Guinness Emerging Markets Equity Income

2023 Annual Review and Outlook

RISK

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

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

Past performance does not predict future returns.

ABOUT THE STRATEGY

Launch	23.12.2016
Index	MSCI Emerging Markets
Sector	IA Global Emerging Markets
Managers	Edmund Harriss Mark Hammonds CFA
EU Domiciled	Guinness Emerging Markets Equity Income Fund

OBJECTIVE

The Guinness Emerging Markets Equity Income Fund is designed to provide investors with exposure to high-quality dividend-paying companies in Emerging Markets worldwide. The Fund aims to provide long-term capital appreciation and a source of income that has the potential to grow over time. The Fund is actively managed and uses the MSCI Emerging Markets Index as a comparator benchmark only.

CONTENTS

EVENTS IN 2023

What happened in Emerging Markets and the World?

- 2023 was marked by continued geopolitical turbulence, after an attack on Israel by Hamas triggered armed conflict in the Gaza strip.
- US-China relations improved, as the two countries agreed to resume high-level diplomatic relations.
- In the economy, inflationary pressures in the US continued to subside over the year.
- The Federal Reserve (Fed) continued to raise interest rates, though the pace of the hikes slowed.
- Rising Treasury yields and tighter financing conditions caused a banking crisis early in the year, leading to the demise of Silicon Valley Bank. US regional banks were among those most affected.
- Credit Suisse also suffered in the tumult. Faced with a sudden loss of confidence, the bank was rapidly acquired by Swiss-rival UBS.
- Further contagion was limited as the Fed swiftly contained the turbulence, introducing a range of supportive measures. As the year wore on, attention then turned to when the next easing cycle would begin.
- China's economy slowed, as problems in the real estate sector weighed heavily on growth and on confidence.

What happened in the Fund?

- The Fund generated outperformance in relative terms, rising 6.6% (Y class, in GBP) against the MSCI Emerging Markets NTR Index which gained 3.6%.
- Over three years, the Fund returned 9.1% whilst the benchmark was down 8.3%.

- Of the 34 stocks held for the full year, 19 outperformed the benchmark, 15 underperformed.
- The Fund's distribution for the period declined by 1.9% in sterling terms (after increasing by 18.9% the preceding year). Since 2017, it has grown at a compound annual growth rate of 7.5%, compared with 1.6% for the benchmark.
- After the most recent distribution, the Fund trades on a trailing distribution of 4.2%, significantly above the market. (Historic yield reflects the distributions declared over the 12 months expressed as a percentage of the mid-market price, as at 8 January 2024. It does not include any preliminary charges. Investors may be subject to tax on the distribution.)
- We bought one new position: Haier Smart Home.
- We sold two positions: Spar Group and LG Household & Health Care.
- The effect of the portfolio changes was to increase exposure to Consumer Discretionary and to decrease exposure to Consumer Staples.
- Valuations for emerging markets continue to look reasonable, both on an absolute basis and on a relative basis compared with developed markets.
- As at year end, the portfolio traded on 11.5x 2023 earnings, a 19% discount to the benchmark which traded on 14.1x 2023 earnings.

SUMMARY REVIEW

In what was a somewhat turbulent year for emerging market equities, the Fund again generated strong outperformance in relative terms, rising 6.6% (Y class, in GBP) against the benchmark, a gain of 3.6%.

For the year overall, the Fund benefited significantly from individual stock holdings in the information technology sector (principally Elite Material, but with key contributions from Broadcom and Novatek Microelectronics). In the consumer discretionary sector, outsized positive contributions came from Bajaj Auto and Jumbo.

Information Technology stocks benefited from huge gains in enthusiasm towards AI, which has been the driver of continued investment in IT infrastructure. Accompanying this trend has been a recovery in demand for consumer electronics, several years after the covid-induced demand spike in 2020. Chinese consumers have contributed meaningfully, with the smartphone market notably showing renewed vitality.

On the negative side, consumer staples were weak, with LG Household & Health Care the main underperformer, and weakness also in British American Tobacco and Spar Group. In Financials, China Merchants Bank and Ping An Insurance in China were both detractors. Weakness in the property market and a slowing economy led China to be the worst-performer of the largest EM country indices in 2023. (We discuss individual stock holdings in more detail in subsequent sections.)

Emerging markets again underperformed developed markets, with the MSCI Emerging Markets Index rising 3.6% compared with the MSCI World Index which climbed 16.8% and the S&P 500 Index which rose 18.6%.

Within emerging markets, all regions generated positive performance. Latin America was the standout performer, rising 25.8%. Despite its weight increasing over the course of the year, the region's share of the benchmark is relatively small at just under 10% at year end. EMEA (Europe, Middle East and Africa) gained 2.6%. Asia, by far the largest component of the benchmark, increased by 2.1%.

From an income perspective, the Y share class distribution in GBP terms fell by 1.9% in 2023. While the payment was down year-on-year, it follows the large 18.9% increase in 2022, as many companies readjusted and paid catch up dividends that had been omitted or reduced during the COVID period (2020 and 2021). In addition, the decline in 2023 should be seen in the context of the benchmark, where dividends per share declined 13.8% in sterling terms.

Since the launch of the fund, the GBP dividend has grown at a compound annual growth rate (CAGR) of 7.5% per annum compared to 1.6% per annum for the benchmark.

At the portfolio level, of the 34 stocks that were held throughout 2023:

- 21 companies grew their dividends.
- 3 companies kept dividends flat.
- 10 companies reported lower dividends.

Of the 21 stocks that increased the dividend, 12 did so by more than 10%, and 6 of those did so by 20% or more. (Measured in dividends per share in local currency terms.)

On the outlook for 2024, the dominant narrative in the market concerns the health of US economy and the consequential impact on Fed monetary policy. After some constructive readings on US inflation, an expectation has built that we will soon start to see rate cuts coming earlier than previously expected and in greater number. This optimism was enough to support the sharp rally in global markets at the end of last year, as investors rapidly revised their views away from the 'higher for longer' viewpoint.

The US economy is in good health, with a strong labour market still seeing wage growth. Supported by a robust jobs picture, the consumer also appears to be healthy. Fiscal stimulus is still playing a big part, and with an election at the end of the year, we are doubtful that this support will be taken away soon. The lagged impact of higher rates may yet bite, but it is not certain that this would be enough to drive the economy into recession. For now the soft-landing is the scenario many are expecting.

China is moving at a different speed, with growth slowing (though not stalling) as a weak property market continues to drag on the overall economy. The extent to which this will continue to be felt this year partly depends on the success of policymakers' stimulus efforts. Recently these have struggled to have the desired impact; the silver lining is that they are far more measured and targeted than previously. The job of policymakers is made harder by the tough comparatives faced this year – the rebound the economy enjoyed last year following the easing of COVID restrictions was a one-off, creating a 'hole to be filled' in growth this year. The fact the that US economy remains in good shape creates a helpful backdrop in this respect.

Emerging markets still trade on very low valuations, and we expect valuation re-rating to be a positive contributor to returns, but over the long term, it is the fundamental performance of the business that is likely to drive results for shareholders.

From a valuation perspective, at year end the portfolio traded on 11.5x 2023 earnings, a 19% discount to the benchmark which traded on 14.1x 2023 earnings.

Within our investment process, we place emphasis on the following factors:

- Sustainable competitive advantage – companies must have demonstrated the ability to earn returns on capital above the cost of capital, reflecting a competitive advantage that has persisted over time and that can be harnessed by management to the benefit of shareholders.
- Robust business model – the business needs to have a business model that is resilient to external factors, both at an industry and macro level i.e. the company is able to generate strong cash flows through the cycle, despite facing challenging conditions at times.
- Attractive opportunities for reinvestment and growth – opportunities exist for management to redeploy the capital generated by the existing business at attractive rates of return. Long term opportunities for growth exist – these opportunities may offer more moderate (but more consistent and sustainable) growth rates.
- Strong dividend policy – management must be committed to returning a meaningful portion of the capital generated by the business to shareholders.

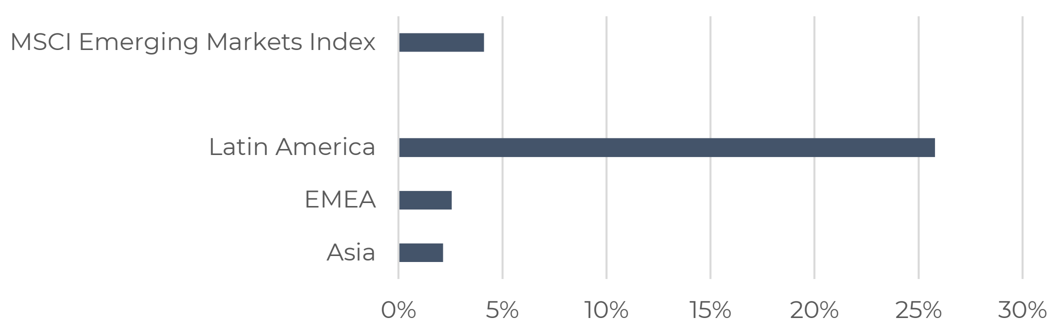
- Attractive valuation – we seek investments that are undervalued by the market. We want valuation changes to be a positive contributor to overall returns and avoid stocks where they may be a detractor.

We think such an approach works well in emerging markets and is suited to the uncertainties in today's economic environment that face both investors in the region and globally.

MARKET PERFORMANCE

All regions within Emerging Markets generated positive returns in 2023. However, the 26% returns from Latin America were far greater than the 2% growth from Asia and the 3% growth from EMEA (Europe, Middle East and Africa). As a reminder, Asia represents 78% of the benchmark, EMEA represents 13% and Latin America 9.5%.

Regional Returns (in GBP 2023)



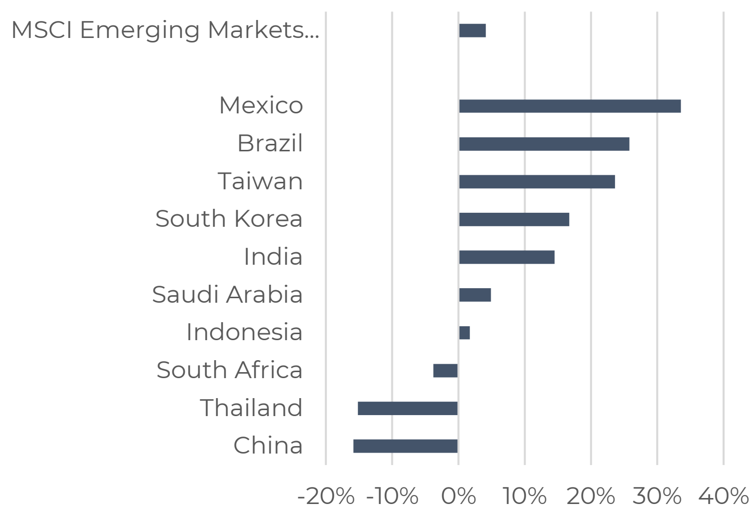
Source: Bloomberg, data as at 31.12.2023

We concluded 2023 in a global environment significantly different from the one that started the year. Key macro themes that continued to dominate market performance included inflation and interest rates, and the economic recovery in China.

