

Guinness Global Money Managers Fund

A high conviction equity fund managed by Will Riley and Tim Guinness investing in quoted companies in the asset management sector.

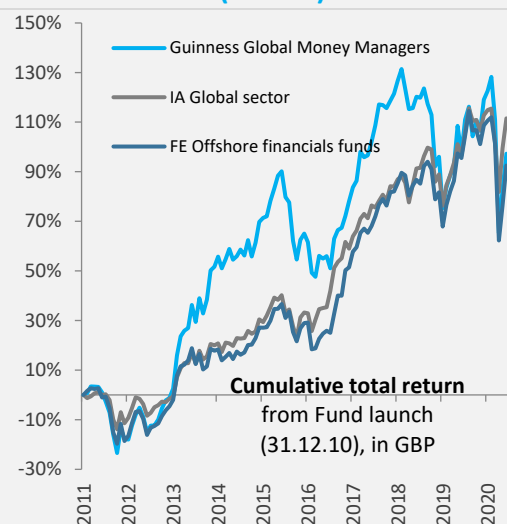
INVESTMENT COMMENTARY – July 2020

Aim

The Fund aims to deliver long-term capital growth by capturing the strong returns that successful asset management companies can deliver to shareholders.

We expect asset managers to outperform the broad market over the long term, primarily due to the ability of successful managers to grow their earnings more rapidly than the broad market.

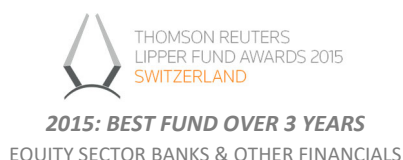
Performance (in GBP) 30.06.2020



| Index | MSCI World Index |
|------------------|-----------------------------|
| Financials Index | MSCI World Financials Index |
| Fund launch | 31.12.10 |

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations.

Source: Financial Express (X class, 1.24% OCF), bid to bid, total return. Simulated Past Performance – see performance data note on the last page of this document.



Asset management sector

In this month's update, we review the asset management sector and our Fund performance over the second quarter of 2020, and consider the outlook for the rest of the year and beyond.

The Global Money Managers Fund (class E, in USD) in the second quarter of 2020 produced a total return of +26.4%. This compares to the return of the MSCI World Index (net return) of +19.4% and the MSCI World Financials Index of +12.9%.

After the first quarter saw many markets falling from all-time highs to a bear market in a few weeks, the April to June period saw the re-emergence of a bull market.

Markets rebounded hard on central bank and government support, with US equities having their strongest quarter in 20 years. This came despite very weak economic data emerging from most parts of the world, reflecting the impact of lockdown measures. For example, in the UK, GDP declined by 25% from its peak to its trough.

Central banks were quick to offer support and this came in many forms: support for borrowers and currency markets; lower interest rates and an expansion of quantitative easing. During the peak phase of the crisis the US Federal Reserve was buying \$1 million of bonds per second.

