – appears favourable for a number of reasons. Principally, given that over the longer term, mid-caps have outperformed their small and large-cap counterparts and with better risk-adjusted returns, coupled with their recent underperformance relative to large-caps and their valuation *discount,* they now present an exciting opportunity. Furthermore, the concentration of funds within large-cap stocks has never been higher. When taken together with the likely broadening of market winners, given the direction of travel for interest rates, investors may find themselves over-levered to yesterday's winners.

However, we are not blind to the fact that market overhangs exist in the market, and that this decade is likely to be one of slower growth versus the 2010s. That's why we believe whilst mid-caps offer greater potential upside without the risks that small-caps exhibit, companies with strong balance sheets and high profitability, as well as structural growth tailwinds, are best placed.

We identify four reasons why the mid-cap space currently looks very appealing.

1. Mid-caps have (still) outperformed large-caps and small-caps over the long term

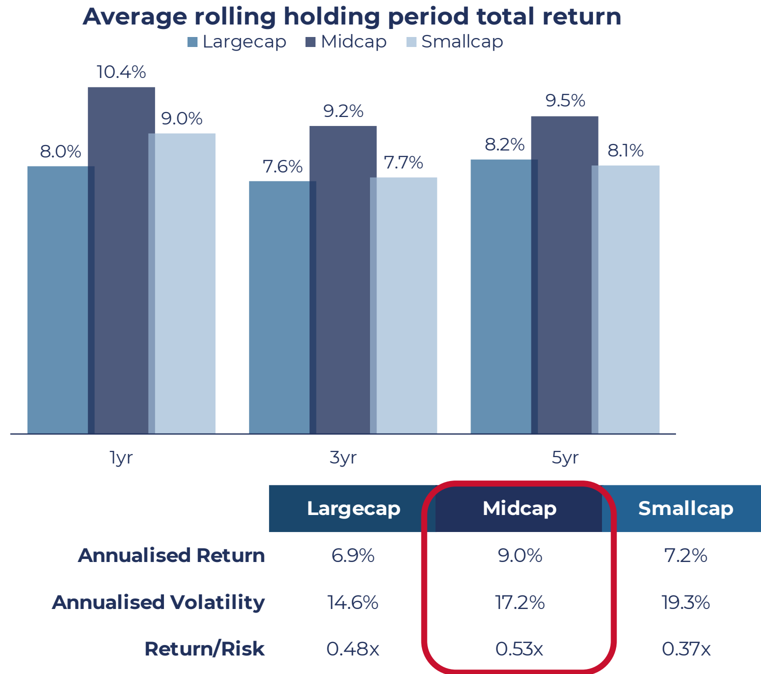
Recency bias might lead us to believe that the large-cap outperformance seen over the last decade is the norm. But a look at returns over the last 25 years shows us that mid-cap companies have actually outperformed both larger and smaller firms.



Source: Bloomberg. Period analysed: 31st Dec 2013 – 31st December 2023 and 31st Dec 1998 – 31st December 2023, monthly series, USD.

For the purposes of back-testing, we use the S&P 500, S&P Mid-cap 400 and Russell 2000 indices due to their long performance histories.

Further, we find that the outperformance has not been concentrated in any single period, and mid-caps have in fact outperformed over the average rolling 1, 3, and 5-year periods since 1998, and with a better risk-adjusted return – so it's not merely a case of paying for higher risk.



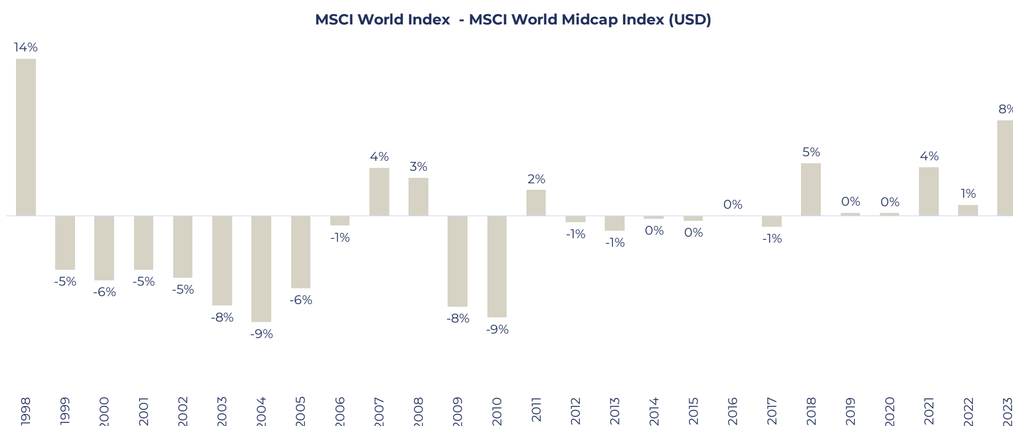
	Largecap	Midcap	Smallcap
Annualised Return	6.9%	9.0%	7.2%
Annualised Volatility	14.6%	17.2%	19.3%
Return/Risk	0.48x	0.53x	0.37x

Source: Bloomberg. Period analysed: 31st Dec 1998 – 31st Dec 2023, monthly series, USD.

Thinking about reasons for this outperformance, there are three strong arguments: (1) mid-cap stocks are under-researched and under-utilised by investors, creating more 'alpha' opportunities; (2) mid-caps have grown their revenues faster; and (3) mid-cap stocks tend to be the targets of acquisitions by larger competitors looking to expand or solidify their market position.

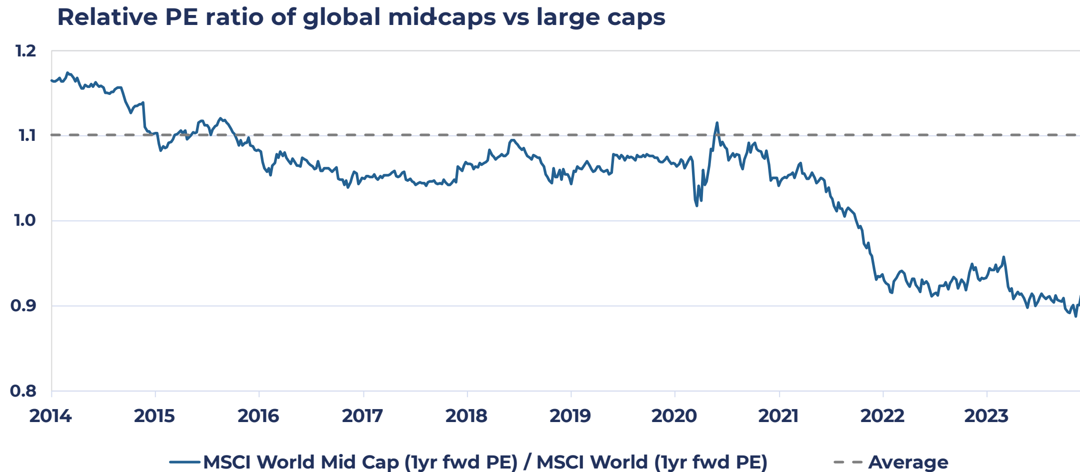
2. An attractive entry point for mid-caps

Last year the MSCI World Index outperformed the MSCI World Mid Cap Index by 8.3% - the largest outperformance since 1998:



Source: Bloomberg, as of 31st December 2023

This has left mid-caps looking significantly more attractively valued versus large-caps:

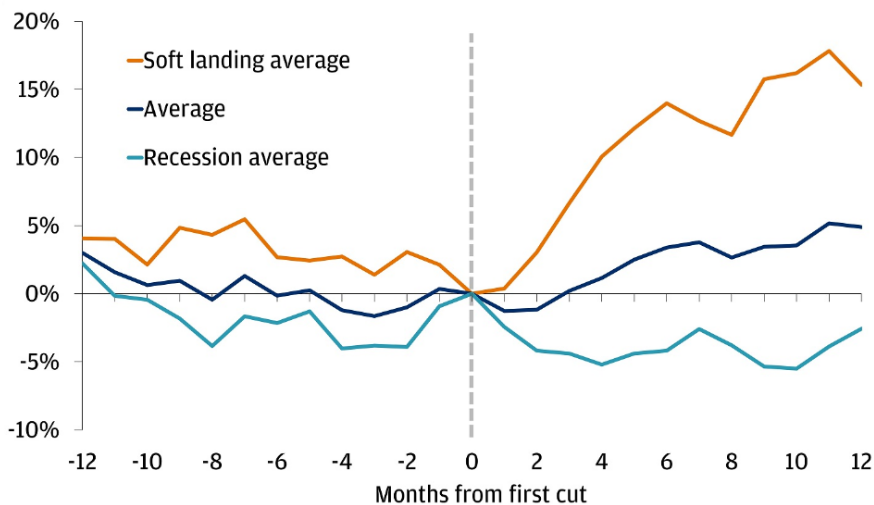


Source: Bloomberg, as of 31st December 2023

Not only that, mid-caps are also trading at a discount to their own 10-year history, so any mean reversion or multiple re-rating, would provide potential upside to total return. This near-term underperformance, combined with the longer-term *outperformance* of mid-caps, we believe, has created an exciting opportunity for the mid-cap space.

3. Mid-caps are a sweet spot for upcoming economic conditions

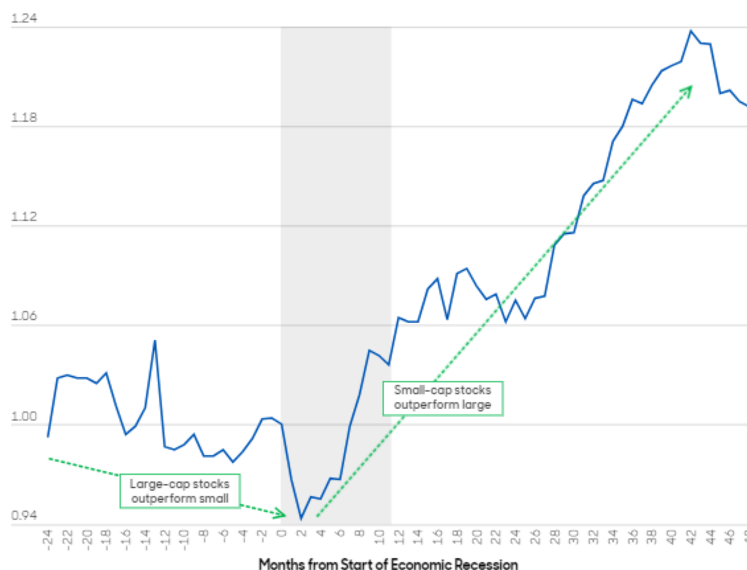
As we head into 2024, the broad consensus is that we have reached peak interest rates in most developed regions and that their direction of travel in the coming years is likely to be down. Of course, trying to time the economic conditions can be futile, with the market continually over-optimistic. But all things equal, this is likely to be positive for markets and for especially for mid-cap stocks. Indeed, since 1966, markets have rallied on average 15% in the 12 months following the first rate cut if no recession occurred (which is looking increasingly likely in the US).



Source: Morgan Stanley, Data as of 11th December 2023

However, an economic recession cannot be completely ruled out, particularly for regions in Europe. Often, as we head into what could be an economic slowdown, small and mid-cap stocks do tend to underperform. However, that plants the seeds for outperformance coming out of any such period, and the rebound can begin as early as three months into an economic downturn. The chart below shows the relative average performance of smaller companies versus large-caps before, during and after recessions (dating back to the 1980s in the US). This bounce back occurs because market participants tend to price in an economic recovery before it happens.

Relative performance of Russell 2000 versus S&P 500 Index around recessions



Source: Bloomberg, William Blair Equity Research, October 2022

4. Mid-caps avoid over-concentration in large-caps

In 2023, for the S&P 500 Index, the disparity between the traditional market cap-weighted index and the equally weighted version was at its largest spread for a calendar year since 1998 – i.e., we've experienced one of the narrowest groups of 'winners' in 2023 for many years. Within this, we find that the top seven contributors to the S&P 500 Index provided over 16% of the index's 27% total return – a 59% contribution.

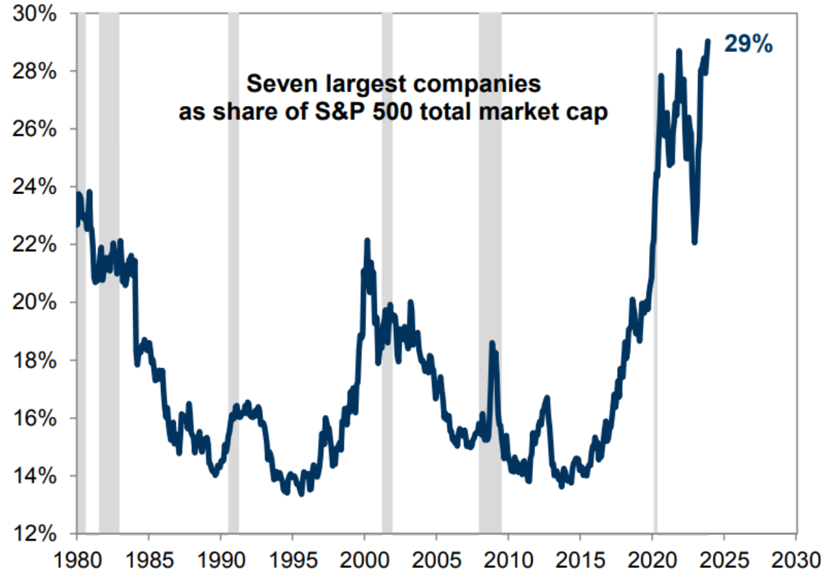
Whilst the 'Magnificent 7' mega-cap stocks pushed market cap-weighted indices like the S&P 500 and MSCI World higher during 2023, we shouldn't forget that they also contributed to the bear market plunge in 2022. Looking over the last two years, the Magnificent 7 bar Nvidia seem much less magnificent:

	Total Return
Alphabet	-3.6%
Amazon	-8.9%
Apple	9.7%
Meta	5.2%
Microsoft	13.9%
Tesla	-29.5%
Average	**-2.2%**
NVIDIA	68.6%
Average	**7.9%**

Source: Bloomberg, TR in USD between 31st Dec 2021 – 31st Dec 2023

This underlines an important aspect of the mega-cap high fliers: they are not immune to the business cycle and can also be a drag on market cap-weighted indices. That in turn stresses the importance of diversification, especially given the potential for the equity rally to broaden.

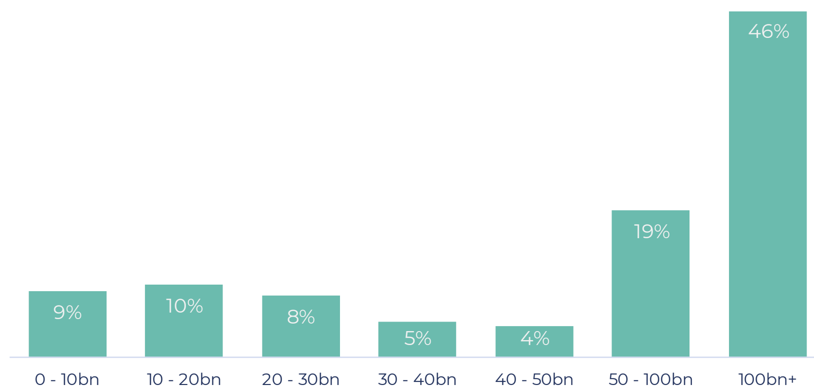
Looking back since 1980, the concentration of the largest companies with the S&P 500 has never been higher. Moreover, we've seen in the past that when there has been significant dominance of only a few companies, this does eventually wane:



Source Goldman Sachs Global Investment Research

However, the over-concentration of large-caps is not confined to the passive indices. Within the ESG fund landscape, we find that funds tend to invest heavily in the large-cap space, with ESG funds in the Investment Association's Global sector on average allocating 46% to $100bn+ companies.

