Guinness European Equity Income Fund

Investment Commentary – November 2022

This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions. Past performance does not predict future returns.

ABOUT THE FUND

Launch date	19.12.2013
Index	MSCI Europe ex UK
Sector	IA Europe excluding UK
Manager	Nick Edwards

Aim

The Guinness European Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Europe ex UK region. 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 Europe Ex UK 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

31/10/2022	1 year	3 years	5 years	Launch*
Fund	-11.3	7.1	15.7	70.0
Index	-11.7	11.1	15.7	72.0
Sector	-13.9	12.4	13.4	73.1

Full discrete 12m performance is shown at the end of this commentary. Source: FE fundinfo, 0.89% OCF, bid to bid, total return. *Launch date 19.12.13. 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 performance shown has been reduced by the current OCF of 0.89% per annum. Returns for share classes with different OCFs will vary accordingly. The performance returns do not reflect any initial charge; any such charge will also reduce the return.

OCTOBER IN REVIEW

In October the Fund returned 3.6% in GBP, underperforming the MSCI Europe ex UK Index return of 4.3% by -0.7%. In 2022 to 31st October, the Fund return is -12.2%, and +1.4% ahead of the Index return of -13.6%.

The largest positive contributors to performance over the month of October (in EUR) were **Konecranes** +24.3%, **Kaufman & Broad** +22.1%, **Deutsche Post AG** +17.0%, **Atlas Copco** +13.2% and **Mercedes-Benz** +13.1%.

At the other end of the spectrum the biggest detractors from performance were **Deutsche Boerse** -1.5%, **Euronext** -1.2%, **Nestlé** -0.9%, **Salmar** -0.7% and **Roche Holding** +0.1%.

October saw a change in tone for markets. European spot gas prices fell, and the ECB signalled a slower pace of future rate hikes after its 50bps hike to 2% in December as it dropped the “over the next several meetings” language. In response to the change in tone, market German 10Y rate expectations fell to 1.96% from 2.11% pre-announcement.

Q3 results reporting also got underway, with your companies that have reported so far delivering in key areas including pricing power and orders. Our Industrials holdings highlighted strong demand for productivity and sustainability-enabling technology including across electrification and automation; and higher-margin service and aftermarket segments remaining strong this time around vs 2020 / Covid-19 when service ground to a halt. There is a backdrop for long-term investment supported by government programmes like NextGenEU, REpowerEU and Fit for 55 providing a tailwind to efficiency spending stretching into the next decade and beyond. Meanwhile, our Consumer Staples holdings continued to demonstrate good pricing power with price driving LFL growth of c.+10% with volumes broadly flat to slightly negative. The consumer backdrop is broadly holding up, supported by government energy cost subsidies and a still strong labour market.

