Guinness Asian Equity Income

Investment Commentary – February 2024

RISK

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

The Funds are equity funds. Investors should be willing and able to assume the risks of equity investing. The value of an investment and the income from it can fall as well as rise as a result of market and currency movement, and you may not get back the amount originally invested. Further details on the risk factors are included in the Funds' documentation, available on our website.

Past performance does not predict future returns.

ABOUT THE STRATEGY

Launch	19.12.2013
Sector	IA Asia Pacific Excluding Japan
Managers	Edmund Harriss Mark Hammonds
EU Domiciled	Guinness Asian Equity Income Fund
UK Domiciled	WS Guinness Asian Equity Income Fund

INVESTMENT POLICY

The Funds are designed to provide investors with exposure to high quality dividend-paying companies in the Asia Pacific region. The Funds are managed for income and capital growth and invest in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future. The Funds are actively managed. The Guinness Asian Equity Income Fund uses the MSCI AC Pacific ex Japan Index as a comparator benchmark only. The WS Guinness Asian Equity Income Fund uses the MSCI AC Asia Pacific ex Japan Index as a comparator benchmark only.

CONTENTS

PERFORMANCE

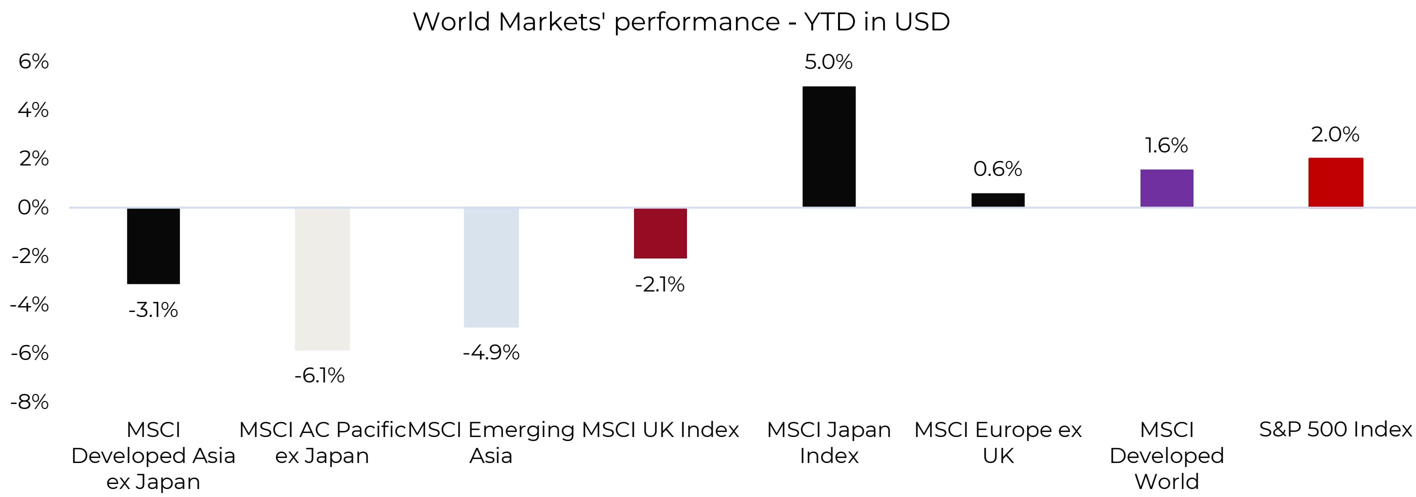
In January, the Guinness Asian Equity Income Fund fell -3.0% in GBP terms (Class Y GBP), outperforming the MSCI AC Pacific ex Japan Net Total Return Index benchmark, which fell -6.1%.