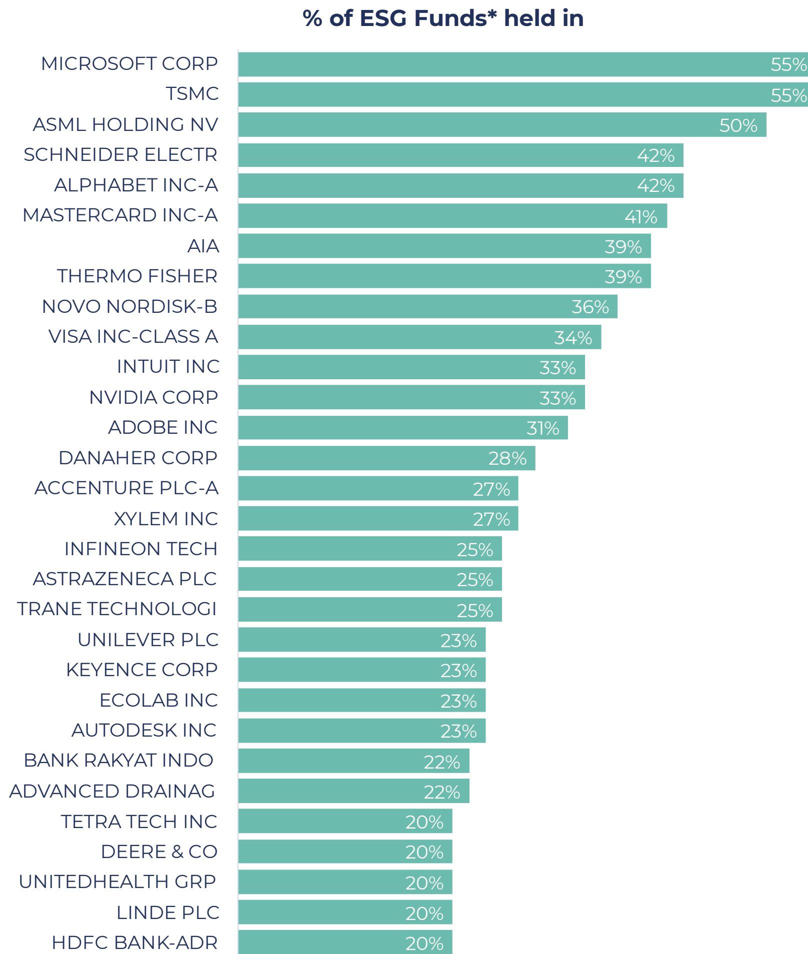
Average ESG Fund* Market Cap Exposure (USD)



**A custom universe of funds created by screening the IA Global Sector for all Responsible, Sustainable and Impact Funds which have similar investment policies and risk profiles to the Guinness Sustainable Global Equity Fund. Source: Guinness Global Investors, Bloomberg, Investment Association, as of 31st December 2023.*

What's more, ESG funds have a tendency to invest in the same large-cap stocks. The chart below shows the proportion of ESG funds in the Global sector that invest in each stock (displaying only those stocks in 20% of funds or more). Most notably,

we see that over half invest in Microsoft, TSMC and ASML, with over 40% of funds also owning Alphabet, Schneider Electric and Mastercard.



Source Guinness Global Investors, Bloomberg, Investment Association, as of 31st December 2023. A custom universe of funds created by screening the IA Global Sector for all Responsible, Sustainable and Impact Funds which have similar investment policies and risk profiles to the Guinness Sustainable Global Equity Fund.

Thus, we believe the mid-cap space is not only desirable from a fundamental perspective, but also attractive for the differentiation it offers. Investors may find that their ESG funds are not only heavily invested in businesses with lower ESG intentionality but that they are also doubling up on many large-cap stocks held in non-ESG fund allocations.

2021

What happened in the world?

Value and growth stocks rotated in and out of favour – based on the outlook brought about by Covid-19 mutations and lockdowns, rising inflation, supply-chain shortages, and central bank rhetoric.

Equity markets began 2021 buoyant with value outperforming growth on the back of the 'reflation/reopening trade' that started in November 2020 when the vaccine news was released.

Beginning mid-May, the 'reflation' trend reversed and growth outperformed value as the Delta variant came to prominence, and the US economy started signs of slowing.

From September onwards, another Covid-19 variant emerged, whilst investors digested supply chain shortages, higher inflation, a more hawkish Fed, and increased worries around China.

What happened in the Fund?

Performance

In 2021, in its first full calendar year since inception, the Guinness Sustainable Global Equity Fund returned 26.9% (in USD), whilst the MSCI World Index returned 21.8%. The Fund therefore outperformed the benchmark index by 5.1% over 2021.

For context, the Fund also outperformed the MSCI World Mid Cap Index by 9.3% over 2021.

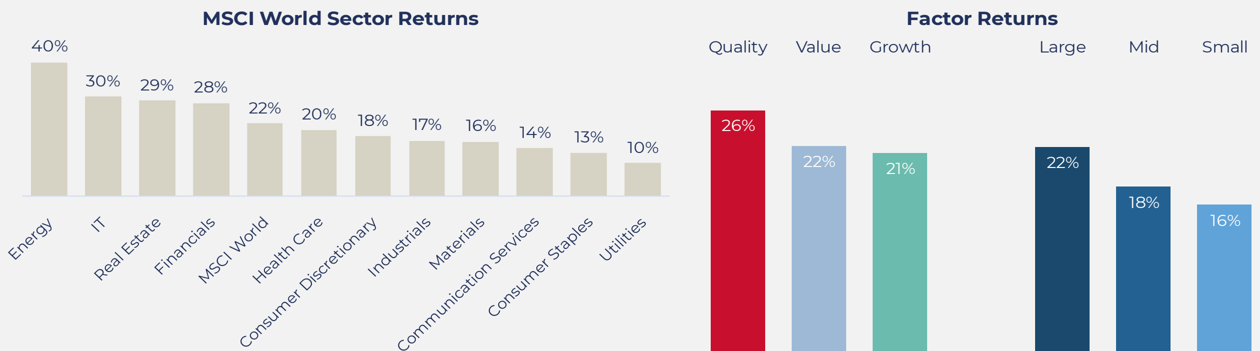
Switches

Over the year, we made 3 switches:

Purchases:
Jazz Pharmaceuticals, Diasorin, Addus Homecare

Sales:
Xylem, Teradyne, Fisher & Paykel

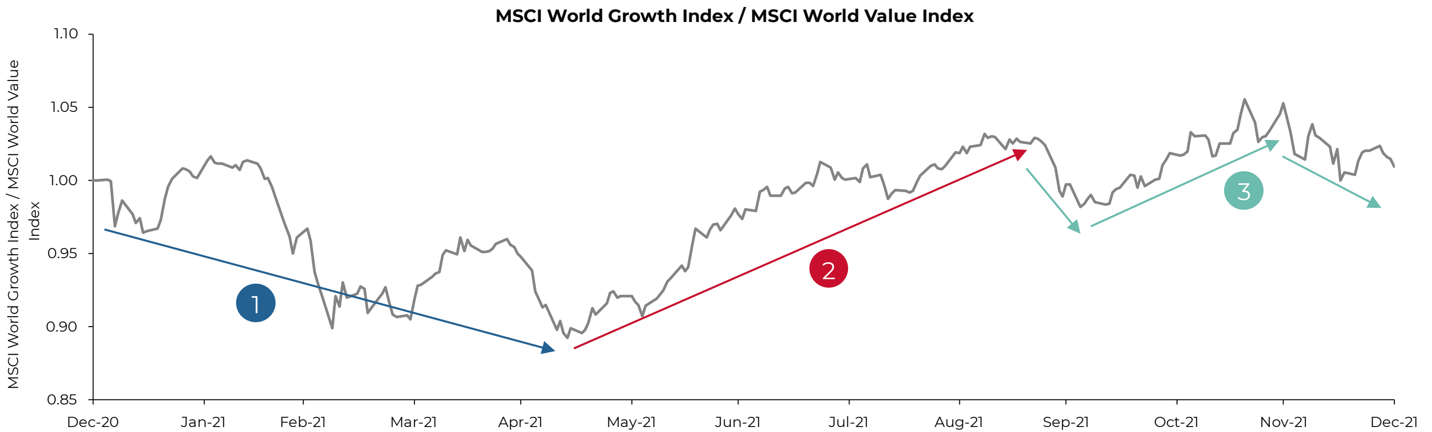
Attribution



- Over the course of the year, very strong stock selection in Industrials (30.5% of the portfolio) and Healthcare (25.2%) more than offset the poor allocation effect from not owning banks and Energy stocks (which both performed well over the year).
- IT exposure was a net positive for the Fund with positive asset allocation offsetting weaker stock selection. Here, *not* owning Nvidia (which was up 125% USD over the year) was a drag on performance.
- Whilst not owning large and mega-cap stocks throughout the year was broadly negative from an asset allocation perspective, very strong stock selection within the mid-cap space more than offset this.

2021 – MARKET REVIEW

2021 saw 3 broad trends in terms of style/rotation:



Source: Guinness Global Investors, Bloomberg. Data as of 31.12.2021, USD

From the start of year to mid-May, value outperformed growth on the back of the 'reflation/reopening trade' that started in November 2020 when the vaccine news was released and both economic growth-sensitive value stocks (such as Industrials) and rate-sensitive value stocks (like banks) did well. Overall, the Fund underperformed over this period since those lower-growth, lower-quality stocks – that had previously been hit hardest from Covid lockdowns – were the ones driving benchmark gains.

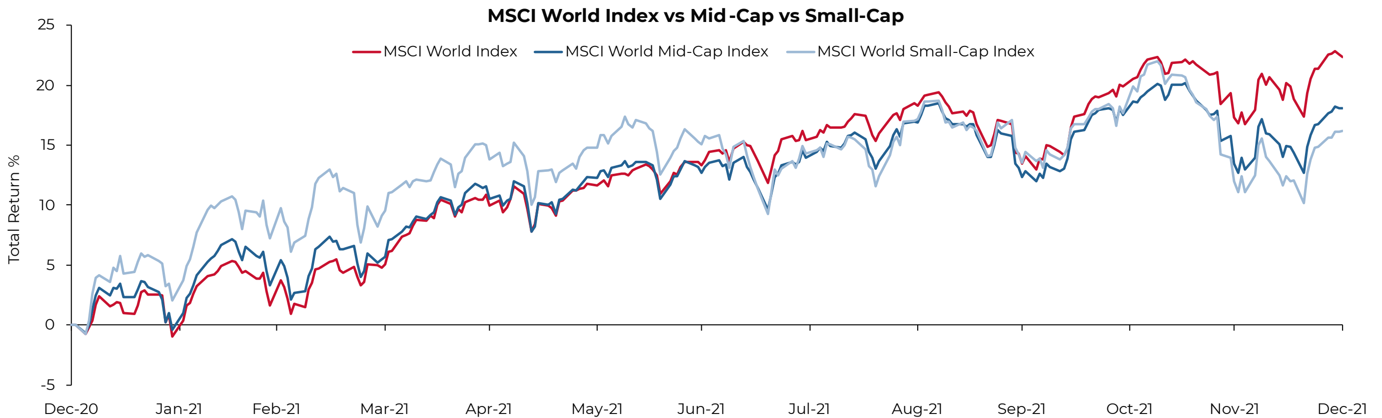
From mid-May (14th) to mid-September (21st) this 'reflation' trend reversed and growth outperformed value as the Delta variant came to prominence and we started to see a slowdown in the economy and a coincident fall in rates, with US 10yr treasury yields dropping from 1.7% back to 1.2%. Quality companies also performed well as investors focused on a slower growth outlook and increased market uncertainty. The Fund outperformed, as we might expect in a growth-led rally.

From mid-September (21st) to the year end, value and growth switched in and out of favour as markets dealt with another Covid-19 variant, supply chain shortages, higher inflation, a more hawkish Fed, and increased worries around China and global growth in general. In this period the Fund's high-quality companies – with secular growth themes – weathered the various uncertainties well. Further, the Fund's value discipline – whereby we seek to avoid paying up too much for high levels of expected growth in the future – proved beneficial as it meant that we did not hold any of the extreme high-growth, unprofitable tech stocks that sold off sharply over this third period.

Over the course of 2021, whilst value and growth stocks rotated in and out of favour, *quality* stocks outperformed both styles, and with less volatility.

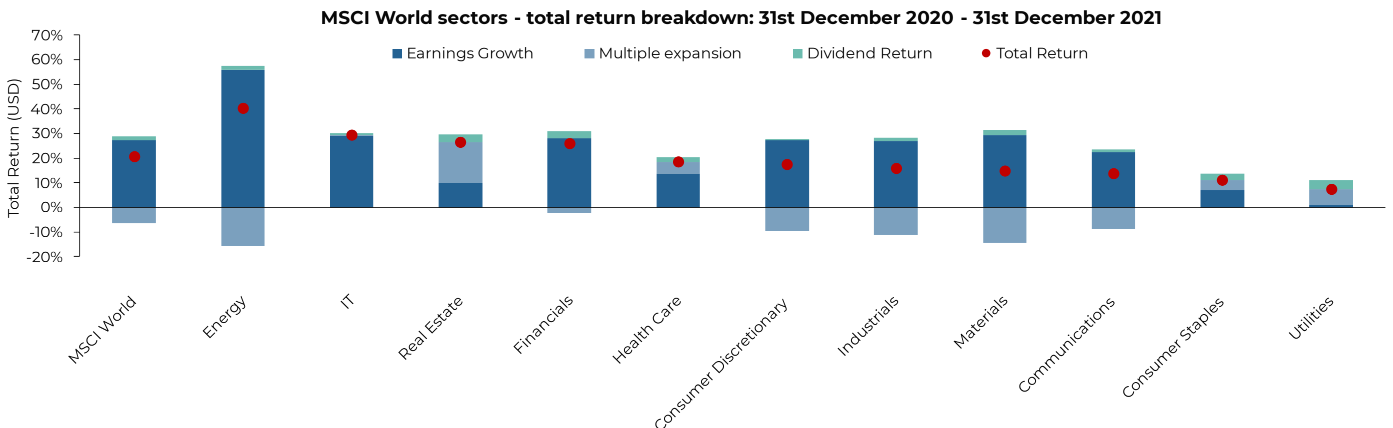
Source: Guinness Global Investors, Bloomberg. Data as of 31.12.2021, USD

Large-cap stocks and developed markets also broadly outperformed their counterparts as investors seemingly sought greater safety in large companies with less growth uncertainty.



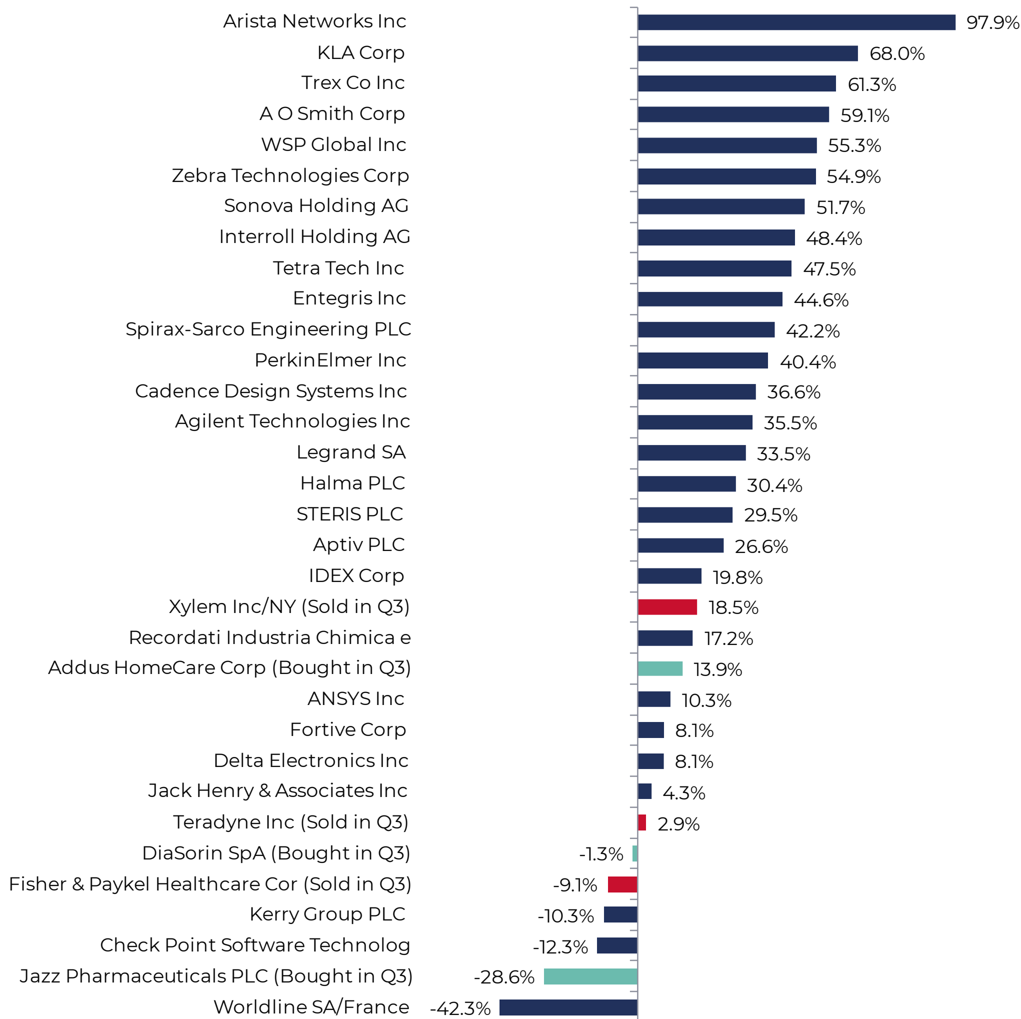
Source: Guinness Global Investors, Bloomberg. Data as of 31.12.2021, USD

With stock valuations broadly higher versus their historic averages, equity market performance across all sectors was generally been driven by higher earnings growth as companies recovered from the lockdown-induced slowdowns experienced in 2020.



