Guinness Asian Equity Income

Investment Commentary – February 2025

RISK

This is a marketing communication. Please refer to the prospectus, supplement, KID and KIID 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 Funds' documentation, available on our website.

Past performance does not predict future returns.

ABOUT THE STRATEGY

Launch	19.12.2013
Sector	IA Asia Pacific Excluding Japan
Managers	Edmund Harriss Mark Hammonds
EU Domiciled	Guinness Asian Equity Income Fund
UK Domiciled	WS Guinness Asian Equity Income Fund

INVESTMENT POLICY

The Funds are designed to provide investors with exposure to high quality dividend-paying companies in the Asia Pacific region. The Funds are managed for income and capital growth and invest 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. The Funds are actively managed. The Guinness Asian Equity Income Fund uses the MSCI AC Pacific ex Japan Index as a comparator benchmark only. The WS Guinness Asian Equity Income Fund uses the MSCI AC Asia Pacific ex Japan Index as a comparator benchmark only.

CONTENTS

COMMENTARY

In January, the Guinness Asian Equity Income Fund rose 2.2% in GBP terms (Y share class, in GBP) compared to the MSCI AC Pacific ex Japan Net Total Return Index benchmark which rose 3.3%.

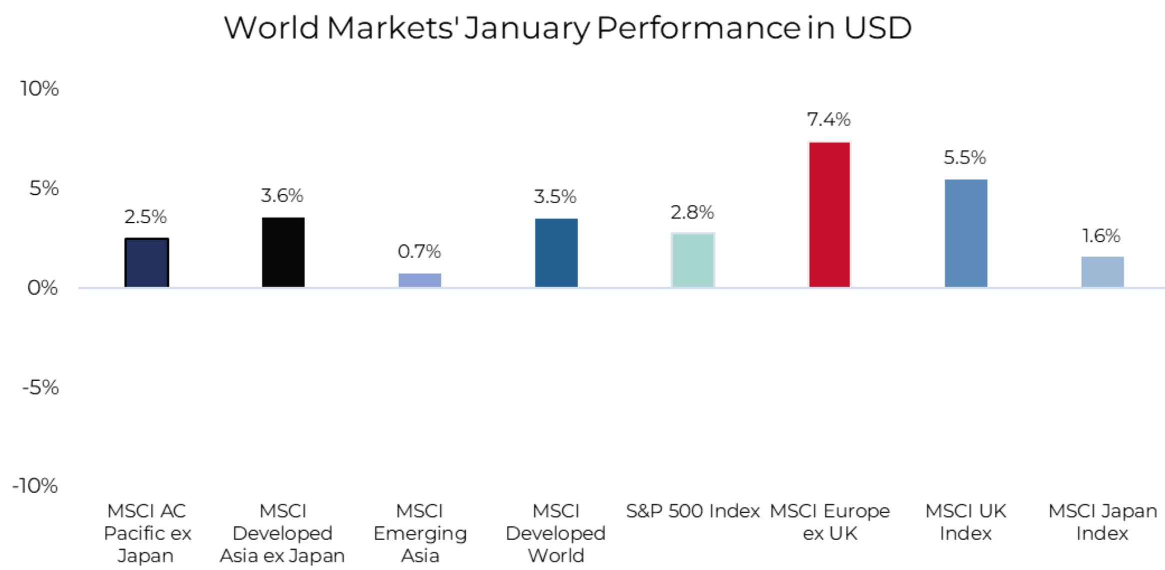
This month has been highly consequential for markets in the long term. First, Donald Trump's arrival in office has seen a blizzard of executive orders and proposals directed both domestically and internationally, making it important for investors to understand policy priorities.

Secondly, a little-known Chinese company, DeepSeek, shocked the technology sector with its new Artificial Intelligence (AI) solution displaying performance on par with the cutting-edge US models, but (supposedly) costing just a fraction of the amount to train. We can debate how much the system really cost, but the significant message is that in the new world of AI, just as in Solar, Wind, 5G, Batteries, EVs, the Chinese have caught up.