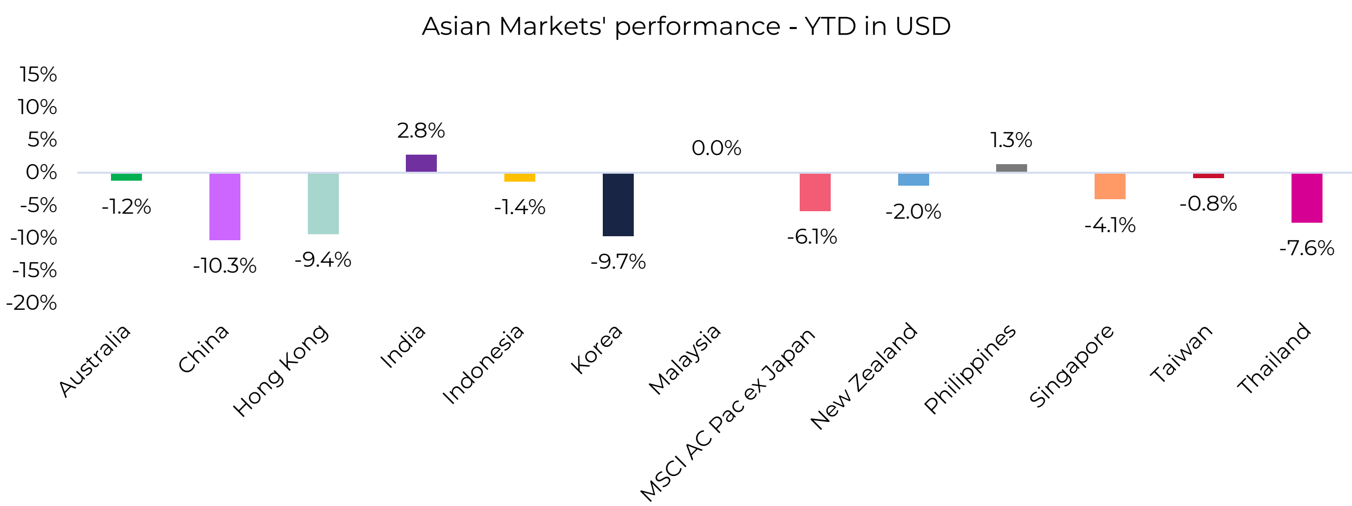
The best performing stocks in the portfolio, which rose over the month, include technology companies Elite Material, Broadcom, Tech Mahindra, Taiwan Semiconductor and Qualcomm; insurers Korean Reinsurance and Aflac; and from China, NetEase and China Merchants Bank.

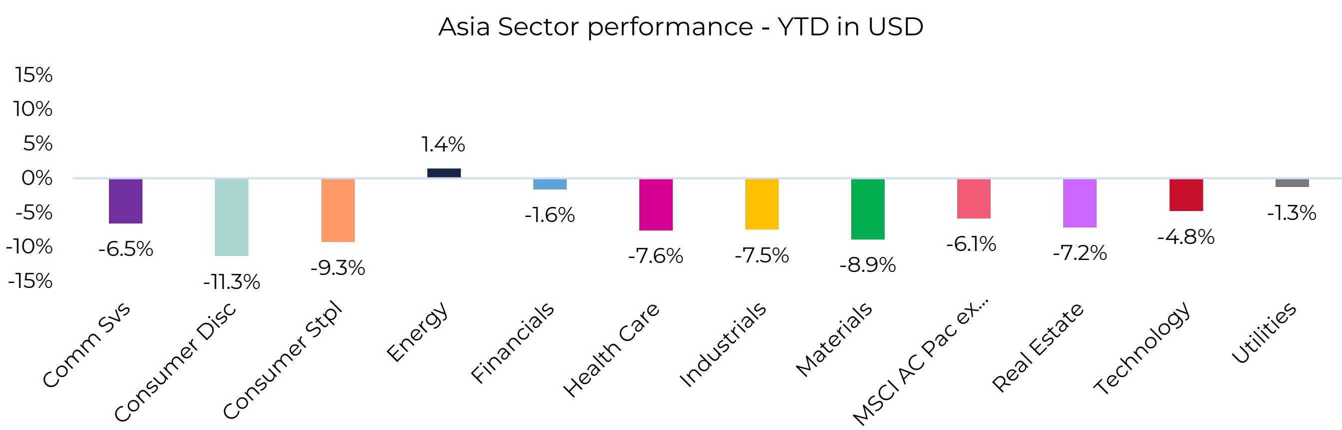
India and the Philippines were the only markets to post positive returns, while the weakest were China and Korea which were 10% lower. Chinese stocks, including those listed in Shanghai and Shenzhen, have been notably weak and are indicators that sentiment amongst domestic investors (and therefore, consumers) is especially fragile.

