

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 – October 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) 30.09.2020



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.



THOMSON REUTERS
LIPPER FUND AWARDS 2015
SWITZERLAND

2015: BEST FUND OVER 3 YEARS

EQUITY SECTOR BANKS & OTHER FINANCIALS

Asset management sector

In this month's update, we review the asset management sector and our Fund performance over the third quarter of 2020, and consider the outlook for the rest of the year and beyond, with a particular focus on recent M&A and activism in the sector.

The Global Money Managers Fund (class E, in USD) in the third quarter of 2020 produced a total return of -0.2%. This compares to the return of the MSCI World Financials Index of +1.8%. Over the year-to-date (to the end of September), the fund has returned -12.3%, which compares to the MSCI World Financials Index return of -21.6%.

The global economy continued to recover from the severe COVID-related lockdowns of the spring. Equities fell back in September but that followed the strongest six month rally in 50 years.

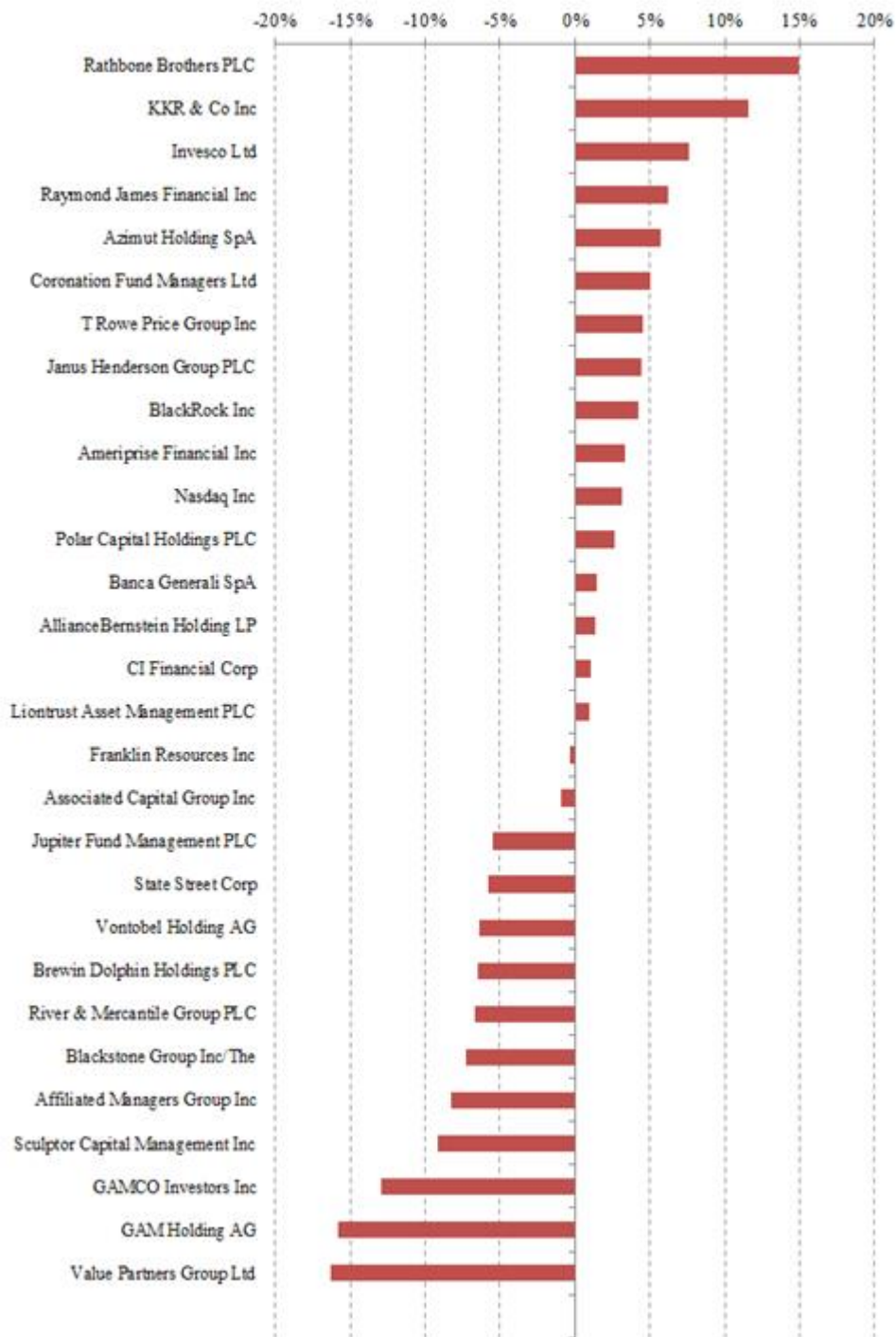
European leaders approved a €750 billion stimulus plan to help pull the region out of its deepest recession on record. Politicians in the US, on the other hand, have been unable to agree a second stimulus bill which is necessary to keep its economic recovery on track.

