Guinness European Equity Income Fund

INVESTMENT COMMENTARY – July 2020

Launch date	**19.12.2013**
Team	**Ian Mortimer** **Matthew Page** **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.

Performance 30.06.20

Fund	European Equity Income (Z Class, 0.35% OCF)
Index	MSCI Europe ex UK
Sector	IA Europe ex UK

	1 year	3 years	From launch
Fund	-4.9	3.9	55.3
Index	0.0	9.2	54.6
Sector	0.9	7.4	56.7

Annualised % total return from launch (GBP)

Fund	7.0%
Index	6.9%
Sector	7.1%

Risk analysis (annualised, weekly, from launch)

	Index	Sector	Fund
Alpha	0.0	1.1	0.7
Beta	1.0	0.9	0.9
Info ratio	0.0	0.1	0.0
Max drwdn	-25.0	-24.4	-30.3
Tracking err	0	6	5
Volatility	15.8	14.7	15.6
Sharpe ratio	0.2	0.2	0.2

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Source: Financial Express, Z class 0.35%, bid to bid, total return.

Summary Performance

Over Q2, the Guinness European Equity Income Fund returned 22.9% (in GBP), or +3.7% versus the MSCI Europe Ex UK Net Return Index, which rose by 19.2% (in GBP) over the second quarter.

European equities, a significant underweight in most global portfolios, outperformed all main global regions over the month of June. This was helped by the progress made on a coordinated recovery package set in motion by Germany and France – itself having arguably positive implications for EU integration and development.

	1 month	YTD	1 Yr	3 Yr	5 Yr	Since Launch
Fund	7.2%	-8.1%	-4.9%	3.9%	52.7%	55.3%
Index	4.9%	-2.6%	0.0%	9.2%	46.7%	54.6%
Sector	4.3%	-2.1%	0.9%	7.4%	44.9%	56.7%
Fund vs Sector	2.9%	-6.0%	-5.8%	-3.6%	7.8%	-1.4%

Figure 1: Performance data. Source: Financial Express 0.35% OCF. Cumulative Total Return in GBP as of 30.06.2020

Q2 was characterised by a large recovery in equity prices, as governments and central banks went all out to reassure investors with a collective display of massive monetary and fiscal stimulus, offsetting the financial impact of the novel coronavirus pandemic. As we discussed in last month's commentary, our recent switches moved to align the fund with the recovery from COVID-19. At the company level, this looks set to target resilience through increased investment in automation and digital, and from the government level to focus on job creation and sustainability via a green recovery, in recognition of the real opportunity to harness the setback in two capacities. Firstly, to create jobs, and secondly, to address an even larger setback on the horizon in the form of climate change.

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Importantly for investors, there may be other longer-term positive outcomes for European equity markets. The impact of COVID-19 pushed the Eurosystem to its limits. It caused single market fragmentation to become a likely prospect, as Italy (and Spain) suffered the twin effects of an already weak balance sheet and the heaviest COVID-19 impacts, while Germany addressed the crisis head-on from a position of strength, with a robust healthcare system and more-than-adequate surpluses to expedite massive fiscal stimulus. While there are some holdouts (in the form of the 'Frugal Four' arguing for less grants and more loans), it seems fairly apparent that there has been a decisive change in the mood music to focus on a recovery package that enables a coordinated and balanced recovery across the Eurozone; the clear aim being that no one country should come out the other side of this crisis disproportionately worse off than the rest. Over and above that, there is a strong chance that the setback drives increased levels of unification. The EC looks set to gain increased funding powers, largely through green taxation, as a means of financing the recovery package. Progress on capital markets union, aided by Brexit, is also evident, with the EC currently working to redirect low levels of insurance sector exposure to infrastructure and equity finance – to the benefit of a sustainable recovery and job creation. A long-dated pan European yield curve – resulting from EC issuance out to 2050 and beyond to fund the recovery package – would have the added benefit of facilitating higher levels of long-term investment into infrastructure, akin to the US.