Source: Guinness Global Investors, Bloomberg. Data as of 31.12.2021, USD

2021 – STOCK PERFORMANCE



Source: Guinness Global Investors, Bloomberg. Data as of 31.12.2021, USD

Arista (+97.9%) was the Fund's best performing stock over 2021, almost doubling its share price over the period. The company pioneered the software-driven networking approach – a move away from the traditional hardware-first approach – and focuses on high-end superfast switches such as 200 and 400 gigabit products primarily bought by hyperscale cloud titans. With the accelerated uptake in cloud computing and need for data centres, Arista has experienced faster than anticipated demand for its switches. Indeed, when reporting its Q3 results in early November, the company guided well above previous expectations.

KLA Corp, (68.0%) the leading semiconductor equipment manufacturer, specialises in metrology/inspection equipment to monitor the fabrication process and optimise yields. Like the broader semiconductor industry, the company benefited from an acceleration in the volume and use cases required of semiconductors over the pandemic from data centres and cloud computing to laptops and wireless communication. This led leading foundries, and customers of KLA, to increase expected capital expenditure. KLA beat analyst expectations for sales and EPS for each of the 4 quarters reported over 2021, and ended the year as the Fund's 2nd best performer.

Jazz Pharmaceuticals, (-28.6%) a new addition to the Fund, was the second worst performer over the year. As we explain below, we Jazz presented an opportunity to get exposure to a company repositioning itself for growth

and diversifying its portfolio, whilst trading on subdued multiples. The underperformance came as Jazz's main drug, Xyrem, neared its patent cliff with investors worrying about generic entry. We believed investors were too pessimistic about this, particularly when considering the company's attempts to transfer existing (and obtain new customers) onto its low-sodium version of Xyrem, Xywav, alongside its recent acquisition of GW Pharma. Much of the weakness in the year subsequently came as Jazz was able to switch more customers to Xywav than had been anticipated, which may enable generic entry sooner than anticipated – a negative consequence of an otherwise positive result. Our investment thesis remained and we continued to top up our position in light of share price underperformance – in line with our equal weighting philosophy.

Worldline (-42.3%), the payment processing business, was the Fund's weakest performer over the year. Worldline was considered a 're-opening' play by the market, i.e. a beneficiary of the re-opening of businesses such as shops, restaurants, and hotels. However, investors were left disappointed that for two consecutive re-opening quarters, the company did not beat estimates, with subsequent Covid-19 variants and regional mobility restrictions postponing the full re-opening of economies. Worldline's EV-to-1-year forward EBITDA multiple (the metric typically used to value consolidating payment companies) de-rated from over 24x at end 2020 to 16x. Management guided to at least 6% organic revenue growth in 2021, and 9-11% CAGR through 2024. Through the acquisition of Ingenico in 2020, Worldline became the clear leader in the European payments consolidation race and increased the global attraction of its position as well as the opportunity to grow earnings through synergy-led cost extraction.

Buys

Diasorin is a specialist diagnostic company commanding a 20% market share in immunodiagnostics and 12% in the more fragmented molecular diagnostics market. In recent years, the business has transitioned to an instrument sales model whereby systems are leased to customers in exchange for recurring reagent contracts with minimal purchase agreements (along the lines of the razor and blade model). This has meant over 90% of Diasorin's revenues can now be considered recurring, giving the business more transparency into future earnings. The company was a beneficiary of the pandemic, manufacturing Covid-19 tests. However, we felt diagnostic tests were likely to see more prolonged tailwinds from the pandemic vs instruments used when individuals are hospitalised (such as respiratory equipment made by Fisher & Paykel, which we sold from the Fund). Aside from Covid tailwinds, Diasorin presented itself as a high-quality growth business, yielding profit margins above 25%, negative net debt-to-ebitda, and earnings that had grown double-digits for 4 of the last 5 years (excluding 2020, where adjusted earnings grew >40% mostly from Covid-related tailwinds).

Addus Homecare is the leading provider of personal care in the US homecare market. While the company is primarily focused on the personal care segment (non-medically orientated services administered at patients' homes), Addus also provides exposure to the remaining two segments of the homecare market in hospices (end of life care) and home health (medically orientated services). The industry continues to be a beneficiary of the aging population; however, the business also benefits from lower at-home service costs vs care facilities/hospitals, changing patient preference towards home care vs care facilities, and continued consolidation of the fragmented industry. Having seen its share price fall >30% since its January peak on Covid-related weakness and state revenue concentration, we felt this presented a good entry point and that its share price weakness could easily be reversed as Covid-related concerns roll off and the business diversifies its revenue concentration.

With the first FDA approved drug for type 1 narcolepsy, Xyrem, **Jazz Pharmaceuticals** had seen strong growth since its approval in 2002. However, more recently investors had become worried about the impending generic entry in 2023 and the overreliance on this drug. That left the company trading on subdued multiples (1-year forward price-to-earnings c.12x at time of purchase) despite efforts to reposition the business. Indeed, Jazz had been attempting to transfer existing patients (whilst taking on new patients) to its new lower-sodium version of Xyrem, Xywav. This should help curtail generic entry whilst possibly making the drug more accessible to new patients given its lower sodium make-up. Moreover, Jazz has recently completed its acquisition of GW Pharma – a business which includes

blockbuster drug, Epidiolex, a cannabinoid seizure drug (and only US approved cannabinoid drug). The result is a more diversified revenue stream and strong exposure to the potential growth in cannabinoid drugs. Subsequently, at suppressed multiples, there was a good chance the company would surprise to the upside.

Sells

A manufacturer of products and systems for respiratory care and sleep apnea, **Fisher & Paykel** had sustained strong earnings growth pre-Covid. However, with the company a more direct beneficiary of Covid-related hospitalisations, and with vaccine rollouts making considerable headway in most developed economies, we felt the near-term share price momentum would be to the downside. Moreover, whilst we like the longer-term prospects for the business, the valuation had become considerably stretched, presenting a good time to exit the position.

TERADYNE

Teradyne is the largest producer of semiconductor testing equipment whilst also commanding leadership in robotics and automation, primarily through its acquisition of collaborative robot manufacturer, Universal Robots. Whilst we like the quality, growth and value characteristics of the business, Teradyne ultimately failed on ESG grounds, as its exposure to human capital risks became too great. Specifically, the company settled a workforce discrimination case in January 2021, which was on top of existing inadequate human capital practices. Having re-reviewed the company after the settlement announcement, in addition to engaging with the company, we felt the company's ESG risks outweighed its other positive characteristics.

A leading water technology company committed to solving the world's water, wastewater, and energy needs, **Xylem** offers technologies cover the majority of the water cycle from pumps, filtration and disinfection systems to transportation, treatment and analytical systems. Whilst we like Xylem's ESG credentials, it has been on our watchlist as its valuation became stretched after very good share price performance versus fairly slow growth and lower-quality characteristics. We subsequently felt it was a good time to sell with better investment opportunities available.

2022

What happened in the world?

- Equity markets experienced some of their weakest returns since 2008. Inflation rates across the US, Europe and UK hit decade highs after businesses and consumers battled supply chain bottlenecks and an energy crisis in Europe – both exacerbated by Russia's invasion of Ukraine.
- The US Federal Reserve raised rates in each of the 7 Federal Open Market Committee (FOMC) meetings from March, bringing the target rate to its highest level in 15 years at 4.5%.
- China's zero-Covid policy weighed on global growth prospects.
- The expectation of higher rates for longer more negatively affected growth stocks.
- Multiple contraction subsequently drove the weaker equity markets.

What happened in the Fund?÷

Performance

In 2022, the Fund returned -25.3% (USD), versus the MSCI World Index -18.1% and the MSCI World Mid Cap Index -19.1%. Therefore, the Fund underperformed the MSCI World by 8.4% and the MSCI World Mid Cap Index by 6.2%.

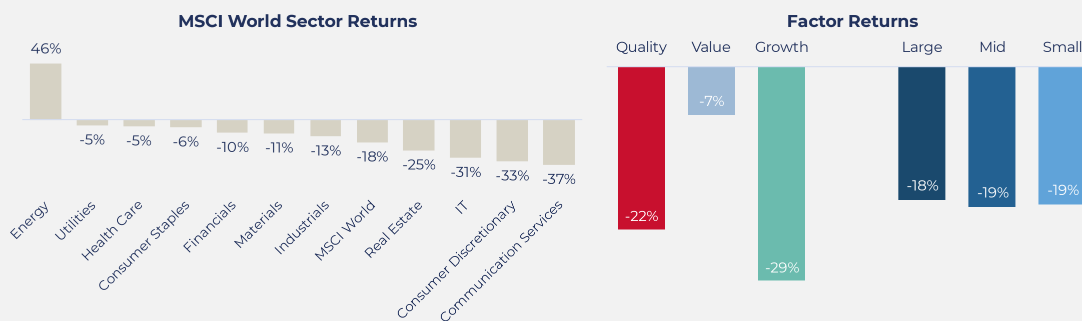
Pleasingly, however, the Fund outperformed the MSCI World Growth Index in both a strong equity market year (2021) and weak year (2022) by 5.6% and 4.0% respectively.

Switches

Purchases:
Skyworks, Teradyne, Keysight Technologies

Sales:
Kerry Group, Ansys, Aptiv

Attribution



Source: Bloomberg. Data from 31.12.2021 – 31.12.2022, USD

- Value outperformed Growth by 22% (USD) over the course of 2022, which was a headwind for the Fund. However, a significant divergence in performance emerged between more 'speculative' stocks with extreme valuations, and 'quality growth' stocks. The Fund, with its quality focus, avoided much the weakness in more speculative growth stocks.

- The Fund's exposure to Industrials was a significant drag through stock selection. Primarily, this was a result of Fund holding Trex (-64.9%), the Fund's weakest performer.

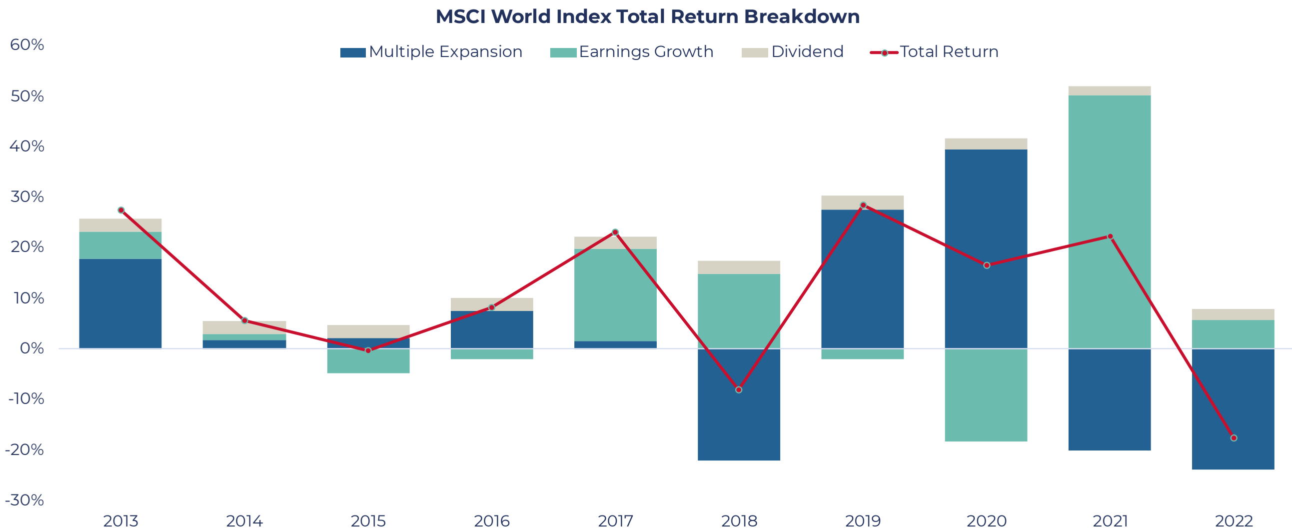
- Additionally, not owning any Energy stocks, the best performing sector, was a drag on performance as an energy crisis in Europe created supply shortages.

- Finally, the Fund's largest overweight exposure, IT, was a positive for the Fund, despite the sector's underperformance. Strong stock selection from holdings including Checkpoint Software (+21.1%) and Jack Henry & Associates (+18.8%) more than offset the negative asset allocation.

2022 – MARKET REVIEW

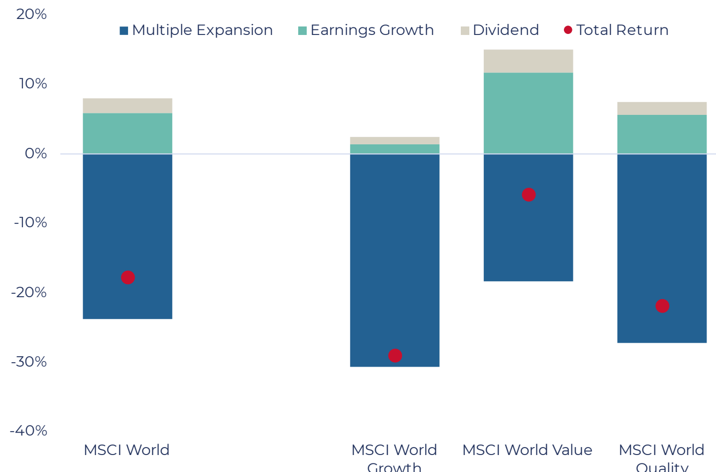
Equity markets experienced some of their weakest returns since 2008 as central banks began unprecedented monetary tightening measures to battle decade-high inflation rates, Russia invaded Ukraine creating an energy crisis in Europe, supply chains bottlenecks persisted, and China's zero-COVID policy weighed on global growth prospects.

Indeed, after markets enjoyed a prolonged period of ultra-low interest rates and quantitative easing, central banks had begun to dramatically unwind such accommodative measures in pursuit of taming persistently high inflation. Subsequently, the MSCI World Net Return Index ended 2022 down 17.1% (USD), with multiple contraction the primary factor – a continuation of 2021. And whilst markets were buoyed by robust earnings growth in 2021, this was not the case for 2022 as investors found themselves in a substantially lower-growth environment with potential recessions on the horizon.



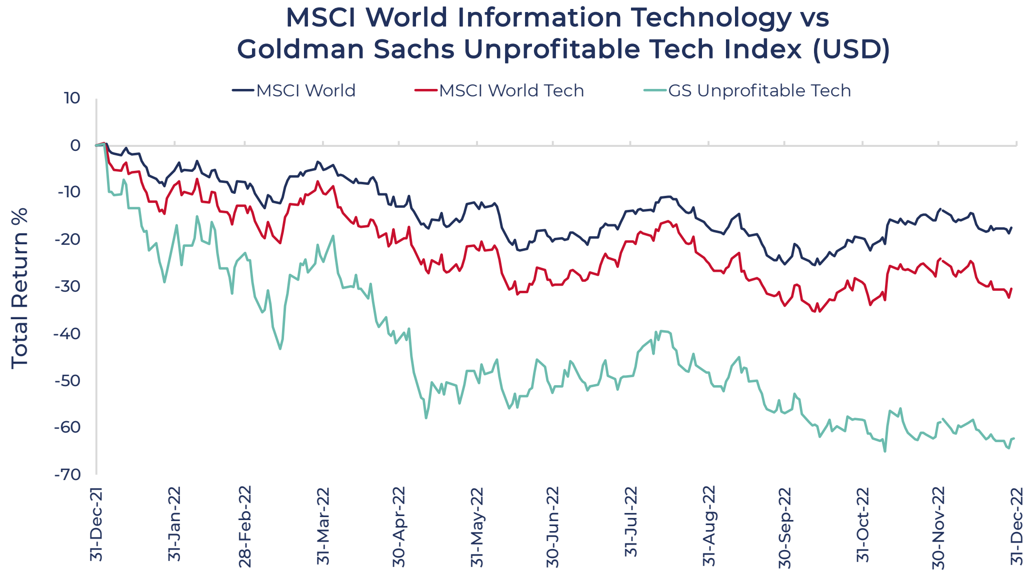
Source: *Bloomberg, data as of 31st December 2022*

With interest rates on the rise, growth companies – those whose cash flows are more heavily weighted towards the future – were hit the hardest with the MSCI World Growth Index underperforming the MSCI World Value index by 22.7%% (USD) over the year. Here, it was valuations that were significantly downgraded with the MSCI World Growth Index 1-year forward price-earnings ratio falling from 31x to 21x over the year – a fall of 32%.