Asia has got off to a difficult start in 2024 as domestic sentiment in China has deteriorated further. Property prices continue to grind lower, and the government has maintained its focus on its industrial plan, offering little to support consumers. Local stock market performance reflects a deeper weakening of consumer confidence, and this may prompt a change in stance. However, from our perspective, we continue to focus on China investments on a stock-by-stock basis rather by reference to macro positioning.

Market and stock returns discussed below are in US dollar terms.







Source: Bloomberg, MSCI. Net returns in US dollars as of 31st January 2024.

Like China, Korea also fell heavily in January after strength in the last two months of 2023. The stock market is in part a macro play given the breadth of its manufacturing and export base, so the prospects for US interest rate cuts being pushed out have dampened sentiment for regional equites generally. Specifically for Korea, guidance from semiconductor companies Samsung Electronics and SK Hynix for the first quarter was weaker than expected. In addition, the outlook for Electric vehicle sales and production cuts by the big car makers affects not only Hyundai and Kia but also suppliers, especially battery makers, to overseas manufacturers.

Increases and decreases to consensus estimates for company earnings are useful indicators of market sentiment and over the past month the picture has been negative across global markets. By region, the smallest downward revisions have been in the US with Japan and Europe the weakest and Asia, UK and Latin America down -1% to -2% over the month for 2024 and 2025. In Asia ex Japan, the bigger cuts (-3% to -5%) are to Australia, Indonesia, Korea and Thailand. China is at the low end of the middle of the pack with -2% cuts, but earnings are still forecast to grow 12% per annum over the next three years. India remains the only market in the region to see upward revisions to estimates.

MACRO

US interest rates remain in focus for markets which got excited by indications that they are set to go lower in the coming year. As we have said many times before, we do not expect the Federal Reserve to cut until they see a decline in (potential) inflationary pressure. While the economy and the jobs market remain strong it seems to us unlikely that the Fed will move. Thus, it comes as little surprise to see the Chairman of the Federal Open Market Committee downplaying the prospects.

In Asia, the Chinese economy remains the most challenging, while India's continues to show strong growth. China's GDP was reported to have grown 5.2% year-on-year (1.05% quarter-on-quarter) in the fourth quarter, about 0.1% less than forecast. The consensus outlook is for annual growth to slow from 5.2% in 2023 to 4.6% in 2024 and 4.5% in 2025, with a range of estimates around these levels. The government, however, targets 5% growth in the coming year, and while the number can be debated this indicates a pro-growth bias to policy.

Lai Ching-te of the Democratic Progressive Party (DPP) won Taiwan's presidential election in mid-January. This will not have pleased China, and the US was quick to reaffirm its long-standing One China policy which in the State Department's own words is as follows: "We oppose any unilateral changes to the status quo from either side; we do not support Taiwan independence; and we expect cross-Strait differences to be resolved by peaceful means." This has been tested by Chinese activities around the island and the US has been working to dial down tensions.

FUND REVIEW

The main changes to forecast earnings by the market consensus for portfolio stocks, in local currency terms, were upgrades to Largan Precision, Catcher Technology and JB Hi-Fi. The most notable downgrades were for Tech Mahindra, Nanon Systems, BOC Hong Kong and Tisco Financial.

The upgrades to Largan are especially interesting, in our view. The company makes premium lenses for smartphones and tablets. In recent years, sales have been especially sluggish as smartphone makers have focused their technology upgrades on other device attributes rather than cameras. This has left the company becalmed. During this period the company has kept to its core competence in high-margin premium lenses rather than going more mass-market, having tried that five years ago only to see margins fall away quickly, and has engaged more actively in capital management by paying a special dividend in 2022 and subsequently moving from an annual to biannual distribution policy. The outlook has now brightened as smartphone makers resume camera upgrades, smartphone volume sales bottom out and as Largan achieves greater penetration into premium handsets from Chinese makers.