Another notable development over the course of June was European Competition Commissioner Margrethe Vestager's *volte-face* over consolidation, after the General Court in Luxembourg annulled the EC's decision to block the merger of O2 and Three. The potential is significant across multiple collectively fragmented country markets, historically characterised by national protectionism, to date expressed via lower returns and the presence of far more individually listed companies than the US. Add in the likelihood of Eurozone finance functions moving into the block, as the Brexit deadline approaches and EC leverage over passporting grows, and all the ingredients are there for a step change in the Eurozone and investor sentiment. Germany's determination to use its six-month rotating EU presidency to forge a stronger external role in the world (as well as focusing on green and digital) seems notable in this respect. As do the current trade talks with China, aimed at "addressing a great asymmetry in market access". The EU is showing signs of emerging from its growing pains to become a more significant, united and purposeful block. Certainly, assuming follow-through, the plans for an EU green taxonomy look set to accelerate the transition to Paris climate goals on a global scale, as green funds made in the US or Asia will in all likelihood look for these products to break into the EU, and companies compelled to provide high level data for the EU will simply provide it as a matter of course to other markets.

Improving confidence in Europe – when set against increased uncertainty in the US, at a time when US financial assets trade at a modest premium to their historical average valuation against Europe – could be meaningful in terms of ex US flows to Asia, Europe and green assets. This is manifest most clearly in the figure of Joe Biden, now ahead in the polls and promising to reverse Trump-era tax cuts and bring in a US green deal (the latter also standing to benefit some of the European green leaders held by our Fund). Some estimates suggest that a complete reversal of the tax cuts could result in a 20% fall in US earnings estimates. Meanwhile, regarding COVID-19, the R figure has dropped and so far stayed well below 1 in Europe, while the US has suffered a resurgence of cases. The last couple of weeks have shown early signs of Asian and European outperformance vs. the US, a trend that could continue at least in the near-term ahead of the US election. Longer-term follow-through in Euro project integration could also raise the prospect of a return of Euro strength.

In our view the Guinness European Equity Income Fund is well placed for this environment. The fund has solid exposure to automation and digital investment trends, alongside a large overweight to green industrials, likely to be the prime beneficiaries of increased fiscal climate and infrastructure investment. The fund is AA rated by MSCI ESG, and well balanced between growth and value and international and domestic stocks. If there are

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further outbreaks of COVID-19, the fund looks resilient, with over 90% of holdings deemed critical rather than discretionary, alongside persistent high cash returns and strong balance sheets. High levels of recurring income and active shareholder ownership also underscore the robust nature of the Fund's holdings and the long-term thinking that underpins them.

Performance Drivers

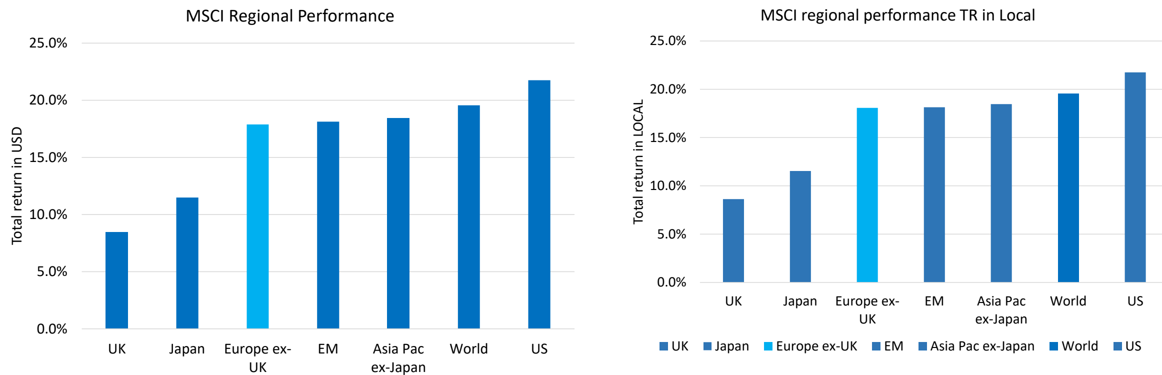

Figure 2: MSCI World Index geographic total return breakdown for Q2 2020, in USD (left) and Local currency (right). Europe in light blue.
Source: Bloomberg data