With high interest rates and persistent inflation seen through the first half of the year, concerns that high costs of borrowing would force a recession led to broad market pessimism. In particular, the US raised interest rates four times in the first seven months, peaking at 5.5%, the highest it has been in 22 years, and where it has remained since. The rapid rise in interest rates led to the collapse of a number of regional banks. However, as we moved through the year, US inflation has fallen going from its peak of 9.1% in June 2022 to 3.2% in November 2023. Furthermore, growth has remained surprisingly robust, which has in turn improved the market outlook. Sentiment was further lifted at the end of the year as the Fed pivoted to a more dovish tone in December, with policymakers signalling a higher number of anticipated rate cuts in 2024 than had been expected by the market. For Latin American equities, currency appreciation in the first half of the year and growing market sentiment that Fed rate hikes had peaked in the second half of the year, helped drive the strong 2023 performances.

The chart below shows the returns of the largest countries in the benchmark as at the end of the year.

Largest Country Returns (GBP)



Source: Bloomberg, data as at 31.12.2023

Despite a strong start to the year, led by a post-COVID valuation rerating, persistently weaker-than-expected macro data and global banking scares led to a weak performance in China in 2023. Domestic demand has remained below forecasts and domestic policies are being focused on sectors and industries that the government consider long-term competitive growth drivers, such as technology, specialty materials and healthcare, rather than sectors that absorb high quantities of resources with diminishing returns, notably the property sector.

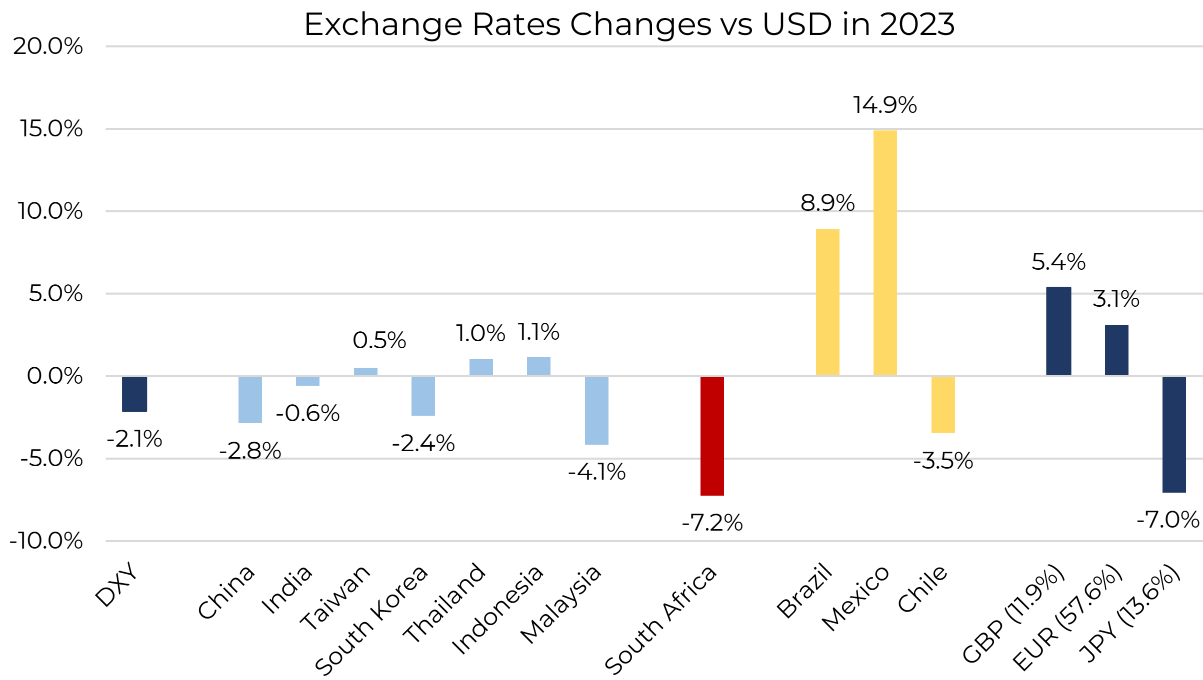
The result has been akin to a perfect storm, but one we believe China can withstand. Slower external demand has hurt exports; declining property prices have undermined consumer confidence, already weakened by three long years of harsh COVID restrictions; the e-commerce companies are cutting costs and scaling back rather than absorbing large numbers of new graduates; and youth unemployment overall, is well above the national average. However, while investors are focusing on the here and now it is worth remembering that China is far from broken. The country is well capitalised, its banking system is liquid and stable, and the country is still generating net positive trade flows (i.e. a trade surplus). China dominates in several of the key industries it has focused on (Solar, Wind, EVs, batteries, 5G telephony). To judge by the share of citations in leading academic journals from Chinese researchers (in subjects ranging from AI technology, Advanced communications, Advanced materials and manufacturing, Transportation, Sensing, Energy & Environment) there is the intellectual capital to back it up.

In 2023, Thailand faced political instability in the form of a four-month government hiatus whilst tackling economic challenges and the aftermath of COVID-19. The Move Forward Party's election success in May was overshadowed by the Senate's disapproval of its leader, Pitan Limjaroenrat, leading to a coalition government formed by the Pheu Thai party in August, and excluding the winning party altogether. The political landscape remains uncertain as the Pheu Thai party, once ousted in a 2014 military coup, now forms a precarious alliance with two military-backed parties as part of the new 11-party coalition.

On the positive side we have seen strong performances from Mexico and Brazil. Mexico's performance is particularly interesting. It has continued to beat market forecasts, buoyed by supportive public policies which have led to rising domestic consumption and increases in public and private investments, while managing to keep Debt-to-GDP relatively low and maintain its currency. The country has also benefited from the nearshoring trend and is now the United States' biggest trading partner.

Currencies

The following chart shows the movements in foreign exchange over the year for the large countries (from a benchmark weighting perspective) for Asia, EMEA and Latin America, as well as the developed market components of the dollar index (DXY).



Source: Bloomberg, data as at 31.12.2023

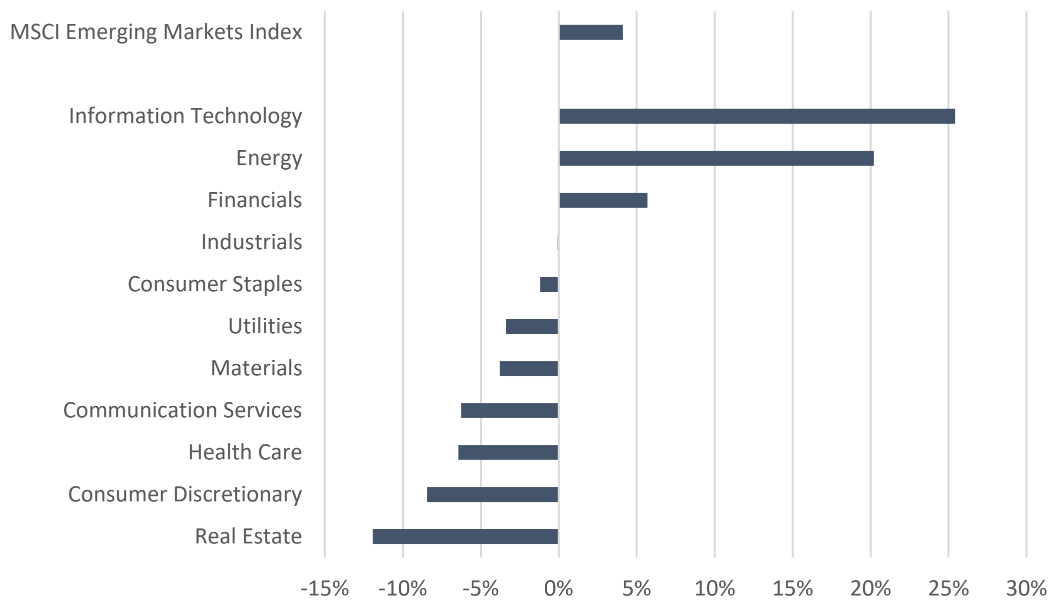
Latin America was the key source of strength in EM, with the Brazilian Real rising 8.9% and the Mexican Peso rising an even higher 14.9%. Partly their advantage stems from having risen rates early in the inflationary cycle, allowing their economies to enjoy disinflation that much earlier than developed markets. The sustained disinflation has given central bankers room now to begin to cut rates, for example in Brazil.

As the DXY indicates, dollar weakness was the overall result in 2023. Asian currencies, the first group of bars, were mixed. China along with Korea both weakened, but not dramatically so. Malaysia was weak also, the worst performer of this group. Other Asian currencies made small gains.

In EMEA, performance of the Rand in South Africa was disappointing, falling 7.2% over the year. South Africa has continued to struggle with electricity supply, with load shedding reaching record levels. However, investment is starting to have an effect with new generation capacity being added. A new CEO of state power company Eskom has also recently been appointed. Economic growth in 2023 has been relatively resilient to these problems, though they are clearly an impediment to more rapid progress. Problems in the ports have also been a severe challenge to the logistics sector.

Generally given the extraordinary moves seen in fixed income markets, it is a positive outcome for emerging market currencies to have come through the year relatively unscathed. Foreign exchange markets have overall indicated relative stability, and are not reflecting any signs of shocks. The protection provided by appropriate anticipatory monetary policy has proved invaluable. But it also speaks to the relatively stable fiscal position in which many emerging markets find themselves.

Sector Returns (in GDP)



Source: Bloomberg, data as at 31.12.2023

Information Technology was the top performing sector for the benchmark. Headlines have focused on AI, especially since NVIDIA shocked the market by the strength of demand for its chipsets and certainly, some of our stocks have benefitted from this. But there have been other bright spots. Demand for Personal Computers is returning to growth after two years of contraction post the 2020 COVID spike and demand for flash memory is also staging a cyclical recovery to the benefit of Korea's major producers, and market heavyweights, Samsung Electronics and SK Hynix. The other area of strength has come from China and from consumer electronics customers ranging from smartphones to tablets and TVs.

FUND PERFORMANCE

In what was a somewhat turbulent year for emerging market equities, the fund again generated strong outperformance in relative terms, rising 6.6% (Y class, in GBP) against the benchmark gain of 3.6%.

For the year overall, the fund benefited significantly from individual stock holdings in the information technology sector (principally Elite Material, but with key contributions from Broadcom and Novatek Microelectronics). In the consumer discretionary sector, outsized positive contributions came from Bajaj Auto and Jumbo.