Source: Bloomberg, data as of 31st December 2022

This was felt hardest in the more speculative end of the growth spectrum, as illustrated by the weakness in the Goldman Sachs Non-Profitable Tech Index (down 62.3% USD over the year).



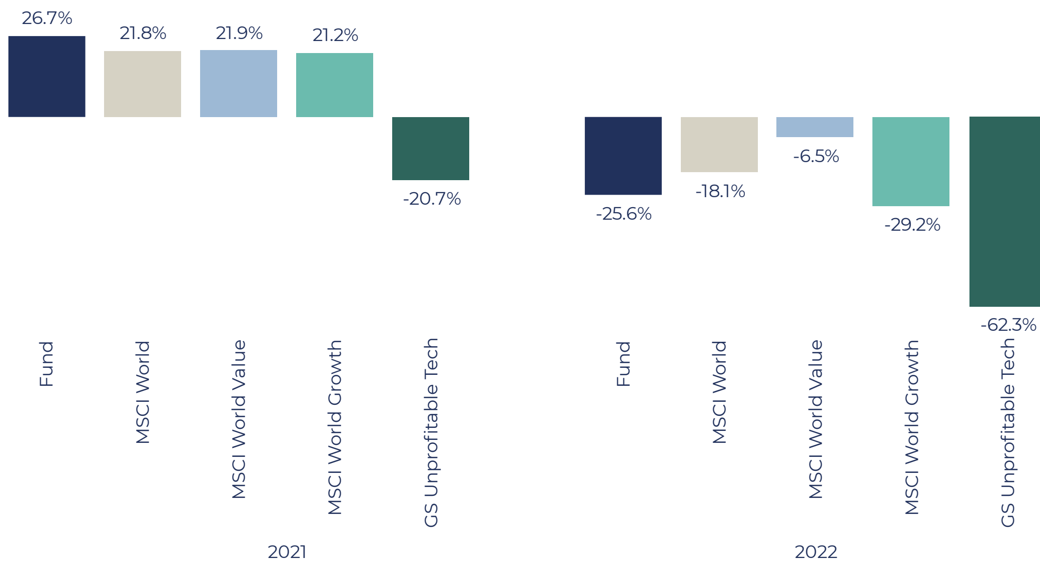
Source: Bloomberg, data as of 31st December 2022

Subsequently, while the shift in interest rates disproportionately affected the Fund's holdings which are tied to long-term structural growth themes, we did avoid many of the hardest-hit IT businesses with little to no real earnings thanks to our focus on quality growth as opposed to growth for growth's sake.

2022 – FUND PERFORMANCE REVIEW

2022 was a difficult year for equity markets and the Fund was not excepted. Following a strong 2021 (its first full year since inception), in which the Fund outperformed the MSCI World Index by 4.9% (USD), in 2022 the Fund underperformed the benchmark by 7.5% (USD). In a year in which MSCI World Value was down only 6.5% vs the MSCI World Growth Index down 29.2%, it was not surprising the Fund with its focus on structural growth themes and mid-cap stocks, would underperform the broader MSCI World Index. It is however pleasing that in both a strong equity year (2021) and a weak year (2022), the Fund outperformed both the MSCI World Growth Index and the Goldman Sachs Non-Profitable Tech Index, owing to the Fund's quality and growth-at-a-reasonable-price philosophy.

Sustainable Global Equity Fund Performance over 2021 and 2022 (USD)



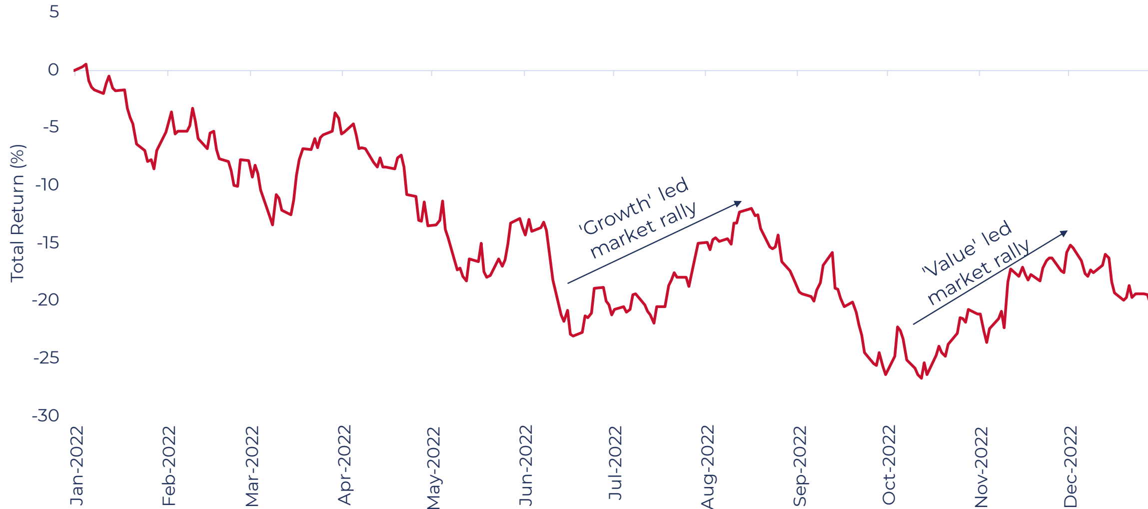
Source: Bloomberg, data as of 31st December 2022

Whilst the weakness in equities in 2022 was fairly consistent, there were two noteworthy market rallies in mid-June and mid-October, in which the MSCI World rose 14.7% and 16.1% respectively, driven by differing factors.

Around mid-June, markets began anticipating a lower 'peak' policy rate and earlier rate cuts, following dovish commentary from Fed Chair Jerome Powell. This led equity markets, and growth stocks in particular, higher. However, concerns over a dislocation between share price performance and fundamental outlook led many to muse of a 'bear market rally'. By mid-August, these fears were all but confirmed, following a broad sell-off that ensued until mid-October.

MSCI World Equity Performance

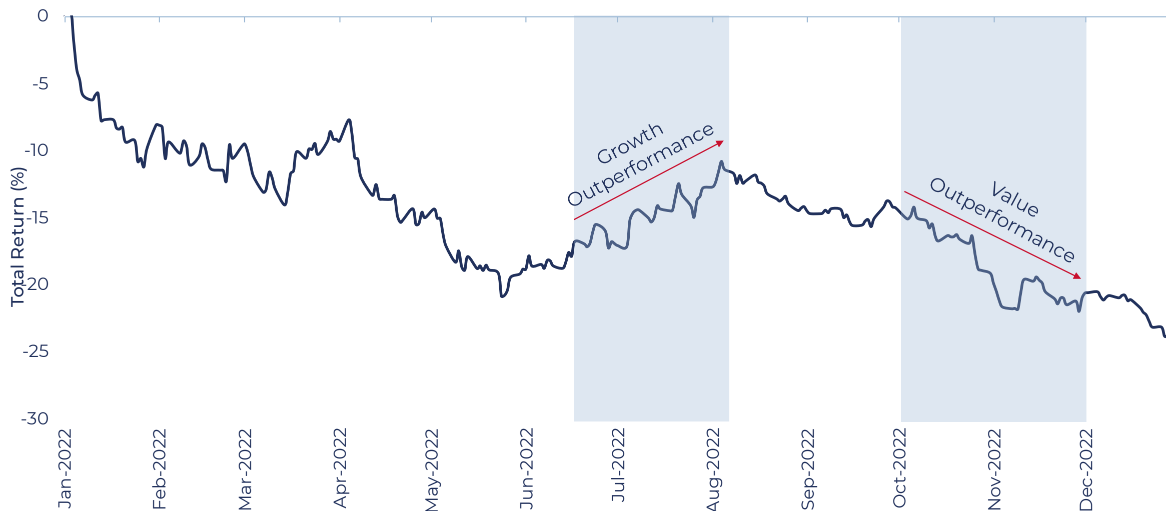
31st Dec '21 - 31st Dec '22



Source: Bloomberg, data as of 31st December 2022. USD

The rally between mid-June and mid-August was very different to the second rally in October. First, the strength in equities seen since mid-October has been value-led, rather than growth-led. And rather than a case of strength in cyclical companies over defensive companies, whilst very volatile, the picture since mid-October has been rather more balanced.

MSCI World Growth vs MSCI World Value



Source: Bloomberg, data as of 31st December 2022, USD

We can see something similar when looking from a sector perspective. In the growth-led rally seen in the summer (17th June to 16th August), the highly valued, cyclical sectors Consumer Discretionary and Information Technology outperformed all else. With the exception of Utilities, other defensive sectors such as Healthcare and Consumer Staples underperformed the MSCI World, alongside the commodity-based sectors of Energy and Materials.

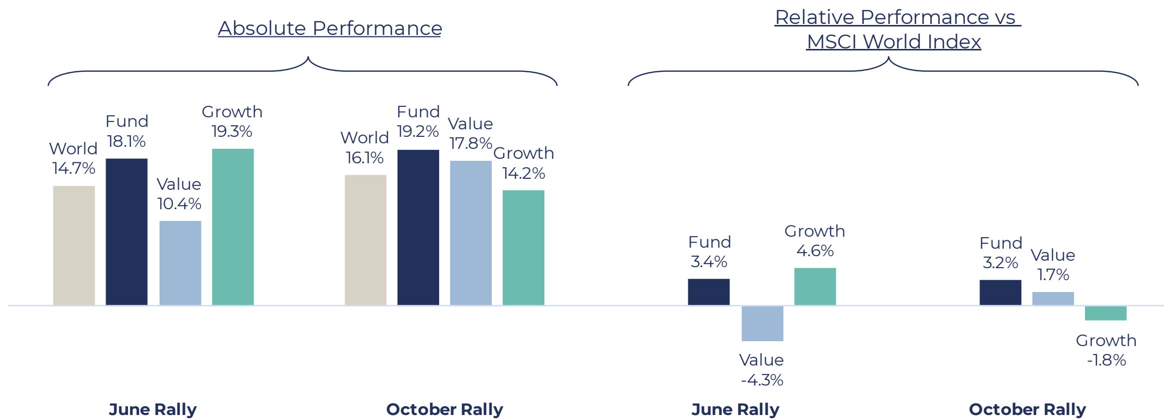
The rally seen in October looked quite different. The picture is certainly less stark than what was seen in June. However, there is a small divide between growth and value. Information Technology was the only clear outperforming growth sector, and this was the only due to strong performance on the final day of the month, when Fed Chair Powell gave his strongest

indication yet of a slower pace of rate hikes. Up until November 29th, Information Technology, Consumer Discretionary and Communication Services were the bottom three performing sectors over the rally.

Even within cyclical stocks there is a divide between growth and value, with the more value-orientated Materials, Financials and Industrials (to an extent) sectors outperforming, and the more growth-tilted sectors of Communication Services and Consumer Discretionary significantly underperforming. Defensive sectors such as Utilities and Consumer Staples kept up broadly in line with the MSCI World.

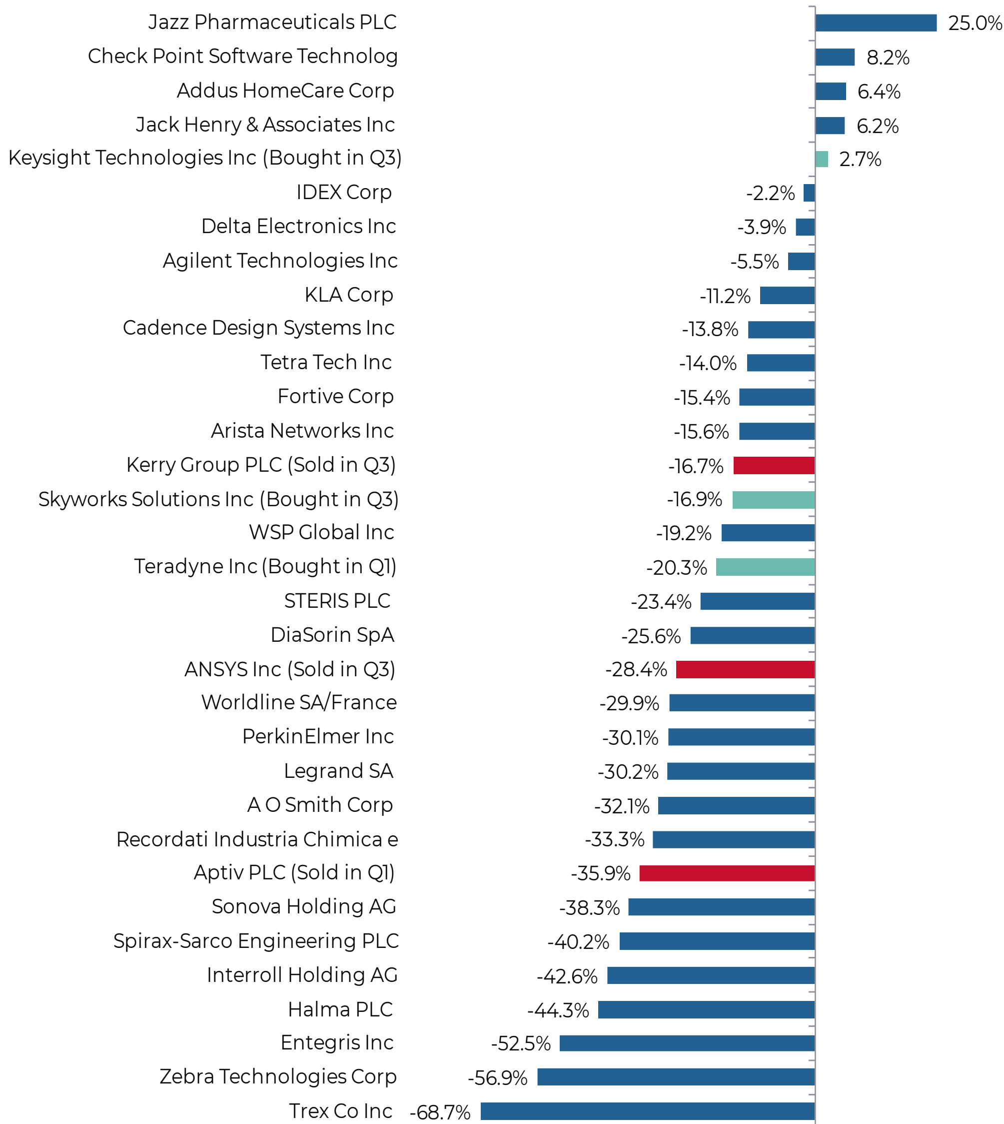
However, even with this value outperformance, the performance differential between growth and value was less stark than it was during the June rally. Both rallies have seen the MSCI World rise approximately 15%. In the growth-led rally of June, the MSCI World Growth Index outperformed the MSCI World Value Index by 9.6%. In the value-led rally of October, value outperformed growth by just 4.3%.

Pleasingly, the Fund outperformed the MSCI World Index in both market rallies despite differing market drivers.



Source: Bloomberg, data as of 31st December 2022, USD

2022 – STOCK PERFORMANCE



Source: Bloomberg, data as of 31st December 2022, USD

Jazz (+25.0%) We bought Jazz, a leader in narcolepsy drugs, in July 2021 under the thesis that the market was being overly pessimistic on generic entry versus the company's ability to transition to Xywav, its new lower-sodium version of its headline drug, Xyrem, alongside a more diversified portfolio post its acquisition of GW Pharma. Whilst the company ended 2021 relatively weak as investors digested the possibility of an accelerated generic entry given Jazz's faster than anticipated transition to Xywav (a real positive), 2022 was strong for the business. The company introduced its 'Vision 2025' outlook with expectations of $5bn in sales by 2025 – considerably higher versus market estimates. The $5bn estimate includes 60% from key new drugs, approval of at least five additional novel products by the end of the decade, and a 5% improvement in operating margin. We believe this new roadmap is a strong indication of management's drive to create a more balanced business alongside new growth drivers which draws parallels to our original thesis.