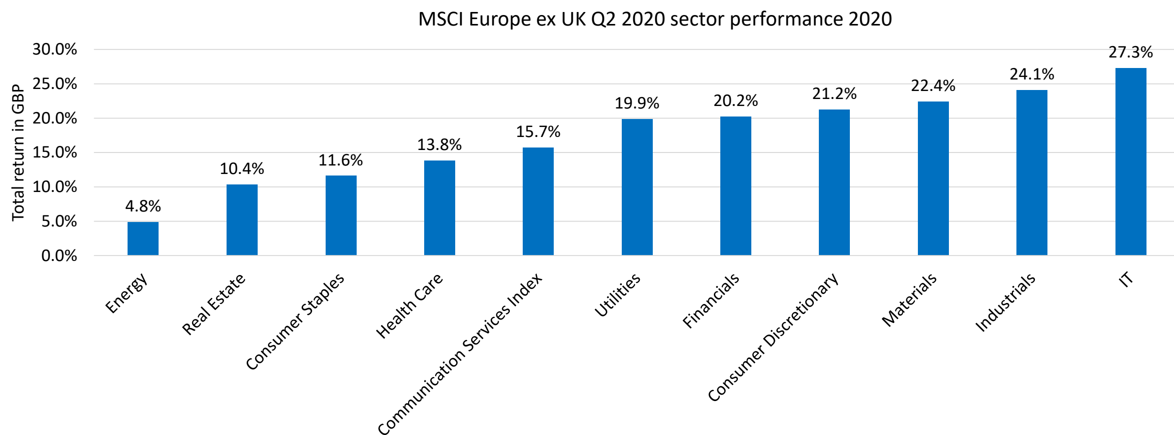

Figure 3: MSCI Europe ex UK Index sector total return breakdown for Q2 2020, in GBP.
Source: Bloomberg

Sector performance was favourable for the Fund during Q2, with IT (to which we have a small overweight) and Industrials (where we have a large overweight) leading the recovery. At the other end of the spectrum, we had no exposure to the two worst-performing sectors – Energy and Real Estate. The breakdown of performance is entirely logical from the perspective of the quantum of fiscal stimulus that looks set to be directed towards climate, digital and infrastructure (job creation).

In last month's commentary we wrote about recent changes made to the portfolio in response to the coronavirus pandemic. Company commentary has already shown signs of increasing capex in digital and cloud as companies look to increase their levels of resilience, and similar trends should be expected in automation. All of our **IT** holdings are well placed to enable this transition, whilst automation-focused **Industrials** such as

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ABB, Schneider and Siemens stand to do well out of the latter trend. At the other end of the spectrum, the EC capital markets review highlighted plans to enable increased levels of pension investment into infrastructure

(and equities), alongside previously announced fiscal plans. Holdings including Sika and Epiroc look well placed in this respect, being the global market leaders in innovative and sustainable construction chemicals and hard rock drilling respectively.

Healthcare might be used as a source of funds in the very short term ahead of the US election and following a robust YTD performance. However, the medium to longer-term outlook remains favourable in our view, as high levels of innovation meet significant unmet need, leaving a long runway for growth. Fresenius has good scope to take market share in hospital care, following a world class response to the pandemic (treating patients well ahead of its market share) and with public providers having been forced to take on additional borrowing. Meanwhile, Roche's diagnostic platform has been given a huge leg up by the crisis, positioning it well for structural growth as countries like the UK catch up on investment.

Looking at **Financials**, our exchanges have gone from strength to strength, as has Amundi – helped by a tailwind in credit – whilst our insurers have remained at the lower end of their trading ranges following the market sell-off. The latter could stay that way for a while, but are a great insurance policy (no pun intended) should this rather deflationary event turn inflationary down the line, and provide good levels of income during the interim.

Positioning

The Guinness European Equity Income Fund is characterised by a high 85% active share against the Europe Ex UK benchmark. Our focus on companies with good track records that are in charge of their own destiny and have the potential to deliver high and rising returns for a long time to come means the fund has no exposure to commodity and regulated sectors like Utilities, Real Estate, Energy and Banks. Meanwhile, sectors such as IT, Consumer Staples and Industrials, in which the Fund is overweight, hold many high-quality and scalable companies.

