

Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – June 2021

About the Fund

The Guinness Global Equity Income Fund is designed to provide investors with global exposure to dividend-paying companies.

The Fund is managed for income and capital growth and invests 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.

Fund size	£1429m
Launch date	31.12.10
Historic OCF (Y Class)	0.82%
Current OCF (at fund size)	0.82%
Historic Yield* (Y Class)	2.4%
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens Will van der Weyden

Performance* 31.05.21

	1 Yr	3 Yrs	5 Yrs	Launch
Fund	19.1	39.4	86.1	203.8
Index	22.3	40.2	99.2	214.4
Sector	21.5	25.7	64.0	137.5

Annualised % total return from launch (GBP)

Fund	11.3%
Index	11.6%
Sector	8.7%

Benchmark index MSCI World Index

IA sector Global Equity Income

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations.



Source: Financial Express, bid to bid, total return. Y Class 0.82% OCF.

*Composite simulated performance. Please refer to 'Performance data notes' on the last page of this document for full details on performance and yield calculation.

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

Summary performance

In May, the Fund was up 0.48% (in GBP), versus the MSCI World Index benchmark, down -1.20%. The Fund therefore outperformed the Index by 1.68% over the month.

The recent market rotation into cyclical and value stocks – as part of the “reopening trade” – meant that Energy and Banks were the best performing industries in May. Whilst the Fund has no holdings in these industries, any drag on performance was more than offset by the Fund’s exposure to the Consumer Staples sector – which also fared well in May – and good stock selection within the IT and Consumer Discretionary sectors. These sectors were the worst performers in May and dragged on the performance of major global indices over the month.

Year-to-date, the Fund is up 7.50% (in GBP), versus the MSCI World Index benchmark, up 7.11%. The Fund has therefore outperformed the Index by 0.39%.

Longer-term, it is pleasing to see that the Fund has outperformed the IA Global Equity Income sector over 3-years, 5-years, 10-years and over the period since launch. The Fund also continues to rank as the top performer verses its peers over the period.

	1yr	3yrs	5yrs	10 yrs	Since Launch*
Fund	19.1%	39.4%	86.1%	191.0%	203.8%
MSCI World	22.3%	40.2%	99.2%	209.0%	214.4%
IA Sector average	21.5%	25.7%	64.0%	131.9%	137.5%
Rank vs peers	30/56	8/50	6/42	1/18	1/16
Quartile	3 rd	1 st	1 st	1 st	1 st

Source: Financial Express. Cumulative Total Return % in GBP, as of 31st May 2021

*Fund launched on 31st December 2010

Past performance should not be taken as an indicator of future performance. The value of investments and any income arising from them can fall as well as rise as a result of market and currency fluctuations.

Summary: Dividend

So far, in 2021, we have had dividend updates from 30 of our 35 holdings:

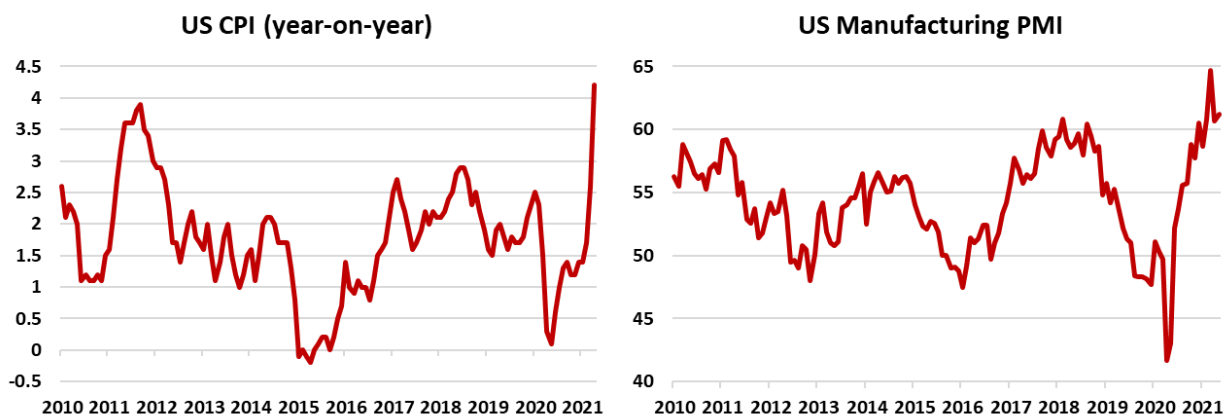
- 26 companies announced increases for their 2021 dividend vs 2020.
- 3 companies have announced a flat dividend vs 2020.
- 1 company has announced a modest cut to its dividend vs 2020.
- 0 companies have announced dividend cancellations.