Check Point (+8.2%), which develops and markets a range of products and services for IT security, was the Fund's 2nd best performer over the year. The business began the year well after strong Q4 2021 results which beat analyst expectations. Subscription revenue, which represents around 33% of total revenue, was the main driver and grew 14% year-on-year to $204 million. Further, investors recognised that the company's trends in billings seem to have turned a corner. From Q2 2020 through Q3 2021, the company reported billings growth between 6% and 9% year-on-year, however, Q4 2021 billings growth accelerated to an impressive 14%. With $851 million in billings, it appears the company's pivot towards more subscription-based revenue has been paying off.

Aside from this, Check Point has benefited from the elevated spend on cybersecurity driven by at-home working conditions during the pandemic, whilst Russia's invasion of Ukraine during the year only intensified the fear of cyberattacks across businesses and consumers, lifting the broader industry.

A pandemic-induced boom in demand paired with heavily disrupted supply chains prompted a semiconductor super-cycle in 2020, as demand outstripped supply. However, a retrenchment in consumer demand for displays (PCs and Smartphones), fears of an economic slowdown spurring an inventory correction among manufacturers and improving supply chain conditions leading to a 'glut' in some end markets, all contributed to a sell-off in the semiconductor industry over 2022. More recently, the US has been implementing unilateral export controls on the Chinese chip industry, slowing progress in China's ability to obtain or manufacture advanced chips, and denting sentiment further for firms with exposure to the region. Overall, the uncertainty over the short-term outlook in the chip industry led the MSCI World Semiconductor index to fall 36.2% (USD) over 2022, underperforming the MSCI World by 18.5%. However, within the Fund, our **semiconductor holdings**' performances were more mixed: whilst the businesses with higher exposure to China such as **Entegris** were more negatively affected by new export controls, Electronic Design Automation software producer, **Cadence Design Systems**, with its lesser exposure and more upbeat earnings commentary through 2022, performed relatively better.

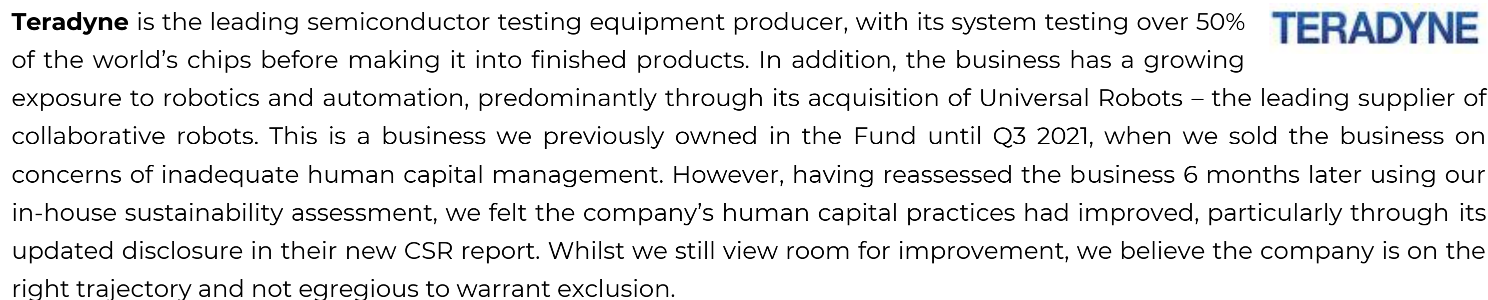
Trex (-68.7%) was the Fund's weakest performer over the year as the company was more negatively affected by weakening discretionary consumer spending as well as being more sensitive to changing interest rate expectations given its relatively higher valuation. Indeed, during their Q3 earnings report, management gave weak forward guidance that sent that stock down 15.0% on the day with management pointing to significantly weaker 2H22 sales, expecting declines of 7-9% for 2022, from previously expecting increases by strong double digits. Management pointed to inventory destocking and weakening end market demand as the causes. From a fundamental perspective we continue to favour the business with its strong market leadership in a high growth market but acknowledge the businesses higher sensitivity to weaker consumer spending in a low growth environment. We will continue to monitor the stock going forward.

2022 – PORTFOLIO CHANGES

Buys

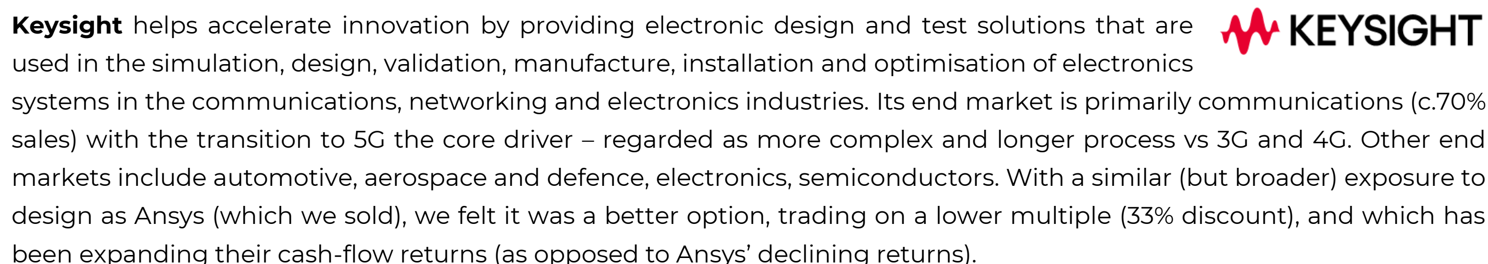
Skyworks manufactures analog semiconductors for use in radio frequency (RF) and mobile communications systems. The majority of its revenue comes from the mobile segment – this includes mobile products which switch, filter and amplify wireless signals in smartphones. Given the rise of advanced 4G and 5G-enabled devices (which use a wider variety of wireless spectrum and frequency bands than prior devices), the RF content per phone has grown exponentially. Whilst the company remains heavily levered to the mobile sector, it is diversifying its exposure with other end markets including automotive, home & factory automation, data centres, EVs, solar, wireless infrastructure, aerospace and defence, medical, smart energy, and wireless networking. Skyworks' share

price had been heavily depressed over fears of Apple (their largest customer) taking RF production in-house in the future, with the stock trading on c.9x 1-year forward price-to-earnings. However, we believed this to be overdone, with Skyworks' front-end RF components highly complex and with other RF manufacturers (including Broadcom with more commoditised RF components) more likely to come under in-housing pressure. As such, we saw good upside to a stock trading on single-digits multiple with 30% profit margins and growing sales at double-digit pace.



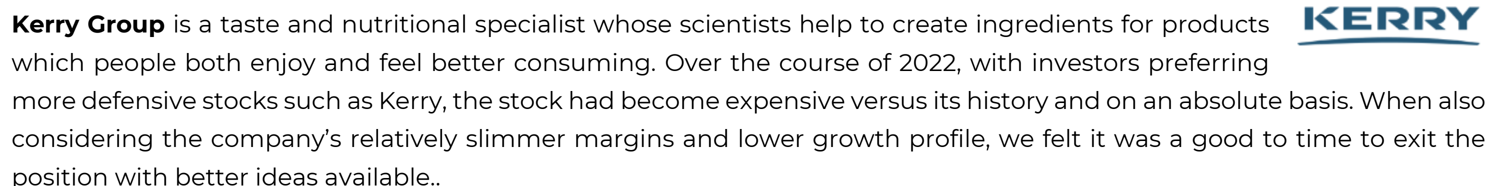
Teradyne is the leading semiconductor testing equipment producer, with its system testing over 50% of the world's chips before making it into finished products. In addition, the business has a growing exposure to robotics and automation, predominantly through its acquisition of Universal Robots – the leading supplier of collaborative robots. This is a business we previously owned in the Fund until Q3 2021, when we sold the business on concerns of inadequate human capital management. However, having reassessed the business 6 months later using our in-house sustainability assessment, we felt the company's human capital practices had improved, particularly through its updated disclosure in their new CSR report. Whilst we still view room for improvement, we believe the company is on the right trajectory and not egregious to warrant exclusion.

Further, during the year, Teradyne surprised investors negatively by disclosing revenue for the upcoming year from its largest customer would see a large decline as TSMC's 3nm fabrication process is pushed back. The stock dropped 20% (USD) on the news. Whilst we were cautious on the guidance, management expected this to only be pushed back to 2023, whilst management also raised guidance for 2024, noting the step change in testing equipment needed for 3nm chip fabrication and increased complexity of chips including Gate All Around (GAA) process. As such, we felt the price drop was overdone and presented a good buying opportunity as long-term investors willing to look through the short-term weakness.

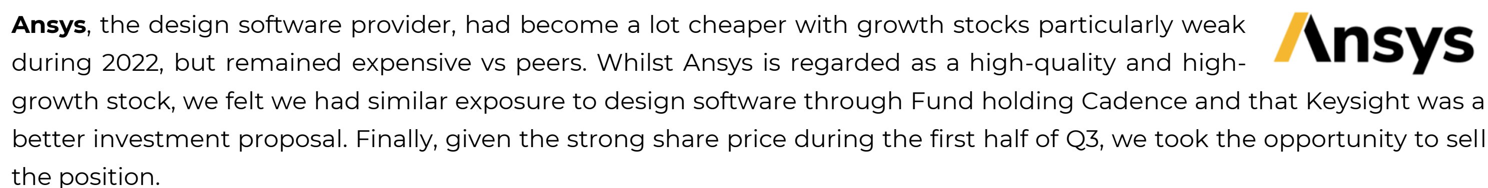


Keysight helps accelerate innovation by providing electronic design and test solutions that are used in the simulation, design, validation, manufacture, installation and optimisation of electronics systems in the communications, networking and electronics industries. Its end market is primarily communications (c.70% sales) with the transition to 5G the core driver – regarded as more complex and longer process vs 3G and 4G. Other end markets include automotive, aerospace and defence, electronics, semiconductors. With a similar (but broader) exposure to design as Ansys (which we sold), we felt it was a better option, trading on a lower multiple (33% discount), and which has been expanding their cash-flow returns (as opposed to Ansys' declining returns).

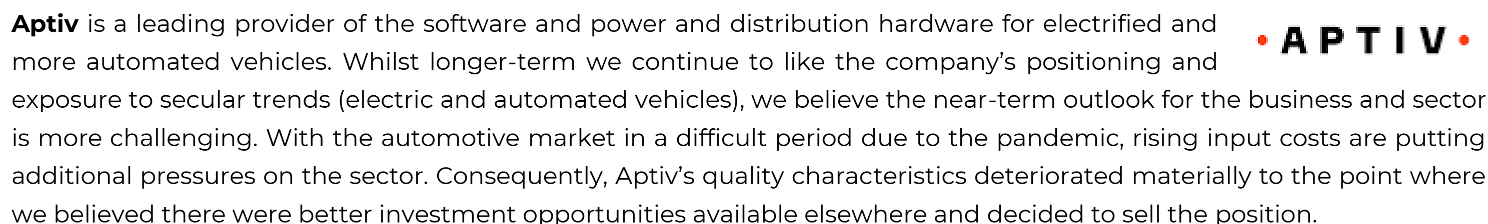
Sells



Kerry Group is a taste and nutritional specialist whose scientists help to create ingredients for products which people both enjoy and feel better consuming. Over the course of 2022, with investors preferring more defensive stocks such as Kerry, the stock had become expensive versus its history and on an absolute basis. When also considering the company's relatively slimmer margins and lower growth profile, we felt it was a good to time to exit the position with better ideas available..



Ansys, the design software provider, had become a lot cheaper with growth stocks particularly weak during 2022, but remained expensive vs peers. Whilst Ansys is regarded as a high-quality and high-growth stock, we felt we had similar exposure to design software through Fund holding Cadence and that Keysight was a better investment proposal. Finally, given the strong share price during the first half of Q3, we took the opportunity to sell the position.



Aptiv is a leading provider of the software and power and distribution hardware for electrified and more automated vehicles. Whilst longer-term we continue to like the company's positioning and exposure to secular trends (electric and automated vehicles), we believe the near-term outlook for the business and sector is more challenging. With the automotive market in a difficult period due to the pandemic, rising input costs are putting additional pressures on the sector. Consequently, Aptiv's quality characteristics deteriorated materially to the point where we believed there were better investment opportunities available elsewhere and decided to sell the position.

2023

What happened in the world?

- Interest rates continued to rise, and speculation over when central banks would pause hikes and begin cuts resulted in market swings.
- A 'mini' banking crisis started in the US with the collapse of Silicon Valley Bank in early March and ended with the takeover of Credit Suisse.
- Renewed excitement around artificial intelligence began with the launch of Chat GPT, and saw Nvidia hit record heights in demand for its AI chips.
- Narrow breadth of leadership saw the Magnificent 7 stocks drive the majority of equity returns.

What happened in the Fund?

Performance

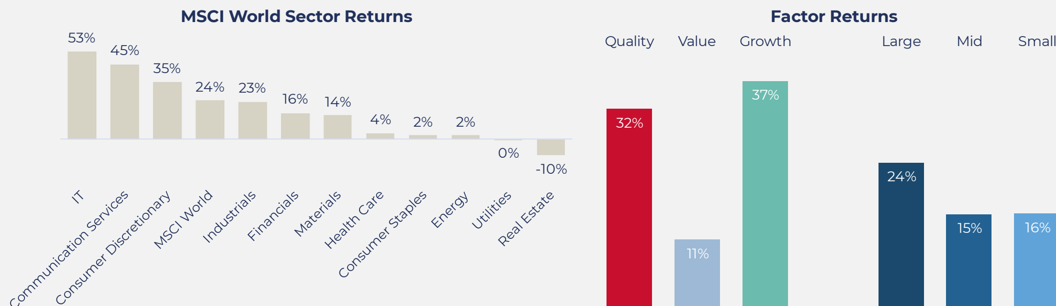
Over 2023, the Fund returned 16.4% (USD) versus MSCI World Index 23.8% and MSCI World Mid Cap 15.5%. Therefore, the Fund underperformed the MSCI World by 7.4% but outperformed the MSCI World Mid Cap Index by 0.9%.
Moreover, when we compare the Fund to the MSCI World equally weighted Index, the Fund was in line over the year, highlighting the effect of not owning the Magnificent 7 over 2023.

Switches

Purchases:
Edwards Lifesciences, Monolithic Power Systems

Sales:
Trex, Worldline

Attribution



Source: Bloomberg. Data from 31.12.2022 – 31.12.2023, USD

- Not owning the weakest performing sectors over the year – Consumer Staples, Energy and Utilities – was positive for relative Fund performance.
- The Fund's healthcare exposure was a drag on the Fund, predominantly through asset allocation. However stock selection also played its part within pharmaceuticals and life sciences including not owning Novo Nordisk and Eli Lilly, which rallied on obesity drug trials.
- Financials were a drag, mainly through holding Worldline, which fell 67.9% before we sold the position in Q4.
- Not owning large-caps was also a drag. However, stock selection within mid-caps resulted in outperformance versus the MSCI Midcap Index.

2023 – FUND PERFORMANCE

Source: Bloomberg, as of 31st December 2023

(1) Recovery Rally

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

Fund performance

- The Fund outperformed during this period with mid-caps (+11.4%) and growth (14.0%) outperforming. These were positive contributors to Fund performance.
- In particular, the weakest parts of the markets in 2022 reversed course and rallied strongly.
- Although our lack of exposure to growth sectors Consumer Discretionary and Communication Services was a drag, our exposure to IT and Industrials was positive. This was particularly driven by stock selection within Industrials with holdings including Trex (+36.0%) and A.O.Smith (+25.6%) up strongly.

(2) Market Reversal and Banking Crises

- The market initially reversed course in early February.
- Employment and inflation data came in surprisingly 'hot' in both the US and Europe.

- Fed Chair Jay Powell followed with hawkish rhetoric over the future path of interest rates, driving expectations of a higher and later peak rate.
- The collapse of Silicon Valley Bank in early March initially spurred a sharp sell-off as fears of financial contagion grew.
- A strong policy response from regulators restored a level of calm back into equity markets, which rebounded over the subsequent weeks.

Fund performance

- During this period of uncertainty, investors sought safety in large-caps, and resulted in mid-caps underperforming by 4.6%. It is pleasing, however, that the Fund, outperformed the MSCI World Mid Cap by 4.1%, but also kept up well with the large-cap orientated MSCI World (only underperforming by 50bps).
- Growth outperformed value over the full period, but the mixed picture resulted in speculative growth down materially (we use the Goldman Sachs Non-Profitable Tech index as a proxy). Focusing on quality growth was positive during this period as the market rewarded businesses with strong balance sheets.
- Fund exposure to MedTech businesses was a drag on performance with Diasorin and Steris down 19.5% and 13.2% respectively over the period.