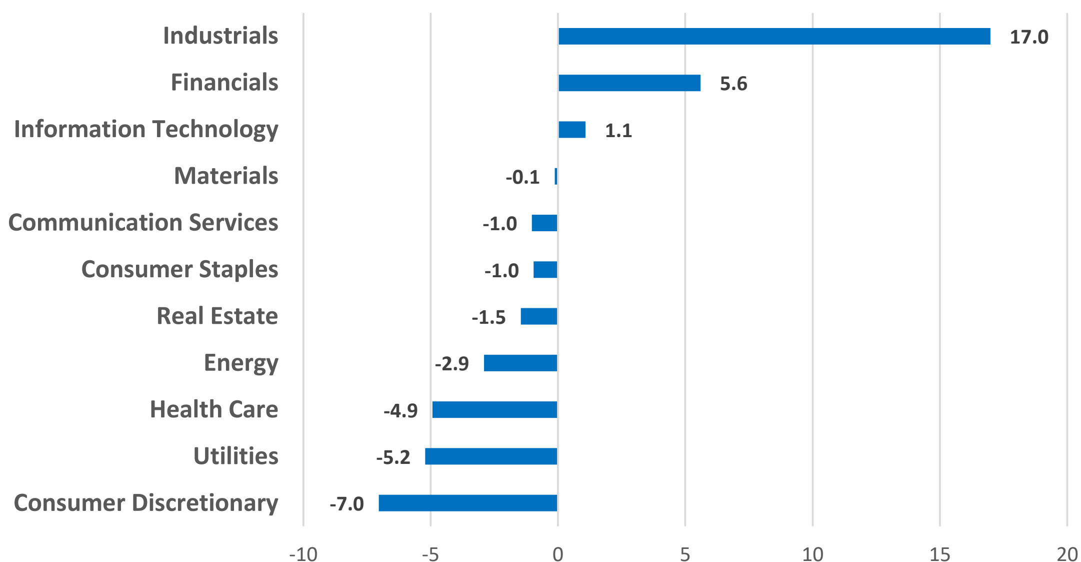

Figure 4: Sector over/underweight % breakdown of the fund versus MSCI Europe ex UK Index. Source: Guinness Asset Management, Bloomberg (data as at 30.06.2019).

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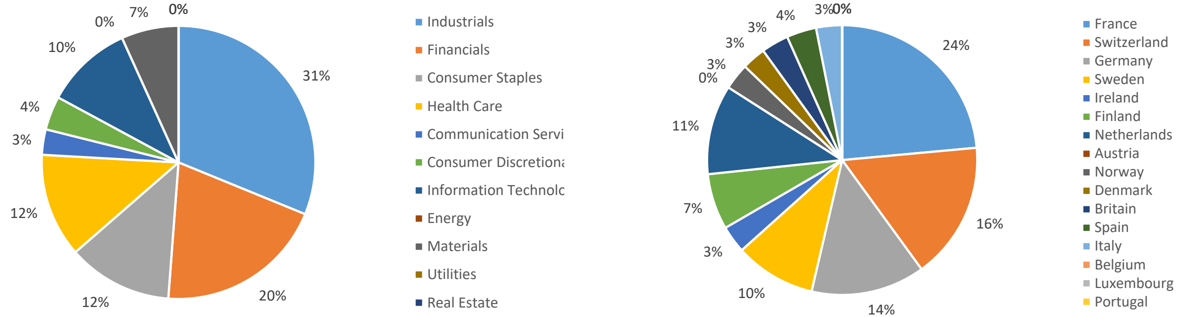

Figure 5: Sector and regional breakdown of the fund.
Source: Guinness Asset Management, Bloomberg (data as at 30.06.2020)

The Guinness European Equity Income Fund's country over and underweight positions result from a pull between two factors. Naturally France and Germany represent high absolute weights in the index at 22.6% and 19.2% respectively; but it is also the case that we simply find a greater number of high-quality companies with strong prospects in "high IP" markets with good corporate governance, such as Scandinavia.

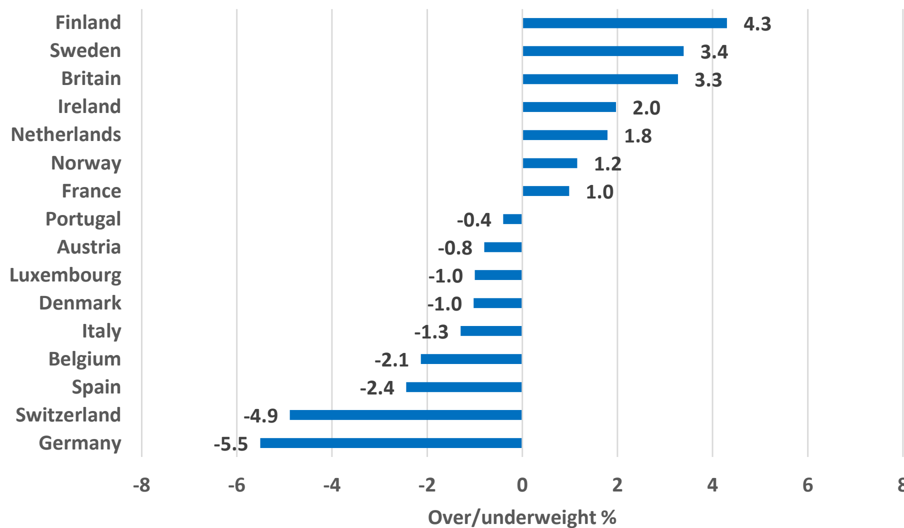

Figure 6: Regional breakdown of the fund versus MSCI Europe ex UK Index on a geographic basis.
Source: Guinness Asset Management, Bloomberg (data as at 30.06.2020)