We await the dividend announcements of the 5 remaining companies: Broadcom, Illinois Tool Works, Microsoft, Taiwan Semiconductor Manufacturing Company, and VF Corp.

May in Review

Global equity markets see-sawed in May as investors fought a double-edged sword. On one side, the ongoing vaccine rollouts are allowing many economies to gradually reopen, and combined with sizeable fiscal stimuluses, there is significant support for a large bounce in economic activity. However, with this comes concerns that the economy could overheat; positive economic data surprises may result in more persistent inflation, which could jolt central banks to tighten monetary policies and curb economic growth.

US data releases in May showed support for both economic expansion and inflation:



Source: Bureau of Labor Statistics, ISM, Bloomberg, as of 31st May 2021

The US Purchasing Managers' Indices (PMIs) for manufacturing and services both beat expectations, as they rose to their highest levels on record. The details of the PMIs not only showed that consumer demand remains buoyant but also that businesses are facing rising input costs, caused by pandemic-induced supply bottlenecks. Headline inflation rose to 4.2% year-on-year for April – the highest level since September 2008. A rise in inflation was expected given the fall in prices this time last year, but even month-on-month inflation rose 0.8%, well above consensus expectations.

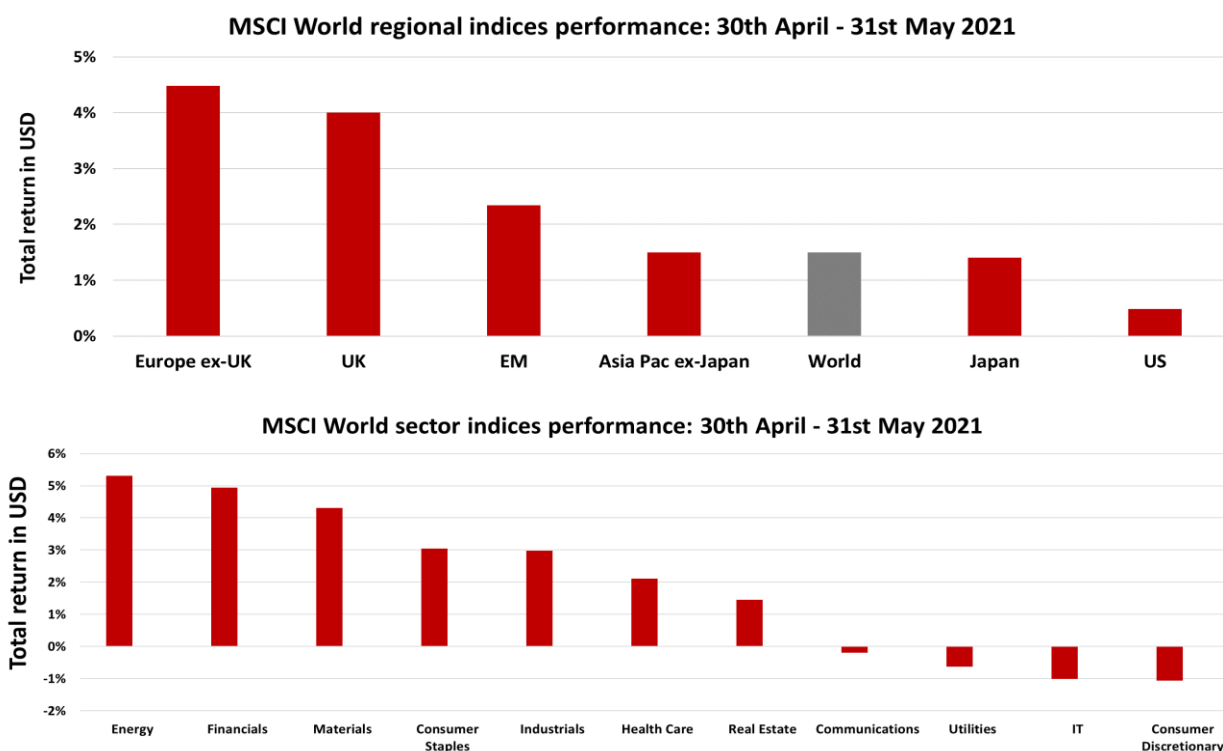
The concerns weighed on equity markets particularly at the start of May, though markets rebounded in the second half of the month to close in positive territory (MSCI World Index +1.44% in USD), with all regions registering gains. The turning point in the month came with the release of the Federal Open Market Committee's April minutes, which signalled a shift in language from the March minutes, stating that "if the economy continued to make rapid progress toward the committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases". This

Past performance should not be taken as an indicator of future performance. The value of investments and any income arising from them can fall as well as rise as a result of market and currency fluctuations.

