

Guinness Global Innovators Fund

Innovation | Quality | Growth | Conviction

INVESTMENT COMMENTARY – August 2020

About the Fund

The Fund is a global growth fund designed to provide exposure to companies benefiting from innovations in technology, communication, globalisation or innovative management strategies. The Fund holds a concentrated portfolio of large and medium-sized companies in any industry and in any region.

Fund size	£250m
AUM in strategy	£390m
Fund launch date	31.10.14
Strategy launch date	01.05.03

Managers Dr. Ian Mortimer, CFA
Matthew Page, CFA

Analysts Sagar Thanki
Joseph Stephens

Performance 31.07.20

Cumulative % total return (GBP)	1 year	3 years	5 years	10 years
Strategy*	19.5	45.1	117.6	372.5
Index	0.0	24.9	70.8	198.7
Sector	0.5	21.6	61.2	150.0
Position in sector	17 /330	38 /293	13 /261	5 /179

Annualised % total return from strategy inception (GBP)

Strategy*	13.10%
Index	9.61%
Sector	8.85%

Strategy Guinness Global Innovators*

Index MSCI World Index

Sector IA Global

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. *Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14. Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same team using the same investment process as applied to the UCITS version. Source: Financial Express 0.99% OCF, bid to bid, total return, in GBP.



Summary performance

For the month of July, the Guinness Global Innovators Fund provided a total return of 1.43% (GBP) against the MSCI World Index net total return of -1.36% (GBP). Hence the fund outperformed the benchmark by 2.79% (GBP). Year-to-date, the fund has produced a total return of 15.75% (GBP) against the MSCI World - 0.34% (GBP).

Market fortunes were mixed in July as hopes of improving economic activity with lockdowns easing in many parts were tempered by the resurgence in COVID-19 cases in certain regions, most notably the US. Optimism was further hampered by continued tensions between the US and China as Trump considered banning the Chinese social media platform TikTok and China ordered the closure of the United States' consulate in Chengdu in retaliation for the closure of a Chinese consulate in Houston over spying concerns. The fund ultimately benefitted from another robust month for IT and US stocks, with Check Point Software (up 16.7% USD) and Lam Research (up 16.6% USD) leading the pack. Not owning Intel (which fell over 20% (USD) during the month) also aided the fund's relative outperformance.

Over both the short and long term, it is pleasing to see that the Fund has delivered strong performance versus its IA Global Equity Sector peers, as shown below.

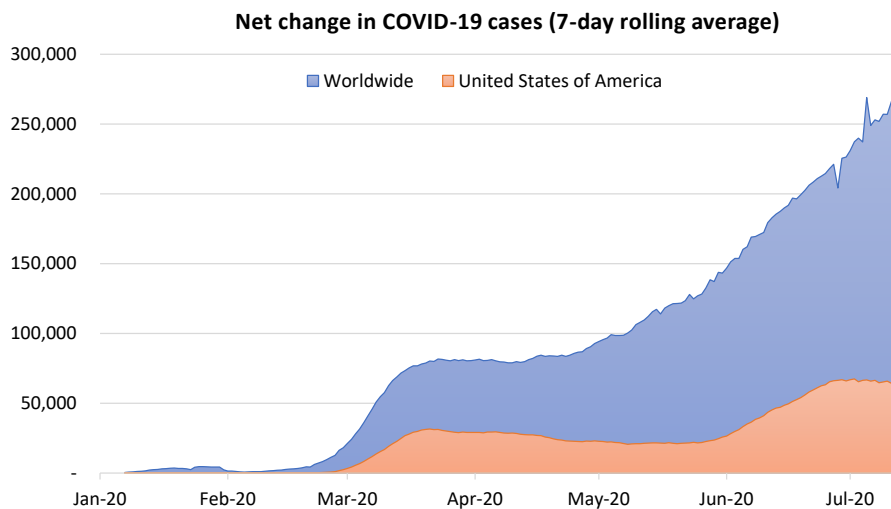
Past performance should not be taken as an indicator of future performance. The value of investments and any income arising from them can fall as well as rise as a result of market and currency fluctuations.