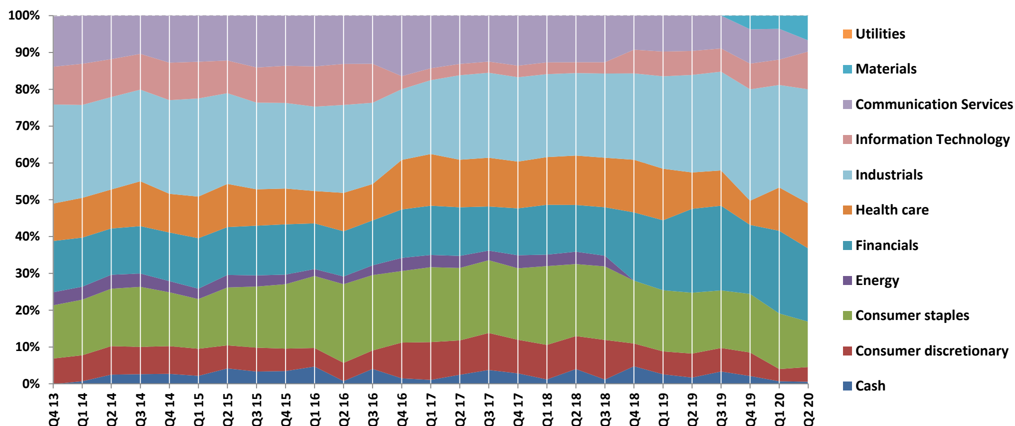

Figure 7: Portfolio sector breakdown at end of Q2 2020.
Source: Guinness Asset Management, Bloomberg (data as at 30.06.2020)

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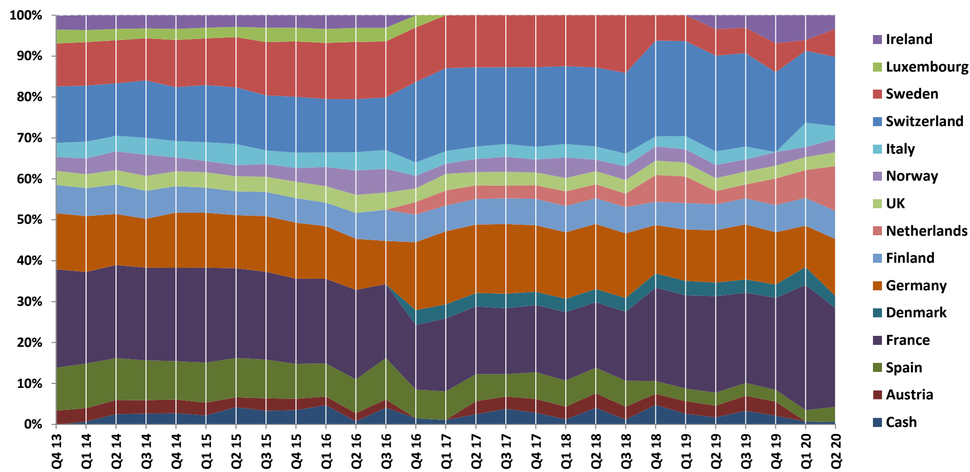

Figure 8: Portfolio geographic breakdown at end of Q2 2020.
Source: Guinness Asset Management, Bloomberg (data as at 30.06.2020)

The Dividend

The fund paid its H1 dividend at the beginning of July, down 55% YoY due to a large amount of dividend deferrals and some dividend cuts. COVID-19 meant that many AGMs, where dividends are approved, had to be postponed, at least until they could be held remotely. It is also the case that many dividend cuts were driven by regulatory or political pressure. Notably, companies in which the French state has a holding, like Thales, were instructed not to pay dividends, and Banks and insurance companies were similarly instructed by their regulators to withhold payments. This impacted our holding in Amundi (due to Credit Agricole's majority 69.8% shareholding) and Axa, which has only just (in July) paid half its annual dividend. Both these companies have promised to review in H2, and we expect a good degree of catch-up with a much larger than normal H2 dividend (which goes ex at the beginning of January). In total, we estimate that the FY dividend will be around 35% lower year-over-year. Just under a third of this is due to the non-repeat of French withholding tax benefits (we increased our exposure to French equities into 2019, where withholding tax is zero compared to rates of 20% - 30% in other European countries), and the remainder is due to dividend cuts.