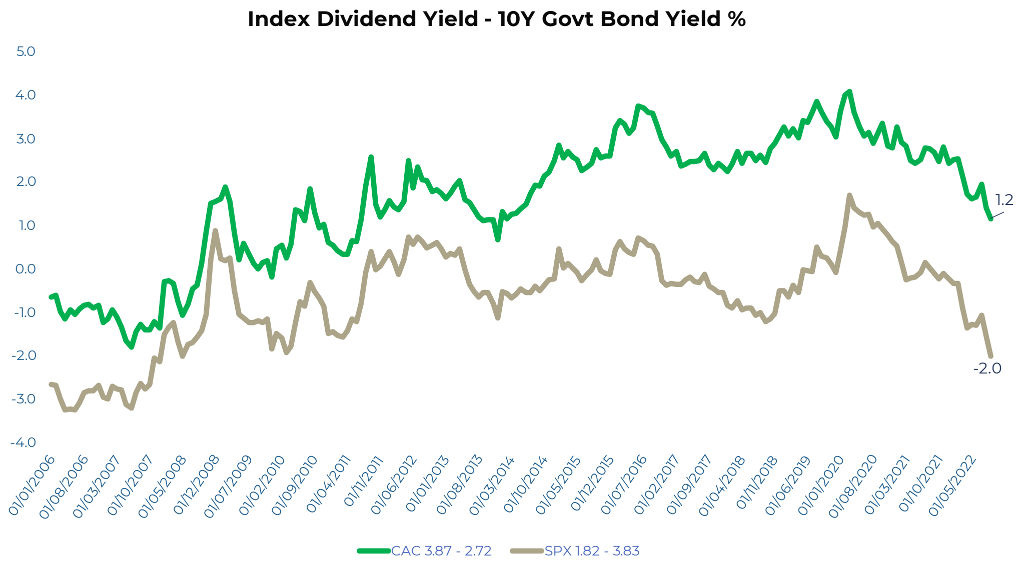
Guinness European Equity Income Fund

	October	Ytd	1yr	3yr	5yr
Guinness European Equity Income	**3.6%**	**-12.2%**	**-11.3%**	**7.1%**	**15.7%**
MSCI Europe Midcap Index	4.7%	-20.3%	-18.9%	4.4%	7.7%
MSCI Europe Growth Index	2.3%	-17.7%	-15.4%	14.0%	26.0%
MSCI Europe Euro Index	5.0%	-13.5%	-12.%	6.9%	9.9%
MSCI Europe Value Index	5.6%	-2.7%	-1.0%	5.2%	3.2%
MSCI Europe High Dividend	4.3%	-0.3%	4.5%	8.2%	18.6%
MSCI UK net total return Index	2.8%	1.5%	4.3%	10.0%	15.2%
MSCI Europe ex UK	**4.3%**	**-13.6%**	**-11.7%**	**11.1%**	**15.7%**
Out/underperformance	**-0.7%**	**1.4%**	**0.4%**	**-4.0%**	**0.0%**

Figures from Bloomberg and FE fundinfo in GBP to 31.10.22

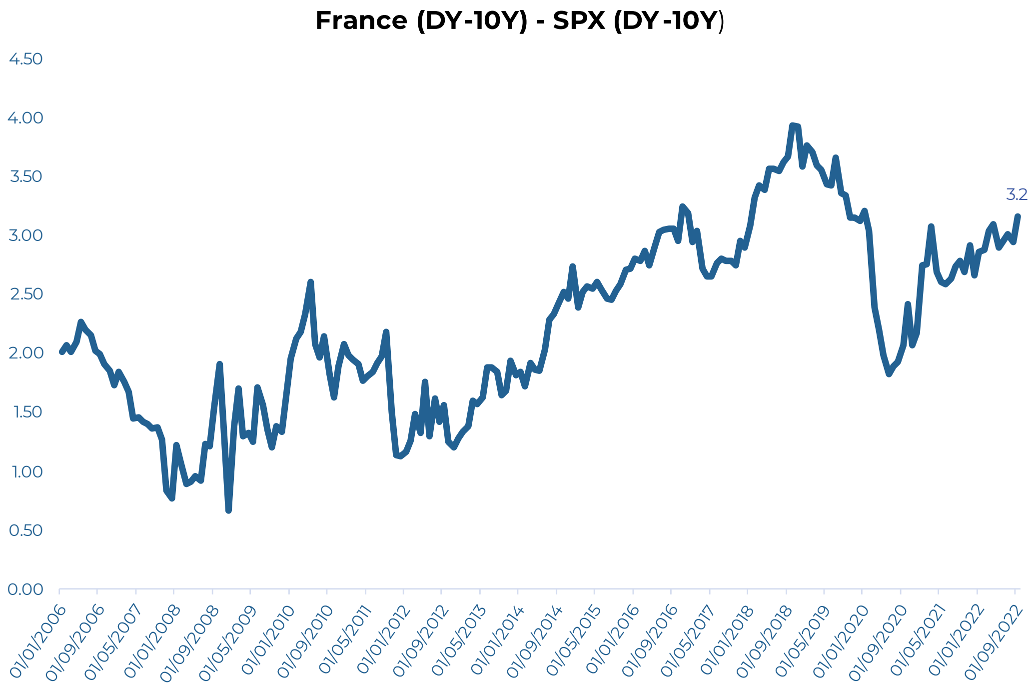
It is an additional positive that input costs appear to have peaked and are meaningfully below their mid-year highs, albeit one that will take some time to filter down into prices and increased investment.

At this juncture, quality European equity income continues to look attractive vs history and the US, with the spread between the CAC40 and the S&P500 minus respective 10Y government bond yields close to 20Y highs at +320bps. Europe's globally leading companies, such as those held in the Guinness European Equity Income Fund yielding 3.5% post withholding tax, offer investors a near 100% uplift in income vs close US peers or the S&P 500 without giving up on quality.



France CAC40 vs S&P 500 dividend yields adjusted for respective 10Y bond yields. Source: Bloomberg. Data to 31.10.2022

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.



Spread between France CAC40 vs S&P 500 dividend yields adjusted for respective 10Y bond yields. Source: Bloomberg Data to 31.10.2022

CHANGES TO THE PORTFOLIO

Recent market conditions, characterised by rising rates and raw material costs and tightening liquidity gave us another opportunity to shift up the quality curve in October. We purchased **Royal Unibrew** (€2.8bn, -46% YTD in EUR on 21st October 2022) in the Consumer Staples sector against the sale of **Smurfit Kappa** (€8.6bn, -33% YTD in EUR on 21st October) in the Materials sector. The change increases our overweight to the Consumer Staples sector to approximately +7% with 18% in total (vs Industrials at +8% overweight and 24% in total) and cuts our Materials exposure to zero.