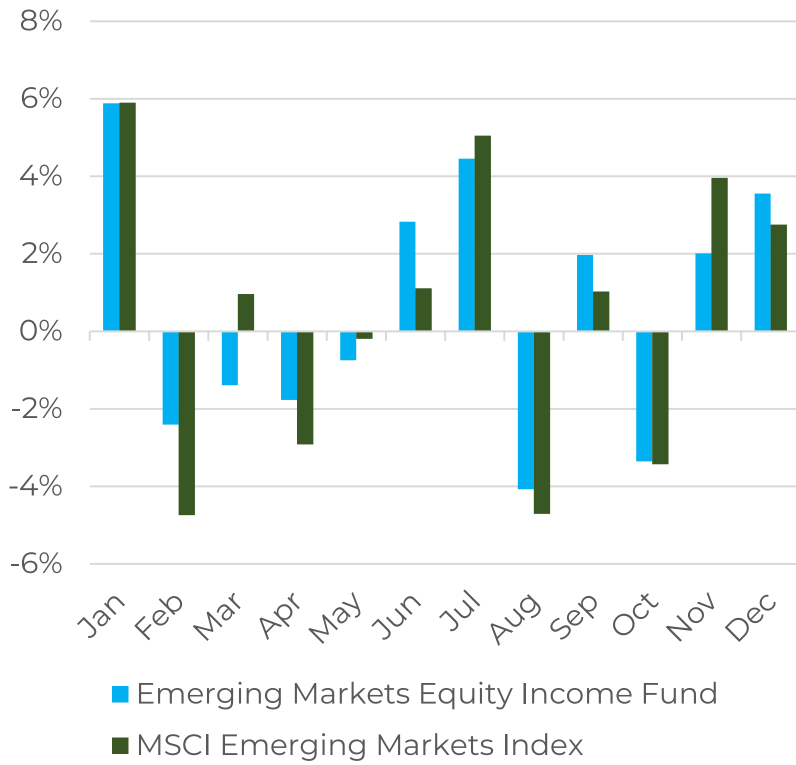
On the negative side, consumer staples were weak, with LG Household & Health Care the main underperformer, and weakness also in British American Tobacco and Spar Group. In Financials, China Merchants Bank and Ping An Insurance in China were both detractors. (We discuss individual stocks in more detail in the subsequent section.)

From a country perspective, Taiwan was a positive contributor overall, due to the technology exposure in the portfolio. China too made a positive contribution to relative performance, with the portfolio exposure declining by less than the benchmark. Korea was the main area of weakness, led by LG H&H mentioned above, but also from having no exposure to Samsung Electronics and SK Hynix (both producers of memory semiconductors).

While the fund's overweight exposure to Brazilian stocks was a positive, this was offset by particularly strong performance of the benchmark stocks in that country, which had the effect of creating an overall marginal negative contribution to the fund.

The following chart shows monthly performance of the fund versus the benchmark:

2023 returns (net returns in GBP)



Source: Bloomberg, data as at 31.12.2023

One aspect that stands out from the chart above is the volatility of monthly returns. Seven months saw positive returns for the index; interspersed were five months of negative returns.

Typically, the experience with the fund is that it has generated outperformance in periods when the market has declined, and this was indeed the case in February, April and August this year. And in strong markets, the fund has tended to underperform, as was the case in July and November. Nevertheless, the pattern is not always consistent, given the various drivers of performance in any monthly period.

In the broad sell-off in February, the Fund benefited from its lack of exposure to China internet companies, and from having no exposure to the commodity-linked materials and energy sectors. Within the information technology sector, select holdings performed well, bucking the trend of the overall market.

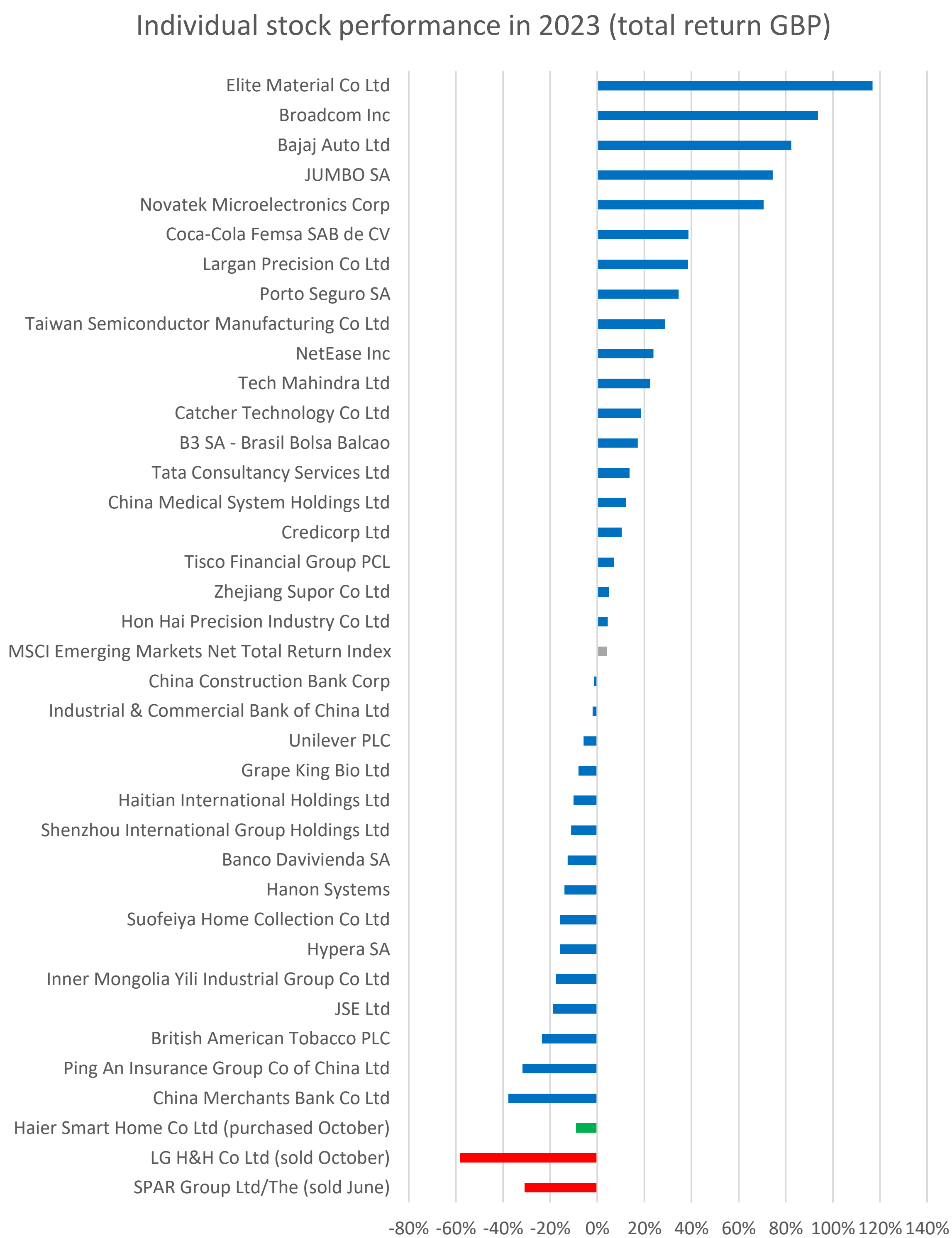
June saw very strong performance for our Latin American financial holdings, with four stocks generating double-digit returns in US dollar terms. Our Brazilian healthcare holding, Hypera, added to the portfolio in 2022, also performed well. China exposure rallied, further benefiting the fund.

September, similar to June, saw outperformance in rising markets, though to a smaller degree. Technology exposure in the fund broadly performed well, while the China internet companies in the benchmark (many not held in the Fund) performed poorly. Our Indian consumer discretionary holding, Bajaj Auto, also performed well in the month.

In October, multiple stocks within the portfolio saw weakness and the fund's performance broadly matched that of the benchmark. In the recovery that followed in November, the fund underperformed as the market saw a broad rally boosting economically-sensitive stocks including in the materials, industrials and energy sectors. Select China exposure also underperformed.

STOCK PERFOMANCE AND COMMENTARY

In 2023, of the 34 stocks held for the full year, 19 outperformed the benchmark and 15 underperformed. The following chart show individual stock performance for the portfolio including stocks purchased and sold during the period.



Source: Bloomberg, data as at 31.12.2023

Leaders

Within the portfolio, the best performing stocks were Elite Material (+116.8%), Broadcom (+93.6%) and Bajaj Auto (+82.3%).

Elite Material, a manufacturer of copper clad laminates (CCLs) crucial for printed circuit boards (PCBs), commands significant market shares in High-density Interconnect PCBs and Substrate-like PCBs of 70% and 90% respectively. With PCBs used in premium smartphones and datacentre switches, the company is poised for growth as the industry shifts towards AI. Despite falling CCL prices due to decreased consumer electronics demand and industry inventory issues seen in the first half of this year, Elite has benefited and continues to benefit from the surge in interest in AI. Servers dedicated to AI require up to four times more CCL than conventional servers. They also require more complex materials, a market that Elite is reported to dominate. This strategic positioning has contributed to the company's share appreciation as investors remain excited by the company's growth avenue.

Broadcom Inc. is a designer, developer and manufacturer of semiconductors and infrastructure software services. This is another company that has benefited from the rise in AI interest. In a year where wireless chip sales have been broadly flat, and broadband infrastructure and non-AI data centre sales are in a cyclical downturn, sales of AI chips have driven the company's revenue growth and improved company margins. The company's VMWare acquisition was also finally approved by all regulatory jurisdictions and officially closed at the end of November. On the back of strong performance, Broadcom's management also announced a 14% increase to the FY24 dividend.

Bajaj Auto is an Indian manufacturer of two and three wheelers across the price-point spectrum. The company has had a stellar year with particularly strong performance from the domestic markets, which has been able to offset weakness from the international markets. Domestic growth has been driven by both two and three wheelers and from all key brands. In particular, the sales from the Triumph brand has surprised analysts and even management themselves. Exports have been hit by currency led inflation and geopolitical uncertainty but are seeing sequential improvements to volumes.

Laggards

The worst performing stocks were LG Household & Health Care (–58.4%), China Merchants Bank (–37.8%) and Ping An Insurance (–31.7%). LG Household & Health Care was sold during the period and is discussed under the portfolio changes section below.

LG Household & Health Care is a South Korean company that sells cosmetics, household goods and beverages. The company counts Chinese tourists as a key customer demographic and has been challenged with weaker than expected demand as the post-COVID Chinese economy did not recover as quickly as markets had expected. As a result, margins compressed, and the company released disappointing results. The Fund rotated out of this position in October (see discussion in portfolio changes section).