The largest downgrade was to Tech Mahindra. The company is an IT services consultant and has experienced slower activity in its telecoms division, which accounts for just under 40% of its revenue. The company has taken steps to address this with its hire in the last year of Mohti Joshi from Infosys as CEO. He was instrumental behind the turnaround at Infosys and the market has greeted his appointment very positively. While we expect the upcoming set of results, and possibly those for the next quarter, will probably be weak, we are inclined to wait and see how the company progresses this year.

We have seen a handful of dividend declarations in January. The two Singapore real estate investment trusts (REITs), CapitaLand Integrated Commercial trust and CapitaLand Ascendas REIT, were +2%/-6% respectively versus last year while that for Qualcomm rose by 7%. DBS declared a core dividend that was 29% higher but did not repeat last year's special dividend. Aflac was the surprise, lifting its dividend by 19% compared to expectations of 7%. In Aflac's case, the dividend was accompanied by a weaker outlook from management for the coming year that disappointed the market. Our view is that while management commentary was a little thin, core business metrics (expense ratios and persistency) look fine, with new product growth and channel strategy looking positive over the longer term.

Contributors

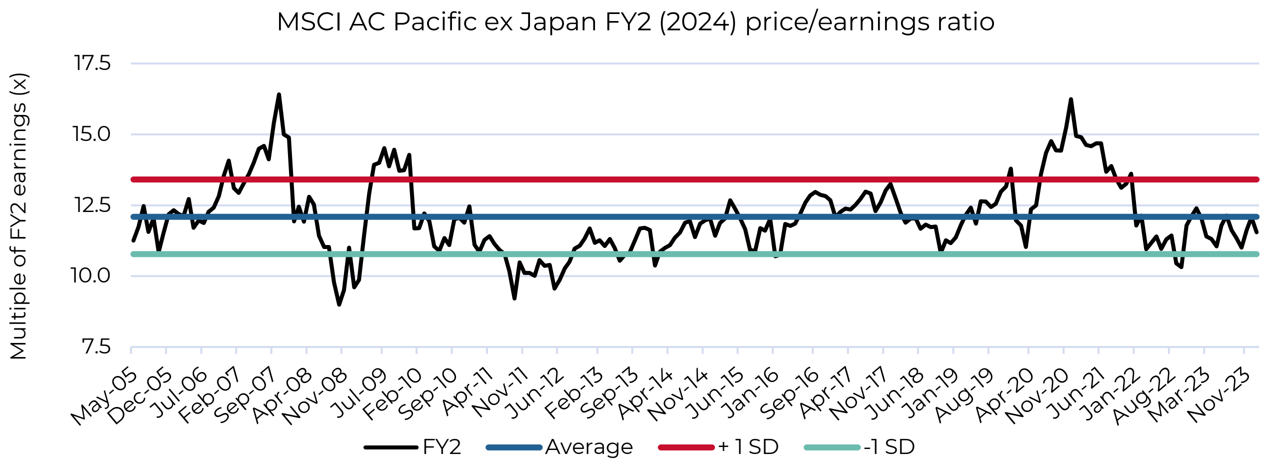
The leading sector contributors were Information Technology and Consumer stocks, both Discretionary and Staples. Within Information Technology, Elite Material once again was the strongest, rising 18% on resurgence in the artificial intelligence theme. Broadcom, Qualcomm and Tech Mahindra were also contributors to relative performance. Taiwan Semiconductor rose during the month, but our equal-weighted approach keeps us marginally underweight, which made it a contributor to absolute performance but a detractor from performance versus the benchmark.

Among Consumer Discretionary companies it was JB Hi-Fi and Corporate Travel Management that led the contributions while in Staples it was Metcash, supported by Chinese dairy company Yili, that contributed most.