MACRO COMMENTARY

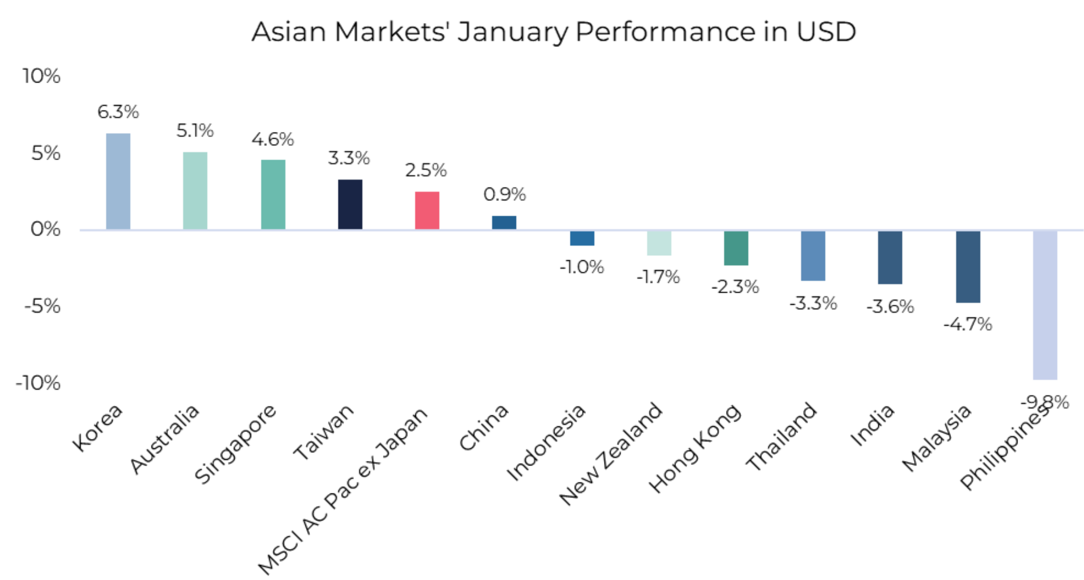
Market and stock returns discussed below, are in US dollar terms.

European and UK markets had the better opening month of the year following a weak end to 2024. Chinese New Year fell in January this year, with China, Hong Kong and Taiwan closed for most of the last week in the month.

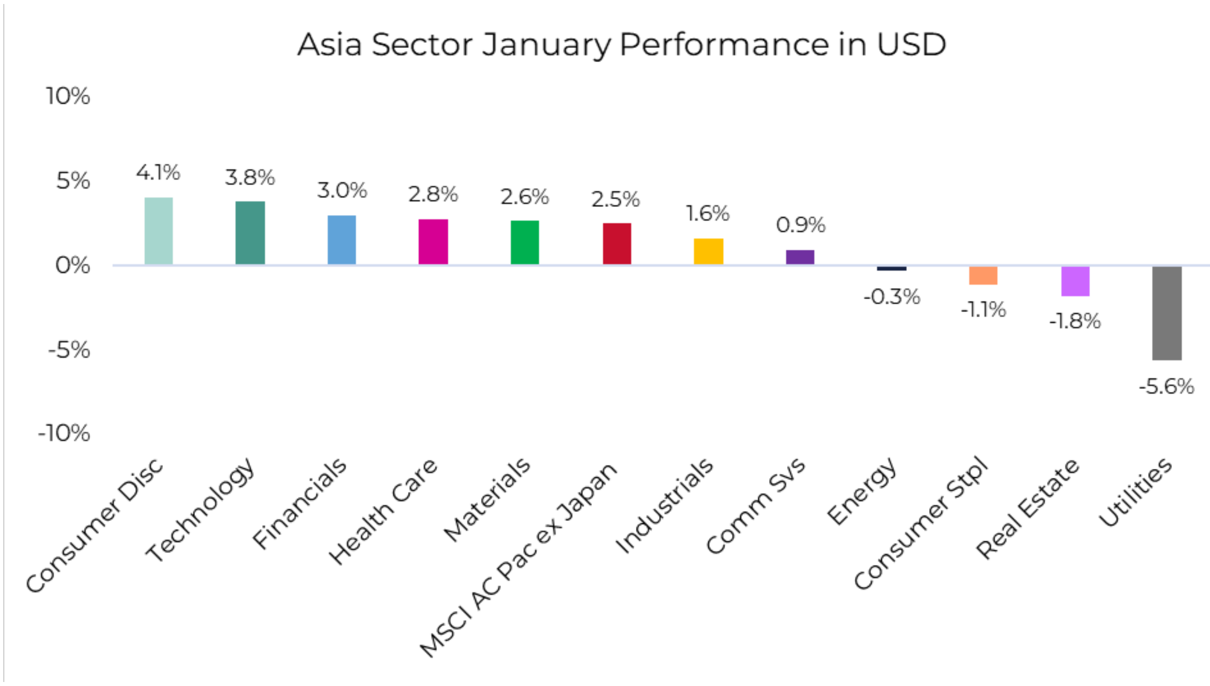


Source: Bloomberg, MSCI. Net returns in US dollars as of 31st January 2025

The developed Asian markets of Australia, New Zealand and Singapore were all open at month end and so reflected what was quite an eventful final week.