(3) Growth/AI Outperformance

- A narrow selection of stocks exposed to artificial intelligence led the index higher.
- Renewed enthusiasm over AI was driven by the launch of Chat GPT earlier in the year, and expanded into company revenues and business models:
- Nvidia added $184bn to its market cap on the day following its quarterly earnings as the firm guided revenues 50% higher than estimates.
- The market rally broadened to other areas of the market in the first month of Q3 on the improved prospects of a soft landing.

Fund performance

- Whilst period (2) began to favour the largest businesses (which are perceived to be the safest), period (3) continued this trend to a greater extent with the MSCI World outperforming the MSCI World Equally Weighted Index by 3.1%.
- This was driven by the positive sentiment around AI, which favours Big Tech businesses, or as the main contributors of 2023's performance are now being named, the Magnificent 7 (Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia, Tesla). This was a significant drag on the portfolio with Nvidia alone contributing to over 1% of the Fund's relative underperformance.
- Further, our overweight exposure to Health Care (a relatively weak performing sector as Growth outperformed Value by 6.6%) was a drag on performance.

(4) Higher for longer rate expectations

- The 10-year US Treasury yield rose to 4.6% driven by a.) the US credit downgrade; b.) greater supply of debt following the resolution of the debt ceiling and c.) positive economic data, suggesting a stronger economic growth outlook.

- Expectations of higher-for-longer interest rates were supported by the Federal Reserve's September dot plot, which indicated just two rate cuts in 2024, down from the four rate cuts estimated in the committee's June meeting.

Fund performance

- Markets entered correction territory, with the Fund unexpectedly underperforming. The higher-for-longer rate expectations that ensued was to the detriment of longer-duration stocks (high growth). This weighed on Fund performance. However, again, focusing on quality growth meant we avoided much of the worst performing speculative growth stocks.

- The MSCI World Index again outperformed its equally weighted counterpart (by 2.4%) as well as mid-cap stocks (by 3.3%). These were drags on the Fund's performance.

(5) Interest rate cut hopes

- Markets made a swift and significant rally in the final two months of the year as expectations of rate cuts in 2024 rose.

- The primary factor was the Fed's shift in sentiment towards cuts for 2024. Throughout 2023, its rate-setting committee had taken a hawkish view, indicating rates would stay higher for longer and that cuts were not in mind. However, in their December meeting, whilst they held the current rate at 5.5%, central bank officials began forecasting 3 rate cuts in 2024 totalling 0.75% with Jerome Powell switching tone to one that indicated the benchmark rate was now "likely at or near its peak for this tightening cycle".

- Towards the end of December, markets were provided with more hope that a soft landing could be engineered as the personal consumption expenditures price index, the Fed's preferred measure of inflation, cooled more than economists had anticipated, bringing the annualized rates over the past three and six months down to at or below the Fed's 2% target

Fund performance

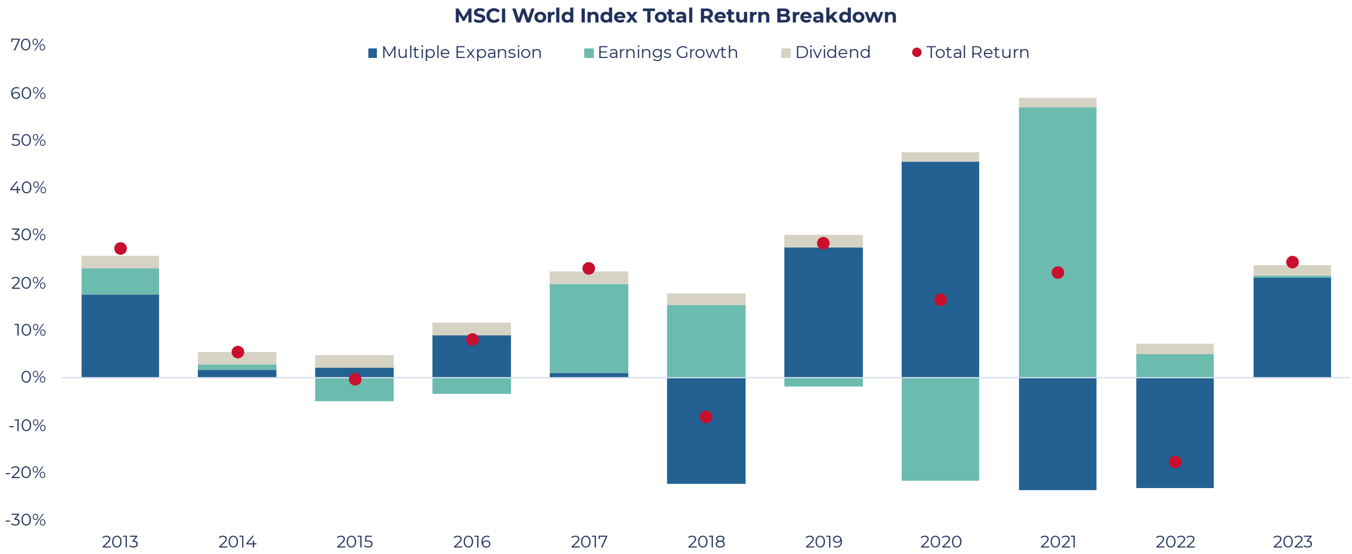
- Markets made a sharp rally of renewed hope for rate cuts. The Fund was up 22.3% over the period, outperforming the MSCI World Index by 6.0% and the MSCI World Mid Cap Index by 3.1%. In contrast to the equity rally in period (3), this was much more broad-based, with the MSCI World Equally Weighted Index outperforming the market-cap weighted version.

- The MSCI World Mid Cap Index outperformed the MSCI World by 2.9% over this period which was a positive for the Fund.

- Stock selection within the IT sector was positive for the Fund, particularly semiconductor holdings including Monolithic Power Systems (+55.7%) and Entegris (36.6%).

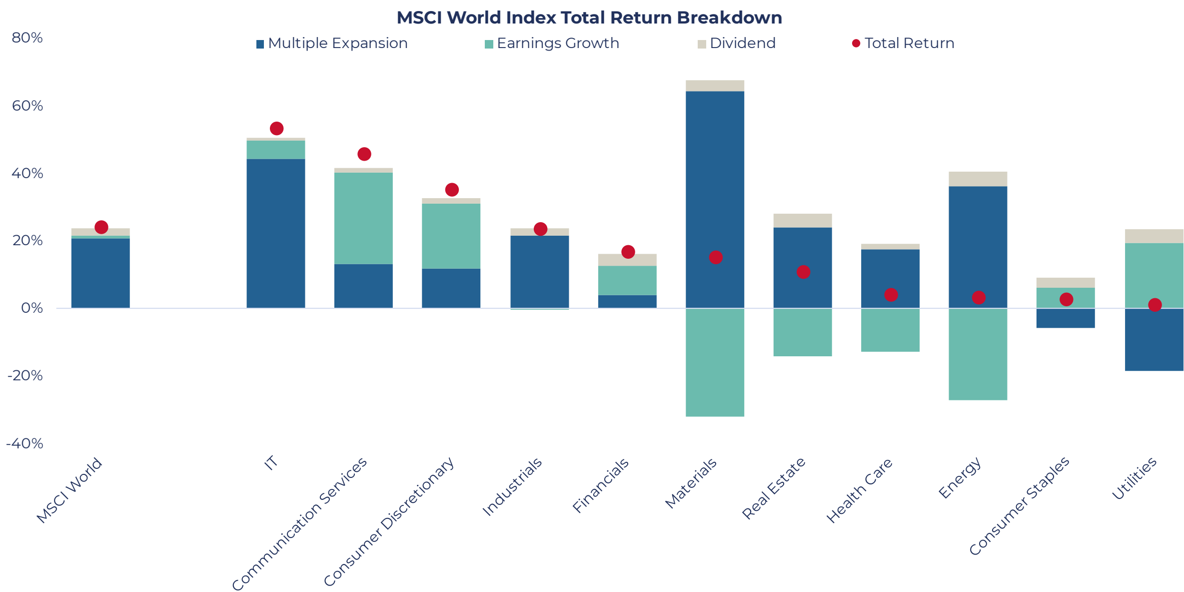
2023 – MARKETS REVIEW

2023 brought with it strong equity markets at the surface level, with the MSCI World Index up 23.8% (USD) over the year. Dissecting that total return, we can see below that the return was almost entirely driven by multiple expansion as markets continued to look towards rate cuts despite repeated hawkish statements from central banks. This follows material multiple contraction over both 2021 and 2022.



Source: Bloomberg, as of 31st December 2023

However, whilst 2021 and 2022 return drivers were fairly consistent across underlying market sectors, 2023 was more varied. There was multiple expansion across all sectors (with the exception of Consumer Staples and Utilities), but earnings growth was scarce. As a result, for the broader MSCI World Index, the change in earnings expectations only marginally contributed to the indices' return.



Source: Bloomberg, as of 31st December 2023

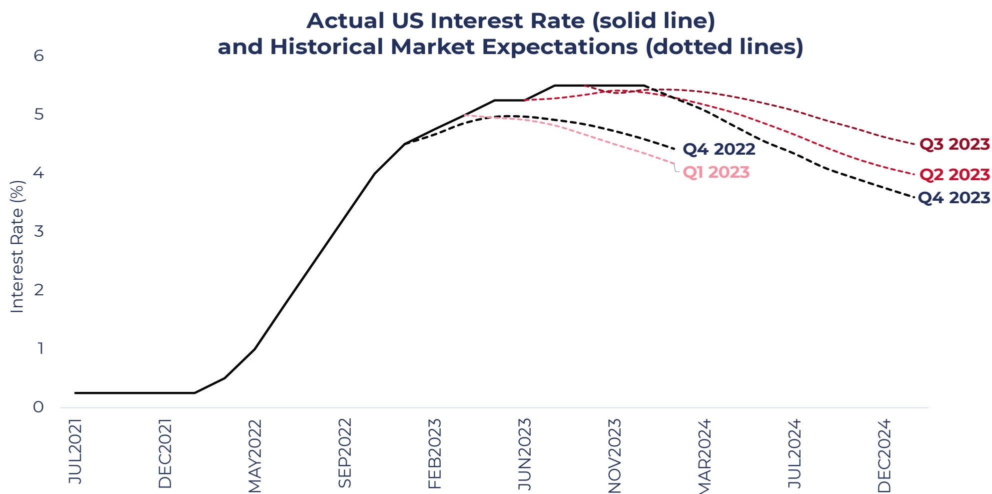
GUINNESS GLOBAL INVESTORS

Good news has been bad news for stocks

The drivers of returns over 2023 have included wars, inflation, banking crises, and of course interest rates. Over 2023, markets went from pricing in a hard landing, to a soft landing, and now no landing at all. The consensus view that we may now be in a so-called 'Goldilocks scenario' (falling inflation alongside resilient economic growth) is gathering steam.

In several of our monthly commentaries over the past year, we have outlined the implied market view that good news in the economy can, in some instances, be interpreted as bad news for equity markets. For example, the continued strength of the US labour market, solid GDP prints, and broadly healthy PMI figures have been viewed by some investors as potentially supporting the case for a more hawkish stance from the Fed – and therefore negative for equity prices if there is a greater chance of either higher interest rates, or at least higher rates for a longer period. Over the course of the year, markets have continuously shifted in response to economic data points and their potential influence on central banks' interest rate outlooks. Towards the end of the year, in particular, we saw tentative signs of a cooling economy and a marginally weakening outlook across several data points which was viewed as a positive for markets over the medium term, as investors began to price in central banks rate cuts sooner than had previously been expected.

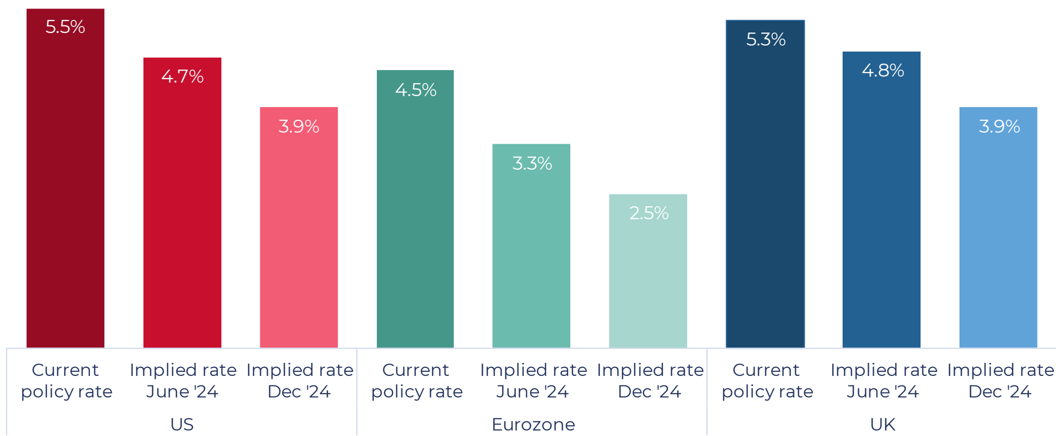
These changing expectations can be reflected by the chart below, outlining the market's implied expectation for interest rates in the US at each quarter end. As can be observed, the market shifted down its expectations materially over the last quarter of 2024 in response to the US Fed's shift in rhetoric towards rate cuts.



Source: Bloomberg, as of 31st December 2023

Looking forward, the market expects the US base rate to fall from its current rate of 5.5% to 3.9% by the end of 2024. This compares to the Eurozone, in which investors expect 2% of rate cuts to 2.5%, and 1.4% of cuts in the UK down to 3.9% by the end of 2024. Whilst overhangs remain, and considering the market's tendency to be over-optimistic on timing these decisions, the direction of travel is positive for equities assuming economies can generally avoid recessions. Within that, higher-duration stocks, such as mid-cap stocks, are well positioned without taking on the increased risk associated with small-cap stocks.

Current and implied policy rates for 2024



Source: Bloomberg, as of 31st December 2023

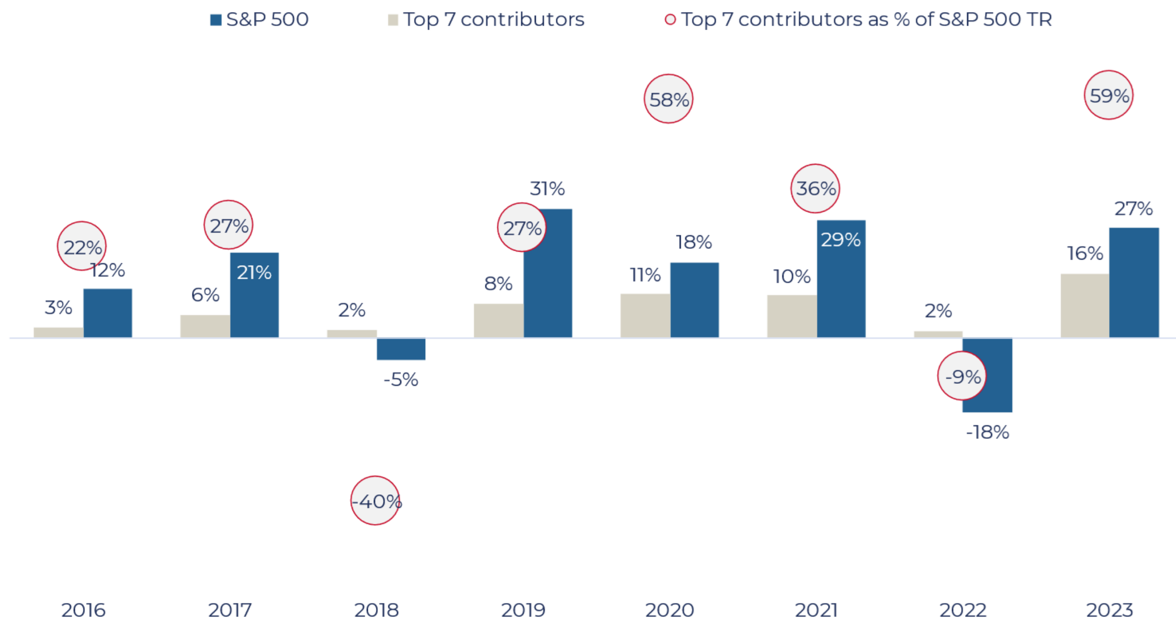
The Magnificent 7

Looking back, 2023's returns could easily be thought of as a good year all round. However, as has been highlighted continuously over the year, the strength in broader equity markets has predominantly been driven by a handful of stocks.