US and other international equities were strong over the quarter, but the UK market was weaker, with UK equities falling by 3.7%.

Overall, this created a mixed result for the asset management sector, with UK facing managers generally underperforming, whilst traditional US managers fared better. KKR was the strongest performer in our alternatives group, boosted by positive M&A news which we discuss later on.

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

Individual stock performance over Q3 2020 (total return USD)



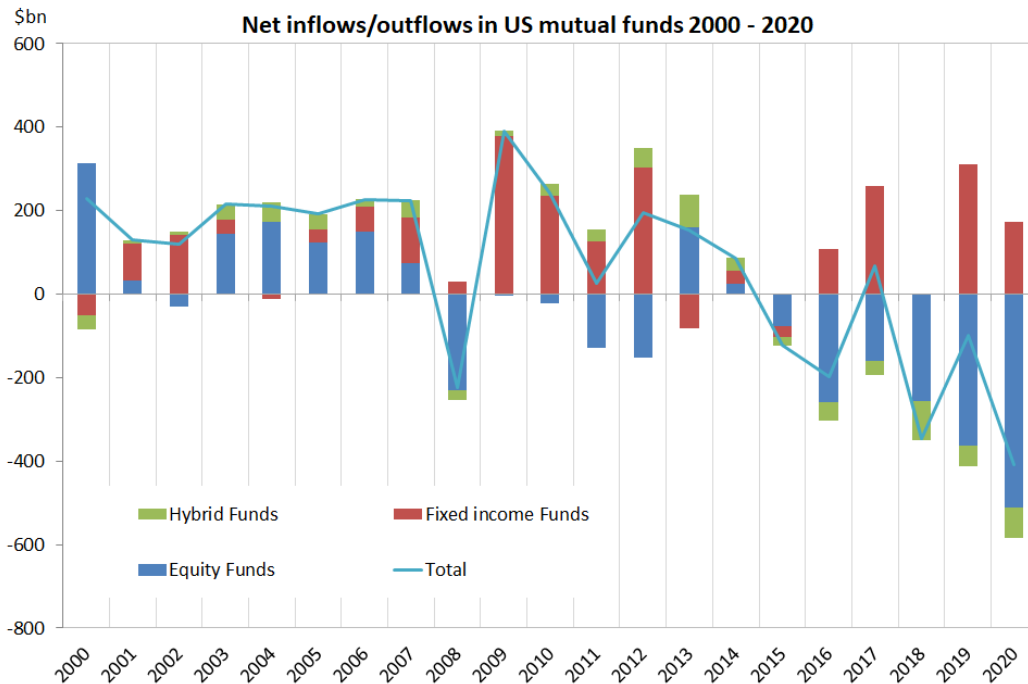
Source: Bloomberg/Guinness Asset Management