Source: Bloomberg, MSCI. Net returns in US dollars as of 31st January 2025



Source: Bloomberg, MSCI. Net returns in US dollars as of 31st January 2025.

This has, perhaps surprisingly, been a good month for Asia. The threatened trade tariffs arrived but were limited in both scale and scope. The announcement of DeepSeek's new Artificial Intelligence model was a shock to the industry but while the technical implications are significant, the impact on capital expenditure plans appears to have been minimal. The focus at the beginning of Donald Trump's presidency has been predominantly domestic.

United States

Many of Donald Trump's early policy moves, both domestic and international, can best be understood in the context of the federal funding deficit. The administration has set a target to reduce the deficit to 3% of GDP (with economic growth of 3% and increasing energy production by the equivalent of 3 million barrels of oil per day) as a part of the '3-3-3 plan'. To understand the implications of the deficit reduction plan, we need to understand the current position.

Briefly, the overall deficit is -5.6% of GDP. The primary deficit, the gap between revenue at 17.5% of GDP and spending at -20.5%, is -2.5% of GDP. The net interest payable on government debt is -3.1% of GDP. There is little to be done on the latter: the debt isn't going anywhere and is rising, as is the interest rate on that debt. The focus, therefore, must be on increasing revenues and cutting spending. Tariffs are a potential source of revenue but given the election promise to extend the tax cuts that are due to expire this year, it looks like revenues will remain under pressure and may decline. This leaves spending cuts as the primary focus.

To bring the -2.5% primary deficit back into balance implies an annual spending cut of $700-800 billion out of approximate total spending of $5,700 billion; that's a 12% reduction in government spending. To understand the challenge more fully, we need to know that approximately $4,000 billion of spending is legally mandated and consists of social security, federal healthcare spending, welfare, veterans' programmes and others. The balance of $1,700 billion is so-called discretionary spending, half of which is accounted for by defence.

Knowing this helps us understand the direction of travel in administration policy. In this context, pressure on NATO allies to pick up defence spending and to bring an end the war in Ukraine make sense. Halving the defence budget by cutting back on overseas commitments would reduce the deficit by 1.5% of GDP. The other 1% saving could be found in cuts to areas such as USAid, federal bureaucracy, supranational groups such as the UN and the World Health Organisation and to the extensive range of domestic programmes. Tariffs are being used not only for economic purposes but to reshape the world to the administration's liking; domestic and international organisations are being shaken up to reframe federal obligations at home and abroad. All are being shaped by a domestic economic (and social) agenda.

The first implication, in our view, is that an acceleration of economic growth against a backdrop of aggressive federal retrenchment looks unlikely. Secondly, the withdrawal from the international scene both militarily and more world organisations, through which the US has wielded global power, both hard and soft, opens the door to others, most obviously to China. Thirdly, the medium-term outlook for US growth, inflation, interest rates and the dollar from here looks uncertain at best, and probably negative given conflicting potential outcomes from proposals for tax cuts, tariffs and fiscal retrenchment.

China & DeepSeek

DeepSeek's arrival on the AI scene has come as a shock to the world. It may not be China's 'Sputnik moment' but it is the moment when it can no longer be denied that China has caught up in leading technologies. In 2010, China announced an industrial initiative based on seven strategic industries:

- New energy
- Energy saving & Environmental protection
- Bio-technology
- High-end equipment
- New materials
- New energy cars
- New generation IT

