Guinness Emerging Markets Equity Income

Investment Commentary – November 2024

GUINNESS GLOBAL INVESTORS

RISK

This is a marketing communication. Please refer to the Prospectuses, Supplements, 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.

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COMMENTARY

Emerging markets were weaker in October. The MSCI Emerging Markets Net Total Return Index fell 0.3% in the month (all performance figures in GBP unless stated otherwise).

The fund underperformed in this environment, falling 1.7%.

For the year to date, the fund remains ahead of the benchmark, up 10.9% versus up 10.7% for the benchmark.

Emerging markets underperformed developed markets in the month, as the MSCI World rose 2.1% in October. The US performed strongly, with the S&P 500 Index gaining 3.3%.

EMEA (Europe, Middle East and Africa) was the best performing region, up 0.9%. Asia was next, down 0.6%. Latin America was the worst performer, falling 1.1%.

The rally was growth-led, with growth rising 0.4% versus a decline in value of 1.3%.

Among the largest countries, the best performers were Taiwan (+8.1%), Saudi Arabia (+2.5%) and South Africa (+1.6%).

The worst performing countries were India (–4.4%), Korea (–3.6%) and China (–1.9%).

The strongest performing stocks in the portfolio were Hon Hai Precision (+15.2%), TSMC (+9.9%) and Suofeiya Home (+9.8%).

The weakest performers were Bajaj Auto (–17.3%), Hypera (–17.3%) and Shenzhou International (–11.4%).

EVENTS DURING THE MONTH

Mexico's new president Claudia Sheinbaum was sworn in. Recent judicial reforms have caused alarm among observers and could impact upon trading relations and future negotiations with the United States.

China's stock markets rallied sharply early in the month following government stimulus announcements. As more details emerged over the course of October, the scale and scope of the measures disappointed investors, dragging stocks lower.

Payroll data in the United States continued to indicate a healthy jobs market.

The ECB cut rates by 25 basis points to 3.25%.

Crude oil prices rose slightly, with Brent up 1.9%.

Emerging market currencies fell 3.1%, as the Dollar index (DXY) strengthened by 3.2%.

PORTFOLIO UPDATE

Updates came in during the month for several of the portfolio holdings:

- **Arca Continental** - Arca reported a strong third quarter, driven by strong single-digit pricing growth in the US coupled with a more favourable product mix. A stronger dollar also boosted results in local currency terms. Mexican volumes were weaker, falling 3.7% year on year, with slower consumption being in part linked to the weather. Pricing nevertheless was strong, with 8.3% growth year and year, and lower input costs are expected to help drive margins higher in future.

- **Bajaj Auto** reported strong revenue growth of 22% year-over-year, driven by 16% volume growth and a 5% rise in average selling price. Commodity inflation has had an impact on margins, but this has been partially offset by pricing pass through. Electric two-wheelers and three-wheelers are being introduced to the domestic market shortly, which are expected to drive volume growth over the remainder of the financial year (ending in March). Exports have been very strong in Latin America, growing 20% year on year, and recovering in Nigeria. The new plant in Brazil, which commenced production in June, is expected to increase capacity from the initial planned capacity of 20k units per annum to 35k from 2026 financial year. A later report indicated growth for the current festive season would be lower than expected. Management attributed some of this to timing issues in industry data, which are expected to resolve promptly.

- **China Merchants Bank** recorded profit growth for the third quarter of 0.8% year on year, following a rebound in pre-provision operating profits. Net interest margins have moderated following earlier rate cuts, expenses have been well controlled. Asset quality has shown signs of improvement as well, particularly in the property sector. Bullish commentary from management following the stimulus measures at the end of September indicates that confidence in the banking market is beginning to recover.

- **Coca-Cola Femsa** reported revenues that came in slightly above consensus. Sales grew 8% and operating profits grew 15% on bottling strength, resilient convenience retail performance, and a favourable currency translation impact due to Mexican peso depreciation. EBITDA expanded by 19% year on year on a constant currency basis mostly from pricing and mix. Overall volumes were down 1.5% year on year in Mexico mostly due to adverse weather conditions and competition. This was offset by strength in Brazil which grew 6.3%.

- **Elite Material** reported slightly better than expected results for the third quarter, although gross margin declined sequentially due to limited ability to pass on copper cost hikes and increased pricing competition for key customers. Growth in ASIC chips has helped to offset declines in mainstream AI products. Demand growth is likely to continue to come from high performance network switches while server sales are expected to remain stable. Planned capacity expansions are expected to support rising demand for both AI and wider product applications.