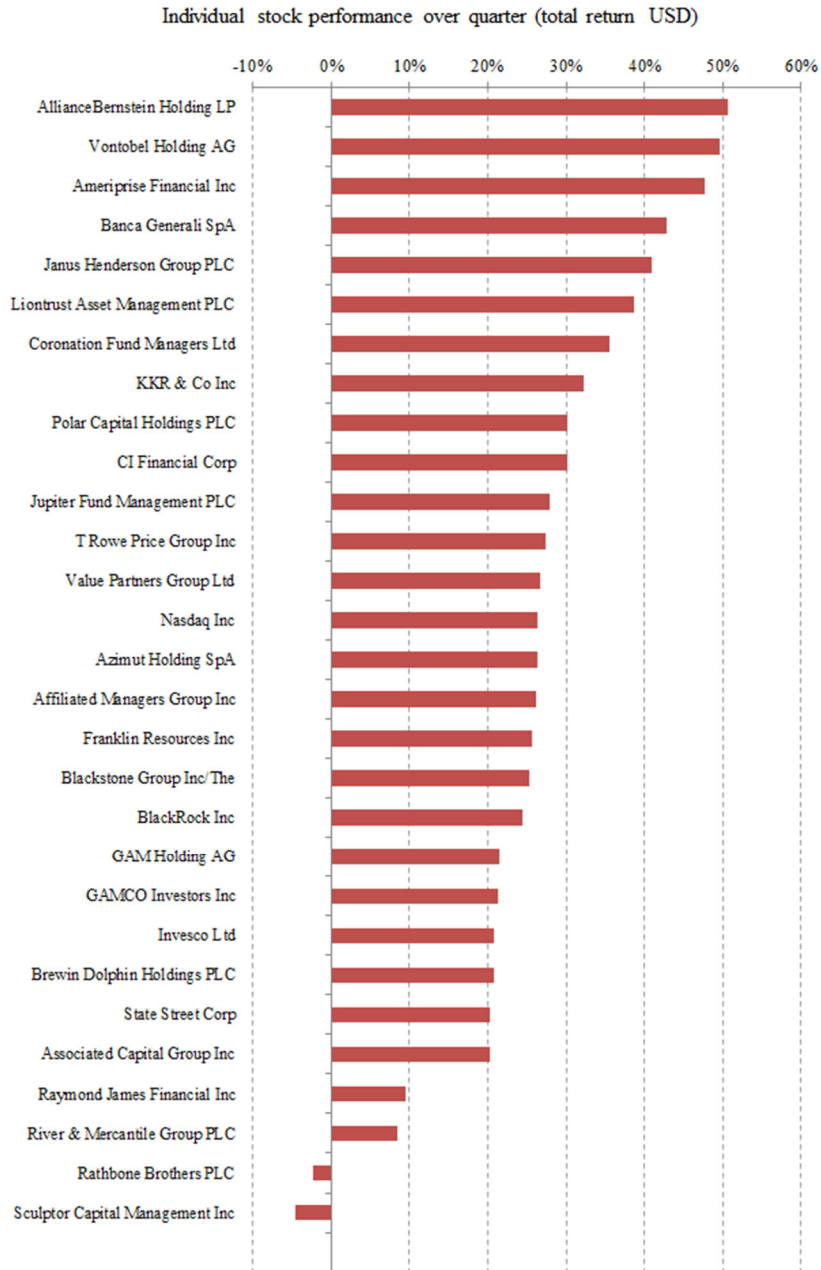
China and other Asian economies have been more effective in restricting the spread of the virus, whilst there have been a variety of approaches to lockdown in the West with varying degrees of success.

Against the backdrop of Brexit talks and managing the COVID-19 outbreak, sterling lost ground against the euro in Q2. The dollar, however, lagged both as it tends to when growth recovers.

Guinness Global Money Managers Fund

In addition to the strength in equities, corporate bonds also rebounded. Overall, this created a strong backdrop for recovery in the asset management sector.

The performance of each individual stock held in the fund at the end of the quarter can be seen in the chart below.



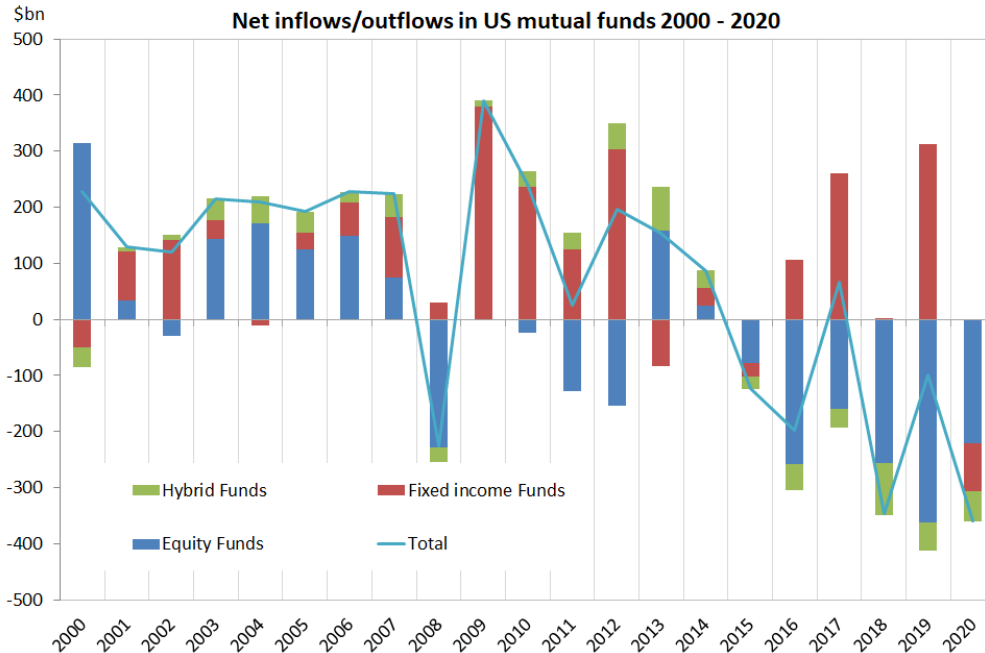
Source: Bloomberg/Guinness Asset Management