	YTD	1 year	3 years	5 years	10 years
Global Innovators	15.92	19.66	45.34	117.93	373.13
Index	-0.34	0.04	24.87	70.84	198.71
Sector	0.85	0.52	21.61	61.15	150.00
Position in sector	30/337	17/330	38/293	13/261	5/179
Quartile	1st	1st	1st	1st	1st

Source: Financial Express. Cumulative Total Return in GBP, as of 31st July 2020

July in review

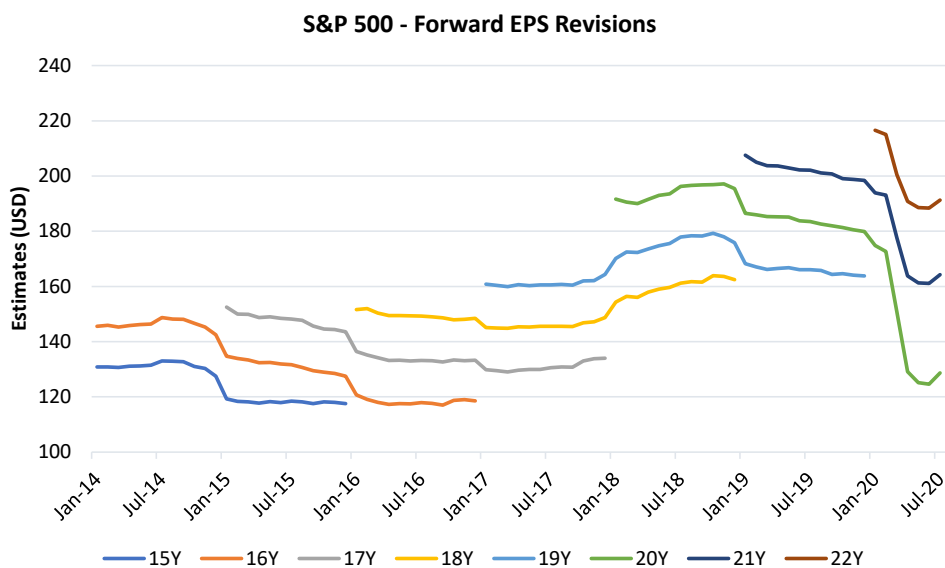
As we moved into the third quarter, governments continued to balance the re-opening of economies with the risk of an increase in the pace of infections. Indeed, in the US, the rise in new cases which began in June extended into July to reach a second peak more than double the average daily cases from the initial peak in early April, before showing signs of slowing towards the end of July. With new cases also rising elsewhere, such as Spain and Hong Kong, governments have been under pressure to extend fiscal packages. With the US exhibiting a second-quarter annualised GDP decline of 32.9% – the largest decline since World War II – and Eurozone GDP falling 12.1% quarter-on-quarter – the largest quarterly decline in the Eurozone’s history – central banks have also extended their monetary policies, keeping interest rates steady and in the US, ordering banks to cap dividends and halt buybacks to shore up balance sheets.



Source: Bloomberg. Data as of 31st July 2020

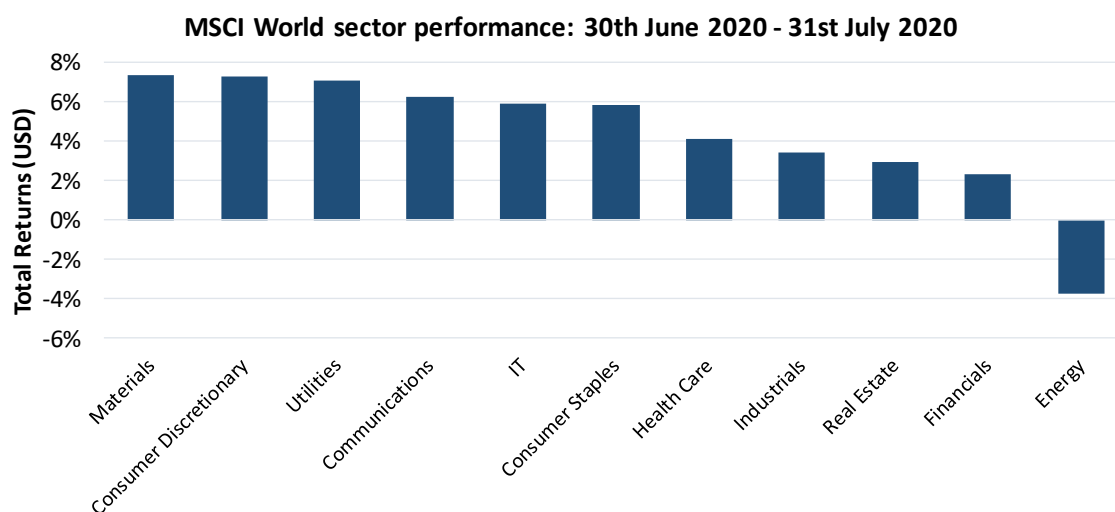
However, the majority of sectors ended the month in positive territory (in USD terms at least) as investors looked towards earnings season, which was fully underway in the US, albeit with the expectation of a c.45% year-on-year decline in second-quarter earnings.