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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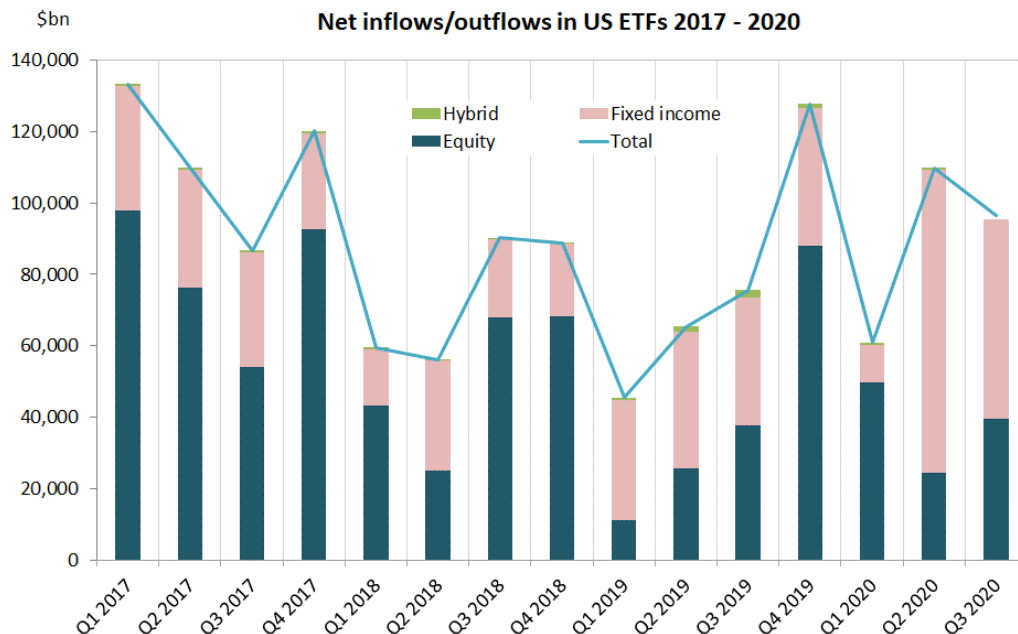
Guinness Global Money Managers Fund

Within the asset management sector, data for US mutual fund flows (which we treat as a proxy for global flows) indicate record outflows from active equity funds in 2020, surpassing the outflows seen in 2020. The picture for active bond & income funds looks better, with net flows positive overall despite a very challenging first quarter.



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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The traditional asset management sector received a welcome shot-in-the-arm in early October with the announcement that Morgan Stanley were to acquire Eaton Vance in a cash and stock transaction. The deal values Eaton Vance's equity at a 40% premium to its share price running up to the announcement. The sector has been under pressure for some time now due to a lack of organic growth, increased competition, and fee pressure which have resulted in multiple compression despite profitability and cash flows being at or close to all-time highs. Assuming it completes, the transaction will see Morgan Stanley join the shortlist of \$1trn+ asset managers, Putting them roughly on a par with T Rowe Price. This represents the second large deal in the US asset management sector this year, following Franklin's acquisition of Legg Mason in February.

Also in the news recently have been Invesco and Janus Henderson, with activist investor Trian accumulating 9.9% stakes in both companies. It is not yet clear whether Trian wishes for the two firms to merge, but there is a desire to build larger asset managers "that can better weather the challenges facing the industry and compete with larger rivals like BlackRock".

We see M&A and activist behaviour in the US traditional asset management sector (which comprises around 27% of our portfolio) as a welcome shake-up, as participants look to exploit company valuations that have lagged the broad market significantly.

M&A extended last quarter also to our alternatives holdings, with KKR agreeing to acquire retirement and life insurance company Global Atlantic Financial Group for around \$4.4bn. KKR is using its own balance sheet to fund the deal, and will boost the company's assets under management by one third to \$279 billion. It will more than triple KKR's allocation to "permanent capital", which has become increasingly sought after as the money can be invested in perpetuity rather than being returned to clients.

Meanwhile, BlackRock continues to set the benchmark in terms of business growth. Their latest results showed impressive organic growth across fixed income, active equities, and alternatives. If BlackRock were to enter the M&A market we would expect this to be in the alternatives asset class, with an emphasis on private markets. While alternatives currently comprise around 10% of the company's fee based, they only constitute 2% of total assets under management, which demonstrates its profitability. BlackRock also continues to diversify beyond core asset management activities, with its technology and risk management division expected to grow by over 10% per year.