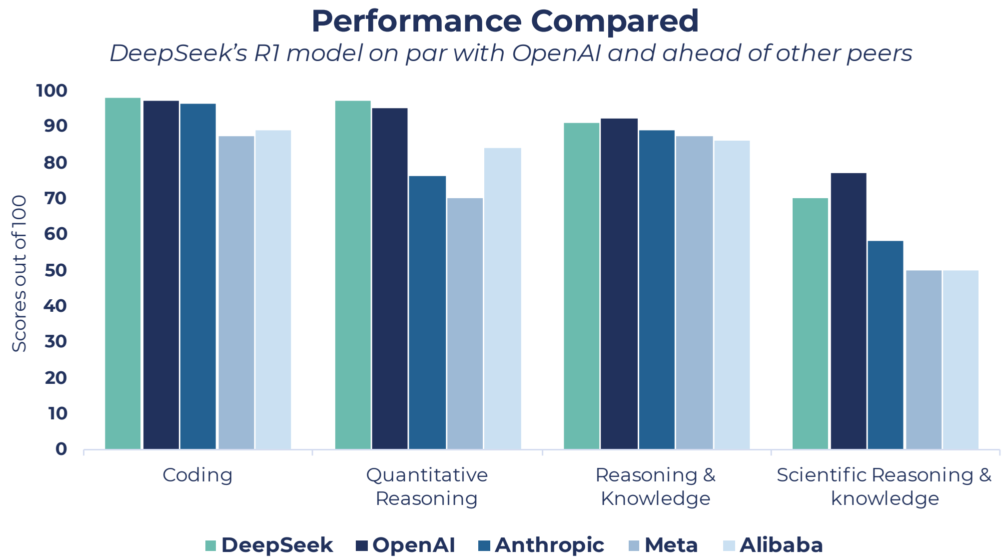
These have been refined over time. There is an inexorable rise toward market domination in new energy equipment, 5G telephony, in batteries, in electric vehicles, in semiconductor manufacture and now in AI. The big new areas for world economic progress will be based upon how the world is powered, it communicates and how it thinks. China has shown it has a significant presence in all three and now that it is much further advanced than many had realised. Hence the sharp stock sell-off following the DeepSeek announcement.

A primer on DeepSeek, written by Jack Drew in our Global Equities team, appears in the Global Equity Income commentary, and an excerpt is re-produced here:

What was the breakthrough?

DeepSeek addressed a significant AI challenge: enabling models to reason step-by-step. Traditionally, LLMs have been trained on a very compute-intensive process called supervised learning, where models are fed immense quantities of labelled data and then match inputs to correctly labelled outputs. In contrast, DeepSeek's reasoning model was accomplished using a technique called reinforcement learning, where responses are fine-tuned by rewarding accurate outputs and penalising mistakes. This approach mimics human reasoning by breaking tasks into intuitive, process-driven steps and giving feedback at each step of the way. In simplified terms, it's like teaching someone how to write intuitively via feedback instead of getting them to memorise every single word ever written.

Although OpenAI introduced a reasoning model in September 2024, DeepSeek became only the second firm to do so, matching OpenAI's performance (see chart below) at a fraction of the cost. It also surprised many that a Chinese competitor had made such a big leap forward in LLM technology, when it was widely held that China was years behind the US.



Source: Guinness Global Investors, Artificial Analysis; as of 31st January 2025

Note: Models used OpenAI (o1), Alibaba (Qwen 2.5 72B), Meta (Llama 3.1 405B), Anthropic (Claude 3.5). Tests used are HumanEval, MATH-500, MMLU, GPQA Diamond.

What are the implications: training vs inference?

Training is the process where an AI model learns by analysing massive amounts of data and adjusting its internal parameters, while inferencing refers to the trained model applying that knowledge to make real-time and real-world predictions on new, unseen data. If DeepSeek has pioneered a way to create lower-cost models, increased training competition from upstarts could emerge. Because of the huge demand for the latest chips used in cutting-edge AI training (primarily Nvidia GPUs), the waiting list can often extend to many months. If LLMs can now be trained using fewer GPUs and at a lower cost, this may enable a wider range of market participants to access these chips, leading to greater model creation and perhaps even the commoditisation of LLMs. This is especially the case if open-source models (like DeepSeek) can provide similar performance without sitting behind a closed-source paywall. It may be the case that companies will differentiate themselves at the application-layer (that which is built on top of LLMs), instead of the pure LLM technology itself.

The implications for the industry are explored further elsewhere, but we note that capital expenditure in the coming year for AI-related development is estimated at $325 billion, based on companies' announcements. This would suggest that demand for chips and hardware from the AI enablers will stay strong and, by extension, Asian manufacturers will continue to benefit. For Chinese companies, they now have a home-grown provider and so we should see accelerated AI incorporation into business processes.

FUND PERFORMANCE

Asian markets, led by developed Asia, had a stronger opening January than seemed likely before Donald Trump took office. The threatened tariffs did not materialise, at least nothing like the 60% that has been touted. Indeed, the 10% levy on Chinese goods was the minimum that could be imposed to meet campaign promises, in our view. The Chinese response, similarly, seemed the minimum required to be meaningful. This may of course change, but we note that Trump and Xi spoke before the inauguration and are due to speak again. For now, both sides seem interested in dialogue.

The Fund rose during the month but underperformed the market by about 1%. Alibaba in China, a low-yielding stock, and the big Australian banks, none of which we hold, had a strong month. So too did TSMC, which we hold but in which we are structurally underweight due to our equal-weight portfolio construction.