Guinness Global Equity Income Fund

reassured investors, and eased some worries, that the Fed will not be “taking away the punch bowl just as the party gets going” – a metaphor famously used by ex-Fed chair, William McChesney Martin, in 1955, to describe the role of the Fed.

Aided by reopening economies and strong PMI readings, European stock markets were strongest in May. They benefitted from increased rotation to cyclical and value stocks as vaccine rollout struggles were largely left behind. Emerging and Asian markets benefitted from the weaker US Dollar and continued commodities strength over May, whilst the US was the worst performing region as its tech-heavy exposure dragged returns lower.



Source: Bloomberg. As of 31st May 2021

Value stocks outperformed their growth counterparts as Energy, Financials and Materials lead the other sectors after posting impressive earnings results. Given the Fund has no exposure to companies within the Energy and Materials sectors, and no Banks, this dragged on the Fund’s relative performance.

Nonetheless the Fund’s overall outperformance versus the benchmark index in the month can be attributed to exposure to Consumer Staples – which performed relatively well in May – and good stock selection within the IT and Consumer Discretionary sectors.

We are confident that all the companies we own in the Fund have persistently high profitability, low leverage, trade at reasonable valuations, and have good potential for dividend growth. With this in mind, we believe there are several reasons why the Fund protects against potentially higher inflation and higher interest rates:

- We seek companies that have persistently generated a return on capital greater than cost of capital. Companies that have achieved this feat tend to have done so due to their competitive advantages – or moats – that often allow them pricing power (which insulates them from inflation) since higher input costs can be passed on to consumers.

Past performance should not be taken as an indicator of future performance. The value of investments and any income arising from them can fall as well as rise as a result of market and currency fluctuations.

- We seek companies which have low leverage. These companies tend to be cash generative and do not need to excessively borrow to fund their operations or fuel their growth (or return capital to shareholders). Highly leveraged companies are at risk of having to make higher interest payments should interest rates rise. Refinancing debt would also be at comparatively unfavourable terms, and this has opportunity costs for the use of the company's capital.
- We seek companies capable of sustainably growing their dividend. Although we are an income fund, we look only for companies capable of growing their dividend over time, which gives some protection from inflation on a relative basis to fixed or slowly growing income generating assets. It is also worth noting, as we discussed in previous updates, that over the long term, dividend growth tends to match or better long term inflation meaning these income streams generally continue to grow in real terms. We seek companies trading at reasonable valuations. Higher interest rates – and the associated higher discount rates – reduce the present value of future cashflows. This tends to disproportionately affect growth companies which typically trade on lofty valuations is given their higher expected future growth.

Portfolio Holdings

ANTA Sports Products was the best performer in the Fund in May (+14.0% in USD).

The leading Chinese sportswear brand has ~15% domestic market and generates revenue through the manufacture of sporting goods, including footwear, apparel, and accessories. ANTA is poised for greater market share in China as it seeks to woo affluent shoppers with pricier athletic gear and expands on the 15% of sales generated from online channels. This includes their namesake products under the ANTA brand and other popular brands such as Fila and Descente, as well as Salomon and Arc'teryx – both owned by Amer Sports, who ANTA acquired in 2019.



The business benefits from a number of structural growth themes including the rise of disposable incomes, especially for Chinese consumers in tier 2 cities, as well as Government initiatives such as the “Healthy China 2030” plan and the new 3-child policy (which was revised from 2-children in May 2021). This gives ANTA's multi-brand portfolio a high revenue growth runway, which combined with peer-leading margins (due to high pricing power and strong operational management), makes ANTA an attractive investment.

VF Corp was the worst performer in May (-9.1% in USD). The global clothing manufacturer, whose line-up of high-profile brands includes Vans, The North Face, Timberland and Dickies, reported fiscal 2021 results that missed expectations, citing store closures and lower consumer demand over the past year as reasons. Whilst the fourth fiscal quarter saw revenue growth of 23%, helped by the acquisition of the Supreme brand, e-commerce growth and strong APAC growth, full year revenue decreased 12%. Earnings for the 4th quarter increased 170% year-on-year, though fell 51% year-on-year for the full year highlighting the challenging landscape the company has navigated over the last year.



Looking forward, VF Corp, which is a dividend aristocrat with 49 years of consecutive years of dividend growth, once again announced growth in its dividend and also lifted full-year 2022 guidance. The company expects 28% revenue growth and 134% earnings growth in the next year, with growth from all regions and particular strength in the direct-to-consumer sales channel.

