Guinness Emerging Markets Equity Income

Investment Commentary – February 2025

RISK

This is a marketing communication. Please refer to the Prospectus, Supplement, KID and KIID for the Fund, which contain detailed information on its characteristics and objectives, before making any final investment decisions.

The 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. 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 began the year on a positive note. The MSCI Emerging Markets Net Total Return Index rose 2.6% in the month (all performance figures in GBP unless stated otherwise).

Despite the market strength, the fund outperformed, rising 2.8%.

Emerging markets underperformed developed markets in the month, as the MSCI World rose 4.1% in January. This time, the US was not the main driver but still performed well, with the S&P 500 Index gaining 3.3%.

All emerging market regions were positive. Latin America was the best performer, recovering after a difficult end to last year, up 10.1%. EMEA (Europe, Middle East and Africa) was next, up 5.1%. Asia was the weakest performer, up just 1.3%.

Value and growth performed similarly, with value up 2.0% and growth higher, up 2.6%.

Among the largest countries, the best performers were Brazil (+13.0%) helped by currency appreciation, South Korea (+6.8%) and South Africa (+5.9%).

The worst performing countries were India (–3.1%), Thailand (–2.8%) and Indonesia (–0.5%).

The strongest performing stocks in the portfolio were Nien Made (+20.8%), and two of our Brazilian holdings: Porto Seguro (+18.0%) and B3 (+16.3%).

The weakest performers were Yili (–6.8%), China Medical System (–6.6%) and Haier Smart Home (–6.1%).

EVENTS DURING THE MONTH

Donald Trump was inaugurated as US president. A flurry of executive orders were issued in the first few days in office. High up the new administration's agenda are cuts to government spending and higher tariffs on America's large trading partners.

Tariffs of 25% on Mexico and Cananda were threatened but subsequently deferred to allow a period of negotiation. For China, additional 10% tariffs have come into effect (though this is a much lower level than that stated on the campaign trail).

The news that a Chinese company, DeepSeek, had developed an AI model that can rival Western equivalents but at much lower cost, sent a shockwave through equity markets leading to a sharp sell-off in many AI-related names.

Turkey's central bank cut interest rates, from 50% to 47.5%.

Political turmoil in South Korea continued, with a vote by MPs to impeach Han Duck-soo, the replacement for the previous president, Yoon Suk Yeol, who was subsequently taken into custody and charged with insurrection.

Indonesia joined the BRICS club of nations.

Crude oil prices rose slightly, with Brent up 2.8%.

Emerging market currencies gained 1.6%, while the Dollar index (DXY) was essentially unchanged (–0.1%).

PORTFOLIO UPDATE

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

Kweichow Moutai announced preliminary results for 2024. Revenues grew 15.4% and net income grew 14.7%. This represents a slight slowing from the third quarter, but still a very reasonable rate of growth – the company's ability to achieve strong growth rates is a key part of our investment thesis, so it is encouraging to see the double-digit growth in the top and bottom line.

Hon Hai reported revenues for the month of December leading to a small beat compared with expectations for the quarter. AI / cloud servers has been a leading area of growth this year, and Hon Hai saw strong initial shipments of the GB200 server platform powered by Nvidia graphical processing units (GPUs). The first quarter is expected to be weaker, though this is in line with seasonal patterns (following the surge in production around the launch of each new iPhone cycle).

Largan also reported monthly revenues leading to a beat for the quarter. Smartphone manufacturers have shown more willingness to upgrade camera specifications, which benefits Largan's high-specification lenses business. Higher volumes with a key customer led to a beat at the gross margin level as a volume-linked shipment bonus was received. Expectations of new models from Huawei and Apple (iPhone SE) have helped to boost forecasts for this year.

Novatek reported revenues for December that were slightly behind the figure for a year ago. Nevertheless, there was a small beat versus expectations for the quarter. Tougher competition from Chinese competitors is becoming a headwind; however, this has been offset by shipments brought forward to get ahead of US tariffs. China's stimulus programmes are also expected to be a positive contributing factor.

Shenzhou International has faced weakness stemming from business challenges at Nike, one of its key clients. Management of Nike have recently indicated their focus is on reducing inventory levels first, before introducing new products. The immediate impact on Shenzhou is expected to be marginally slower growth in revenues, but with a magnified impact on profits due to operational leverage. Nevertheless, Shenzhou's business model as being a large, integrated supplier (supplying all the way up and down the supply chain), with a geographic footprint in multiple countries mean it is well positioned. The recent trend has been for customers to want to work with larger suppliers that can help them navigate a dynamic tariff environment, while being fast to market with short lead times.

Tata Consultancy Services reported results for the third quarter (March year-end) with revenues trailing expectations, but margins and earnings in line. Recent momentum appears to be good with a strong level of deal wins and a healthy order book. The company also announced a special dividend of Rs66 per share. Interesting commentary from management indicates that AI adoption is expected to be beneficial to the business overall, with a higher volume of work more than offsetting the efficiency savings that are passed on to the client.