Outperformers

Among the stocks which we do hold, there were strong performances from Nien Made Enterprise, Corporate Travel Management, NetEase, Qualcomm and JB Hi-Fi.

Outside the top five performers we had positive contributions from banks and insurers with seven out of ten positions outperforming. BOC Hong Kong, Ping An in China and Public Bank in Malaysia lagged. There was also catch-up performance from consumer technology names, which we noted last month had lagged their AI-related sector peers in 2024. In addition to Qualcomm, we had positive contributions from Novatek Microelectronics, Largan Precision and Catcher Technology.

Underperformers

The weakest names were all Chinese: China Resources Gas, China Medical System, Inner Mongolia Yili, Shenzhou International and Ping An Insurance.

China Resources Gas was the only one to see a double-digit decline. This follows strong performance in 2024 and was driven by analysts' expectations of moderating growth in gas demand. Despite this, it is expected that the market pricing mechanism should keep the company's operating performance steady, and the focus will be on the dividend which has grown by 10% per annum over the past three and five years.

AI-related technology names that led the way last year were also underperformers in January, but not by much. The sharp drop that followed DeepSeek's announcement was mostly made back by the end of the month. For the Taiwanese stocks, whose market was closed for Chinese New Year until after month-end, the drop and recovery all took place in February.

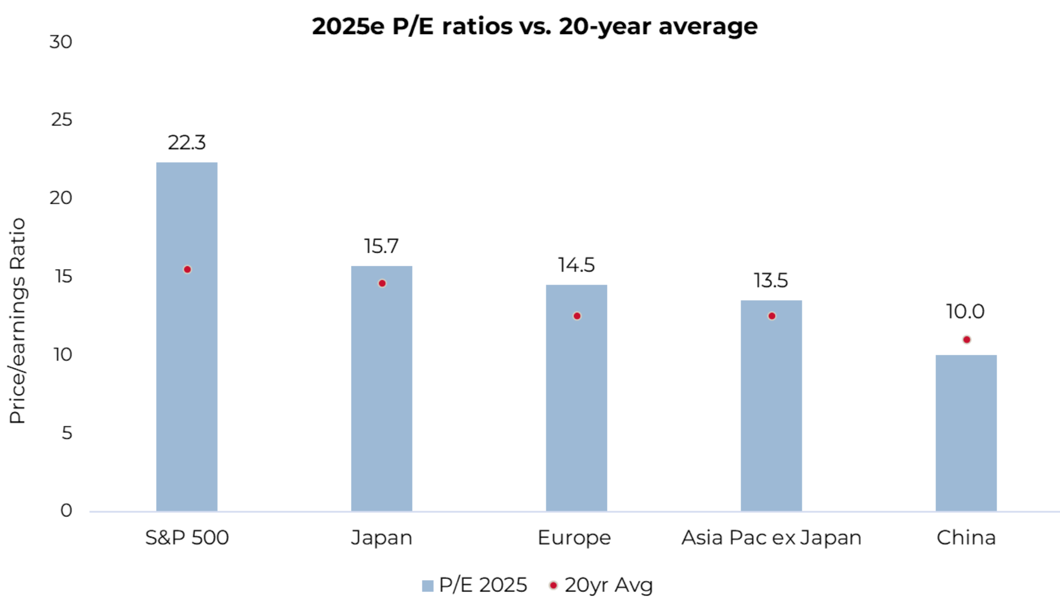
OUTLOOK

We have been bullish for a long time on quality Asian stocks because with investor attention largely focussed on the US, these stocks have remained significantly undervalued relative to their consistent operating performance. Put another way, stocks with these profitability metrics would be trading at substantially higher multiples if they were listed in developed markets.

However, we are now also turning bullish on the Asia macro story. For 20 years, between 1990 and 2010 this story was one of industrialisation, urbanisation, consumers and of lives transformed. For the years since 2015, Asia seemed to have lost its way. Overbuilding in China, debt accumulation, high property prices and a working population which had significantly moderated aspirations and expectations are all the elements of a middle-income trap.

Almost unremarked, or if not unremarked then certainly under-appreciated, has been the steady advances made by Asian researchers, policymakers and companies into the new industries that will shape our world in the years to come. How the world is powered, how it communicates and how it thinks are the three areas into which research, policy and capital are focused and in each of these an Asian presence is increasingly evident.

A region that is still a net creditor to the world, and which still has a younger workforce and an ability to combine ideas, skills and capital, has the recipe for economic growth. We think Asia is about to enter a new growth phase.