Detractors

The main detractors from relative performance were in Health Care, Real Estate and Utilities. Our zero weight to Energy, a cyclical sector, also detracted over the month. China Medical System was the weak stock in Health Care, and the weakest stock in the portfolio, down -19% over the month and reversing the outperformance generated in the fourth quarter last year, on broader China weakness. In Real Estate, the REITs outperformed the sector, but the sector underperformed the benchmark and relative performance from the sector was dragged down more by underperformance from China Overseas Land & Investment. Altogether the Real Estate allocation and selection detracted -0.4% from relative performance. In Utilities, it was underperformance by China Resources Gas on weaker expected consumer demand.

OUTLOOK



Data as of 31st January 2024. 1 SD = One Standard deviation above (red line) or below (green line) the average FY2 PER multiple over the period. Source: Bloomberg, Guinness Global Investors

Our focus remains on companies with strong balance sheets which continue to generate returns above their cost of capital and which have a history of providing a dividend. This strategy has allowed us to navigate through the COVID period and will help see us through the coming year.

When it comes to China, the deep level of scepticism the market has shown through 2023 is evident. For the first time in 25 years, foreign direct investment into China turned negative with outflows of more than $140 billion of long-term investments in the first nine months of 2023. We believe that for China to become more attractive to investors, earnings estimates need to stabilise. Earnings forecasts for China are still stronger than those for developed markets but they have been scaled back, so while companies are still expected to generate good growth, the expected rate has been persistently lowered. Once earnings estimates stabilise, we think both domestic and foreign investors are likely to find China more attractive, which could begin a valuation rerating in addition to earnings growth.

Portfolio Managers

Edmund Harriss
Mark Hammonds

GUINNESS ASIAN EQUITY INCOME FUND - FUND FACTS

Fund size	$305.3m
Fund launch	19.12.2013
OCF	0.89%
Benchmark	MSCI AC Pacific ex Japan TR
Historic yield	4.1% (Y GBP Dist)

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

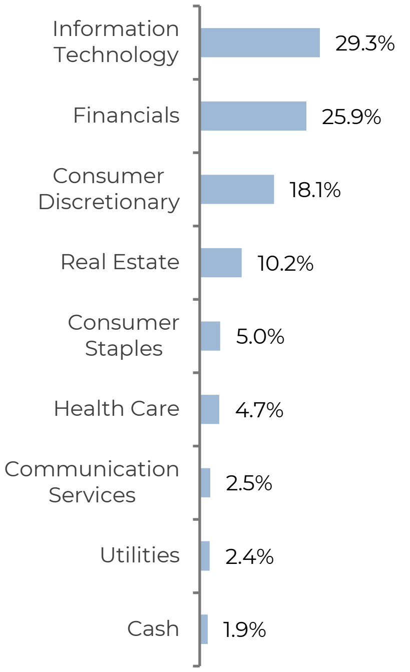
GUINNESS ASIAN EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

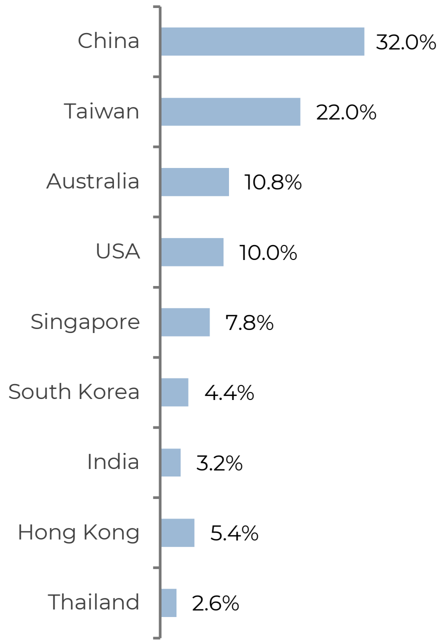
Elite Material	4.8%
Broadcom	3.6%
Novatek Microelectronics	3.5%
Qualcomm	3.4%
JB Hi-fi	3.3%
Tech Mahindra	3.3%
Aflac	3.2%
Taiwan Semiconductor	3.1%
China Merchants Bank	3.0%
Public Bank Bhd	2.9%

Top 10 holdings	34.0%
Number of holdings	36

Sector



Country



Past performance does not predict future returns.