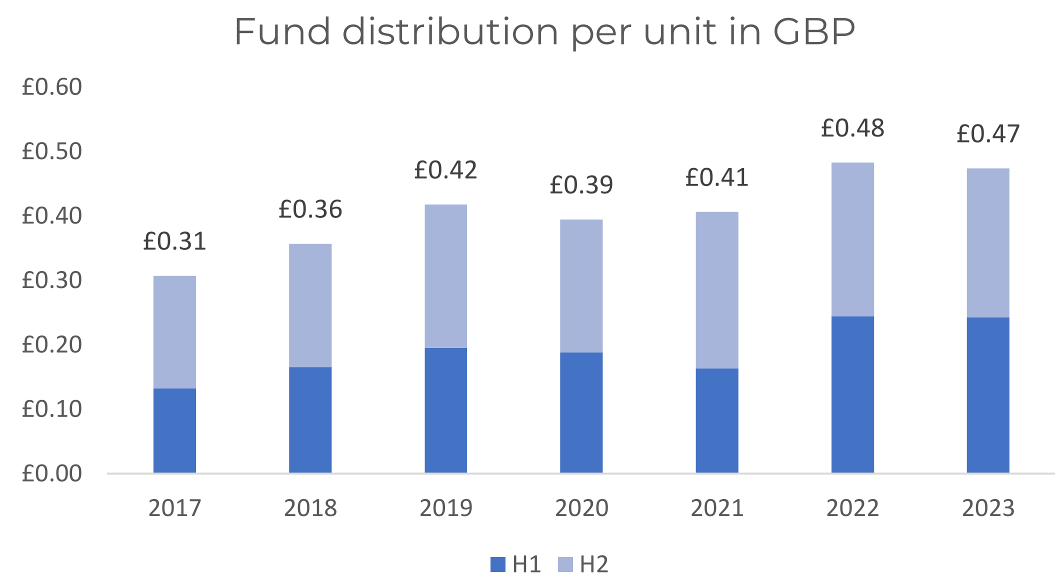
China Merchants Bank is historically one of China's most profitable banks. However, with a meaningful wealth management business, it has been hit this year by weak markets. A weak property market has led to weak mortgage repricing and lower loan yields. On the non-interest income side, a slower COVID rebound has translated to slower consumption and investing activity, pressuring fee income. With potentially more interest rate cuts to come in China, China Merchants Bank expect pressure on net interest margins to continue in 2024.We remain optimistic about the company. The market had been overenthusiastic in their estimation of China's recovery trajectory. With investors now adjusting their outlooks, we expect the company to be looked upon more favourably due to its continued funding cost advantages and historically strong returns on assets.

Ping An Insurance is a Chinese financial services business, primarily providing insurance products to customers, as well as banking and investment products. Lower interest rates in 2023 and a volatile Chinese stock market has led to lower investment yield that has continued to decline through the year. Reports that the government had requested the company acquire a stake in Country Garden led to further share price weakness from November. It is worth noting that Ping An's management have vehemently denied these rumours and in fact, the company had been reducing shares in Country Garden and various other real estate holdings in the preceding quarter.

Dividend Review

In 2023, the Y share class distribution in GBP terms fell by 1.9%. While the payment was down year-on-year, it follows the large 18.9% increase in 2022, as many companies readjusted and paid catch up dividends that had been omitted or reduced during the COVID period (2020 and 2021). In addition, the decline in 2023 should be seen in the context of the benchmark, where dividends per share declined 13.8% in sterling terms.

The full dividend history for the Fund is as follows:



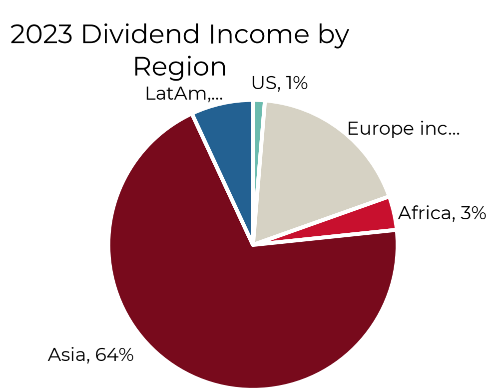
Source Guinness Global Investors. Y share class dividend growth in GBP, data as at 31.12.2023

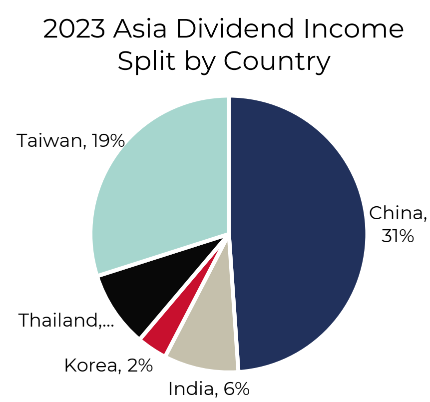
As the chart shows, the distributions in 2022 and 2023 were both significantly higher than those paid pre-pandemic in 2019.

While we do not expect the Fund distribution to grow in every 12-month period, we do expect growth over the long term. Since the launch of the Fund, the GBP dividend has grown at a compound annual growth rate (CAGR) of 7.5% per annum compared to 1.6% per annum for the benchmark.

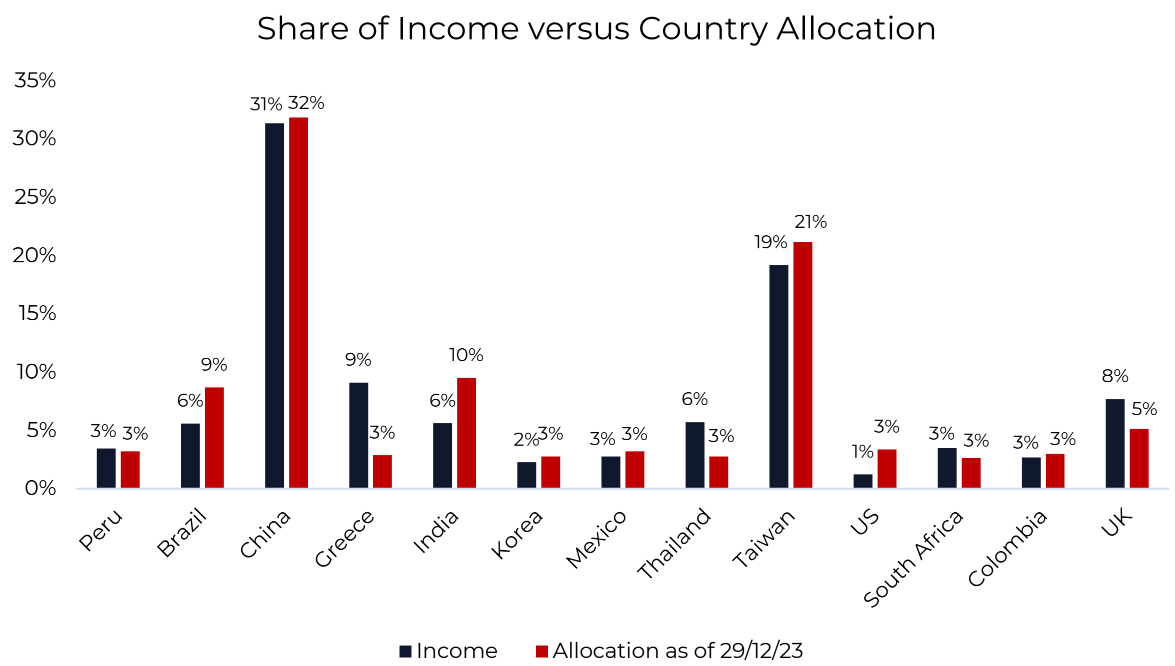
Dividend Sources

The charts below show the geographic sources of dividend income received by the Fund in 2023, and how they broadly correspond to the regional weightings of the portfolio.



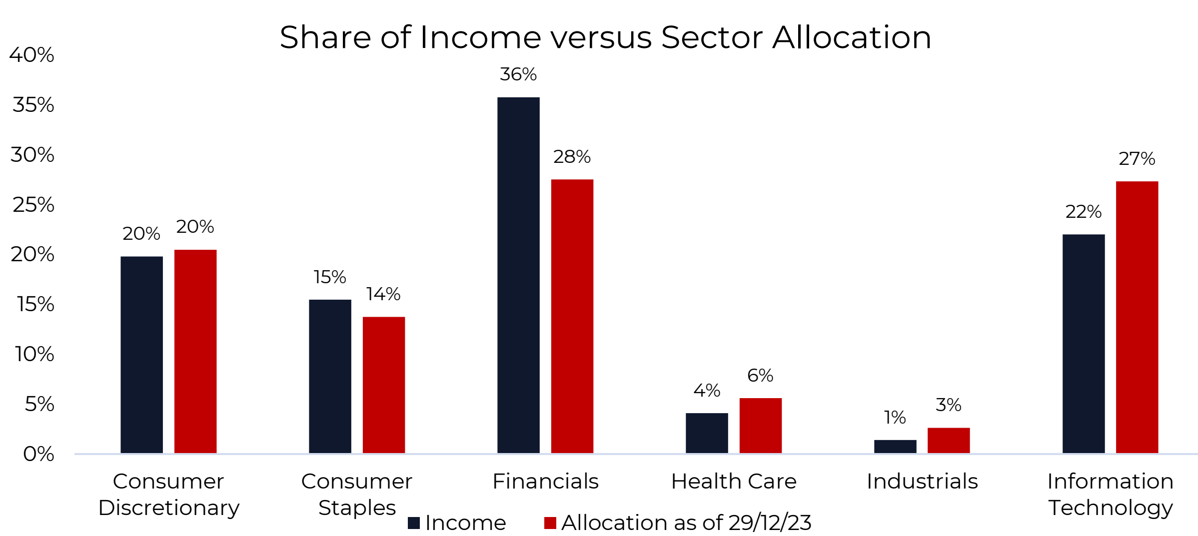


Source Guinness Global Investors. Based on dividend income received and due to the Fund included in 2023 Fund distribution, converted into the Fund's base currency, USD.



Source Guinness Global Investors. Based on dividend income received and due to the Fund included in 2023 Fund distribution, converted into the Fund's base currency, USD.

As with the regional alignment, the share of income coming from each sector is quite similar to our sector allocation. The notable standouts here are Financials, which had a higher income weighting and Information Technology which had a lower weighting.



Source: Guinness Global Investors. Based on dividend income received and due to the Fund included in 2023 Fund distribution, converted into the Fund's base currency, USD.

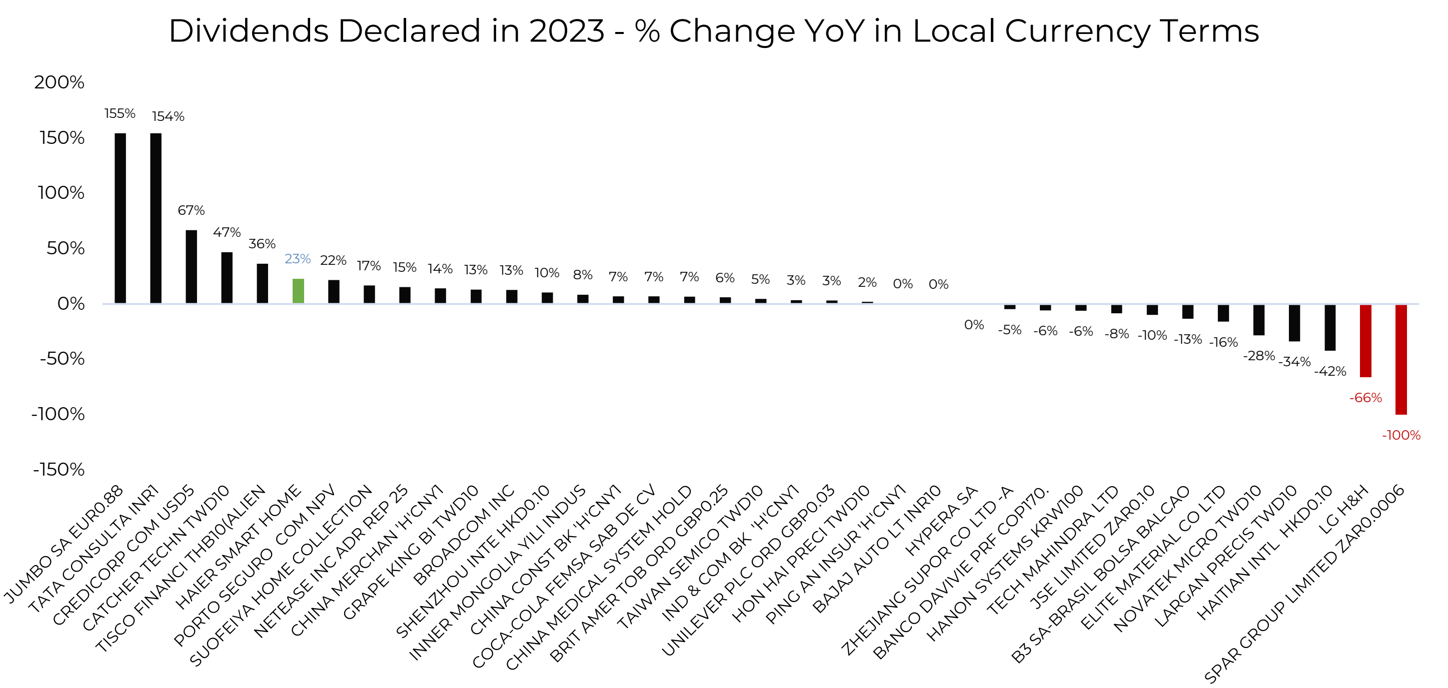
Dividend Actions

We exclude from the following analysis stocks that were not held over the full calendar year (i.e. additions and removals from the portfolio) to ensure as close as possible to a like-for-like comparison. Of the remaining 34 stocks, in 2023:

- 21 companies grew their dividends.
- 3 companies kept dividends flat.
- 10 companies reported lower dividends.

Of the 21 stocks that increased the dividend, 12 did so by more than 10%, and 6 of those did so by 20% or more. (Measured in dividends per share in local currency terms.)

The chart below shows the percentage change in dividend per share for each of our portfolio companies. Note that LG Household and Healthcare, and Spar Group are included but that we sold out our positions in these two companies over the course of the year. They have been highlighted in red while the one new addition, Haier Smart Home is in green.



Source: Company reports. Dividends declared and the shares gone ex-dividend in 2023, in local currency terms.

Jumbo and Tata Consultancy showed strong dividend per share (DPS) growth in 2023. Jumbo grew DPS 154% year over year. The company declared three special dividends this year, the same number as in 2022, however, two of the 2023 special dividends were more than 250% higher than their 2022 equivalents. Tata Consultancy's strong dividend growth was driven by a one-off special dividend of INR57 per share. Even without this special dividend, Tata's DPS would have grown a respectable 11%.

Excluding the two stocks that we disposed of in the year, Haitian International saw DPS drop the most year-on-year, down 42%. However, it's worth noting that the DPS for 2021 and 2022 are outsized versus the average historical amount. The 2023 DPS was actually 28% and 38% higher than the 2020 and 2019 DPS' declared. Largan Precision's 34% DPS decline was due to comparison with a higher-than-usual base year; management declared a special dividend in 2022. Excluding the special dividend in 2022, Largan would have declined by a more modest 7.6%. In the case of Novatek Microelectronics, the decline should be seen against the large payout in 2022 which was the result of accelerated earnings growth over the prior three years and an 80% payout ratio.

Note:

There are several main reasons why the growth in the fund distribution may differ from that of the underlying holdings:

1. Portfolio weighting – how close each position is to neutral weight

2. Timing of portfolio changes – whether a stock is being bought or sold prior to or after a dividend payment. This effect is particularly pronounced for stocks that pay single or 'bullet' payments each year.

3. Currency movements

In addition, it is worth noting that the analysis above is based on calendar years – many companies have a reporting period other than the calendar year.

PORTFOLIO CHANGES

Portfolio activity was low in 2023, as one new position was added to the Fund: Haier Smart Home. Two positions were sold from the Fund during the year: Spar Group and LG Household & Health Care.

Additions

We purchased a new holding for the Fund, **Haier Smart Home**, a Chinese manufacturer of a range of domestic appliances, including fridges, freezers, washing machines and air conditioners. Roughly half of the company's business is in the domestic market, and half is exported. Management has a good record of adjusting product positioning and branding over time to maintain pricing power. The company has generated reasonably stable returns on capital given the sector it operates, while paying a growing dividend. Consensus expectations are for double-digit earnings growth. Haier traded on valuation multiples that are undemanding on an absolute basis, and slightly below the company's long run average.

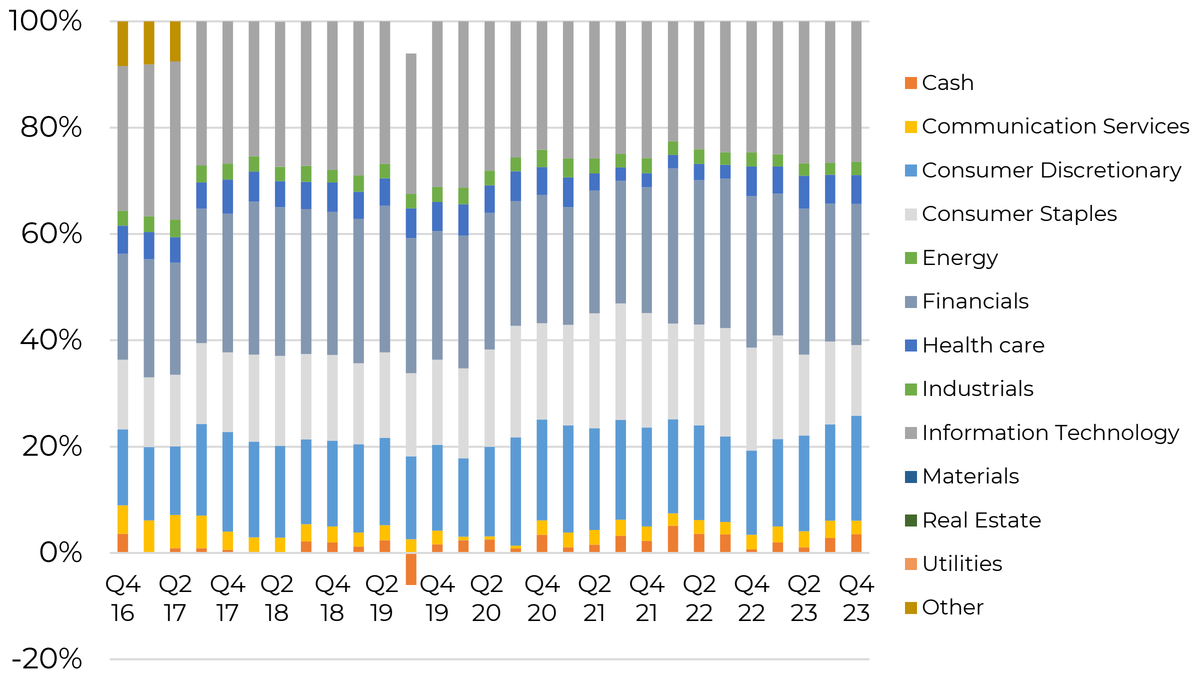
Disposals

Spar Group continued to trade poorly, facing tough competitive environment the retailer faced in its home country, South Africa. Despite several promising signs of recovery earlier in the year, sales for the second quarter witnessed a significant slowdown. The implementation of a new computer system also appears to have been an unwelcome distraction. With a deterioration in trading the stock continued to lose ground over the quarter, and we sold the position from the portfolio in June.

We sold our position in **LG Household & Health Care** after the company released a disappointing set of results. The recovery that we anticipated in the Chinese market has not been forthcoming, with the company's cosmetics division still challenged by weak demand. Margin compression was also an issue highlighted in the results. Our patience for the company's turnaround was ultimately not rewarded on this occasion, so we exited the holding.

PORTFOLIO POSITIONING

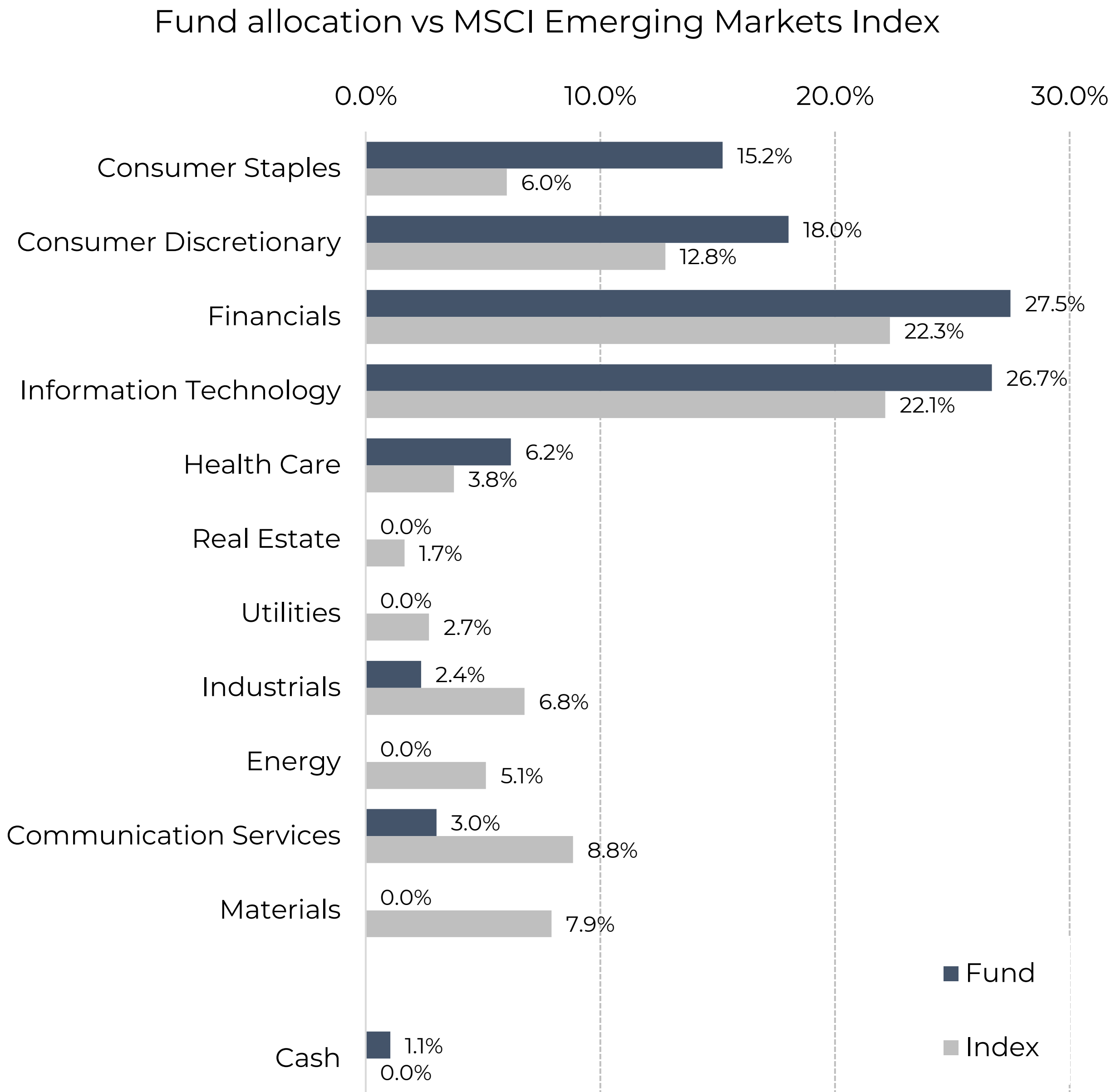
Fund breakdown by sector:



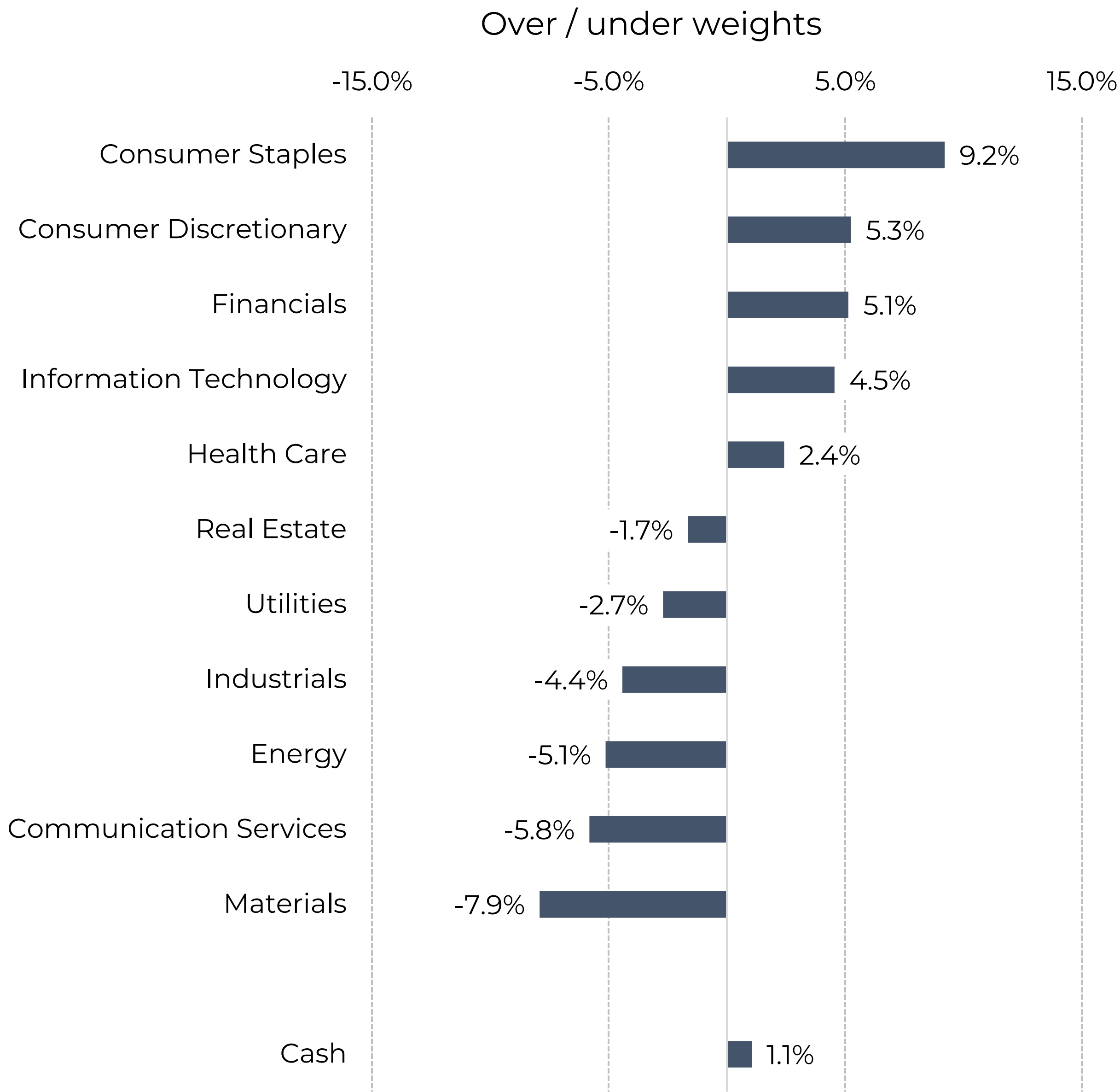
**Outflow in Q3 2019 giving negative cash position*

(Other category refers to an India ETF held for the first six months of the Fund's life which was replaced by direct Indian holdings once local market access was granted.) Source: Guinness Global Investors, data as at 31.12.2023

Benchmark relative weights are as follows:



Source: Bloomberg, data as at 31.12.2023



Source: Guinness Global Investors, data as at 31.12.2023

The fund has no exposure to the Materials, Energy, Utilities or Real Estate sectors. It is significantly overweight Consumer Staples, as well as the Consumer Discretionary, Financials and Information Technology sectors. The Fund is significantly underweight Materials, Communication Services and Energy.

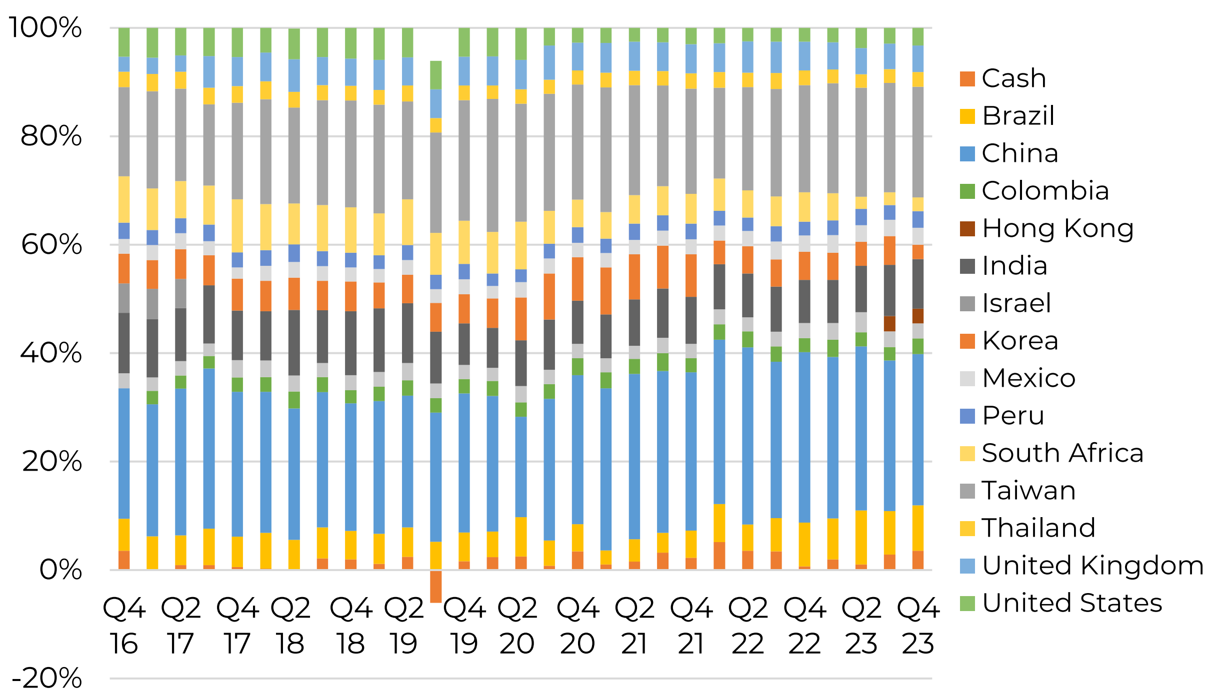
By *number of companies*, our exposure at the end of 2023 and the preceding six years was as follows:

	2023	2022	2021	2020	2019	2018	2017
Financials	10	10	9	9	9	10	9
Information Technology	9	9	9	9	11	10	11
Consumer Discretionary	7	6	7	7	6	6	6
Consumer Staples	5	7	8	7	6	6	6
Health care	2	2	1	2	2	2	2
Communication Services	1	1	1	1	1	1	1
Industrials	1	1	1	1	1	1	1
Energy	0	0	0	0	0	0	0
Materials	0	0	0	0	0	0	0
Real Estate	0	0	0	0	0	0	0
Utilities	0	0	0	0	0	0	0
Total	35	36	36	36	36	36	36

Source: Guinness Global Investors, data as at 31.12.2023

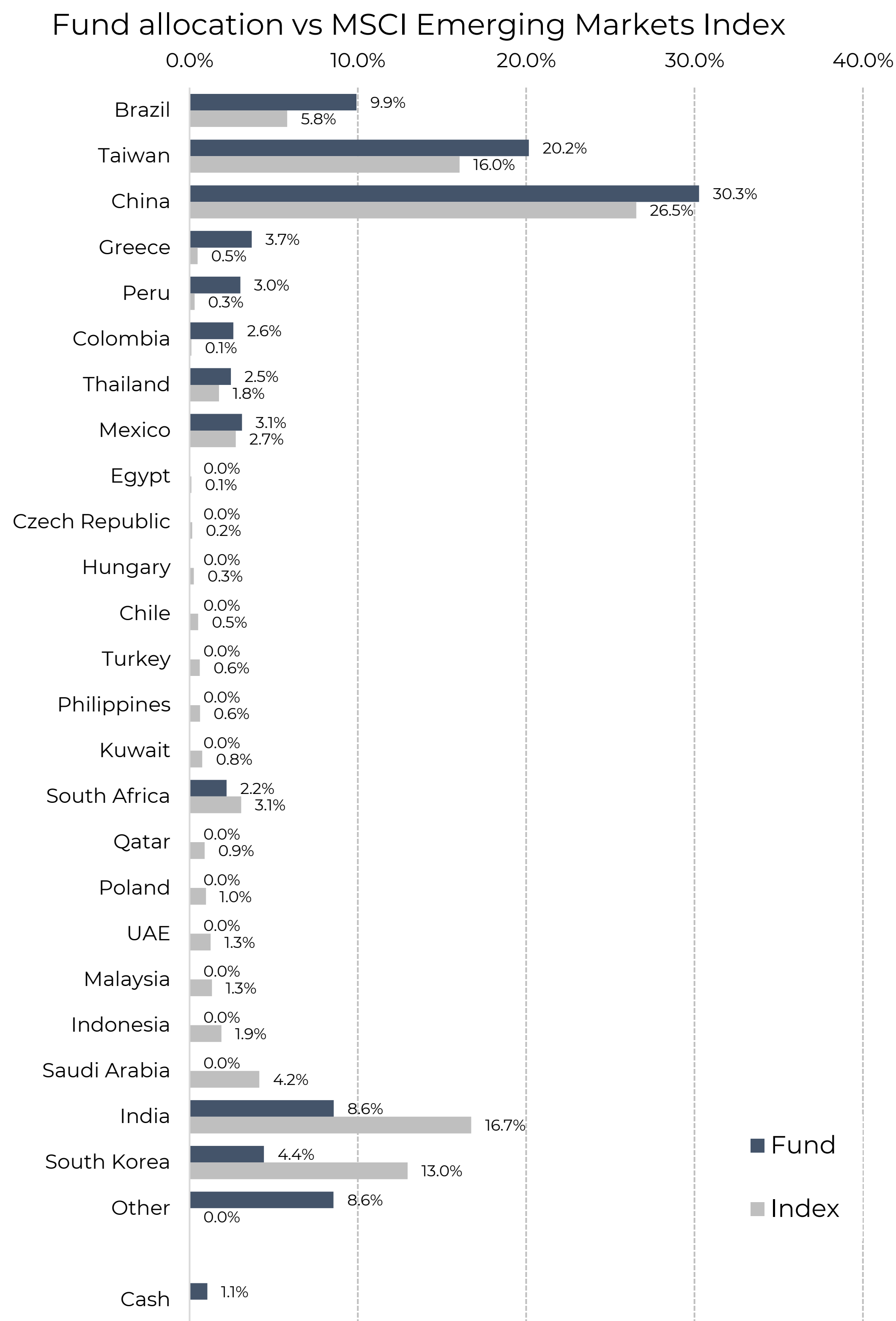
The effect of the switches during the year was to increase exposure to Consumer Discretionary by one position (2.75% at neutral weight) and to decrease exposure to Consumer Staples by two positions.