Recent portfolio changes, characterised by lower dividend yields but better total return profiles, mean that the dividend will not bounce back to 2019 levels in 2020. However, the prospect for sustainable and higher dividend growth should be enhanced, driven by holdings in resilient and cash generative companies that are positioned to come out of this crisis well. Going forward, the Fund will continue to look to invest in the best total return profiles from high-quality European dividend-paying companies.

Companies

Individual companies that led the recovery in Q2 were **Salmar, Aalberts** and **KoneCranes**. Companies that detracted from performance in Q2 included **Thales** and **Kering.**

Salmar (+48%) rebounded strongly in Q2, primarily due to the degree of drawdown at the end of the first quarter. However, there are some interesting shifts afoot in the global salmon market. Supply growth looks set to come to a near standstill in 2021, as the southern hemisphere

(namely Chile) is forced to make the shift to biological treatment from chemical treatment which Norwegian leaders made over the last decade. Furthermore, the COVID-19 pandemic has resulted in increased demand

for value-added products, notably premium retail branded salmon products, as many consumers lucky enough to be in work stay at home and redirect increased savings to eating well. It also seems likely that the sector trend to consolidation continues, and the strong get stronger with names like Salmar investing ample free cash flows into new smolt facilities (Sanja site) enabling longer onshore incubation and larger smolts with positive biological implications due to shorter times at sea. Salmar exemplifies best practice, focused on continuous incremental improvement and efficiency. In our view, investors should not worry about the withdrawal of the dividend in 2020, which should be viewed in the context of increased operational flexibility *vis-à-vis* consolidation and prudence driven by long memories of supply and demand mismatches. Valuation metrics remain highly attractive relative to benchmark, offering ROEs of 27% vs. 2021 price earnings multiples of ~17x alongside balance sheet strength of ND/EBITDA of 0.4x. In our view its not until ~2025 that that innovative new capacity (like Salmar's) could make a meaningful mark on the supply side of the industry, but with demand growing 5% plus (vs. no growth 2021) and 3-4% thereafter and significant barriers to new near shore production, this remains a great (and differentiated) place to be invested.

Konecranes (+45%) also rebounded quickly from the sharp drawdown that occurred into the end of Q2. The market at first reacted against the company due to inherently cyclical end markets such as shipping via the Port Solutions business, automotive and pulp and paper. It subsequently seemed to factor in the business-critical nature of the operations focused on automation and safety. Konecranes is cyclical, but it is also cash generative and resilient due to the rising proportion of higher margin repeat service revenue. Automation and safety are not areas that customers are going to scrimp on post-COVID 19 as they look to build in greater resilience in anticipation of future black swans. Konecranes has the right DNA to enable it to both capitalise on and provide customer-focused solutions to this pandemic, in spite of obvious hits to short-term sales and orders due to forced shutdowns of some country operations which did temporarily inhibit ability to service. Konecranes' European component factories were, however, able to keep running without interruptions. In the very short-term, Konecranes sees cost adjustment actions alleviating Q2, driving improved EBITA profitability vs. Q1. As of April the YoY service base grew 8%, which is a trend we would expect to continue mid-term, particularly given the lack of service in the recently acquired MHPS business in the US. Also in Q2 Konecranes closed the MHA Demag Asia acquisition, giving it a stronger base from which to capitalise on its global service leadership position across the continent. The future may be bumpy but we remain of the view that it is bright for Konecranes, which continues to trade at a ~80% P/Bk discount to former parent Kone, with different end markets of course, but with not dissimilar economics and business models. Meanwhile, investors can rest soundly in the knowledge that our view is supported by trusted Scandinavian governance and active owners thinking for the long-term.