- **Haier Smart Home** reported revenues for the third quarter that rose slightly, by 0.5% year on year, beating the declines expected by several brokers. Weaker domestic growth saw some improvement towards the end of the quarter, with the introduction of trade-in policies designed to help customers upgrade their appliances as part of wider stimulus measures. Overseas revenue growth has been main driver. Ongoing manufacturing and procurement efficiencies and digital initiatives have helped to boost margins.

- **Hon Hai** reported strong results for the third quarter with revenue growth of around 19-20% year on year, driven by surging demand for AI servers, iPhones, and EVs. September sales saw bumper increases, rising 34% month on month and 11% year on year, which exceeded expectations. The company anticipates AI server contributions will rise from 12% in 2024 to 26% in 2025, with notable growth in Nvidia's GB200 and Hopper GPU modules. Consumer electronics, particularly iPhones and Mac Books, showed solid demand, although concerns over iPhone 16 orders in China remain. New model launches look set to bolster the contribution from the electric vehicle segment.

- **Hypera** announced earnings for the third quarter, which disappointed compared with expectations. Higher inventories among customers have continued to result in a mismatch between sell-in and sell-out values. A planned reduction in credit terms should help to improve the working capital position and benefit cashflows. Ultimately this should be supportive of shareholder returns, both through dividends and an announced share buyback programme to be executed over the next 18 months. Longer term projections for industry growth continue to look attractive.

- **Kweichow Moutai** reported good results for the third quarter, with sales up 15.6% year on year and net profit up 13.2%. Sales for the first nine months were up 16.9% year on year, tracking ahead of the full year target of 15% sales growth. While prices in the wholesale channel have been somewhat volatile, the fluctuations are within a reasonable range given the seasonality / holiday period. Shipment levels have been controlled closely in order to maintain support for prices. Direct sales are also expected to continue to increase over time as a proportion of overall sales, which should ultimately be supportive of higher margins.

- **Largan Precision** reported strong revenue growth for the third quarter, driven by customers early pull-in for iPhone 16 model build and dominant share in iPhone periscope lens. Net profit also came in above consensus. Better selling prices in periscope and main camera lens have both been a contributor. On the outlook, management has adopted a more conservative tone for the fourth quarter outlook given softer iPhone 16 order momentum. Early signs for next year are positive, however, given a solid market share in the iPhone in 2025, and the trend towards upgrading lens specifications. Also, new capacity is also expected to come online in the fourth quarter to support increasing demand. The benefits from higher scale and better product mix, bode well for improving gross margins over the course of next year.

- **Ping An Insurance** reported third quarter growth in operating profit after tax (OPAT) of 22% year on year, bring year to date growth to 5.5%. The recovery in OPAT was driven by improved life business, high property and casualty growth and narrower asset management losses, with trends continuing into the fourth quarter. Investor confidence in Ping An is improving as reforms in the agency channel are starting to have an effect.

- **Suofeiya Home Collection** – reported disappointing results for the third quarter, though this was unsurprising given the similar weakness reported by competitor Oppein. We will closely watch results for the fourth quarter to monitor the impact from trade-in programmes, and for any signs of a cyclical demand recovery. The medium-term outlook here is challenged by weaknesses in property completions and margin pressure amid the transition to the existing home market (from newbuilds). However, we expect these effects to normalise over time.

- **TSMC** third quarter results came in strongly ahead of expectations, with gross margins well above guidance. Guidance for fourth quarter revenues was also better than expected. Gross margin has been improving due to higher utilisation and cost improvements, implying good progress on 5/3nm production

- **Tata Consultancy** grew revenues by 1% quarter on quarter or 5.5% year on year. The results, coming in slightly below expectations, were hampered by a tougher macro environment with lower retail spending in north America and weakness in UK and European manufacturing. A small increase in headcount for the second consecutive quarter is supportive of an improved demand outlook going forward.

- **Tech Mahindra** has delivered progress on its turnaround journey on from both a growth and margin perspective. Results have stabilised, with trends in financial services segment reflecting those seen in the broader sector. Margins are also showing signs of improvement, albeit from a fairly low base.

- **Unilever** reported third quarter revenue growth of 4.5%, slightly ahead of consensus. This was driven 3.6% by volumes and pricing increased 0.9%. This marks the fourth consecutive quarter of volume-led growth, with broad-based improvements across categories. Strong performance has come from in Europe and North America, but softening in broad emerging markets, especially Southeast Asia and Latin America (where Q3 volume growth slowed to 2%, down from 7% in H1). Positive growth came from Africa, Turkey, the Philippines, Thailand, and India. However, India and Indonesia underperformed, and Mexico and Brazil were softer. Weakness in Indonesia was expected; however, a recovery is now expected in H2 2025. The company has faced some pressure from boycotts of western brands, though some of the weakness is due to the Unilever's own operational issues.