Fund breakdown by country:

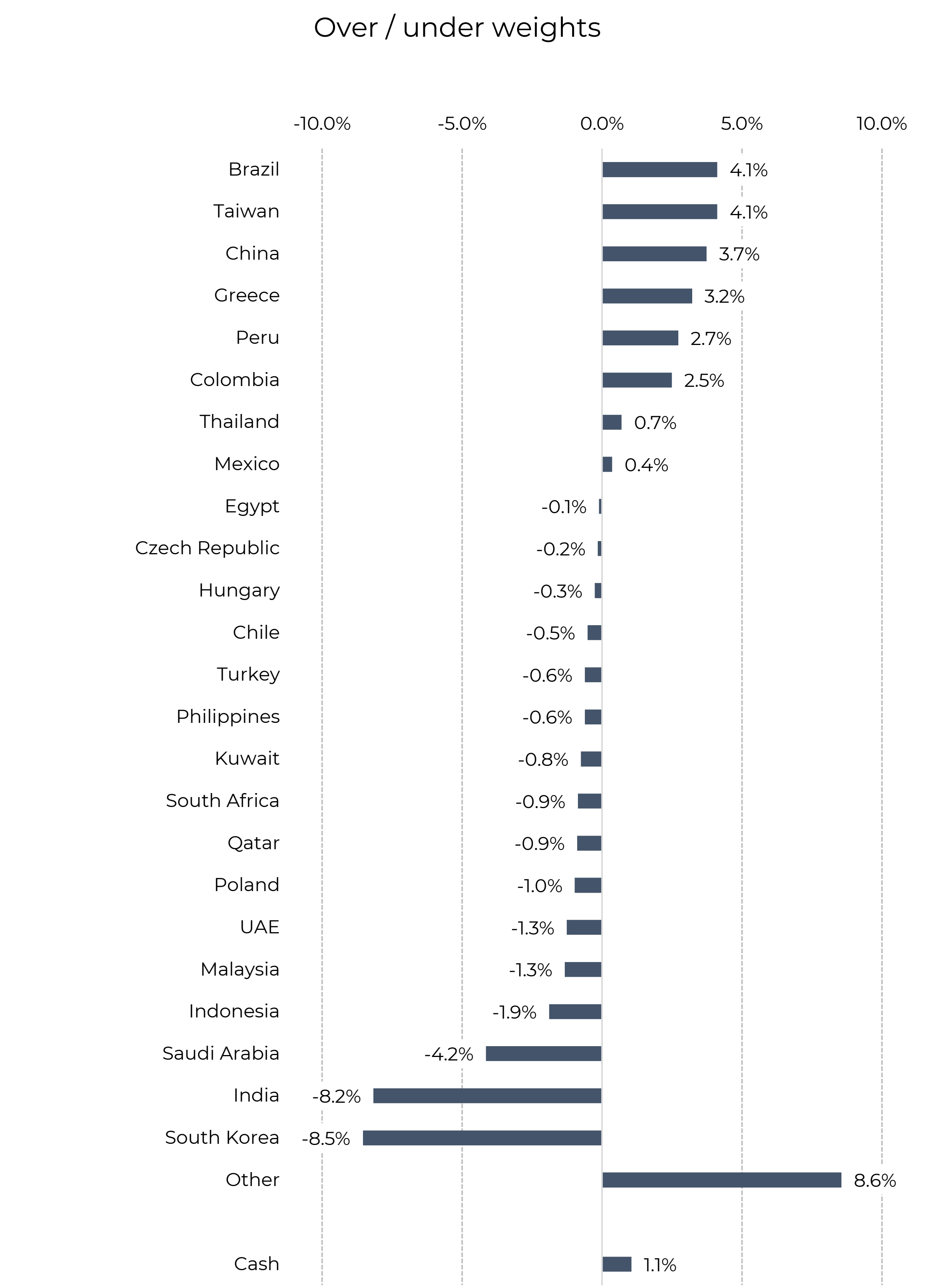


**Outflow in Q3 2019 giving negative cash position. Source: Guinness Global Investors, data as at 31.12.2023*

Benchmark relative weights are as follows (as at 31.12.23):



Source: Guinness Global Investors, data as at 31.12.2023



Source: Guinness Global Investors, data as at 31.12.2023

The Fund's biggest overweights are to Brazil, Taiwan, and the 'other' category – this reflects the Fund's two UK holdings and one US holding that all derive more than 50% of their revenue from emerging markets. The biggest underweights are to South Korea, India and Saudi Arabia.

Again, by *number* of companies, our exposure at year-end 2023 and the preceding six years was as follows:

	2023	2022	2021	2020	2019	2018	2017
China	12	11	11	10	9	9	9
Taiwan	7	7	7	8	8	7	7
India	3	3	3	3	3	4	4
Brazil	3	3	2	2	2	2	2
Korea	1	2	3	3	2	2	2
South Africa	1	2	2	2	3	3	3
Colombia	1	1	1	1	1	1	1
Greece	1	1	1	1	1	1	1
Mexico	1	1	1	1	1	1	1
Peru	1	1	1	1	1	1	1
Thailand	1	1	1	1	1	1	1
Other	3	3	3	3	4	4	4
Total	35	36	36	36	36	36	36

Source: Bloomberg, Guinness Global Investors, data as at 31.12.2023

Geographic exposures shifted marginally over the course of the year. The effect of the switches during the year was to increase exposure to China by one position and reduce exposure to Korea and South Africa by one position each.

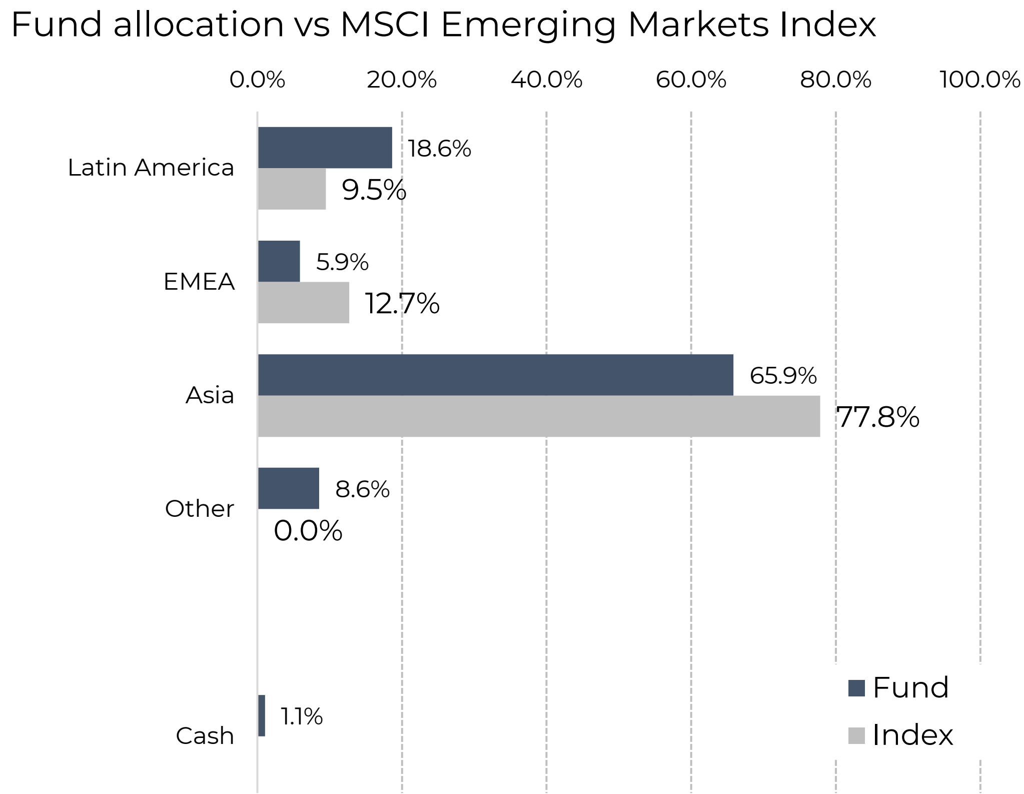
From a regional perspective, the position at year-end was as follows:

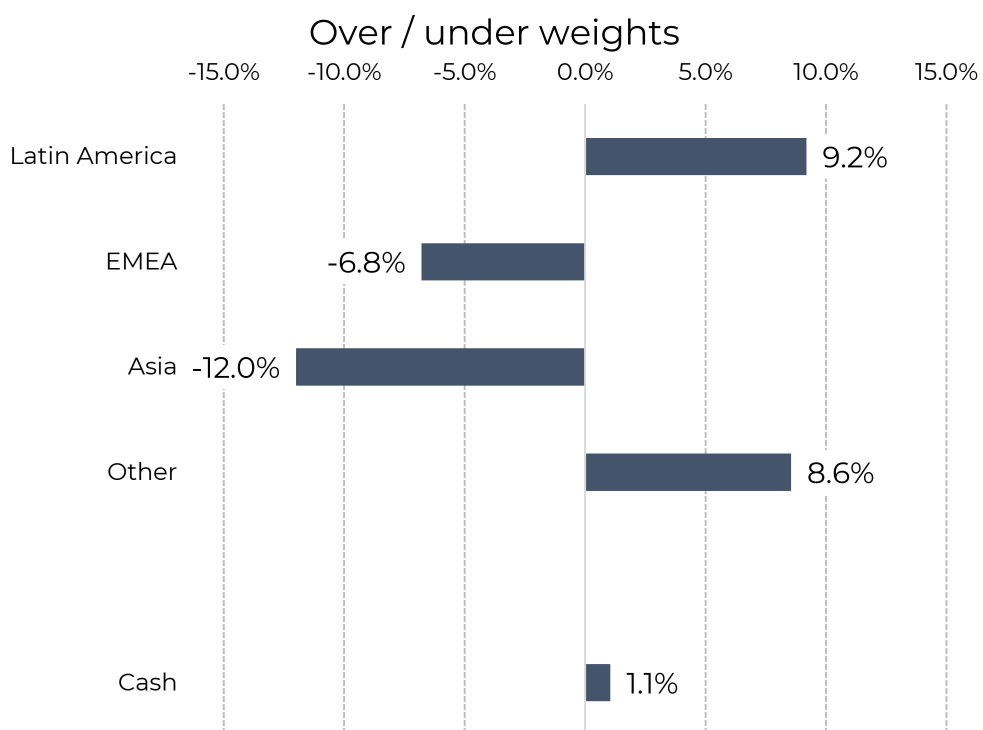
	2023	2022	2021	2020	2019	2018	2017
Asia	24	24	25	25	23	23	23
Latin America	6	6	5	5	5	5	5
EMEA	2	3	3	3	4	4	4
Other	3	3	3	3	4	4	4
Total	35	36	36	36	36	36	36

Source: Bloomberg, Guinness Global Investors, data as at 31.12.2023

The net effect of the switches was to reduce the exposure to EMEA by one position.

