Guinness Sustainable Global Equity Fund

Investment Commentary - December 2022

ABOUT THE FUND

Launch date	15.12.2020
Fund Size	£12.6M
Benchmark	MSCI World Index
Sector	IA Global
Team	Sagar Thanki CFA Joseph Stephens CFA

Aim

The Fund is a global growth fund designed to provide exposure to high quality growth companies, with sustainable products and practices. The Fund holds a concentrated portfolio of midcap companies in any industry and in any region. The Fund is actively managed and uses the MSCI World Index as a comparator benchmark only.

RISK

◀ Lower risk			Risk & reward			Higher risk ▶
1	2	3	4	5	**6**	7

Typically lower rewards — Typically higher rewards

The risk and reward indicator shows where the Fund ranks in terms of its potential risk and return. The Fund has been classed as 6 because its volatility has been measured as above average to high. Historic data may not be a reliable indicator for the future. The value of an investment and the income from it can fall as well as rise as a result of market and currency movement; you may not get back the amount originally invested.

PERFORMANCE

Past performance does not predict future returns

30/11/2022	YTD	1 Yr	Launch*
Fund (%)	-11.3	-9.6	14.0
Index (%)	-2.8	-1.0	19.3
Sector (%)	-8.4	-7.2	8.8

Discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, bid to bid, total return. *Launch: 15.12.2020. 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 fund performance shown has been reduced by the current OCF of 0.89% per annum. Returns for share classes with a different OCF will vary accordingly. Returns do not reflect any initial charge; any such charge will also reduce the return.

SUMMARY

For the month of November, the Guinness Sustainable Global Equity Fund provided a total return of +3.0% (GBP) against the MSCI World Index net total return of +2.7% (GBP). Hence the Fund outperformed the benchmark by 0.3% (GBP).

Broad-based gains across global equity markets continued into November, the first monthly back-to-back gains of 2022. Yet whilst Developed Markets led equities higher in October, it was Emerging Markets that outperformed in November. China was the stand-out performer, with the MSCI China Index delivering +29% in local currency terms.

The US market also ended in positive territory but underperformed all other major regions. With the Federal Reserve in the midst of the fastest hiking cycle on record, markets have become increasingly sensitive to any macro-economic data that may hint at the future path of interest rates. Typically, over 2022, softer-than-expected inflation data has been a tailwind for growth stocks in particular, with market-implied interest rates reflecting an expected softening in monetary policy from the Federal Reserve. However, despite Headline US CPI coming in 30 bps below expectations, there was little change to the market-implied expectation of 'peak rates' over the month, with markets already pricing in a 50bps hike from the Federal Reserve in December. As a result, value continued to outperform as it has done since mid-August – but only just. Relative performance of cyclicals and defensives was volatile but ended relatively balanced over the month.

Over the month of November, Fund performance can be attributed to the following:

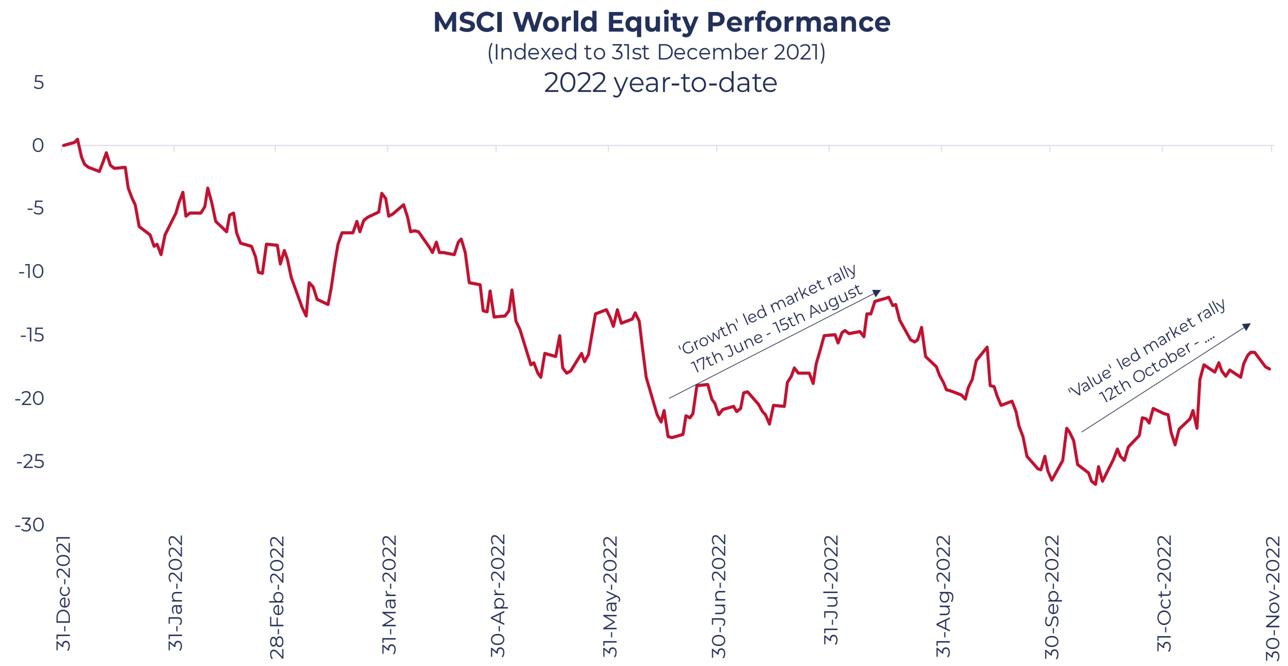
- Strong stock selection from the Fund's IT exposure was the main contributor to the relative outperformance. Holdings that performed well included semiconductor stocks KLA Corp (+24.7% in USD), Teradyne (+15%), Cadence Design Systems (+13.6%), and *not* owning Apple (MSCI World Index's largest holding) which underperformed during the month.
- Stock selection within Health Care was similarly positive with Fund holding's Recordati (+13.1%), Agilent (+12.0%), and Jazz Pharmaceuticals (+9.1%) all up strongly on positive earnings.
- Conversely, despite positive asset allocation to the Industrial sector, weaker stock selection within the Fund was a drag on performance, predominantly from holdings WSP Global (-2.9%) and Trex Co (-4.6%).
- Regionally, the Fund benefitted from positive stock selection within North America, primarily the positive selection within the IT sector and semiconductor industry.

Total return in GBP as of 30.11.2022	YTD		1 Year	Rank (Quartile)	2021	Rank (Quartile)	Since launch	Rank (Quartile)
Guinness Sustainable Global Equity	-11.3%		-9.6%		27.9%		14.0%	
MSCI World	-2.8%		-1.0%		22.9%		19.3%	
IA Global Sector Average	-8.4%	n/a^	-7.2%	328/498 (3rd)	17.7%	16/461 (1st)	8.8%	188/460 (2nd)

Source: FE, Cumulative Total Return in GBP, as of 30th November 2022.
^YTD ranking not shown in order to comply with European Securities & Markets Authority rules

MONTH IN REVIEW

Despite a broadly weak environment for equities over 2022, so far the fourth quarter has seen strong performance. This is not the first rally global equity markets have seen over 2022, however. Around mid-June, markets began anticipating a lower peak policy rate and earlier rate cuts following dovish commentary from Fed Chair Powell. This led equity markets, and growth stocks in particular, higher. However, concerns over a dislocation between share price performance and fundamental outlook led many to muse of a 'bear market rally'. By mid-August, these fears were all but confirmed, following a broad sell-off that ensued until mid-October.