Since the start of the year, the alternative asset management (including private equity and hedge funds) and stock exchange sectors have been particularly strong, whilst wealth managers (particularly in the UK) have lagged. Small and mid cap asset managers generally fared better than the large caps.

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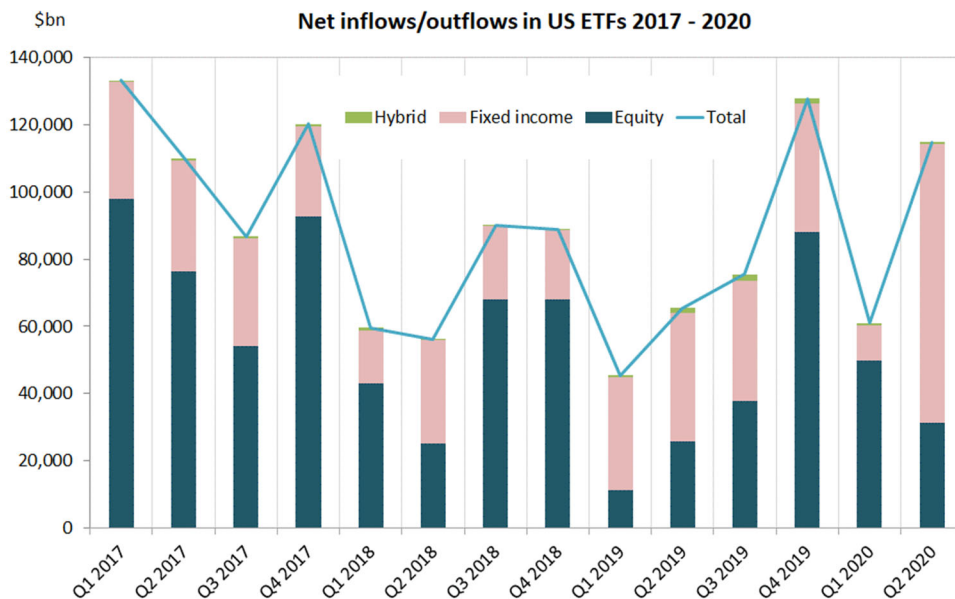
Guinness Global Money Managers Fund

Within the asset management sector, data for US mutual fund flows (which we treat as a proxy for global flows) indicated record outflows from active equity funds in 2019, surpassing the outflows seen in 2018. The picture for active bond & income funds was better, with strong positive flows in every quarter. Flows in the first half of 2020 turned heavily negative across all categories. Equity fund outflows were consistent with the previous two quarters, but bond and income flows turned negative for the first time since the fourth quarter of 2018.



Source: ICI/Bloomberg/Guinness Asset Management

Data from the US ETF industry shows a contrasting picture, with inflows across equity ETFs, bond & income ETFs and hybrid ETFs in every quarter since the start of 2017:



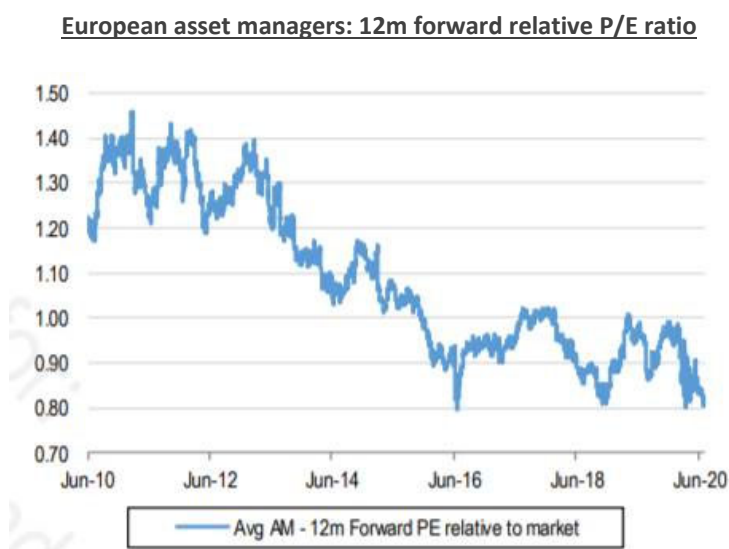
Source: ICI/Bloomberg/Guinness Asset Management