Source: Bloomberg. Data as of 31.01.2025

Portfolio Managers
Edmund Harriss
Mark Hammonds

GUINNESS ASIAN EQUITY INCOME FUND - FUND FACTS

Fund size	$284.5m
Fund launch	19.12.2013
OCF	0.89%
Benchmark	MSCI AC Pacific ex Japan TR
Historic yield	3.9% (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.

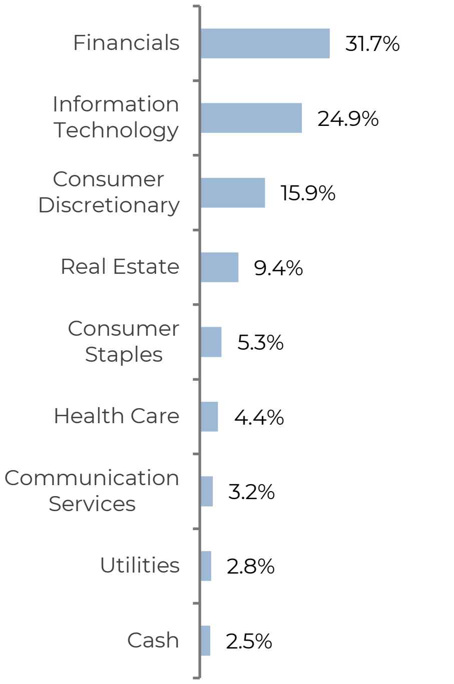
GUINNESS ASIAN EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

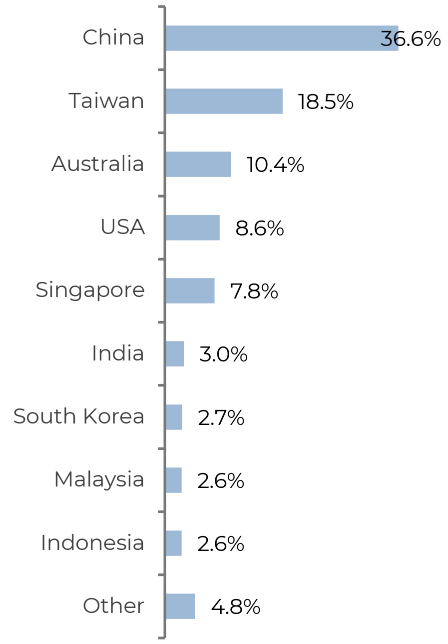
China Merchants Bank	3.4%
Taiwan Semiconductor	3.3%
Ping An Insurance	3.2%
NetEase	3.2%
China Construction Bank	3.2%
ICBC	3.1%
DBS Group Holdings	3.1%
Broadcom	3.0%
Tech Mahindra	3.0%
Qualcomm	2.9%

Top 10 holdings	31.2%
Number of holdings	36

Sector



Country



Past performance does not predict future returns.

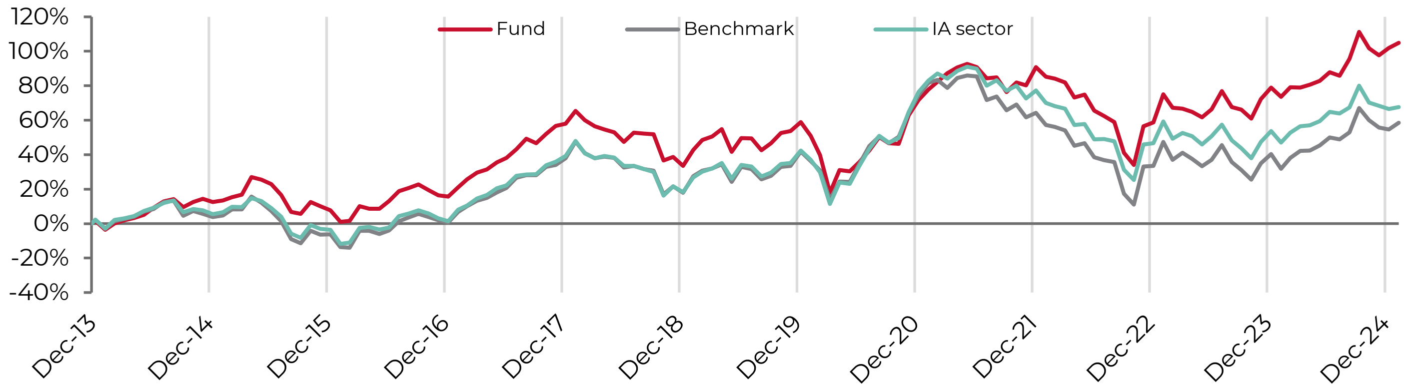
GUINNESS ASIAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+2.2%	+2.2%	+21.0%	+19.4%	+43.9%	+118.2%
MSCI AC Pacific ex Japan TR	+3.3%	+3.3%	+23.3%	+8.9%	+23.5%	+82.8%
IA Asia Pacific Excluding Japan TR	+1.7%	+1.7%	+16.9%	+6.5%	+29.8%	+90.0%
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+1.4%	+1.4%	+18.1%	+10.6%	+35.6%	+80.6%
MSCI AC Pacific ex Japan TR	+2.5%	+2.5%	+20.3%	+0.9%	+16.4%	+51.3%
IA Asia Pacific Excluding Japan TR	+0.9%	+0.9%	+14.1%	-1.4%	+22.3%	+57.2%
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+1.0%	+1.0%	+23.4%	+19.2%	+44.6%	+96.0%
MSCI AC Pacific ex Japan TR	+2.1%	+2.1%	+25.7%	+8.8%	+24.1%	+64.2%
IA Asia Pacific Excluding Japan TR	+0.5%	+0.5%	+19.2%	+6.4%	+30.4%	+70.6%