Aalberts Industries (+43%) fell far harder and faster than we could have imagined into the end of Q1, given the high-quality nature of the business. Happily, we reweighted our holding up close to the lows and the market has since given the business a bit more credit. Indeed, only a few company plants in Southern Europe were closed for several weeks, due to government instruction, and all impacted sites reopened at the beginning of May. The underlying stress has not been too bad, with 5m revenues -12% YoY, a flat orderbook and net debt -15% YoY at end May 2020. Activities in installation technology and climate technology in the green buildings market continued reasonably well, while material technology and sustainable transport (autos) faced a slowdown along with Southern Europe and UK which were hit harder on a regional basis. The 'star of the show', however, was advanced mechatronics for semiconductor efficiency end markets, which "realised strong growth" with a record high orderbook in the coming months (arguably a positive read for our holding in **ASML**). From the final weeks of May onwards Aalberts has seen increasing order intake and sales. Aalberts has responded by focusing on cash

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management and cost savings at the same time as accelerating action plans laid out at year end 2019. There may be some one-off costs this year, but Aalberts is firmly in the right place on a multi-year view, and with

large European fiscal stimulus packages focused on green buildings and digital efficiency, we can look forward to an acceleration in underlying demand from 2021 onwards.

Thales (-1%) failed to rebound in Q2 2019, primarily because the civil aerospace business looks likely to suffer medium-term rather than short-term impacts from the novel coronavirus pandemic. Civil aeronautics sales largely relating to Airbus accounted for around 11% of sales in 2019, and it looks like it may take some three years before aircraft deliveries are back to 2019 levels. That only a small portion of revenues are structurally impacted is good news. However, due to the severity of the lockdown in France enforced by the French State, it looks likely that 2020 Group earnings may be around 20% - 25% lower YoY (the stall exacerbated by fixed costs accounting for nearly 50% of group sales). At the end of April 2020 Q1 group sales fell -5% YoY and orders -15%. Overall, however, the setback looks like a longer-term opportunity for Thales. Crisis response focused on climate, infrastructure and digital plays to Thales' strengths. Medium-term investment in rail signalling looks positive, while Thales' rising position in cyber security following the Gemalto acquisition also looks well placed. Meanwhile, with US President Donald Trump pulling away from Nato, European Defence spending looks likely to continue to rise to around 2% of GDP from recent 1.5% levels. Thales is the European market leader in Defence aeronautic communications, and the shares look to be at great value on just ~10x 2021 earnings, with good scope for rerating as Thales' moat continues to widen and operating leverage starts to work in shareholders' favour.

Kering (+1.5%) is one of two remaining companies in the portfolio where sales are truly discretionary in nature. Q1 sales fell 16.4%, as the company was impacted early in the crisis due to the company's high exposure to China and Asia shutdowns, and made little further headway in Q2 after its March rebound. That said, the shares have been fairly resilient, helped by a sharp fall in the discount rate which has more than offset the hit to earnings. Results due to be reported on 28th July will inevitably look ugly, with H1 sales down in the order of 30% YoY and EBIT not far off -60%, but of course that is transient and itself of limited impact to a forty year discounted valuation. The market seems to underestimate Kering persistently, having failed to reprice it up to peer levels (of LVMH and Hermes, the latter a single brand house), in spite of leadership in leather, Asia and digital. Gucci is rather ostentatious, but the marketing machine is *par excellence*, and directed at those with the greatest propensity to spend, as opposed to those with the highest savings. Kering is also well ahead of most luxury peers in terms of sustainability, particularly materials use and labour, which we think will pay dividends and enable the Group to remain current, where other brands may struggle to keep up. The family, under Francois-Henri Pinault, very much have their finger on the button in our view. In fact, the biggest risk to Kering's ongoing equity performance would be a sharp rise in discount rates. Given strong historic evidence of gradual recoveries from pandemics, however, this risk looks manageable.

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Key Fund Metrics Today

The four key tenets to our approach are: quality, value, dividend, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will. At the quarter end, we are pleased to report that the portfolio continues to deliver on all four of these measures relative to the benchmark MSCI Europe ex UK Index.