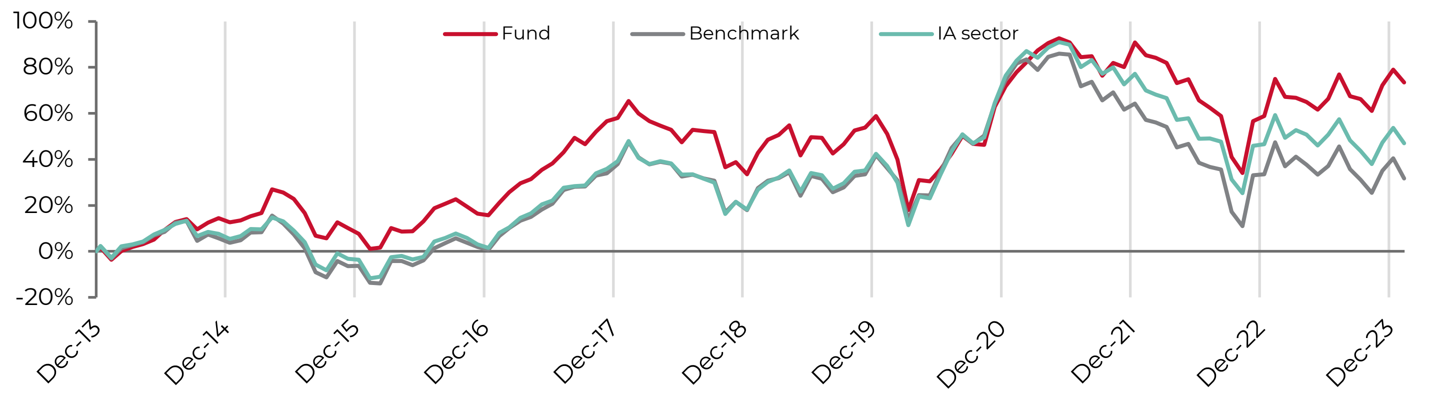
GUINNESS ASIAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-3.0%	-3.0%	-4.2%	+5.2%	+25.5%	+132.1%
MSCI AC Pacific ex Japan TR	-6.1%	-6.1%	-13.6%	-21.8%	+6.7%	+75.5%
IA Asia Pacific Excluding Japan TR	-4.3%	-4.3%	-10.8%	-13.4%	+19.7%	+95.2%
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-3.1%	-3.1%	-0.9%	-2.5%	+21.5%	+79.9%
MSCI AC Pacific ex Japan TR	-6.2%	-6.2%	-10.6%	-27.5%	+3.3%	+36.0%
IA Asia Pacific Excluding Japan TR	-4.4%	-4.4%	-7.7%	-19.6%	+15.9%	+51.2%
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-1.5%	-1.5%	-0.9%	+9.1%	+28.4%	+123.4%
MSCI AC Pacific ex Japan TR	-4.6%	-4.6%	-10.7%	-18.9%	+9.1%	+68.8%
IA Asia Pacific Excluding Japan TR	-2.8%	-2.8%	-7.8%	-10.1%	+22.4%	+87.7%

GUINNESS ASIAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

(GBP)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	+6.4%	-6.3%	+12.2%	+4.8%	+14.4%	-10.3%	+24.6%	+28.2%	+1.2%	+17.6%
MSCI AC Pacific ex Japan TR	-0.8%	-8.5%	-5.0%	+19.2%	+15.7%	-9.2%	+25.1%	+28.2%	-4.4%	+7.8%
IA Asia Pacific Excluding Japan TR	-1.0%	-6.9%	+1.5%	+20.0%	+15.8%	-9.8%	+25.3%	+25.7%	-3.4%	+9.5%
(USD)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	+12.7%	-16.8%	+11.1%	+8.1%	+19.0%	-15.5%	+36.5%	+7.5%	-4.4%	+10.7%
MSCI AC Pacific ex Japan TR	+5.2%	-18.8%	-5.9%	+23.0%	+20.3%	-14.5%	+36.9%	+7.5%	-9.6%	+1.5%
IA Asia Pacific Excluding Japan TR	+4.9%	-17.3%	+0.5%	+23.8%	+20.4%	-15.1%	+37.2%	+5.3%	-8.6%	+3.1%
(EUR)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	+8.9%	-11.4%	+19.6%	-0.8%	+21.2%	-11.3%	+19.9%	+10.7%	+6.5%	+26.0%
MSCI AC Pacific ex Japan TR	+1.6%	-13.4%	+1.3%	+12.9%	+22.5%	-10.2%	+20.3%	+10.7%	+0.7%	+15.6%
IA Asia Pacific Excluding Japan TR	+1.4%	-11.9%	+8.2%	+13.6%	+22.7%	-10.8%	+20.5%	+8.5%	+1.8%	+17.4%