Royal Unibrew is the number-two beverage company in Denmark after Carlsberg. It is differentiated by its strong position in attractive niche categories across Scandinavia, where it holds approximately 10% category share, while also offering licence-based international brands from Heineken and Pepsi, being their bottling and distribution partner of choice. The majority of Royal Unibrew's sales volumes stem from the Western Europe (51% in 2021) and Scandinavia (38%), but the company also has meaningful International sales (11%, across 65 countries in total) giving its attractive product portfolio an established runway for global growth. Royal Unibrew is a customer-focused, long-term thinking company, preferring to overinvest ahead of the curve in growth categories and brands. Soft, alcohol-free and low-alcohol drinks represent 51% of sales, outweighing alcoholic beverage sales at 49% of revenues. The former persistently take market share, helped by Royal Unibrew's scale in soft, alcohol-free and low-alcohol drinks at approximately 3x its close (mainly larger) focused competitors. Key soft brands include LemonSoda, Fonti di Crodo, Nohrlund, Vitamalt, Supermalt, Nikoline, Lorina, Novelle, Egekilde, Cult and Mokai. Its beer brands include Royal, Faxe, Faxe Kondi, Ceres, Lapin Kulta, Lacplesis and Kalnapilis.

Royal Unibrew operates a multi-brand strategy, targeting six growth categories: Low/no sugar carbonated soft drinks (CSD), low/no alcohol, energy drinks, cider/ready to drink (RTD), enhanced drinks, and strong brands / brand premiumisation. All are supported by a strongly customer-focused decentralised model based on local ownership and limited central functions, enabling a scalable business model characterised by quick decision making from an empowered and incentivised employee base. Oversight and long-term thinking are supported by the presence of strategic shareholder Chr. Augustinus Fabrikker A/S with 15% of shares outstanding, along with ambitious returns-based management incentives.

Recent cost inflation and market turbulence have enabled us to step up the quality curve and reduce the beta of the portfolio, buying Royal Unibrew on close to 10-year valuation lows (across P/book, P/sales and PE) trading on just c.13x earnings for ROE >30% and offering a 3.5% 2023e dividend yield that historically has grown at 12% on a 5Y average basis with FCF dividend cover of approximately 2x. Cash generation has also been excellent at over 100%, and the company has a strong track record for generating high cash flow returns of around 15% for over eight years. The dividend policy is to pay out 40-60% of net profits accompanied by share buybacks and bolt-on acquisitions. This gives Royal Unibrew good flexibility amid an uncertain near-term backdrop and plenty of capacity to take advantage of long-term opportunities. Against a backdrop of temporary headwinds and reduced valuations, Royal Unibrew is a company that holds the potential to generate high dividend and capital growth for shareholders for the long term.

STOCK PERFORMANCE

The two best-performing names over the month of October were **Konecranes** (+24.3% in EUR) and **Kaufman & Broad** (+22.1%), both of which had fallen to near all-time low valuations (on around 7x and 5x 2023e earnings respectively at end September 2022) and were supported by positive fundamental news flow. **Konecranes** reported a 43% year-on-year rise in Q3 orders along with better-than-expected operating margins against a backdrop of concern around input costs. The valuation is far more reflective of the modest top-line growth recorded over the last five or so years at a time when the company is starting to see increased activity supported by renewed investment in process industries and growth of new areas such as offshore wind and nuclear, all of which require lifting automation equipment and services. **Kaufman & Broad** also reassured market concerns around higher input costs and the impact of higher interest rates on customer demand for housing by forecasting a dividend “at least equal to that paid in 2022”. In addition, at the end of the month the firm reported strongly positive news that the appeal against its redevelopment application for the Gare d’Austerlitz project in Paris had been purged of all recourses by the Conseil d’Etat. Even after the rerating seen over the month, the shares continue to look very modestly valued on 7x 2023e earnings and a 9.4% expected dividend yield supported by a net cash balance sheet and negligible working capital requirements (as the company receives cash up front).