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Prospects for activity continue to look strongest amongst the alternative asset management group. A zero interest rate backdrop benefits the sector, and this has been backed up by an improving fundraising environment, with raises in the second quarter generally better than expectations. Within our portfolio, we were impressed for example to see KKR complete their latest Asia Buyout Fund at over \$10bn. Blackstone raised around \$20bn in the second quarter, down on the first quarter but still a reasonable effort given the environment. Against this, we would have to acknowledge that valuations in the alternatives sector are not as attractive as 12-24 months ago. A number of the stocks now trade on higher multiples and see the benefits of C-Corp conversion now fully priced in.

For traditional asset managers in the US, we expect the trend of strong flows into fixed income to continue. In our portfolio we see this as particularly positive for Blackrock (as a large active and passive fixed income business) and AllianceBernstein.

In Europe, we note that active fund performance versus passive was better than before the COVID-19 crisis. A study from CS of a EUR2.9 trillion universe of European-domiciled equity funds shows an 8% jump in the value of funds outperforming their benchmark this year, as compared to the six months leading up to the end of 2019. The outperformance of active over passive remains, of course, a critical measure when assessing the prospects for traditional managers. In our portfolio, we note that the swing from underperformance to outperformance is most impressive for Jupiter – which comes at a timely moment as the market continues to express scepticism over its acquisition of Merian. It is also interesting to see the valuation of European asset managers relative to the broader European equity market. The average 12m forward consensus P/E ratio for traditional European asset managers now sits at around 15x, or 0.8x on a market relative basis. The compares to a pre-COVID crisis P/E of 15x but market relative of around 1.0x, leaving relative valuation at a 10 year low:



Source: Bloomberg; Credit Suisse

At 30 June 2020, the P/E ratio of the Fund was 11.7x 2020 earnings. This sits at a significant discount to the broad market, with the S&P 500 trading on a 2020 P/E ratio of 28.4x earnings.

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Fund P/E ratios versus the S&P 500 Index (30.06.20)

| | '17 | '18 | '19 | '20 | '21 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Fund P/E | 15.8 | 10.6 | 11.5 | 11.7 | 14.3 |
| S&P 500 P/E | 24.9 | 20.5 | 19.7 | 28.4 | 19.2 |
| Premium (+)/ Discount (-) | -37% | -48% | -42% | -59% | -26% |

Source: Standard & Poor's, Guinness Asset Management.

In the longer term we expect asset managers as a sector (and therefore the Fund) to outperform the broad market, due primarily to the ability of successful asset management companies to grow their earnings more rapidly than the broad market.

The Fund remains positioned to capitalise on the increasing value of successful companies in the sector.

Will Riley, Tim Guinness & Mark Hammonds

July 2020

PORTFOLIO

30/06/2020

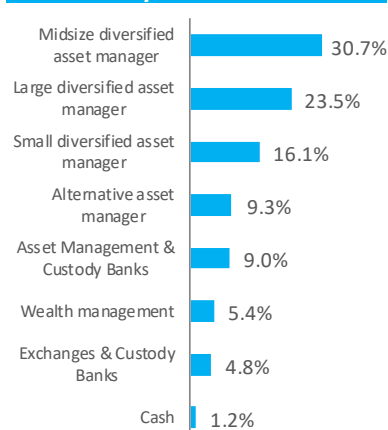
Fund top 10 holdings

| | |
|----------------------------|------|
| Ares Management | 5.0% |
| Liontrust Asset Management | 4.8% |
| Nasdaq | 4.8% |
| KKR | 4.5% |
| Blackstone Group | 4.3% |
| Vontobel | 4.3% |
| Blackrock | 4.2% |
| Ameriprise Financial | 4.0% |
| T Rowe Price | 4.0% |
| Banca Generali | 4.0% |