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



Source: Bloomberg. Data as of 31st July 2020

With over 55% of US companies having reported by month-end, average earnings were slightly better than expected, leaving sectors’ performance broadly positive in USD terms. Consumer Discretionary in particular showed positive signs of recovery as economies began to open up again. IT, in the middle of the pack, continued its strong year as the pandemic has accelerated many digital transformations that were underway within industries. The fund’s overweight exposure to IT stocks continued to be beneficial to performance with a relatively even split from asset allocation and from stock selection. While IT names in the portfolio including Lam Research and Check Point software were strong performers, the fund also benefitted from not owning Intel, which was down over 20% (USD) for the month after announcing further delays to its next-generation foundry operations.



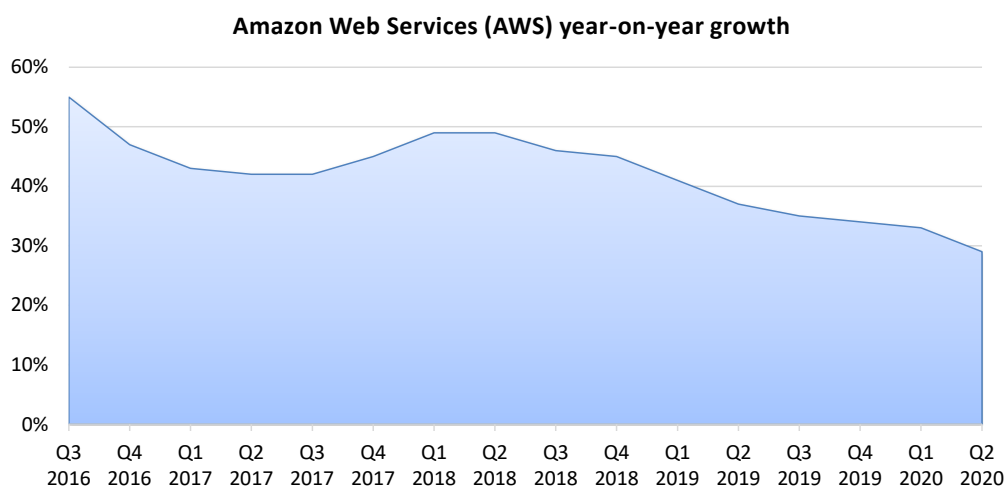
Source: Bloomberg. Data as of 31st July 2020

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

Conversely, not having any exposure to Consumer Staples, Materials and Utilities provided a slight drag to performance. On a regional basis, strong stock selection from the fund’s US exposure was the main contributor to the outperformance with good returns from individual names across themes such as Lam Research and Nvidia (semiconductors), Danaher and Thermo Fisher (advanced healthcare), and PayPal (payments).

Amazon (up 14.7% USD): some good places to be

Amazon, the fund’s fourth-best performer over the month and third-best performer this year, continues to benefit from exposure to multiple innovative themes which have benefitted from recent lockdowns. In particular, Amazon is the world’s leading vendor of cloud computing infrastructure whose services have accelerated as consumers work from home and stream more content. The company is also dominant in e-commerce, which has seen strong growth on the back of high street closures. Amazon reported Q2 results on the 30th of July, and although the company spent more than the \$4 billion of COVID-related expenses initially forecasted, it was broadly a very positive quarter. The number of video hours streamed on their platforms doubled year-on-year (Prime Video and Twitch - the eSports streaming service), while third-party seller services revenue showed continued strength and grew faster than online stores (Amazon’s own inventory). Amazon Web Services (AWS) – the company’s cloud division – continued to deliver extraordinary growth, rising 29% year-on-year.



Source: Bloomberg. Data as of 31st July 2020

Semiconductors: a mixed month

Nvidia (up 14.7% USD) was the fund’s second-best performer over the month (although it does not report earnings until later in August). The company continues to be one of the main enablers of the acceleration in cloud services with its graphic processing units (GPUs), which are required especially by hyperscale cloud vendors such as Amazon Web Services and Microsoft Azure to process and aggregate large volumes of data. Towards the end of July it was reported that Nvidia was in talks to acquire UK chip designer Arm from Softbank. The acquisition would diversify Nvidia’s high-end GPU offering into central-processing units (CPUs), where Arm has been taking market share in areas including mobile phones, laptops and servers. Elsewhere in the semiconductor space, Intel (not owned in the fund), reported a further year’s setback in the foundry technology required to make next-

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

Guinness Global Innovators Fund

generation chips. The news sent Intel's stock down some 16% on the day, whilst TSMC, the global leader in chip manufacturing, up 10%, further solidifying its market dominance. However, semiconductor equipment manufacturers such as Lam Research (up 16.6% USD over the month), Applied Materials (up 6.4% USD) and KLA Corp (up 2.8% USD) – owned in the fund – slipped on the day as investors digested the possibility of an exit from the foundry business for Intel and subsequently lower orders for the equipment manufacturers.