On the other hand, **Deutsche Boerse** (-1.5% in EUR) and **Euronext** (-1.2%) were the worst-performing holdings, with the former having outperformed materially +14.2% total return YTD at end of October vs Euronext’s -26.6% total return YTD. Deutsche Boerse has higher positive exposure to rising interest rates than Euronext by virtue of its Eurex interest rate derivative and Clearstream custody services businesses. Deutsche Boerse also has higher exposure to currently high activity across energy markets through its EEX division which offers energy, power and emissions derivative contract services. Euronext, on the other hand, has higher exposure to equity trading and has been held back this year by concerns relating to political risk and the elections in Italy, where it has high exposure through its recently acquired Borsa Italiana and MTS bond platform operations. With Euronext on just 12x earnings vs Deutsche Boerse on 18x and LSE on 21.5x 2023e earnings, we think the risks are far more reflected in the price than the opportunity. Whilst clearly not an apples-for-apples comparison, it is noteworthy that Euronext is host to approximately €6.5 trillion of aggregate market capitalisation, approximately twice the size of the market capitalisation of companies listed on the London Stock Exchange and three times the size of Deutsche Boerse’s aggregate market capitalisation.

Thank you for your continued support.

Portfolio Manager

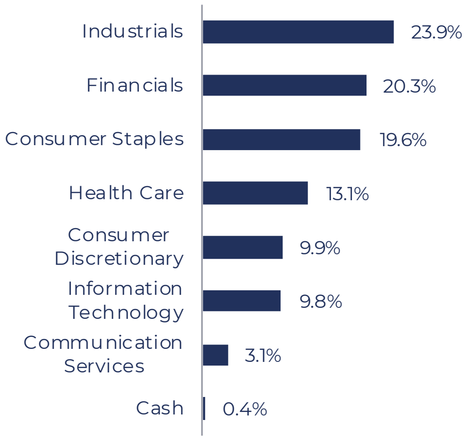
Nick Edwards

PORTFOLIO

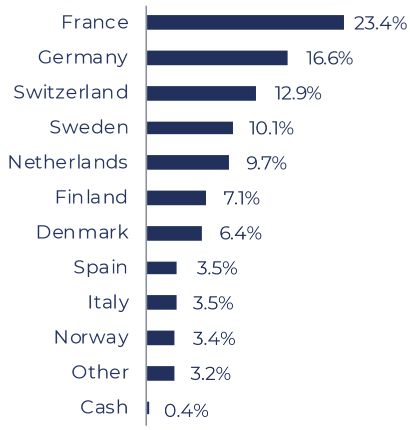
Fund top 10 holdings

Konecranes	3.7%
Mapfre	3.5%
Assa Abloy AB	3.5%
AXA	3.5%
Recordati SpA	3.5%
Atlas Copco	3.4%
Schneider Electric	3.4%
Danone	3.4%
Euronext	3.4%
Kaufman & Broad SA	3.4%
% of Fund in top 10	34.6%
Total number of stocks	30

Sector analysis



Geographic allocation



PERFORMANCE

Past performance does not predict future returns.

Annualised % total return from launch on 19/12/2013 in GBP	31/10/2022
Fund (Y Class, 0.89% OCF)	6.2%
MSCI Europe ex UK Index	6.3%
IA Europe ex UK sector average	6.4%

Discrete years % total return (GBP)	Oct '22	Oct '21	Oct '20	Oct '19	Oct '18	Oct '17	Oct '16	Oct '15
Fund (Y Class, 0.89% OCF)	-11.3	32.9	-9.1	11.8	-3.4	11.9	28.2	4.7
MSCI Europe ex UK Index	-11.7	32.2	-4.8	10.9	-6.2	18.7	18.5	5.0
IA Europe ex UK sector average	-13.9	33.3	-2.1	8.5	-7.0	18.7	19.1	8.5
Fund vs sector	2.6	-0.5	-7.0	3.3	3.6	-6.8	9.1	-3.8

Cumulative % total return (GBP)	1 month	YTD	1 year	3 years	5 years	Launch*
Fund (Y Class, 0.89% OCF)	3.6	-12.2	-11.3	7.1	15.7	70.0
MSCI Europe ex UK Index	4.3	-13.6	-11.7	11.1	15.7	72.0
IA Europe ex UK sector average	4.8	-15.3	-13.9	12.4	13.4	73.1

RISK ANALYSIS 31/10/2022

Annualised, weekly, from launch on 19/12/2013 in GBP	Index	Sector	Fund
Alpha	0.00	0.81	0.40
Beta	1.00	0.88	0.94
Information ratio	0.00	0.02	0.00
Maximum drawdown	-25.02	-24.43	-30.36
R squared	1.00	0.89	0.90
Sharpe ratio	0.17	0.19	0.17
Tracking error	0.00	5.34	4.99
Volatility	16.03	14.92	15.90

*Fund launch date: 19.12.13.

Fund returns are for share classes with a current Ongoing Charges Figure (OCF) of 0.89%; returns for share classes with a different OCF will vary accordingly. Source: FE fundinfo bid to bid, total 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 Guinness European 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 European 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 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.