We continue to focus on the dividend being generated by companies in our portfolio, and it is interesting to see how dividends have been affected, given the economic and financial turmoil seen so far this year. Looking at dividends declared for this year versus 2019, we observe that of the twenty-six companies in our portfolio that are dividend paying, twelve have increased their dividend, four have kept it flat, and ten have reduced it. At 30 September 2020, the portfolio showed an average gross dividend yield for 2020 of 3.4% (n.b. this is rolled up in the fund rather than paid out), reasonably ahead of the MSCI World.

At 30 September 2020, the P/E ratio of the Fund was 11.4x 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 29.6x earnings.

Fund P/E ratios versus the S&P 500 Index (30.09.20)

	'17	'18	'19	'20	'21
Fund P/E	15.3	10.2	11.2	11.4	13.1
S&P 500 P/E	27.0	22.2	21.4	29.6	20.5
Premium (+)/ Discount (-)	-43%	-54%	-48%	-61%	-36%

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

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Guinness Global Money Managers Fund

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.

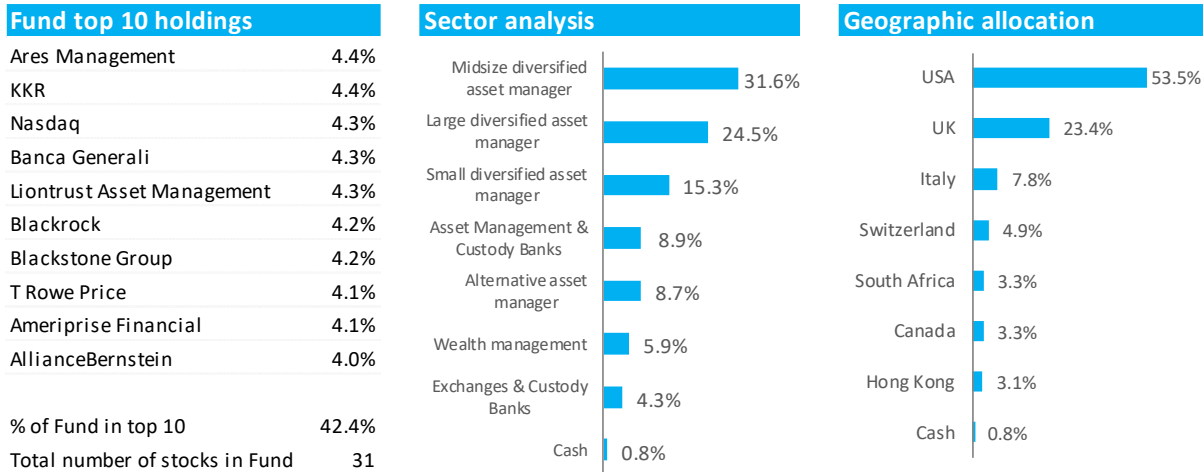
Will Riley & Tim Guinness

October 2020

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PORTFOLIO

30/09/2020



PERFORMANCE (see Performance Data notes below)

30/09/2020

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



Cumulative % gross total return (X Class, in GBP)	1 month	Year-to-date	1 year	3 years	From launch
Guinness Global Money Managers Fund	-1.6	-5.8	-5.1	-7.2	109.6
MSCI World Index	0.0	1.0	5.2	29.8	164.0
MSCI World Financials Index	-2.2	-17.5	-18.8	-10.4	87.8
Financial Express - Financial Sector average	-1.8	5.4	7.0	18.9	96.8

Discrete years (X Class, in GBP)	Sep '20	Sep '19	Sep '18	Sep '17	Sep '16
Guinness Global Money Managers Fund	-5.1	-1.0	-1.3	28.8	8.3
MSCI World Index	5.2	7.8	14.4	14.4	29.9
MSCI World Financials Index	-18.8	5.2	4.8	28.8	19.3
Financial Express - Financial Sector average	7.0	5.4	5.4	23.8	11.3

RISK ANALYSIS

30/09/2020

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	-4.95	-4.56
Beta	1	1.14	1.20
Information ratio	0	-0.51	-0.34
Maximum drawdown	-24.58	-33.10	-36.61
R squared	1	0.82	0.78
Sharpe ratio	0.50	0.15	0.18
Tracking error	0	8.03	9.65
Volatility	14.48	18.20	19.65

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

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

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