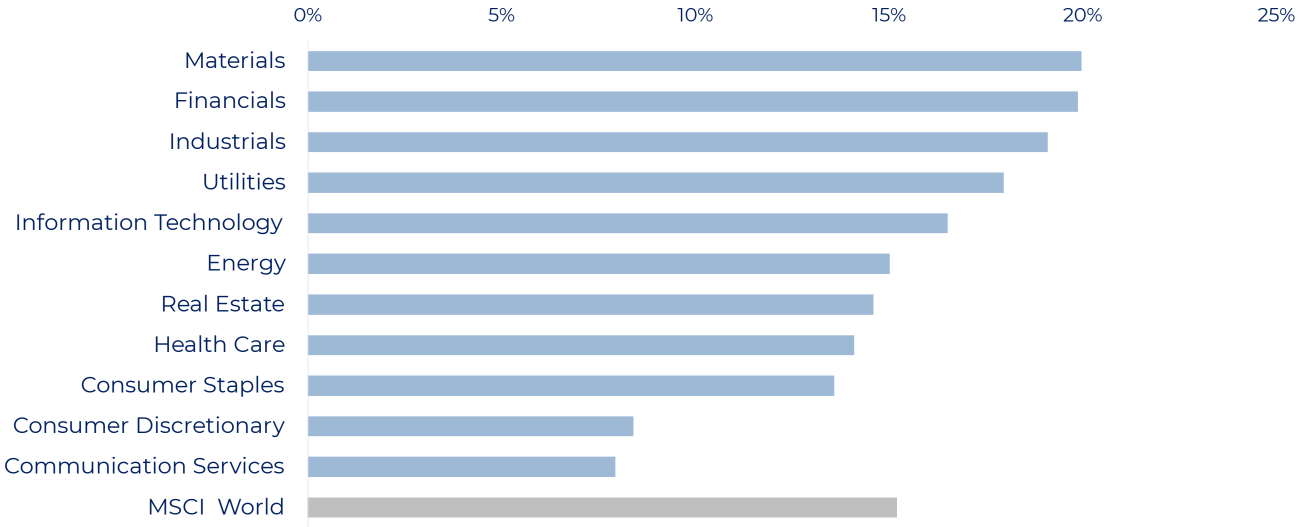
Source: Guinness Global Investors, Bloomberg, as of 30/11/2022

The rally seen between mid-June and mid-August was very different to the rally we are seeing now. First, the strength in equities seen since mid-October has been value-led, rather than growth-led.

Source: Guinness Global Investors, Bloomberg, as of 30/11/2022

We can see something similar when looking from a sector perspective. In the growth-led rally of June, the highly valued, cyclical sectors of Consumer Discretionary and Information Technology outperformed all else. The rally since October has looked quite different, although the picture is certainly less stark than in June. Information Technology was the only clear outperforming growth sector, and this was the only due to strong performance on the final day of the month, when Fed Chair Powell gave his strongest indication yet of a slower pace of rate hikes. Up until November 29th, Information Technology, Consumer Discretionary and Communication Services were the bottom three performing sectors over the rally.

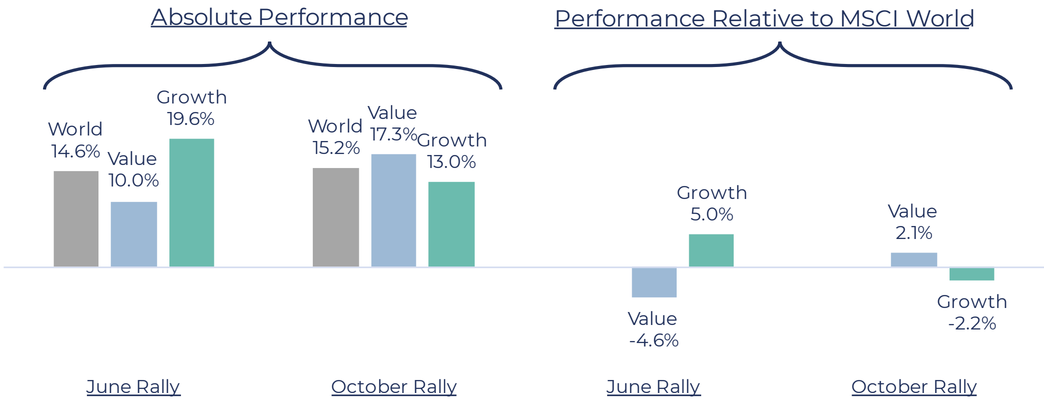
MSCI World Sector Indices Total Return (USD): October Rally



Source: Guinness Global Investors, Bloomberg, as of 30/11/2022

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

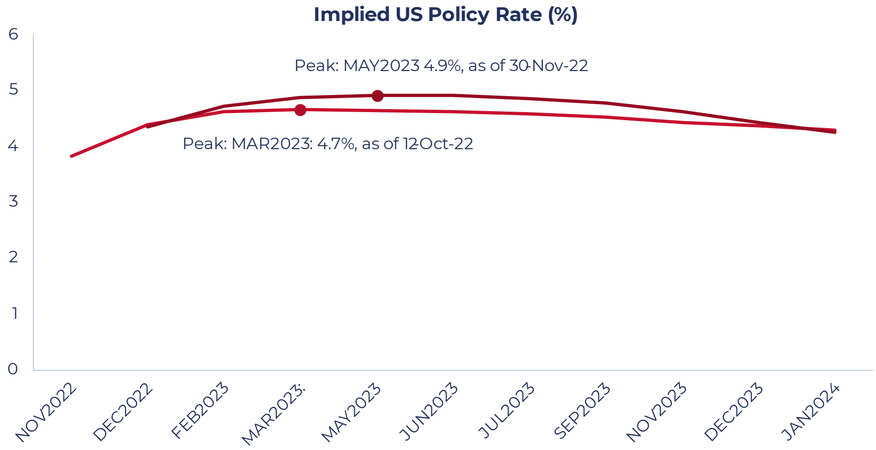
Absolute Performance and Relative Performance of MSCI World Indices