Tisco Financial reported fourth quarter results that came in slightly below expectations. Higher provisioning costs reflect some deterioration in asset quality, principally related to macro concerns. Tisco has a high-quality loan book relative to peers, so we approve of the conservative attitude management is taking towards provisioning.

China Merchants Bank reported a beat in fourth quarter earnings, with a significant acceleration in the quarter. Revenues and profits were both up 8% year-on-year. Non-interest income was the main contributor to the better results, driven by better sales of funds and wealth management products.

TSMC reported results for the fourth quarter that beat expectations. Guidance for the first quarter of this year was in line with expectations. AI is expected to be the principal driver of growth, with a mid-40% compound annual growth rate (CAGR) expected over 2024-29 for the segment. Overall revenues are expected to grow at a 20% CAGR over this period. Supporting this growth in revenue is an increase in capex from $30bn last year to around $40bn this year.

Tech Mahindra reported results for its third quarter (March year-end), with revenues coming in ahead of expectations. The company is celebrating a recent customer win in its principal telecoms segment, and has a strong level of new deal wins across the board. The continued improvement indicates that Tech Mahindra's recovery may have turned a corner.

OUTLOOK

Emerging markets have started the year well, despite the challenging geopolitical context from the new US administration. Trade has once again come into the spotlight as tariffs and the threat of tariffs are used to exert political leverage. The market has responded, mainly through movements in foreign currencies. While there has been volatility given the uncertainty in the duration and expected level at which tariffs will ultimately settle, the moves have been relatively small so far. If higher tariffs are seen as likely to be enduring, we may ultimately see larger currency movements (although over time they are likely to be partly offset as prices adjust accordingly).

The longer-term impact of tariffs is expected to be the economic cost that they exert as a drag on GDP growth. Both the US and its trading partners are likely to pay a price – but it is precisely this factor which supports the view that tariffs are being used more as a political tool to achieve certain goals. Compared with the last Trump administration, this time around the US is in a much tighter spot, with inflation still running persistently hotter than targeted and while interest rates remaining relatively high (from the perspective of recent history). So there is less room to manoeuvre. The cuts to the federal budget, as the fiscal hawks wield their axe, should help ease inflationary pressures. But the process is slow and it will take time for the cost savings from redundancies to start to come through; the cost pressure faced by an importer is immediately felt as tariffs are introduced.

Largely, the low valuations on offer to those investing in emerging markets compensate for the additional uncertainty that turbulent trading relationships bring. If we are right that investors are too pessimistic, and that sentiment is like an elastic band that has stretched too far, the setup for this year looks very interesting. Some good news, such as further China stimulus, could be enough for valuations to snap back to higher levels.

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	$10.6m
Fund launch	23.12.2016
OCF	0.89%
Benchmark	MSCI Emerging Markets TR
Historic yield	3.8% (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.

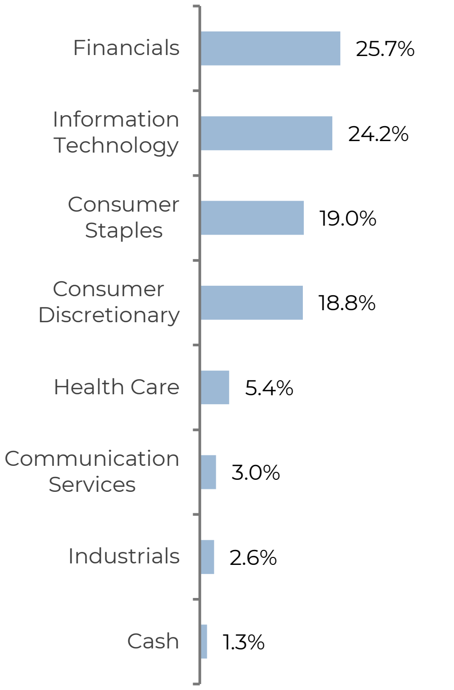
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

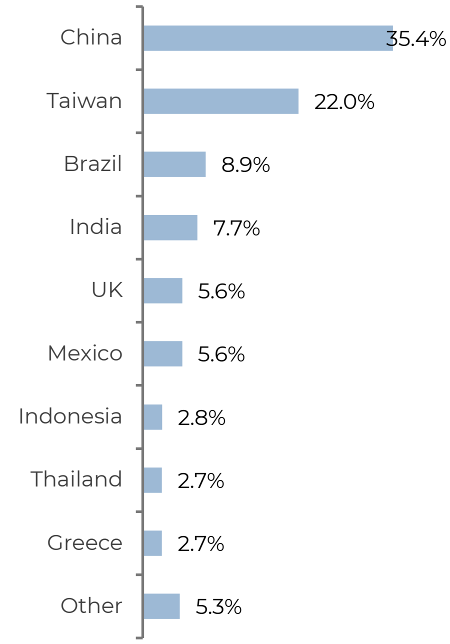
B3 SA - Brasil Bolsa Balcao	3.1%
Porto Seguro	3.0%
China Merchants Bank	3.0%
NetEase	3.0%
Suofeiya Home Collection	2.9%
British American Tobacco	2.9%
Taiwan Semiconductor	2.9%
ICBC	2.9%
Elite Material	2.9%
Novatek Microelectronics	2.8%

Top 10 holdings	29.2%
Number of holdings	36

Sector



Country



Past performance does not predict future returns.