- **Zhejiang Supor** reported third quarter revenue growth of 3% year on year and net profit growth of 2% year on year. Lacklustre domestic demand has caused revenue growth to slow from 10% in the first half. Reports from the parent company indicate some pickup in September, although still at a relatively muted level. Expenses have been well controlled, allowing operating margins to be maintained at a healthy level. Exports continue to be a relatively bright spot.

OUTLOOK

Since the end of October, we have had the results of the US election, with Trump winning a second term and the Republican party achieving a 'red sweep' of Congress. From an emerging markets perspective, we note that over the past eight years in America is that the Biden administration has maintained the tariffs on China that came in under Trump. Clearly hawkishness towards China, from a trade perspective, has been shared by both parties in the United States. However, over this period, Asia has had time to adjust and adapt. We've seen the rise of the China 'plus one' strategy where companies have sought to diversify their supply chains and broaden their production base. China, we feel, overall, is far more prepared this time around.

The pre-election threat from Trump of 60% tariffs on China and 10% tariffs on the rest of the world needs to be taken seriously – the lesson we take from the first Trump administration is that Trump will seek to follow through on the promises and the commitments and pledges made pre-election.

However, history is instructive here. Looking back at early January 2020, the United States signed the phase one trade agreement with China, which was intended to be part of a bigger overall trade framework to be negotiated. The interruption came of course from the onset of COVID, and the failure by Trump to win re-election later in the year. Therefore, we think it's likely that we will see a return to this project to establish an overall trade framework with China, and these tariff threats should be seen as a combative opening negotiating position.

The macroeconomic backdrop this time around is different from that in 2016. The US is more constrained by inflation, which it does not want to see flare up again, and a tariff on consumer goods risks reigniting this inflationary pressure. Nor does it want a slowdown in growth, which would be the case if raw materials or intermediate goods prices were to increase. China, too, is constrained by the domestic challenges it is currently facing.

Our conclusion is that we expect to see both sides pushed back towards the negotiating table, and that the more restricted position faced by both sides makes an agreement possibly more likely. This is an area we will of course be watching closely to see how it plays out over the early phase of the new Trump administration.

In the parts of the market that we invest in, our expectation is that the results of the business will ultimately be the dominant driver of returns. Provided we believe the underlying business performance will be sound, the turbulence we have seen in stock prices can therefore present opportunities.

Our focus is on the cash-based return on capital a business generates; the business must therefore be profitable and management must allocate capital rationally. The requirement that companies must have strong balance sheets generally makes them less dependent on capital markets (they do not have large debt burdens to refinance). And by looking at companies' performance over a long time horizon (at least eight years), we gain increased confidence that the business is likely to continuing to perform well when handling challenging circumstances in future.

Portfolio Managers

Edmund Harriss
Mark Hammonds

GUINNESS EMERGING MARKETS EQUITY INCOME FUND - FUND FACTS

Fund size	$6.2m
Fund launch	23.12.2016
OCF	0.89%
Benchmark	MSCI Emerging Markets TR
Historic yield	3.6% (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.

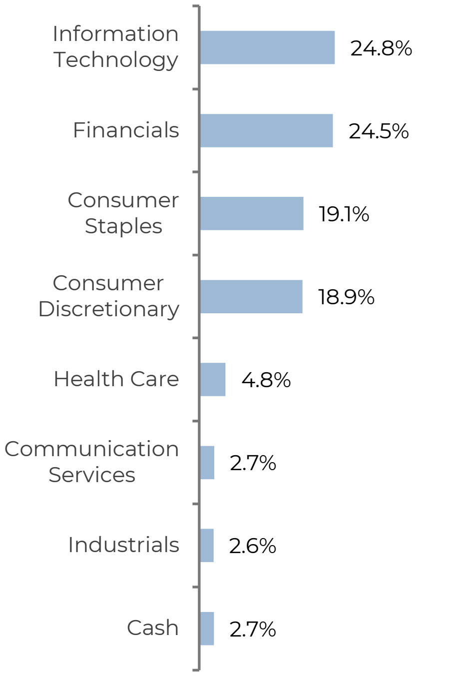
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