Source: Guinness Global Investors, Bloomberg, as of 30/11/2022

The current market rally was sparked by the onset of Q3 earnings season, where results were surprisingly resilient. Of the companies that reported Q3 earnings over the period, 70% surprised to the upside for EPS, with average growth of +2.4% year-on-year. Whilst these figures may be below long-run average numbers, prior concerns of a material economic slowdown heavily impacting companies failed to materialise, driving equities higher. Markets were buoyed further with strong economic data coming out of the US, with GDP prints of +2.6% (annualised), ending the two quarter streak of negative growth. Positive momentum continued into November, when the US announced softer-than-expected inflation numbers. Headline inflation came in at 7.75, 30bps below economist expectations, and core inflation rose +0.3% month-on-month, significantly below the +0.6% figure from the month prior.

Over the majority of 2022, any indication that 'peak' inflation had been reached tended to drive outperformance in growth. However, in the most recent market rally, strength in value has remained. The difference this time round appears to be in interest rate expectations. Expectations of easing inflation has tended to build expectations of a more dovish Federal Reserve, in turn driving lower, and earlier, market-implied peak-policy rate. This is positive for growth stocks in particular, being more 'high-duration' in nature. Yet markets had largely priced in a slower pace of rate hikes by the beginning of the rally already. In fact, the small change that did occur indicated a slightly higher, and slightly later, peak rate – a headwind for growth. Therefore, growth did not receive the usual relative tailwind that it had done in other periods where inflation had looked to have peaked. Instead, the majority of equities were taken higher on the news, regardless of their growth/value orientation.



Source: Guinness Global Investors, Bloomberg, as of 30/11/2022

Growth was also unable to benefit from any outperformance in 'Big Tech', as it is had done in other periods of equity strength this year. In fact, 'Big Tech' was a surprising pocket of weakness during the earnings season, as was discussed in detail in our previous commentary. With headwinds to cloud computing and advertising, Amazon, Microsoft, Alphabet and Meta all largely offered weaker than expected results or guidance and were therefore unable to drag the growth index higher.

In general, stocks have been led higher by an improved outlook on inflation, and better-than-expected company earnings. But recessionary concerns remain and have driven a rotation towards stocks which have actual, positive earnings and can rely on the strength of their balance sheets. The Fund's focus on quality growth-at-a-reasonable-price has shown its strength in avoiding the highly valued non-profitable tech businesses that have swung between large rises and falls and which underperformed significantly in the most recent rally.

PORTFOLIO HOLDINGS

KLA Corp (+24.7%, USD), Teradyne (+15%), Cadence Design Systems (+13.6%)

A pandemic-induced boom in demand paired with heavily disrupted supply chains prompted a semiconductor super-cycle in 2020, as demand outstripped supply. However, a retrenchment in consumer demand for displays (for PCs and smartphones), fears of an economic slowdown spurring an inventory correction among manufacturers, and improving supply chain conditions leading to a 'glut' in some end-markets have all contributed to a sell-off in the semiconductor industry over 2022. More recently, the US has been implementing unilateral export controls on the Chinese chip industry, slowing progress in China's ability to obtain or manufacture advanced chips and denting sentiment further for firms with exposure to the region. Overall, the uncertainty over the short-term outlook in the chip industry has led the MSCI World Semiconductor Index down 26.6% (USD) year-to-date (as of 30th November 2022), underperforming the MSCI World by 15.4%.

Since mid-October, however, there has been a strong rebound in the sector. Since the 14th October, when the MSCI World Semiconductor Index touched a two-year low, the Index is up +33% (USD). Sentiment was buoyed by the news that Warren Buffet's Berkshire Hathaway had taken a $4.1bn dollar stake in TSMC, and that US President Biden and Chinese leader Xi Jinping had a first in-person meeting, a potential first step for a stabilisation in relations. But it was company earnings that was the core driver, with quarterly results largely above expectations. Management teams often noted the short-term difficulties facing firms going in to 2023, and markets largely interpreted this as the 'bottom' of the cycle being in sight. Many companies also offered guidance for when they believed the supply 'glut' would clear, with bellwether TSMC expecting the inventory correction to take only a few quarters.