Benchmark relative weights are as follows:





Source: Bloomberg, Guinness Global Investors, data as at 31.12.2023

OUTLOOK

As we move into 2024, the dominant narrative in the market concerns the health of US economy and the consequential impact on Fed monetary policy. After some constructive readings on US inflation, an expectation has built that we will soon start to see rate cuts coming earlier than previously expected and in greater number. This optimism was enough to support the sharp rally in global markets at the end of last year.

It was not so long ago, however, that the dominant narrative was that rates would be 'higher for longer'. The speed at which sentiment has shifted can be seen in the extraordinary move higher in US Treasury yields seen over the course of much of 2023 before an equally swift and dramatic reversal towards the end of the year. It has not taken many data points for investors to change their minds!

Nevertheless, the US economy is in good health, with a strong labour market still seeing wage growth. Supported by a robust jobs picture, the consumer also appears to be healthy. Fiscal stimulus is still playing a big part, and with an election at the end of the year, we are doubtful that this support will be taken away soon. The lagged impact of higher rates may yet bite, but it is not certain that this would be enough to drive the economy into recession. For now the soft-landing is the scenario many are expecting.

China is moving at a different speed, with growth slowing (though not stalling) as a weak property market continues to drag on the overall economy. The extent to which this will continue to be felt this year partly depends on the success of policymakers' stimulus efforts. Recently these have struggled to have the desired impact; the silver lining is that are far more measured and targeted than previously. The job of policymakers is made harder by the tough comparatives faced this year – the rebound the economy enjoyed last year following the easing of COVID restrictions was a one-off, creating a 'hole to be filled' in growth this year. The fact the that US economy remains in good shape creates a helpful backdrop in this respect.

Given the multiple uncertainties that we face at this juncture, and the ability for multiple different scenarios to unfold, we believe that a focus on individual companies and their ability to sustain strong operating and financial results is now more important than ever.

The emphasis we place on the underlying quality of a business, earning high returns on capital and generating cash, provides the underpinning for rewarding shareholders with dividends while seeking to compound their earnings over the long term. It is combination, embedded in an equally-weighted portfolio approach, that we believe works particularly well in an emerging market context, and provides investors with access to a disciplined strategy with which they can navigate an uncertain environment.

Portfolio Managers

Edmund Harriss

Mark Hammonds

GUINNESS EMERGING MARKETS EQUITY INCOME FUND - FUND FACTS

Fund size	$7.5m
Fund launch	23.12.2016
OCF	0.89%
Benchmark	MSCI Emerging Markets 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.

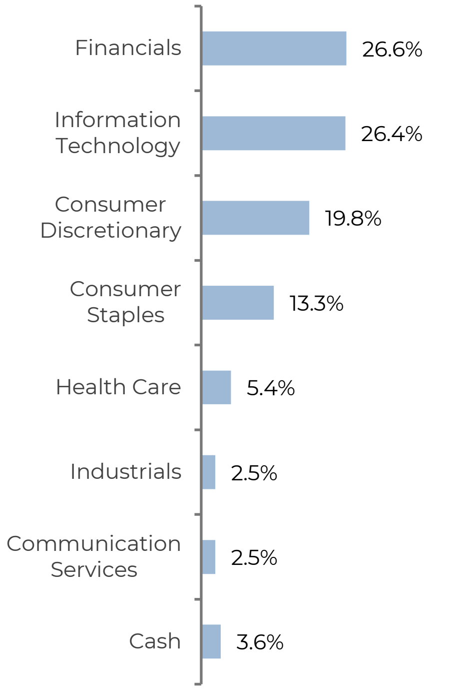
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

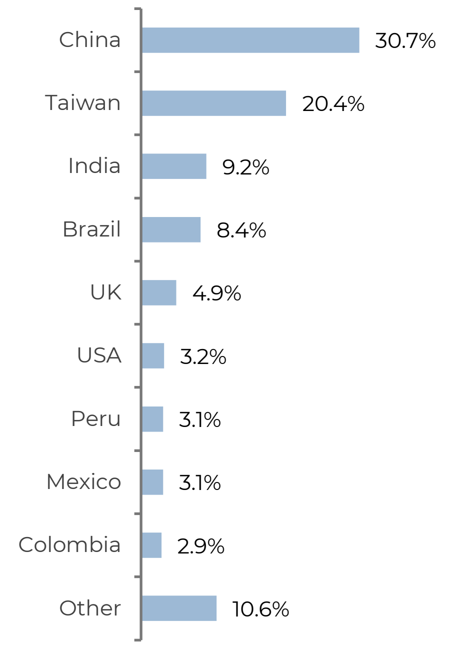
Bajaj Auto	3.9%
Novatek Microelectronics	3.7%
Broadcom	3.4%
Elite Material	3.3%
Largan Precision	3.2%
Credicorp	3.2%
Coca-Cola Femsa	3.2%
B3 SA - Brasil Bolsa Balcao	3.0%
Banco Davivienda	3.0%
Porto Seguro	2.9%

Top 10 holdings	32.8%
Number of holdings	35

Sector



Country



Past performance does not predict future returns.

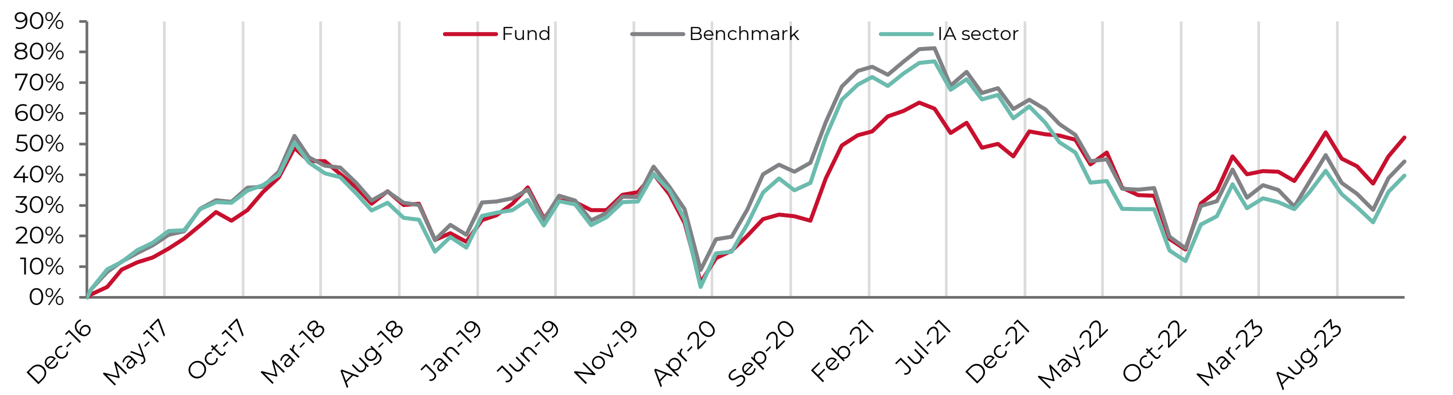
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+3.6%	+6.6%	+6.6%	+9.1%	+28.8%	-
MSCI Emerging Markets TR	+3.2%	+3.6%	+3.6%	-8.3%	+19.7%	-
IA Global Emerging Markets TR	+3.3%	+4.3%	+4.3%	-8.9%	+20.2%	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+4.3%	+12.9%	+12.9%	+1.8%	+28.9%	-
MSCI Emerging Markets TR	+3.9%	+9.8%	+9.8%	-14.5%	+19.8%	-
IA Global Emerging Markets TR	+4.0%	+10.5%	+10.5%	-15.0%	+20.3%	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+3.0%	+9.1%	+9.1%	+12.7%	+33.3%	-
MSCI Emerging Markets TR	+2.6%	+6.1%	+6.1%	-5.3%	+24.0%	-
IA Global Emerging Markets TR	+2.7%	+6.8%	+6.8%	-5.8%	+24.5%	-

GUINNESS EMERGING MARKETS EQUITY INCOME FUND - ANNUAL PERFORMANCE

(GBP)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	+6.6%	-1.6%	+4.0%	+3.4%	+14.2%	-9.8%	+25.8%	-	-	-
MSCI Emerging Markets TR	+3.6%	-10.0%	-1.6%	+14.7%	+13.9%	-9.3%	+25.4%	-	-	-
IA Global Emerging Markets TR	+4.3%	-12.2%	-0.5%	+13.7%	+16.0%	-11.8%	+24.4%	-	-	-
(USD)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	+12.9%	-12.6%	+3.1%	+6.7%	+18.8%	-15.1%	+37.7%	-	-	-
MSCI Emerging Markets TR	+9.8%	-20.1%	-2.5%	+18.3%	+18.4%	-14.6%	+37.3%	-	-	-
IA Global Emerging Markets TR	+10.5%	-22.0%	-1.4%	+17.3%	+20.7%	-16.9%	+36.2%	-	-	-
(EUR)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fund	+9.1%	-6.8%	+10.9%	-2.2%	+20.9%	-10.8%	+20.9%	-	-	-
MSCI Emerging Markets TR	+6.1%	-14.9%	+4.9%	+8.5%	+20.6%	-10.3%	+20.6%	-	-	-
IA Global Emerging Markets TR	+6.8%	-16.9%	+6.1%	+7.6%	+22.9%	-12.8%	+19.7%	-	-	-

GUINNESS EMERGING MARKETS EQUITY INCOME FUND - PERFORMANCE SINCE LAUNCH (USD)



Source: FE fundinfo to 31.12.23. Investors should note that fees and expenses are charged to the capital of the Fund. This reduces the return on your investment by an amount equivalent to the Ongoing Charges Figure (OCF). The current OCF for the share class used for the fund performance returns is 0.89%. Returns for share classes with a different OCF will vary accordingly. Transaction costs also apply and are incurred when a fund buys or sells holdings. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

IMPORTANT INFORMATION

Issued by Guinness Global Investors, 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 equities and equity markets invested in by the Guinness Emerging Markets Equity Income Fund. It may provide information about the Fund's 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 Fund or to buy or sell individual securities, nor does it constitute an offer for sale.

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.

Telephone calls will be recorded and monitored