Guinness Emerging Markets Equity Income

Investment Commentary – March 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 declined during February. The MSCI Emerging Markets Net Total Return Index fell 0.6% (all performance figures in GBP unless stated otherwise). The Emerging Markets Equity Income Fund underperformed, falling 2.0%. For the year-to-date, the Fund is up 0.8% versus the benchmark up 1.7%.

Emerging markets outperformed developed markets in the month, as the MSCI World fell 1.8% in February. The US was an underperformer, with the S&P 500 Index down 2.4%.

All emerging market regions were negative. Asia and EMEA (Europe, Middle East and Africa) were the best performers, both down 0.4%. Latin America was the weakest performer, falling 2.9%.

Value eked out a marginally positive performance, rising 0.1%. Growth underperformed, falling 1.2%. Among the largest countries, the best performers were China (+10.6%), Mexico (+2.1%) and South Africa (–0.5%). The worst performing countries were Indonesia (–16.8%), Thailand (–9.6%) and India (–9.0%).

The strongest performing stocks in the portfolio were China Medical System (+15.6%), Elite Material (+13.1%) and Coca-Cola Femsa (+10.9%). The weakest performers were Bank Rakyat (–22.4%), Tata Consultancy Services (–17.1%) and Tech Mahinda (–13.0%).

Analysis continued overleaf

EVENTS DURING THE MONTH

Tariffs dominated the headlines for much of the month: Donald Trump threatened to impose 25% tariffs on Canada and Mexico, before granting a roughly one month's reprieve while negotiations take place. Both target countries have pledged to improve border security in response to the political pressure from the US.

The US did impose an additional 10% tariff on China. In response, reciprocal tariffs have been placed on US energy goods, agricultural machinery and large engine cars, and controls placed on the export of certain strategic/critical minerals. Separately, 25% tariffs were announced by the US on steel and aluminium imports.

In what was a further upending of US foreign policy, Trump announced that he would seek to negotiate with Vladimir Putin to end the war in Ukraine.

Narendra Modi met with Trump in Washington, discussing defence, trade and worker visas.

The Bank of England announced a cut of 0.25% in interest rates.

US Consumer Price Index (CPI) rose to 3%, with core CPI running at 3.3% year-on-year, exceeding expectations.

Crude oil prices were lower during the month, with Brent down 4.7%.

Emerging market currencies gained 1.1%, while the Dollar index (DXY) fell 0.7%.

PORTFOLIO UPDATE

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

Hon Hai increased guidance for the first quarter on high demand for AI server assembly. Monthly sales in January were the second highest on record. Further boost to quarterly demand could come from the upcoming start of production for the iPhone SE4.

TSMC reduced guidance for the first quarter due to the earthquake in Taiwan in January. The reduction is however modest, and management expects to offset much of the impact with insurance claims.

Credicorp, a Peruvian bank, reported fourth quarter results that slightly missed expectations, owing to a one-off legal expense. Otherwise, the bank saw positive loan growth resume, and an improvement in asset quality, with a 50 basis points reduction quarter-on-quarter in the Non-Performing Loan ratio. Tier 1 capital stands at a healthy 13.1% and the achieved return on average equity of 16.1%. The bank's digital wallet programme, Yape, continued to grow, and has now reached 54% of the Peruvian adult population with 14m active users.

Bank Rakyat Indonesia reported results for the fourth quarter with net profit only slightly behind consensus expectations. Credit quality is broadly in line with expectations, with the cost of credit target for 2025 of between 3.0% and 3.2%. The higher provisioning for credit costs in 2024 and 2025, and improved underwriting standards show management is working proactively to address problem lending. We will continue watch this area closely for signs of improvement, which could lead to a change in sentiment around the stock and broader sector.

Novatek came out with guidance for the first quarter that was slightly better than the market was expecting. Growth drivers include the China stimulus supporting consumer demand and tariffs, causing demand to be pulled forwards. The company is also benefitting from inclusion of OLED driver IC products within the iPhone. Management is maintaining a target of 40% gross margins, helped by securing attractive pricing from suppliers.

Arca Continental, one of the two Mexican coke bottlers held in the portfolio, reported fourth quarter results with earnings before interest, taxes, depreciation, and amortization (EBITDA) and earnings per share both ahead of consensus expectations. Strong pricing across the region was the main driver behind higher margins. Evidence of this pricing power is highly supportive of the investment case; that is, the bottlers offer defensive exposure to consumer markets, with an ability to withstand a weaker macro backdrop, while providing access to diversified revenues across Latin America.

Unilever reported results for the fourth quarter, marginally missing consensus guidance on sales growth of 4.0%. Pricing contributed +1.3% and sales volume/mix was +2.7%. Guidance for the full year is sales growth of 3% to 5%, with volume and price both expected to make a contribution. The adjusted EBIT margin for the full year 2024 was 18.4%. Management announced a new €1.5bn share buyback programme expected to take place over the first half of 2025. Following the results, management stated their expectation of an improvement in the key markets of Indonesia, China and India over the second half of the year.