We thank you for your continued support.

Portfolio Managers

Dr Ian Mortimer, CFA
Matthew Page, CFA

Analysts

Joseph Stephens
Sagar Thanki

Data sources

Fund performance: *Financial Express, Total return in GBP*

Index and stock data: *Bloomberg*

Guinness Global Innovators Fund

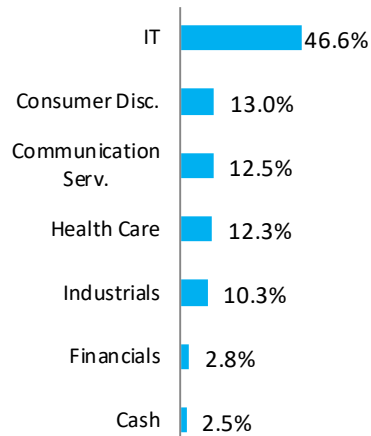
PORTFOLIO

31/07/2020

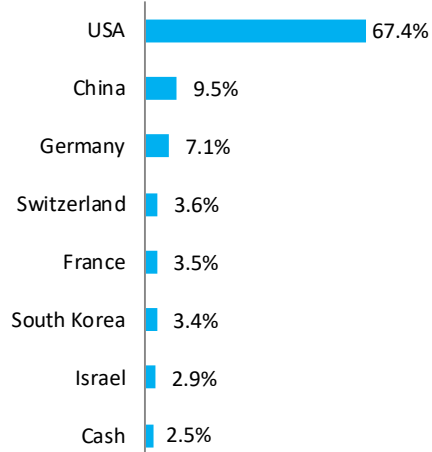
Fund top 10 holdings

Paypal	4.5%
Amazon.com	4.1%
Lam Research	4.0%
Nvidia Corp	3.7%
SAP AG	3.7%
ABB	3.6%
Thermo Fisher Scientific	3.5%
Schneider Electric	3.5%
Adobe Systems Inc	3.5%
Infinion Technologies	3.5%
% of Fund in top 10	37.4%
Total number of stocks	30

Sector analysis



Geographic allocation



31/07/2020

Annualised % total return from strategy inception (GBP)

Guinness Global Innovators strategy*	13.10%
MSCI World Index	9.61%
IA Global sector average	8.85%

Discrete years % total return (GBP)

	Jul '20	Jul '19	Jul '18	Jul '17	Jul '16
Guinness Global Innovators strategy*	19.5	5.6	15.0	26.8	18.2
MSCI World Index	0.0	11.0	12.4	16.9	17.0
IA Global sector average	0.5	9.8	10.2	17.8	12.4

Cumulative % total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years	10 years
Guinness Global Innovators strategy*	1.4	15.8	19.5	45.1	117.6	372.5
MSCI World Index	-1.4	-0.3	0.0	24.9	70.8	198.7
IA Global sector average	-0.1	0.9	0.5	21.6	61.2	150.0

RISK ANALYSIS

31/07/2020

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	0.87	4.74
Beta	1	0.80	1.06
Information ratio	0	-0.18	0.74
Maximum drawdown	-24.58	-21.61	-22.23
R squared	1	0.82	0.86
Sharpe ratio	0.50	0.46	0.75
Tracking error	0	6.70	6.87
Volatility	15.75	13.97	18.03

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.

*Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14.

Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same investment team using the same investment process as applied to the UCITS version. The past performance of the US mutual fund is not indicative of the future performance of Guinness Global Innovators Fund. Fund returns are for share classes with a current Ongoing Charges Figure (OCF) stated above; returns for share classes with a different OCF will vary accordingly

Source: Financial Express, bid to bid, total return, in GBP

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

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 Guinness Global Innovators 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.

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 Innovators 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. 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) Limited, 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.

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.

GUINNESS

ASSET MANAGEMENT

Guinness Asset Management Ltd is authorised and regulated by the Financial Conduct Authority

Tel: +44 (0) 20 7222 5703

Email: info@guinnessfunds.com

Web: guinnessfunds.com