GUINNESS ASIAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

(GBP)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund	+14.9%	+6.4%	-6.3%	+12.2%	+4.8%	+14.4%	-10.3%	+24.6%	+28.2%	+1.2%
MSCI AC Pacific ex Japan TR	+12.1%	-0.8%	-8.5%	-5.0%	+19.2%	+15.7%	-9.2%	+25.1%	+28.2%	-4.4%
IA Asia Pacific Excluding Japan TR	+10.0%	-1.0%	-6.9%	+1.5%	+20.0%	+15.8%	-9.8%	+25.3%	+25.7%	-3.4%
(USD)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Fund	+12.8%	+12.7%	-16.8%	+11.1%	+8.1%	+19.0%	-15.5%	+36.5%	+7.5%	-4.4%
MSCI AC Pacific ex Japan TR	+10.1%	+5.2%	-18.8%	-5.9%	+23.0%	+20.3%	-14.5%	+36.9%	+7.5%	-9.6%
IA Asia Pacific Excluding Japan TR	+8.1%	+4.9%	-17.3%	+0.5%	+23.8%	+20.4%	-15.1%	+37.2%	+5.3%	-8.6%
(EUR)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Fund	+20.4%	+8.9%	-11.4%	+19.6%	-0.8%	+21.2%	-11.3%	+19.9%	+10.7%	+6.5%
MSCI AC Pacific ex Japan TR	+17.5%	+1.6%	-13.4%	+1.3%	+12.9%	+22.5%	-10.2%	+20.3%	+10.7%	+0.7%
IA Asia Pacific Excluding Japan TR	+15.3%	+1.4%	-11.9%	+8.2%	+13.6%	+22.7%	-10.8%	+20.5%	+8.5%	+1.8%

GUINNESS ASIAN EQUITY INCOME FUND - PERFORMANCE SINCE LAUNCH (USD)



Source: FE fundinfo to 31.01.25. 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.

WS GUINNESS ASIAN EQUITY INCOME FUND - FUND FACTS

Fund size	£0.8m
Fund launch	04.02.2021
OCF	0.89%
Benchmark	MSCI AC Asia Pacific ex Japan TR
Historic yield	3.7% (Y GBP Inc)

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.

WS GUINNESS ASIAN EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

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DBS Group Holdings	3.2%
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Elite Material	3.0%
Broadcom	2.9%

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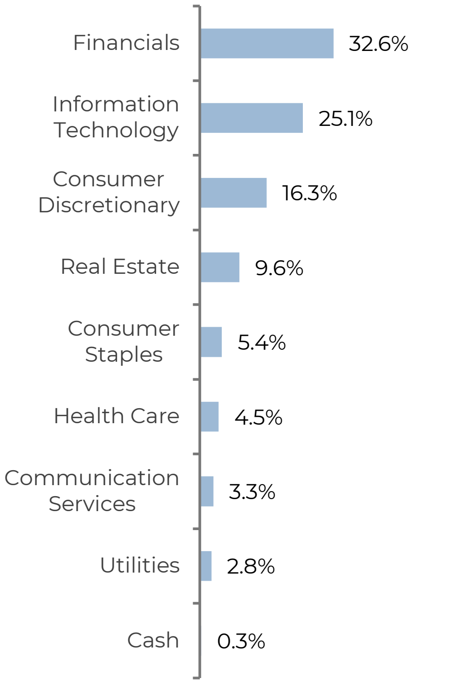
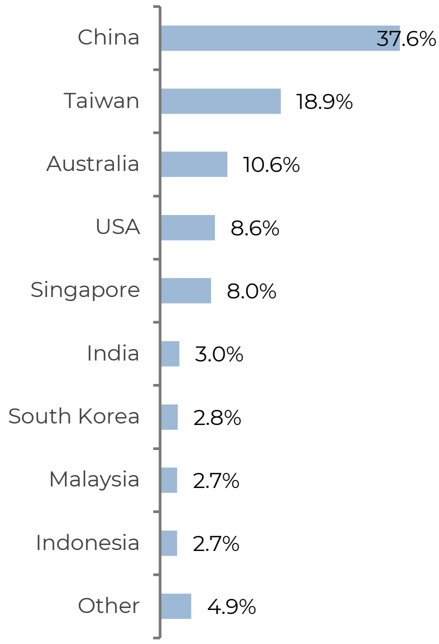