Past performance should not be taken as an indicator of future performance. The value of investments and any income arising from them can fall as well as rise as a result of market and currency fluctuations.

Portfolio Changes

We made no changes to the portfolio holdings in the month.

Thank you for your continued support.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Analysts

Joseph Stephens

Sagar Thanki

Will van der Weyden

PORTFOLIO

31/05/2021

Fund top 10 holdings	Sector analysis	Geographic allocation
Imperial Brands 3.4%	Consumer Staples 28.7%	USA 50.4%
CME Group 3.0%	Industrials 20.2%	UK 17.4%
ABB 3.0%	Health Care 16.7%	Switzerland 8.6%
Eaton 3.0%	Financials 14.2%	France 5.7%
Otis Worldwide 2.9%	Information Technology 13.9%	Germany 5.5%
Raytheon Technologies 2.9%	Consumer Discretionary 5.1%	Australia 2.8%
Diageo 2.9%	Cash 1.3%	China 2.8%
Illinois Tool Works 2.8%		Taiwan 2.8%
Paychex Inc 2.8%		Denmark 2.7%
Schneider Electric 2.8%		Cash 1.3%
% of Fund in top 10 29.5%		
Total number of stocks held 35		

PERFORMANCE (see performance notes overleaf)

31/05/2021

Annualised % total return from launch (GBP)

Fund (Y class, 0.82% OCF)	11.3%
MSCI World Index	11.6%
IA Global Equity Income sector average	8.7%

Discrete years % total return (GBP)	May '21	May '20	May '19	May '18	May '17
Fund (Y class, 0.82% OCF)	19.1	7.4	9.0	5.4	26.6
MSCI World Index	22.3	8.9	5.3	8.2	31.3
IA Global Equity Income sector average	21.5	-0.4	3.9	2.9	26.8
IA Global Equity Income sector ranking	30/56	9/54	15/51	19/50	29/43
IA Global Equity Income sector quartile	3rd	1st	2nd	2nd	3rd

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.82% OCF)	0.5	7.5	19.1	39.4	86.1	203.8
MSCI World Index	-1.2	7.1	22.3	40.2	99.2	214.4
IA Global Equity Income sector average	0.2	8.0	21.5	25.7	64.0	137.5

RISK ANALYSIS

31/05/2021

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	1.22	-0.54	-0.18
Beta	0.85	0.77	0.77
Information ratio	-0.07	-0.42	-0.40
Maximum drawdown	-21.78	-22.41	-22.41
R squared	0.88	0.80	0.80
Sharpe ratio	0.58	0.31	0.41
Tracking error	4.96	6.58	6.58
Volatility	13.20	12.48	12.51

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations.

Source: Financial Express, bid to bid, total return. Fund launch date: 31.12.10. Fund Y class (0.82% OCF): Composite simulated performance (see Performance data notes below) based on actual returns of E share class (available from Fund launch), calculated in GBP. Fund returns are for share classes with a current Ongoing Charges Figure (OCF) stated above; returns for share classes with a different OCF will vary accordingly.

Past performance should not be taken as an indicator of future performance. The value of investments and any income arising from them can fall as well as rise as a result of market and currency fluctuations.

Performance data notes

1) The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's Y class was launched on 11.03.15. The performance shown is a composite simulation for Y class performance being based on the actual performance of the Fund's E class, which has an OCF of 1.24%, and has existed since the Fund's launch. The Fund's E class is denominated in USD but for the purposes of this performance data its performance is calculated in GBP. Historic yield reflects the distributions declared over the past 12 months expressed as a percentage of the mid-market price, as at month end. It does not include any preliminary charges. Investors may be subject to tax on the distribution.

Important information

Issued by Guinness Asset Management Limited, authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about Guinness Global 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.

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.

Risk

The Guinness Global Equity Income Fund is an equity fund. 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. Details on the risk factors are included in the Fund's documentation, available on our website. Shareholders should note that all or part of the fees and expenses will be charged to the capital of the Fund. This will have the effect of lowering the capital value of your investment.

Documentation

The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available from the website www.guinnessfunds.com, or free of charge from:

- the Manager: Link Fund Administrators (Ireland) Ltd, 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland; or,
- the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

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 KIID 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.

GUINNESS

ASSET MANAGEMENT

Guinness Asset Management Ltd is authorised and regulated by the Financial Conduct Authority

Tel: +44 (0) 20 7222 5703

Email: info@guinnessfunds.com

Web: guinnessfunds.com