For the S&P 500 Index in particular, the disparity between the traditional market cap weighted index and the equally weighed version finished 2023 at its largest calendar year spread since 1998 (12% performance differential) – i.e., we've experienced one of the lowest breadths of 'winners' for a significant period. Driving this disparity has been the Magnificent 7 – Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, and Tesla.

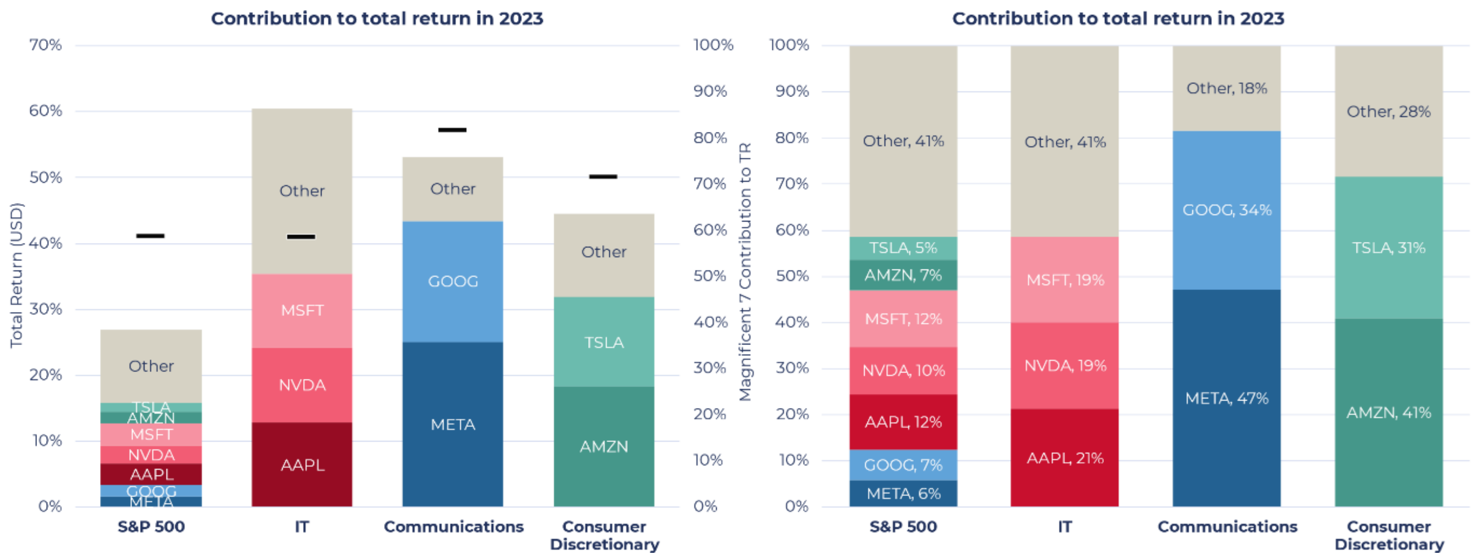
Whilst earnings have been broadly positive, much of their rise has been driven by the excitement surrounding artificial intelligence that began with Chat GPT and was solidified by material sales guidance raises from Nvidia throughout 2023.

Putting this into numbers, we find that the top 7 contributors to the S&P 500 Indices' total return provided over 16% of the index's 27% total return – a 59% contribution.



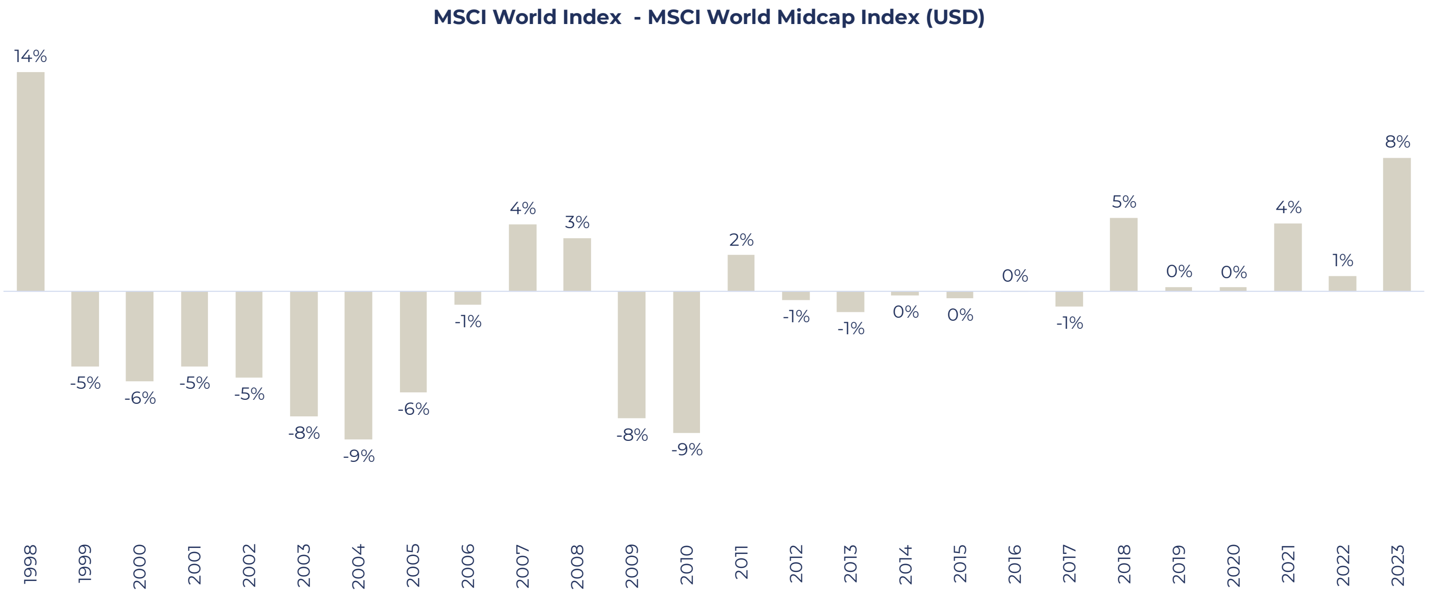
Source: Bloomberg, as of 31st December 2023

Drilling down a little more into the sectors in which these businesses sit – IT, Communications, and Consumer Discretionary which were the 3 best performing sectors over 2023 – we see their contribution highlighted much more. Within the IT sector, Apple, Nvidia, and Microsoft contributed 59% of the sector's 61% (USD) total returns, Meta and Alphabet contributed 82% of Communication's 53% return, whilst Amazon and Tesla contributed 72% of Consumer Discretionary's 45% return.



Source: Bloomberg, as of 31st December 2023

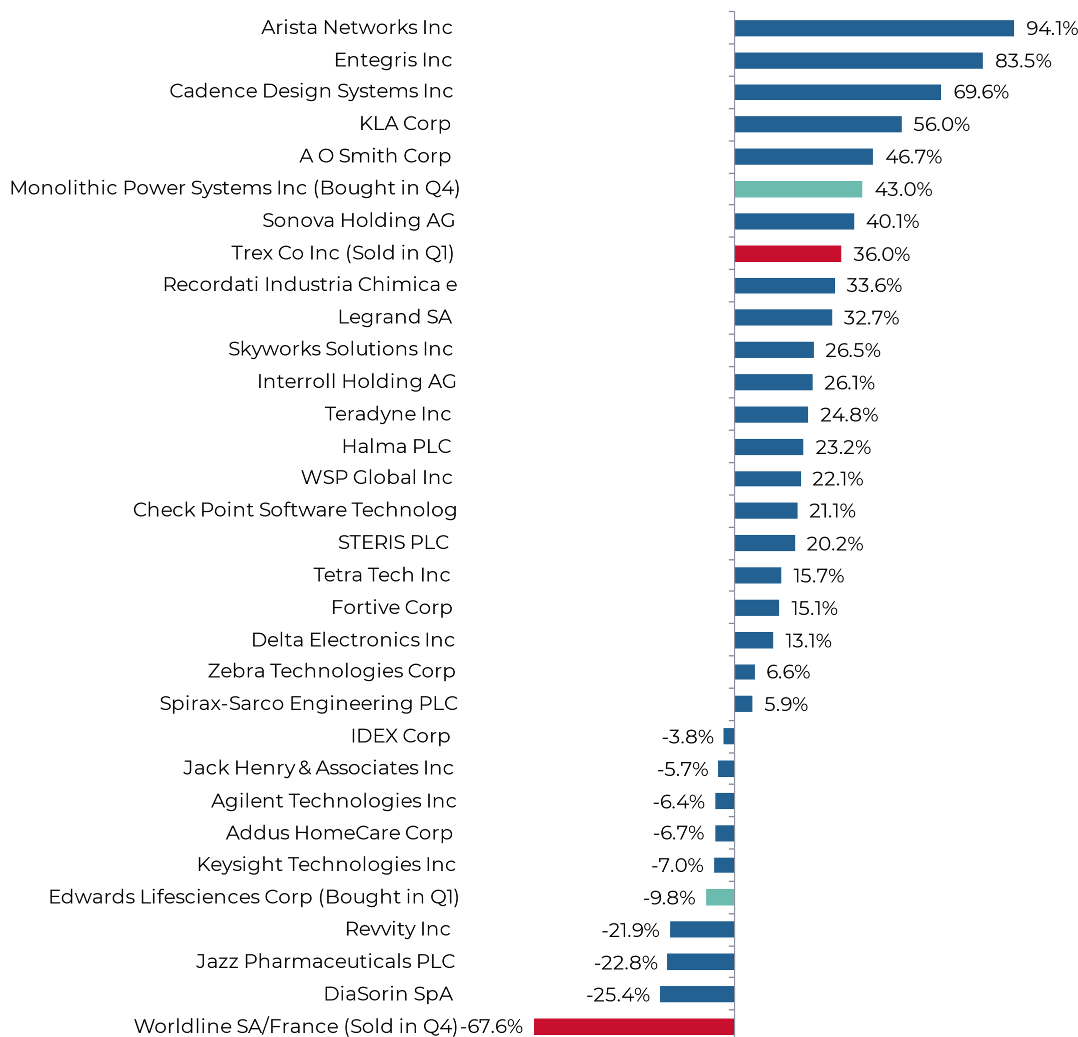
This emphasis on large-caps, and particularly the Magnificent 7, has led the MSCI World to materially outperform the MSCI World Mid Cap Index over 2023. In fact, the 8.3% outperformance in 2023 is the largest outperformance since 1998.



Source: Bloomberg, as of 31st December 2023

Whilst this has been a drag on portfolio performance, as we highlight in the outlook section, we believe mid-caps are excitingly positioned going forward, with the over-concentration large-cap investments, the long-term outperformance of mid-caps, and the direction of travel for interest rates.

2023 – STOCK PERFORMANCE



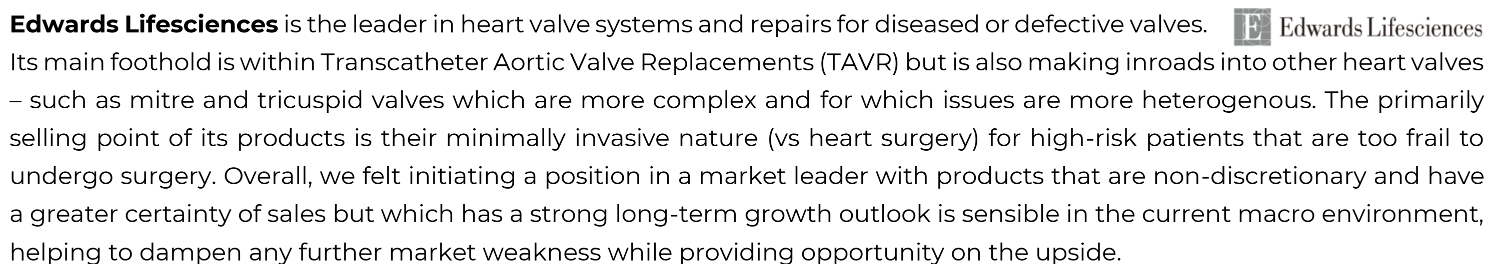
Source: Bloomberg, as of 31st December 2023

Arista (+94.1%), an industry leader in data-driven cloud networking, reported a strong set of earnings over the year, in the face of shifting sentiment around capex outlooks by the large data centre providers. Arista's networking technology connects high-powered servers, offering significant exposure to the long-term secular growth trend of artificial intelligence. Over the year, Arista announced a new deal with Oracle which may contribute as much as 5% to annual sales. This adds to its client list of big technology players which includes Microsoft and Meta, highlighting its future potential to win additional contracts with top-tier technology firms.

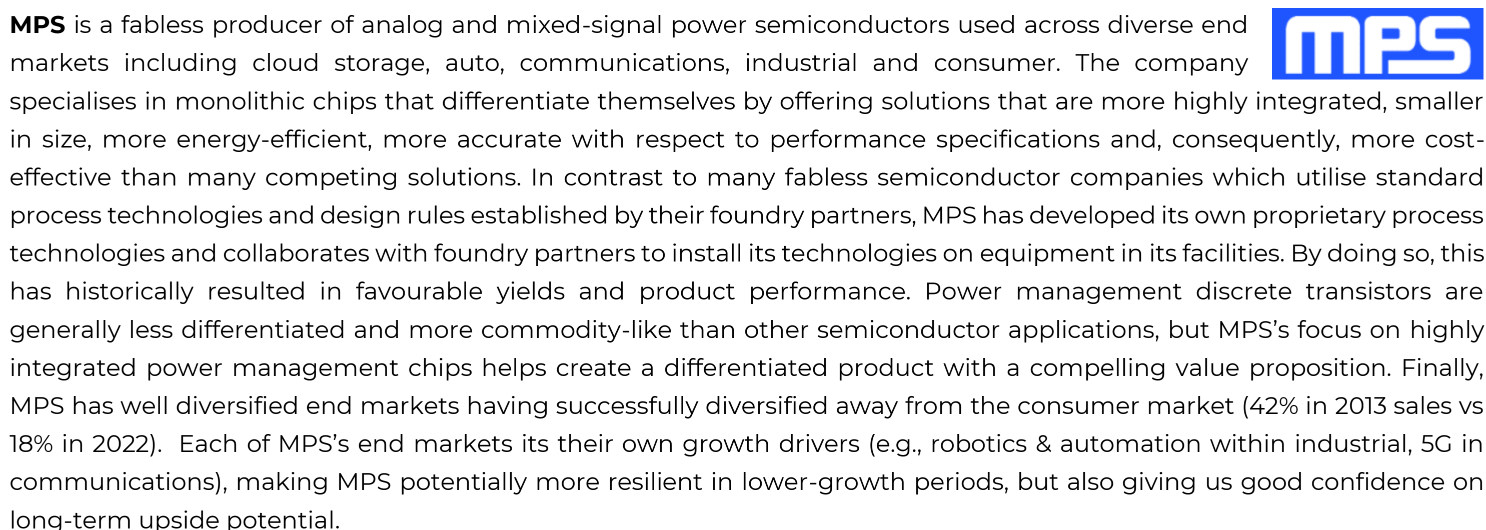
Jazz Pharmaceuticals (-6.9%) was one of the Fund's weakest performers over the year amid healthcare weakness more broadly. The stock fell 9.6% (USD) on the day of earnings release in November. Whilst results were in line with expectations, generic entry into the oxybate market continued to weigh on sentiment, despite the company's ability to switch (and attract new consumers) to its low-sodium variant of its blockbuster drug Xyrem (whose patent cliff expired earlier this year). As of the end of the quarter, 12,050 patients were on the company's low-sodium version, Xywav, up from 11,500 in the previous quarter. Alongside this, the company cannabinoid drug, Epidolex, gained through the acquisition of GW Pharmaceuticals, continues to show increased penetration with multiple European market launches and more anticipated for 2024. In all, we continue to see upside from the business as it moves through a transition period with investors focused more on patent cliffs than new growth drivers.