		Guinness European Income Fund	MSCI Europe ex UK Index	GEEI Delta vs. MSCI Europe
Quality	Average 8 year CFROI %	16.0	10.5	5.5
	Debt / equity %	79.0	210.0	-131.0
	Net debt / Equity %	55.0	60.5	-5.5
	ROE %	21.0	6.5	14.6
Value	PE (2020e)	16.7	22.3	-5.6
	FCF Yield %	5.6	5.0	0.6
Dividend	Dividend Yield (2020e) % gross	3.3	2.8	0.5
	Weighted average payout ratio %	50.0	75.0	-25.0
Conviction	Number of stocks	30	344	-314.0
	Active share	85	NA	

Figure 9: Portfolio metrics versus index.
Source: Guinness Asset Management, Credit Suisse HOLT, Bloomberg (data as at 30.06.2020)

Outlook

The pace of the rebound over the last quarter set against ongoing resurgences of the novel coronavirus might on the face of it suggest that we have seen the best of this rebound. However, it is worth stressing that in our view, the Fund is to a large degree protected from the impact of any potential future outbreaks of the virus by virtue of the critical nature of the portfolio’s holdings (>90%). Recent portfolio changes have focused on enablers of resilience and job creation, meaning that the fund is heavily overweight those areas where companies will invest and fiscal stimulus looks set to fall – namely clean and digital infrastructure.

European equities trade at a small discount to their recent average valuation vs. the US, and a very large one on a Trend PE basis (assuming European earnings growth returned to trend). With Germany directing EU members towards a large and coordinated policy response, set against somewhat mixed developments in the US – Biden ahead in the polls but promising to cancel tax cuts, and relapses of COVID-19 – the outlook for Europe may be somewhat better than we have become accustomed to over the last decade.

Whatever the weather, the Guinness European Equity Income Fund invests in companies characterised by persistent high cash returns and strong balance sheets, alongside high levels of self-determination – namely, identifiable barriers to entry, strong market positions, widening moats, aligned interests and long runways for growth. Based on the above table, holistically, this high-conviction Fund has companies which are better quality at better value verses the index.

We thank you for your continued support.

Dr Ian Mortimer, CFA, Matthew Page, CFA and **Nick Edwards**

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PORTFOLIO

30/06/2020

Fund top 10 holdings

Holding	%
Kering SA	3.9%
Aalberts	3.6%
Schneider Electric	3.6%
Deutsche Post	3.6%
ABB	3.5%
Mapfre	3.5%
ASML Holding	3.5%
Capgemini SE	3.4%
Euronext	3.4%
Sika	3.4%
% of Fund in top 10	35.6%
Total number of stocks	30

Sector analysis

Sector	%
Industrials	30.6%
Financials	19.6%
Consumer Staples	12.2%
Health Care	12.1%
IT	10.2%
Materials	6.6%
Consumer Disc.	3.9%
Comm. Serv.	3.0%
Cash	1.8%

Geographic allocation

Country	%
France	23.1%
Switzerland	16.2%
Netherlands	13.8%
Germany	13.4%
Sweden	9.5%
Finland	6.6%
Spain	3.5%
Ireland	3.2%
Norway	3.1%
Italy	3.1%
Other	2.8%
Cash	1.8%

PERFORMANCE

30/06/2020

Annualised % total return from launch (19/12/2013 in GBP)

Fund (0.35% OCF)	7.0%
MSCI Europe ex UK Index	6.9%
IA Europe ex UK sector average	7.1%

Discrete years % total return (GBP)	Jun '20	Jun '19	Jun '18	Jun '17	Jun '16
Fund (0.35% OCF)	-4.9	12.2	-2.6	29.8	13.2
MSCI Europe ex UK Index	-0.0	7.3	1.8	28.0	4.9
IA Europe ex UK sector average	0.9	3.3	3.1	29.2	4.4

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (0.35% OCF)	7.2	-8.1	-4.9	3.9	52.7	55.3
MSCI Europe ex UK Index	4.9	-2.6	0.0	9.2	46.7	54.6
IA Europe ex UK sector average	4.3	-2.1	0.9	7.4	44.9	56.7

RISK ANALYSIS

30/06/2020

Annualised, weekly, from launch on 19.12.13, in GBP	Index	Sector	Fund
Alpha	0.00	1.11	0.67
Beta	1.00	0.87	0.93
Information ratio	0.00	0.05	0.03
Maximum drawdown	-25.02	-24.43	-30.29
R squared	1.00	0.88	0.89
Sharpe ratio	0.20	0.24	0.22
Tracking error	0.00	5.53	5.29
Volatility	15.77	14.67	15.60

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Important information

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This report is primarily designed to inform you about equities and equity markets invested in by the 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.

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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. The Fund invests only in stocks of companies that are traded on European stock exchanges or that do at least half of their business in Asia; it is therefore susceptible to the performance of that region, and can be volatile. 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 from the website www.guinnessfunds.com, or free of charge from:-

- the Manager: Link Fund Manager Solutions (Ireland) Ltd, 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.

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.