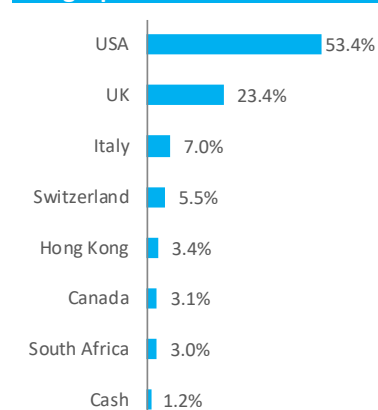
% of Fund in top 10 43.8%

Total number of stocks in Fund 30

Sector analysis



Geographic allocation



PERFORMANCE (see Performance Data notes below)

30/06/2020

Annualised % gross total return from launch (X Class, in GBP)

| | |
|--|--------|
| Guinness Global Money Managers Fund | 8.10% |
| MSCI World Index | 11.38% |
| MSCI World Financials Index | 7.47% |
| Financial Express - Financial Sector average | 7.38% |

| Cumulative % gross total return (X Class, in GBP) | 1 month | Year-to-date | 1 year | 3 years | From launch |
|---|---------|--------------|--------|---------|-------------|
| Guinness Global Money Managers Fund | 6.3 | -5.8 | -0.6 | 0.5 | 109.6 |
| MSCI World Index | 2.7 | 1.0 | 5.9 | 27.7 | 164.0 |
| MSCI World Financials Index | 3.1 | -17.5 | -13.5 | -6.1 | 87.8 |
| Financial Express - Financial Sector average | 4.9 | 5.4 | 6.0 | 20.9 | 96.8 |

| Discrete years (X Class, in GBP) | Jun '20 | Jun '19 | Jun '18 | Jun '17 | Jun '16 |
|--|---------|---------|---------|---------|---------|
| Guinness Global Money Managers Fund | -0.6 | -4.0 | 5.3 | 38.2 | -16.0 |
| MSCI World Index | 5.9 | 10.3 | 9.3 | 21.6 | 14.4 |
| MSCI World Financials Index | -13.5 | 5.6 | 2.8 | 38.9 | 2.0 |
| Financial Express - Financial Sector average | 6.0 | 7.9 | 5.7 | 33.2 | -6.3 |

RISK ANALYSIS

30/06/2020

| X Class, in GBP, annualised, weekly, from launch on 31.12.10, relative to the MSCI World Index | MSCI World | MSCI World Financials | Fund |
|--|------------|-----------------------|--------|
| Alpha | 0 | -4.39 | -3.87 |
| Beta | 1 | 1.14 | 1.21 |
| Information ratio | 0 | -0.45 | -0.26 |
| Maximum drawdown | -24.58 | -33.10 | -36.61 |
| R squared | 1 | 0.82 | 0.79 |
| Sharpe ratio | 0.48 | 0.17 | 0.21 |
| Tracking error | 0 | 7.93 | 9.65 |
| Volatility | 14.54 | 18.22 | 19.79 |

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations. Source: Financial Express, bid to bid, gross total return. Fund launch date: 31.12.10. **Fund X class 1.24% OCF:** Simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP. **See Performance data note on the next page.**

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Performance data note

The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's X class was launched on 15/02/2012. The since launch performance shown is a simulation for X class performance being based on the actual performance of the Fund's E class, which has the same annual management charge as the X class, and has existed since the Fund's launch. The Fund's E class is denominated in USD but for the purposes of this performance data its performance is calculated in GBP. Hence the Fund's E Share class is used here to illustrate the performance of a GBP-based clean-fee (RDR-compliant) share class since the Fund's launch on 31.12.10.

IMPORTANT INFORMATION

Issued by Guinness Asset Management Limited, authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about recent developments in the asset management sector invested in by the Guinness Global Money Managers Fund. It may also provide information about the Fund's portfolio, including recent activity and performance. It contains facts relating to investment markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report.

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.

Risk

The Guinness Global Money Managers 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 companies involved in asset management and other related industries; it is therefore susceptible to the performance of that one sector, and can be volatile. Details on the risk factors are included in the Fund's documentation, available on our website.

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'Île, 1204 Geneva, Switzerland.

Telephone calls will be recorded and monitored.

GUINNESS

ASSET MANAGEMENT

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