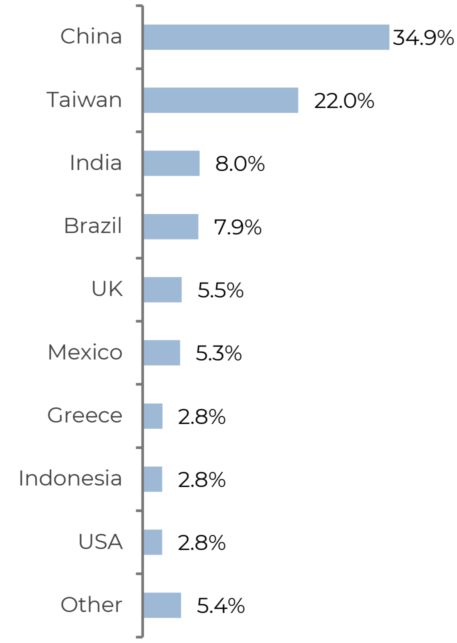
Hon Hai Precision Industry	3.0%
Suofeiya Home Collection	2.9%
Taiwan Semiconductor	2.9%
Inner Mongolia Yili Industrial	2.8%
British American Tobacco	2.8%
Porto Seguro	2.8%
Kweichow Moutai	2.8%
Shenzhou International	2.8%
Jumbo	2.8%
Novatek Microelectronics	2.8%

Top 10 holdings	28.3%
Number of holdings	36

Sector



Country



Past performance does not predict future returns.

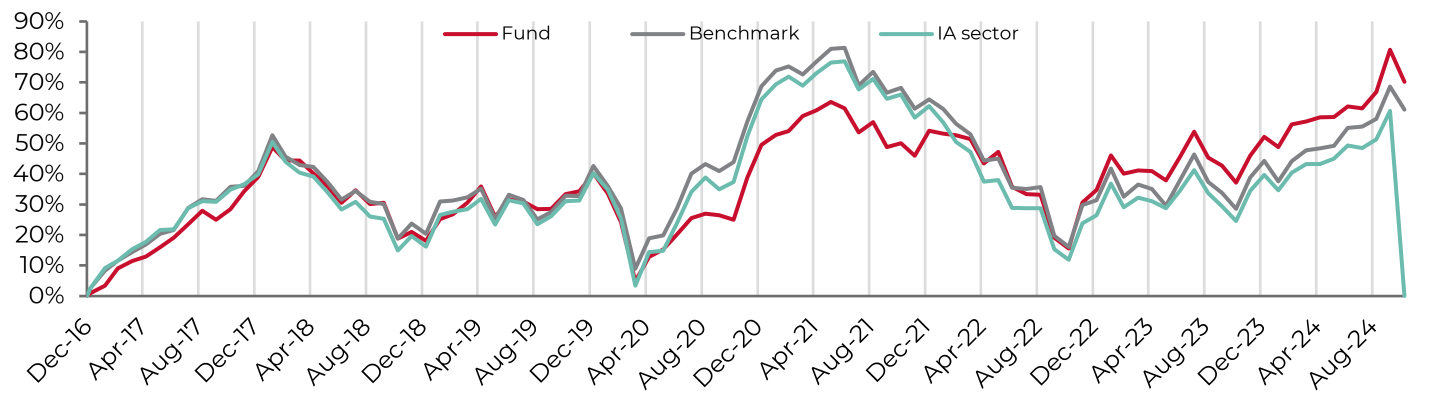
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-1.7%	+10.9%	+17.2%	+21.0%	+28.4%	-
MSCI Emerging Markets TR	-0.3%	+10.7%	+18.3%	+2.1%	+22.0%	-
IA Global Emerging Markets TR	-0.5%	+8.7%	+16.2%	-1.6%	+17.7%	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-5.8%	+11.9%	+24.2%	+13.5%	+27.6%	-
MSCI Emerging Markets TR	-4.5%	+11.7%	+25.3%	-4.2%	+21.3%	-
IA Global Emerging Markets TR	-4.6%	+9.6%	+23.1%	-7.7%	+17.0%	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-3.2%	+13.8%	+20.9%	+21.0%	+31.1%	-
MSCI Emerging Markets TR	-1.8%	+13.6%	+22.0%	+2.1%	+24.6%	-
IA Global Emerging Markets TR	-1.9%	+11.5%	+19.8%	-1.6%	+20.2%	-

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

IMPORTANT INFORMATION

Issued by Guinness Global Investors, 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, Supplement, 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, Reyl & Cie S.A., Rue du Rhône 4, 1204 Geneva, Switzerland. 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