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



Source: FE fundinfo to 31.01.24. Investors should note that fees and expenses are charged to the capital of the Fund. This reduces the return on your investment by an amount equivalent to the Ongoing Charges Figure (OCF). The current OCF for the share class used for the fund performance returns is 0.89%. Returns for share classes with a different OCF will vary accordingly. Transaction costs also apply and are incurred when a fund buys or sells holdings. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

WS GUINNESS ASIAN EQUITY INCOME FUND - FUND FACTS

Fund size	£0.6m
Fund launch	04.02.2021
OCF	0.89%
Benchmark	MSCI AC Asia Pacific ex Japan TR
Historic yield	4.1% (Y GBP Inc)

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

WS GUINNESS ASIAN EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

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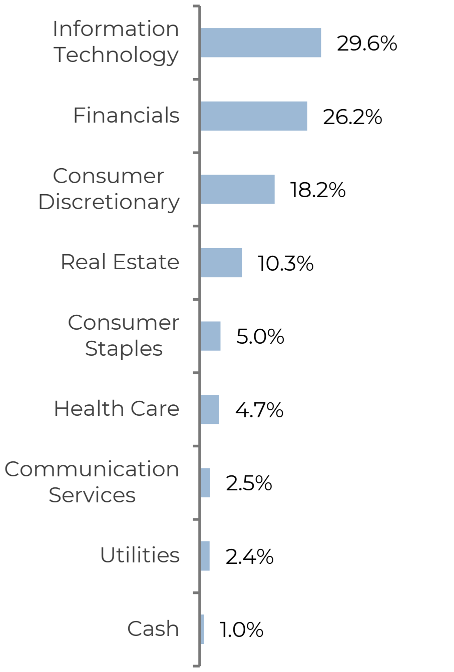
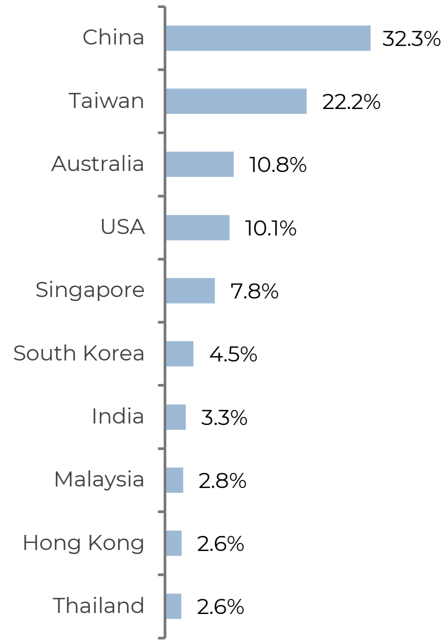