After the month end, Unilever announced the departure of the CEO and appointment of the CFO as his replacement. While this was somewhat of a surprise to the market, the reaction was broadly positive. Investors are hoping that the change in leadership will accelerate some of the turnaround initiatives currently in progress.

Porto Seguro announced fourth quarter results, with recurring net income in line with consensus estimates. The auto insurance sector saw a rebound in written premiums, though still marginally down on a year-on-year basis. The loss ratio also saw an improvement. Guidance for 2025 is for stronger growth to come from the health and banking divisions. The company also announced a share buyback programme, representing 10% of total shares over 12 months.

Netease reported results for the fourth quarter, with revenues broadly in line with expectations. Non-gaap operating profit for the full year was up 14% year-on-year. Strength came from the PC gaming sector, offsetting weakness in mobile gaming (facing tough comparators from the prior year). The company also announced an increase in dividend payout ratio, to 65% (from the usual 30%).

Coca-Cola Femsa, our other Mexican bottler stock, also reported strong results. EBITDA came in significantly ahead of expectations. Pricing has proved robust in the Mexico and Central America segment, alongside a recovery in volumes. Weather can be a factor affecting results in a particular quarter for this sector – highlighting another benefit from having the geographic diversification.

OUTLOOK

This month we outline the case for an allocation to emerging markets: Emerging markets offer diversification, differentiation, and come at a discount.

Diversification consists of multiple levels. At the market/regional level, their lower correlation with developed markets is valuable to investors that can rebalance their allocations within portfolios in response to market movements.

At the country level, emerging markets respond to different geopolitical factors and have different economic dynamics, with varying exposures across commodities exports, goods, and services. Currencies, too, play a role—reacting to these factors and to local monetary policies, provide an additional source of diversification.

At the company level, as the region has matured, emerging markets have increasingly become home to cash-generative businesses with stable and consistent returns—characteristics once more commonly associated with developed markets.

In some areas and industries, they are often the best way—or in some cases, the only way—to access market leaders and cutting-edge innovation.

Emerging markets are differentiating themselves in another fashion: increasing self-reliance and higher intra-regional economic activity. Emerging markets have long been a key source of demand growth for Western companies, and global supply chains remain deeply dependent on them. But what's changing is that emerging market companies are now driving the setup of supply chains in other countries—often to serve an expanding customer base, bypassing developed markets entirely.

Take Bajaj Auto, for example. The Indian motorcycle manufacturer has set up a plant in Brazil, seeing it as a future major market for its products. This shift shows that emerging markets aren't just low-cost production hubs. They're providing the capital, expertise, and innovation to build the most efficient supply chains—while also tapping into the same source of demand growth that developed market companies have historically relied on.

In the auto sector, having dominated the local car market, China's car companies are now seeking alternative markets overseas. Europe has been one destination, though the recent imposition of tariffs on EVs may slow China from gaining market share.

However, plenty of consumers in emerging markets have appetite for Chinese vehicles (it's worth noting that around three quarters of China's vehicle exports contain internal combustion engines, although the share of EVs is expected to grow rapidly). Latin America and the Middle East contain a vast pool of consumers and lack the presence of a home-grown brand with global dominance, as found for example in Korea.

The discounted valuations in emerging markets have been appealing for some time, but with extended valuations in parts of the developed world, they are looking even more compelling today.

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	$11.0m
Fund launch	23.12.2016
OCF	0.89%
Benchmark	MSCI Emerging Markets
Historic yield	3.9% (Y GBP Dist)

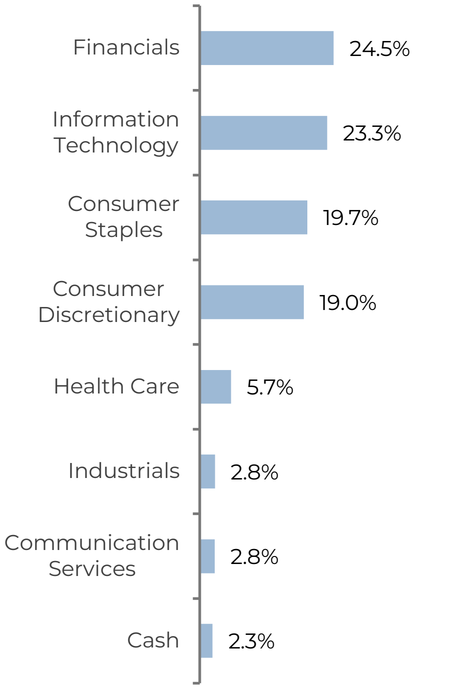
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - PORTFOLIO