Trex Co. (-4.6%):
Trex, the leading manufacturer of composite decking, was the Fund's weakest performer over the month. Whilst the company reported earnings at the beginning of the month that were in line with expectations, the continued commentary around 'inventory destocking' weighed on the share price. The company has a leading position in the high-growth area of composite decking, which has been taking share from traditional wood decking, but recent rate hike expectations and slowing macroeconomics have dampened near-term expectations. Longer-term, we still view the company and the business model favourably, with the business also yielding quality characteristics such as profit margins above 20% and double-digit sales growth.

We thank you for your continued support.

Portfolio Managers

Joseph Stephens, CFA

Sagar Thanki, CFA

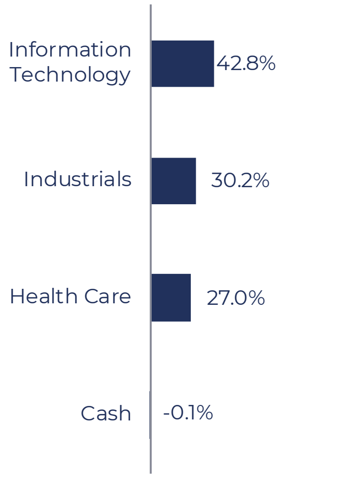
Guinness Sustainable Global Equity Fund

PORTFOLIO

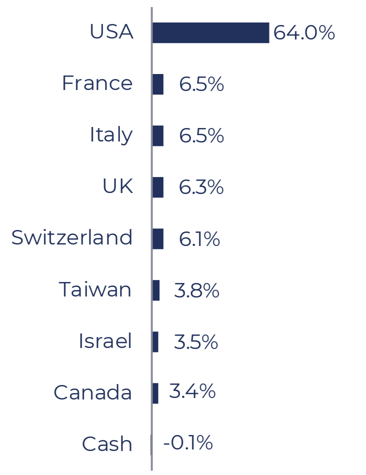
Fund top 10 holdings

IDEX Corp	4.1%
Agilent Technologies Inc	4.0%
Addus HomeCare	3.8%
Delta Electronics Inc	3.8%
KEYSIGHT TECHNOLOGIES IN	3.8%
Fortive Corp	3.7%
KLA-Tencor	3.7%
Arista Networks Inc	3.7%
Cadence Design Systems Inc	3.6%
Jazz Pharmaceuticals	3.5%
% of Fund in top 10	37.6%
Total number of stocks	30

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns

Annualised % total return from strategy inception (GBP)*	**30/11/2022**
Guinness Sustainable Global Equity (0.89% OCF)	6.9%
MSCI World Index	9.4%
IA Global sector average	4.4%

Discrete 12m % total return (GBP)	**Nov '22**
Guinness Sustainable Global Equity (0.89% OCF)	-9.6
MSCI World Index	-1.0
IA Global sector average	-7.2

Cumulative % total return (GBP)	**YTD**	**1 year**	**Launch***
Guinness Sustainable Global Equity (0.89% OCF)	-11.3	-9.6	14.0
MSCI World Index	-2.8	-1.0	19.3
IA Global sector average	-8.4	-7.2	8.8

RISK ANALYSIS

Annualised, weekly, since launch, in GBP	**Index**	**Sector**	**Fund**
Alpha	0.00	-2.79	-2.34
Beta	1.00	0.81	1.13
Information ratio	0.00	-0.67	-0.21
Maximum drawdown	-14.55	-18.11	-24.78
R squared	1.00	0.81	0.78
Sharpe ratio	0.32	0.01	0.14
Tracking error	0.00	6.28	8.67
Volatility	14.36	13.00	18.28

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. Source: FE fundinfo bid to bid, total return (0.89% OCF). *Fund launch date: 15.12.2020.

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 Guinness Sustainable Global Equity 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 Sustainable Global Equity 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 in English from www.guinnessgi.com or free of charge from:-

- the Manager: Link Fund Manager Solutions (Ireland) Ltd (LFMSI), 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.

LFMSI, as UCITS Man Co, 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.linkgroup.eu/policy-statements/irish-management-company/

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.