Country



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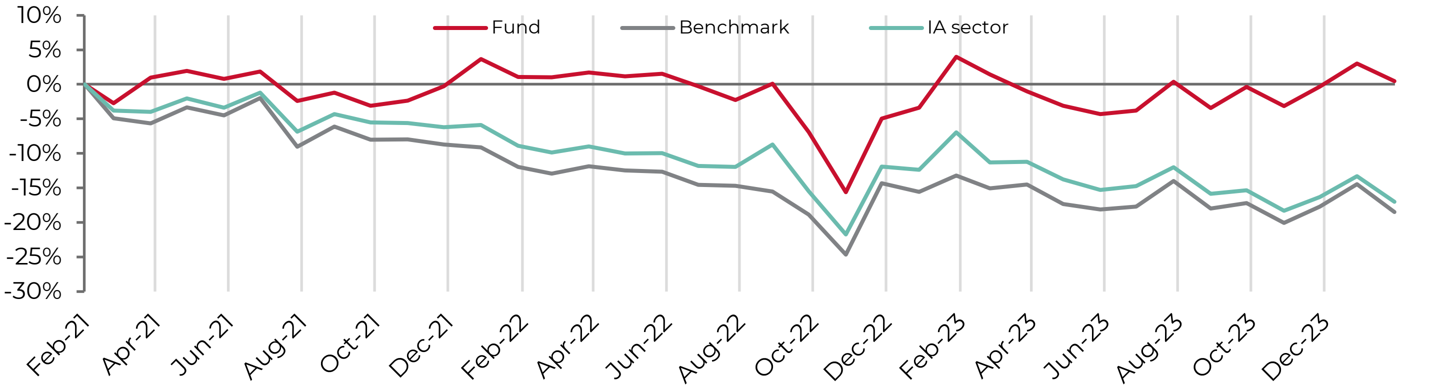
WS GUINNESS ASIAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE						
(GBP)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-2.5%	-2.5%	-3.4%	-	-	-
MSCI AC Asia Pacific ex Japan TR	-4.7%	-4.7%	-9.0%	-	-	-
IA Asia Pacific Excluding Japan TR	-4.3%	-4.3%	-10.8%	-	-	-

WS GUINNESS ASIAN EQUITY INCOME FUND - ANNUAL PERFORMANCE										
(GBP)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	+6.7%	-6.8%	-	-	-	-	-	-	-	-
MSCI AC Asia Pacific ex Japan TR	+1.3%	-7.1%	-	-	-	-	-	-	-	-
IA Asia Pacific Excluding Japan TR	-1.0%	-6.9%	-	-	-	-	-	-	-	-

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



Source: FE fundinfo to 31.01.24. 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 Asian Equity Income Fund and the WS Guinness Asian Equity Income Fund. It may provide information about the Funds' portfolio, including recent activity and performance. It contains facts relating to the equity markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report. OCFs for all share classes are available on www.guinnessgi.com.

This document is provided for information only and all the information contained in it is believed to be reliable but may be inaccurate or incomplete; any opinions stated are honestly held at the time of writing,but are not guaranteed. The contents of the document should not therefore be relied upon. It should not be taken as a recommendation to make an investment in the Funds or to buy or sell individual securities, nor does it constitute an offer for sale.

GUINNESS ASIAN EQUITY INCOME FUND

Documentation
The documentation needed to make an investment, including the Prospectus, the Key Information Document (KID), Key Investor Information Document (KIID) and the Application Form, is available in English from www.guinnessgi.com or free of charge from:-
• the Manager: Waystone Management Company (IE) Limited (Waystone IE) 2nd Floor 35 Shelbourne Road, Ballsbridge, Dublin D04 A4E0, Ireland or
• the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.
Waystone IE is a company incorporated under the laws of Ireland having its registered office at 35 Shelbourne Rd, Ballsbridge, Dublin, D04 A4E0 Ireland, which is authorised by the Central Bank of Ireland, has appointed Guinness Asset Management Ltd as Investment Manager to this fund, and as Manager has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive.

Investor Rights
A summary of investor rights in English is available here: https://www.waystone.com/waystone-policies/

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

Structure & regulation
The Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and authorised and supervised by the Central Bank of Ireland, which operates under EU legislation. If you are in any doubt about the suitability of investing in this Fund, please consult your investment or other professional adviser.

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

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

WS GUINNESS ASIAN EQUITY INCOME FUND

Documentation
The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available in English from https://www.waystone.com/our-funds/waystone-fund-services-uk-limited/ or free of charge from:-

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

Waystone Fund Services (UK) Limited is authorised and regulated by the Financial Conduct Authority.

Residency
In countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful, the Fund should not be distributed to resident Retail Clients.
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Structure & regulation
The Fund is a sub-fund of WS Guinness Investment Funds, an investment company with variable capital incorporated with limited liability and registered by the Financial Conduct Authority.

Telephone calls will be recorded and monitored.