Top 10 holdings

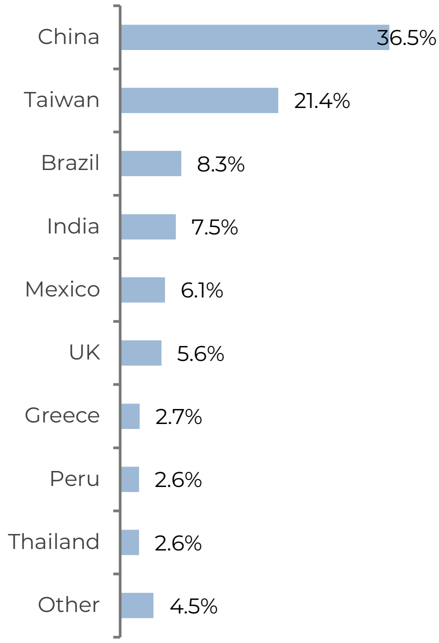
China Merchants Bank	3.0%
Coca-Cola Femsa	3.0%
Arca Continental	3.0%
China Medical System	2.9%
Suofeiya Home Collection	2.9%
Unilever	2.9%
ICBC	2.9%
Novatek Microelectronics	2.8%
Ping An Insurance	2.8%
China Construction Bank	2.8%

Top 10 holdings	29.2%
Number of holdings	36

Sector



Country



Past performance does not predict future returns.

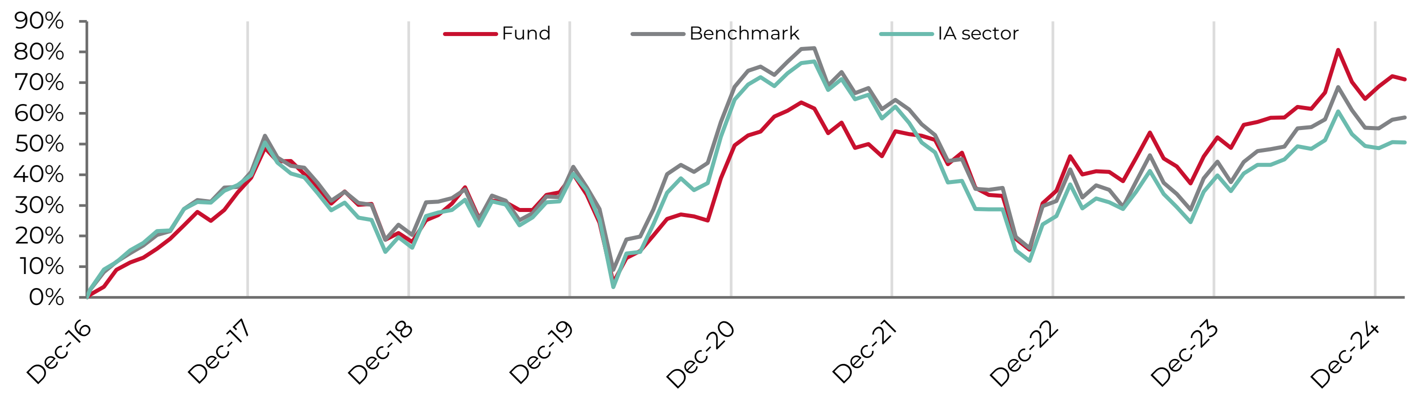
GUINNESS EMERGING MARKETS EQUITY INCOME FUND - CUMULATIVE PERFORMANCE

(GBP)	1 Month	YTD	1 yr	3 yr	5 yr	10 yr
Fund	-2.0%	+0.8%	+10.0%	+19.4%	+39.6%	-
MSCI Emerging Markets	-0.8%	+1.7%	+10.6%	+8.0%	+25.0%	-
IA Global Emerging Markets TR	-1.4%	+0.7%	+7.7%	+6.6%	+21.8%	-
(USD)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-0.6%	+1.3%	+9.5%	+12.0%	+37.6%	-
MSCI Emerging Markets	+0.5%	+2.3%	+10.1%	+1.4%	+23.2%	-
IA Global Emerging Markets TR	-0.1%	+1.2%	+7.2%	+0.0%	+20.0%	-
(EUR)	**1 Month**	**YTD**	**1 yr**	**3 yr**	**5 yr**	**10 yr**
Fund	-0.7%	+0.9%	+13.9%	+21.0%	+45.4%	-
MSCI Emerging Markets	+0.4%	+1.8%	+14.5%	+9.5%	+30.1%	-
IA Global Emerging Markets TR	-0.1%	+0.8%	+11.6%	+8.0%	+26.8%	-

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	+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	+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	+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 net of fees to 28.02.25. 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 OCF used for the Fund performance returns is 0.89%. which was the OCF over the calendar year 2024. 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. 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.

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