2023 – PORTFOLIO CHANGES

Buys

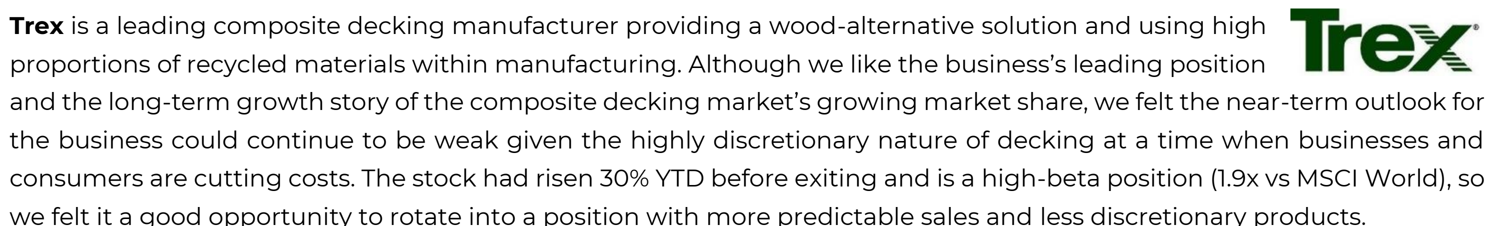


Edwards Lifesciences is the leader in heart valve systems and repairs for diseased or defective valves. Its main foothold is within Transcatheter Aortic Valve Replacements (TAVR) but is also making inroads into other heart valves – such as mitre and tricuspid valves which are more complex and for which issues are more heterogenous. The primarily selling point of its products is their minimally invasive nature (vs heart surgery) for high-risk patients that are too frail to undergo surgery. Overall, we felt initiating a position in a market leader with products that are non-discretionary and have a greater certainty of sales but which has a strong long-term growth outlook is sensible in the current macro environment, helping to dampen any further market weakness while providing opportunity on the upside.

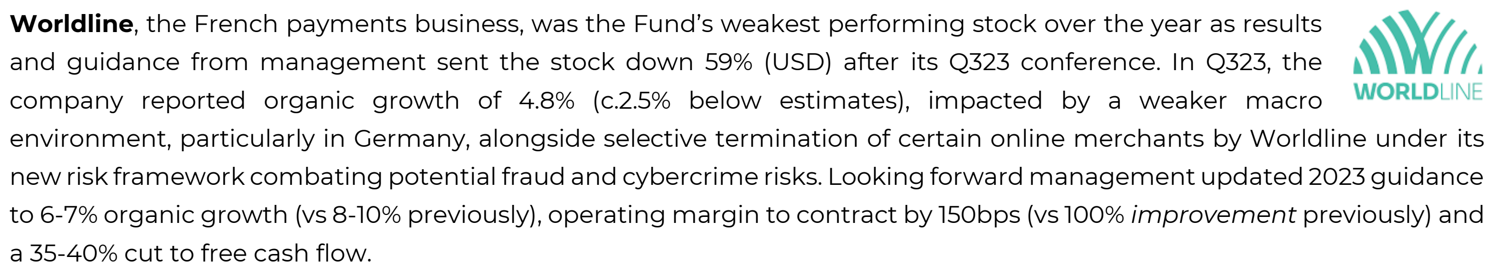


MPS is a fabless producer of analog and mixed-signal power semiconductors used across diverse end markets including cloud storage, auto, communications, industrial and consumer. The company specialises in monolithic chips that differentiate themselves by offering solutions that are more highly integrated, smaller in size, more energy-efficient, more accurate with respect to performance specifications and, consequently, more cost-effective than many competing solutions. In contrast to many fabless semiconductor companies which utilise standard process technologies and design rules established by their foundry partners, MPS has developed its own proprietary process technologies and collaborates with foundry partners to install its technologies on equipment in its facilities. By doing so, this has historically resulted in favourable yields and product performance. Power management discrete transistors are generally less differentiated and more commodity-like than other semiconductor applications, but MPS's focus on highly integrated power management chips helps create a differentiated product with a compelling value proposition. Finally, MPS has well diversified end markets having successfully diversified away from the consumer market (42% in 2013 sales vs 18% in 2022). Each of MPS's end markets its their own growth drivers (e.g., robotics & automation within industrial, 5G in communications), making MPS potentially more resilient in lower-growth periods, but also giving us good confidence on long-term upside potential.

Sells



Trex is a leading composite decking manufacturer providing a wood-alternative solution and using high proportions of recycled materials within manufacturing. Although we like the business's leading position and the long-term growth story of the composite decking market's growing market share, we felt the near-term outlook for the business could continue to be weak given the highly discretionary nature of decking at a time when businesses and consumers are cutting costs. The stock had risen 30% YTD before exiting and is a high-beta position (1.9x vs MSCI World), so we felt it a good opportunity to rotate into a position with more predictable sales and less discretionary products.



Worldline, the French payments business, was the Fund's weakest performing stock over the year as results and guidance from management sent the stock down 59% (USD) after its Q323 conference. In Q323, the company reported organic growth of 4.8% (c.2.5% below estimates), impacted by a weaker macro environment, particularly in Germany, alongside selective termination of certain online merchants by Worldline under its new risk framework combating potential fraud and cybercrime risks. Looking forward management updated 2023 guidance to 6-7% organic growth (vs 8-10% previously), operating margin to contract by 150bps (vs 100% *improvement* previously) and a 35-40% cut to free cash flow.

All this made for a tough viewing, as despite the company continuing to forecast positive growth (and not perpetual decline as the share price drop might imply), the drop in free cash flow was most worrying given the disparity between the drop in sales growth guidance and free cash flow guidance. In addition to this, the material drop in free cash flow combined with upcoming debt repayments may impede the company's ability to reinvest and consolidate a fragmented payments market

– part of our investment thesis. To this end, we felt our thesis had changed and ultimately felt we had better investment opportunities, so subsequently sold our whole position.

Portfolio Managers

Sagar Thanki, CFA
Joseph Stephens, CFA

GUINNESS SUSTAINABLE GLOBAL EQUITY FUND - FUND FACTS

Fund size	$13.7m
Fund launch	15.12.2020
OCF	0.89%
Benchmark	MSCI World TR

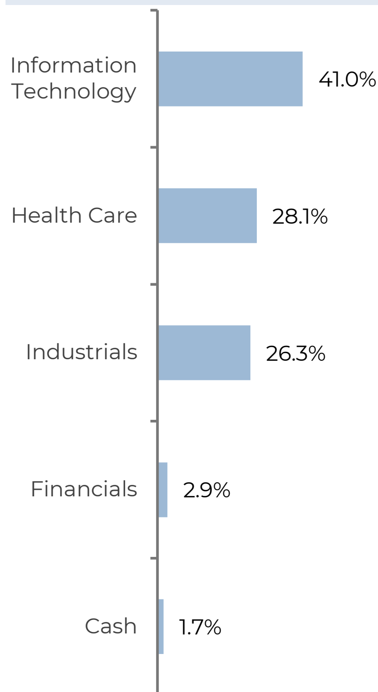
GUINNESS SUSTAINABLE GLOBAL EQUITY FUND - PORTFOLIO

Top 10 holdings

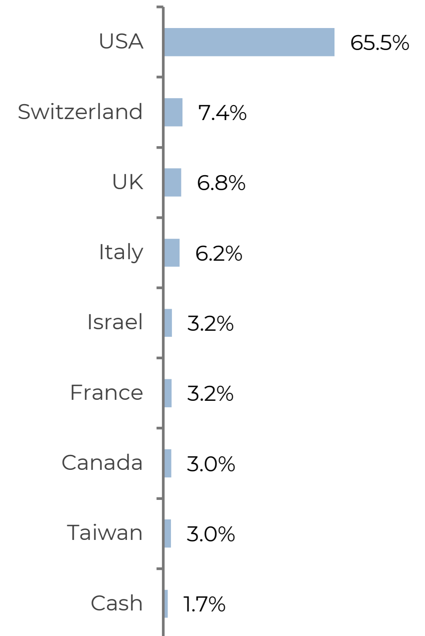
Monolithic Power Systems	4.0%
KLA-Tencor	3.9%
Sonova	3.8%
Arista Networks Inc	3.7%
Interroll Holding	3.7%
A O Smith Corp	3.7%
Entegris Inc	3.7%
Skyworks Solutions Inc	3.6%
Cadence Design Systems Inc	3.6%
Spirax-Sarco Engineering	3.5%

Top 10 holdings	37.1%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

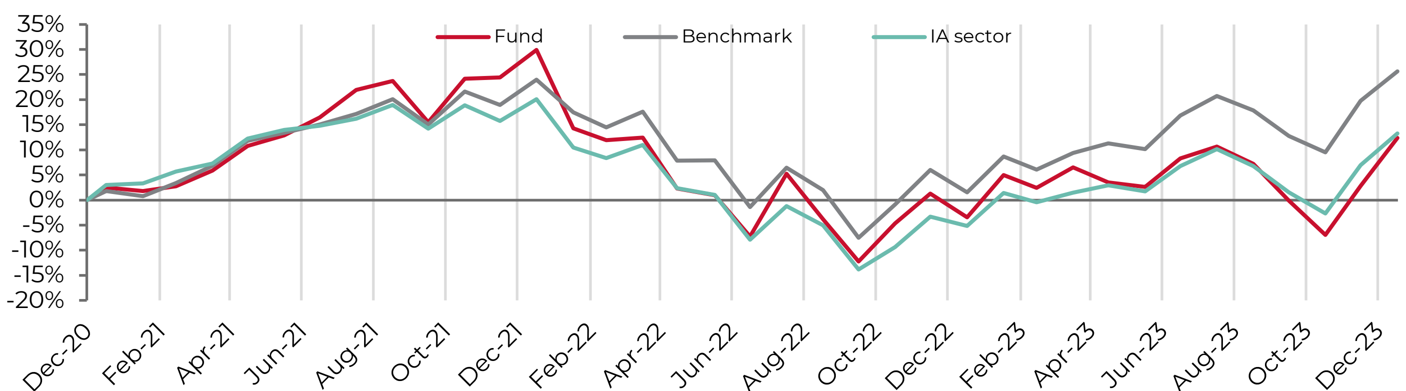
GUINNESS SUSTAINABLE GLOBAL EQUITY FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+8.5%	+9.8%	+9.8%	+17.6%	-	-
MSCI World TR	+4.2%	+16.8%	+16.8%	+32.4%	-	-
IA Global TR	+5.2%	+12.7%	+12.7%	+17.9%	-	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+9.3%	+16.4%	+16.4%	+9.6%	-	-
MSCI World TR	+4.9%	+23.8%	+23.8%	+23.4%	-	-
IA Global TR	+5.9%	+19.4%	+19.4%	+10.0%	-	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+7.9%	+12.4%	+12.4%	+21.5%	-	-
MSCI World TR	+3.6%	+19.6%	+19.6%	+36.7%	-	-
IA Global TR	+4.6%	+15.4%	+15.4%	+21.8%	-	-

GUINNESS SUSTAINABLE GLOBAL EQUITY FUND - ANNUAL PERFORMANCE

(GBP)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	+9.8%	-16.3%	+27.9%	-	-	-	-	-	-	-
MSCI World TR	+16.8%	-7.8%	+22.9%	-	-	-	-	-	-	-
IA Global TR	+12.7%	-11.1%	+17.7%	-	-	-	-	-	-	-
(USD)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	+16.4%	-25.7%	+26.7%	-	-	-	-	-	-	-
MSCI World TR	+23.8%	-18.1%	+21.8%	-	-	-	-	-	-	-
IA Global TR	+19.4%	-21.0%	+16.6%	-	-	-	-	-	-	-
(EUR)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	+12.4%	-20.8%	+36.4%	-	-	-	-	-	-	-
MSCI World TR	+19.6%	-12.8%	+31.1%	-	-	-	-	-	-	-
IA Global TR	+15.4%	-15.8%	+25.5%	-	-	-	-	-	-	-

GUINNESS SUSTAINABLE GLOBAL EQUITY 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. Graph data is in USD.

WS GUINNESS SUSTAINABLE GLOBAL EQUITY FUND - FUND FACTS

Fund size	£0.6m
Fund launch	30.12.2022
OCF	0.89%
Benchmark	MSCI World TR

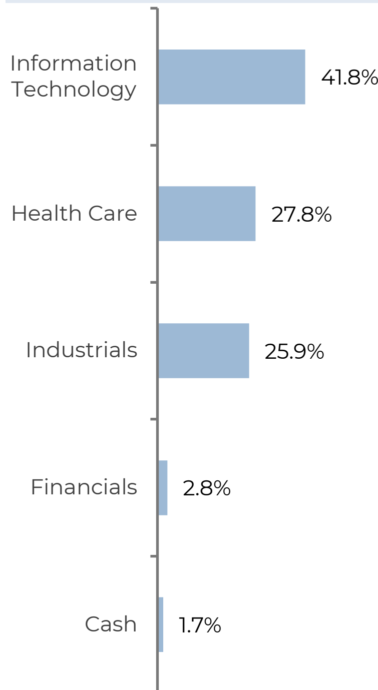
WS GUINNESS SUSTAINABLE GLOBAL EQUITY FUND - PORTFOLIO

Top 10 holdings

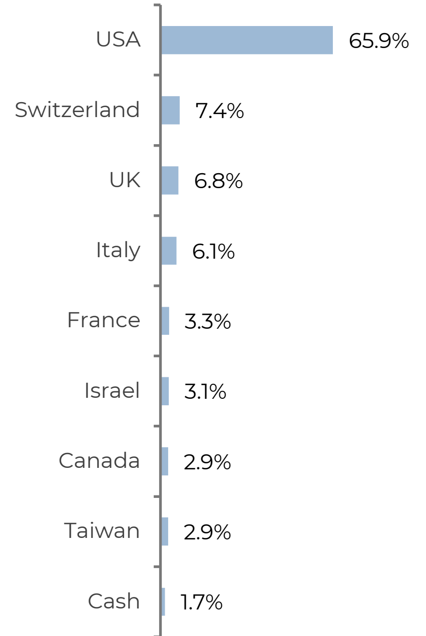
Monolithic Power Systems	4.1%
KLA-Tencor	4.0%
Sonova	3.9%
Arista Networks	3.8%
Entegris Inc	3.8%
A O Smith Corp	3.8%
Skyworks Solutions	3.7%
Cadence Design Systems	3.7%
Interroll Holding	3.6%
Teradyne	3.6%

Top 10 holdings	38.0%
Number of holdings	30

Sector



Country



Past performance does not predict future returns.

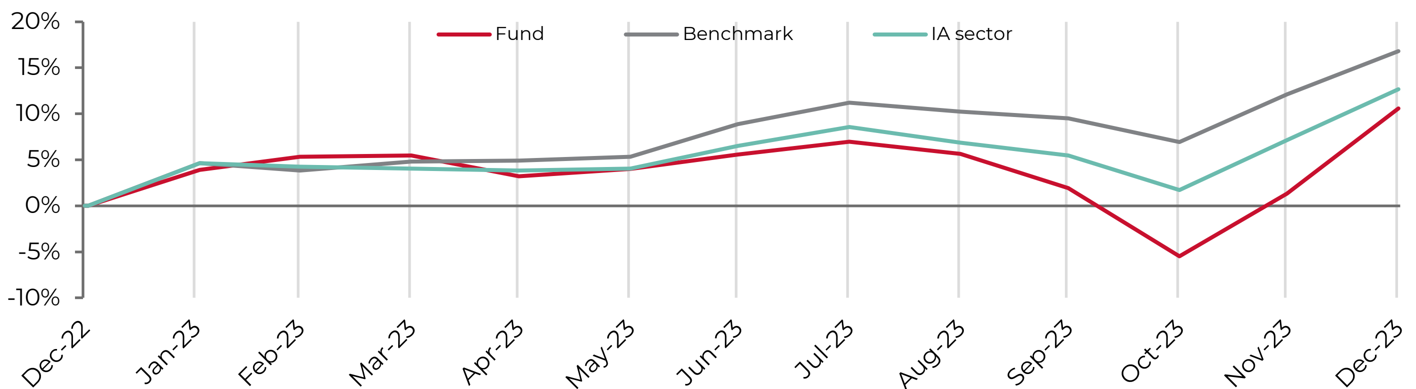
WS GUINNESS SUSTAINABLE GLOBAL EQUITY FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+9.1%	+10.6%	+10.6%	-	-	-
MSCI World TR	+4.2%	+16.8%	+16.8%	-	-	-
IA Global TR	+5.2%	+12.7%	+12.7%	-	-	-

WS GUINNESS SUSTAINABLE GLOBAL EQUITY FUND - ANNUAL PERFORMANCE

(GBP)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	+10.6%	-	-	-	-	-	-	-	-	-
MSCI World TR	+16.8%	-	-	-	-	-	-	-	-	-
IA Global TR	+12.7%	-	-	-	-	-	-	-	-	-

WS GUINNESS SUSTAINABLE GLOBAL EQUITY 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 Sustainable Global Equity Fund and the WS Guinness Sustainable Global Equity 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 SUSTAINABLE GLOBAL EQUITY 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 SUSTAINABLE GLOBAL EQUITY 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.