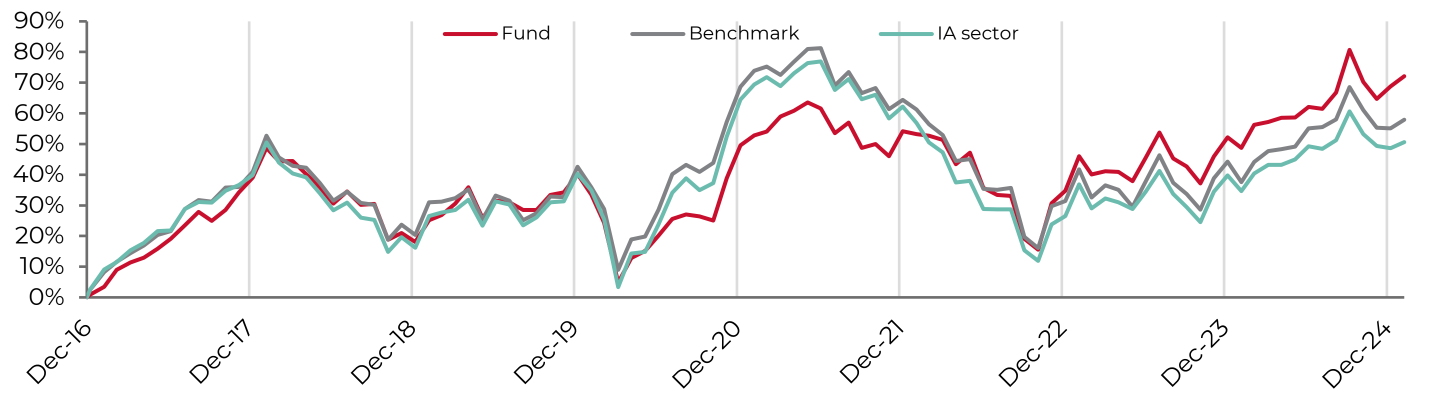
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	+2.8%	+2.8%	+18.6%	+21.3%	+36.8%	-
MSCI Emerging Markets TR	+2.6%	+2.6%	+17.6%	+5.7%	+23.2%	-
IA Global Emerging Markets TR	+2.1%	+2.1%	+14.6%	+3.6%	+18.5%	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+2.0%	+2.0%	+15.7%	+12.4%	+28.9%	-
MSCI Emerging Markets TR	+1.8%	+1.8%	+14.8%	-2.1%	+16.1%	-
IA Global Emerging Markets TR	+1.3%	+1.3%	+11.9%	-4.0%	+11.7%	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	+1.6%	+1.6%	+20.9%	+21.2%	+37.4%	-
MSCI Emerging Markets TR	+1.4%	+1.4%	+19.9%	+5.6%	+23.8%	-
IA Global Emerging Markets TR	+0.9%	+0.9%	+16.9%	+3.5%	+19.1%	-

GUINNESS EMERGING MARKETS EQUITY INCOME FUND - ANNUAL PERFORMANCE

(GBP)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund	+12.9%	+6.6%	-1.6%	+4.0%	+3.4%	+14.2%	-9.8%	+25.8%	-	-
MSCI Emerging Markets TR	+9.4%	+3.6%	-10.0%	-1.6%	+14.7%	+13.9%	-9.3%	+25.4%	-	-
IA Global Emerging Markets TR	+8.2%	+4.3%	-12.2%	-0.5%	+13.7%	+16.0%	-11.8%	+24.4%	-	-
(USD)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Fund	+10.9%	+12.9%	-12.6%	+3.1%	+6.7%	+18.8%	-15.1%	+37.7%	-	-
MSCI Emerging Markets TR	+7.5%	+9.8%	-20.1%	-2.5%	+18.3%	+18.4%	-14.6%	+37.3%	-	-
IA Global Emerging Markets TR	+6.3%	+10.5%	-22.0%	-1.4%	+17.3%	+20.7%	-16.9%	+36.2%	-	-
(EUR)	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Fund	+18.3%	+9.1%	-6.8%	+10.9%	-2.2%	+20.9%	-10.8%	+20.9%	-	-
MSCI Emerging Markets TR	+14.7%	+6.1%	-14.9%	+4.9%	+8.5%	+20.6%	-10.3%	+20.6%	-	-
IA Global Emerging Markets TR	+13.4%	+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 31.01.25. 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, 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