Country



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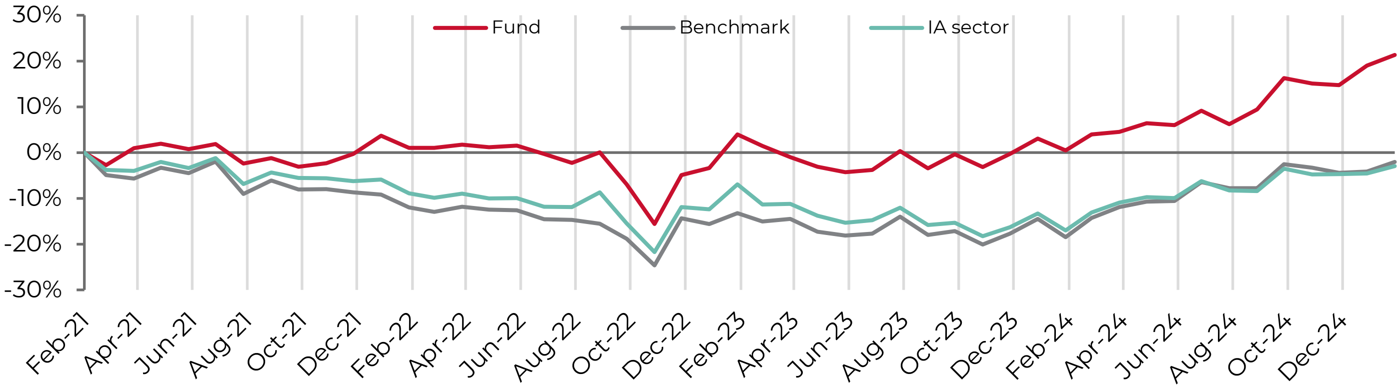
WS GUINNESS ASIAN EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+2.0%	+2.0%	+20.8%	+20.1%	-	-
MSCI AC Asia Pacific ex Japan TR	+2.2%	+2.2%	+20.2%	+11.3%	-	-
IA Asia Pacific Excluding Japan TR	+1.7%	+1.7%	+16.9%	+6.5%	-	-

WS GUINNESS ASIAN EQUITY INCOME FUND - ANNUAL PERFORMANCE

(GBP)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund	+15.5%	+6.7%	-6.8%	-	-	-	-	-	-	-
MSCI AC Asia Pacific ex Japan TR	+12.1%	+1.3%	-7.1%	-	-	-	-	-	-	-
IA Asia Pacific Excluding Japan TR	+10.0%	-1.0%	-6.9%	-	-	-	-	-	-	-

WS GUINNESS ASIAN EQUITY INCOME FUND - PERFORMANCE SINCE LAUNCH (GBP)



Source: FE fundinfo to 31.01.25. 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 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 the Guinness Asian Equity Income Fund and the WS Guinness Asian Equity Income Fund. It may provide information about the Funds' 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 Funds or to buy or sell individual securities, nor does it constitute an offer for sale.

GUINNESS ASIAN EQUITY INCOME FUND

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.

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.

WS GUINNESS ASIAN EQUITY INCOME FUND

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.fundsolutions.net/uk/guinness-global-investors/ or free of charge from:-

Waystone Management (UK) Limited
PO Box 389
Darlington
DL1 9UF
General Enquiries: 0345 922 0044
E-Mail: wtas-investorservices@waystone.com
Dealing: ordergroup@waystone.com

Waystone Management (UK) Limited is authorised and regulated by the Financial Conduct Authority.

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.

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Structure & regulation
The Fund is a sub-fund of WS Guinness Investment Funds, an investment company with variable capital incorporated with limited liability and registered by the Financial Conduct Authority.

Telephone calls will be recorded and monitored.