

Guinness European Equity Income Fund

INVESTMENT COMMENTARY – November 2020

Launch date 19.12.2013

Manager 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 31.10.20

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	-8.5	-0.5	48.9
Index	-4.8	-0.9	47.3
Sector	-2.1	-1.2	50.8

Annualised % total return from launch (GBP)

Fund	6.0%
Index	5.8%
Sector	6.2%

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	0.1
Max drwn	-25.0	-24.4	-30.3
Tracking err	0	6	5
Volatility	16.1	14.9	15.9
Sharpe ratio	0.1	0.2	0.2

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. 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. For further details on fund performance, please refer to the penultimate page of this document.

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

Summary Performance

In October, the Guinness European Equity Income Fund produced a total return of -7.5% (in GBP) versus the Index return of -5.8% (in GBP), meaning the fund underperformed its benchmark by 1.7%.

	1 month	YTD	1 Yr	3 Yr	5 Yr	Since Launch
Fund	-7.5%	-11.9%	-8.5%	-0.5%	44.2%	48.9%
Index	-5.8%	-7.1%	-4.8%	-0.9%	39.5%	47.3%
Sector	-6.2%	-5.8%	-2.1%	-1.2%	39.7%	50.8%
Fund vs Sector	-1.3%	-6.1%	-6.4%	0.7%	4.5%	-1.9%

Figure 1: Performance data.

Source: Financial Express 0.35% OCF. Cumulative Total Return in GBP as of 31.10.2020

The largest positive contributors to performance over the month of October (in EUR) were **Epiroc** +3.5%, **Recordati** +1.7%, **Konecranes** +0.9%, **Sika** +0.9% and **ASML** -0.9%.

At the other end of the spectrum the biggest detractors from performance were **Fresenius** -17.1%, **Euronext** -16.2%, **Deutsche Boerse AG** -14.9%, **Danone** -14.2% and **Thales** -12.9%.

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Guinness European Equity Income Fund

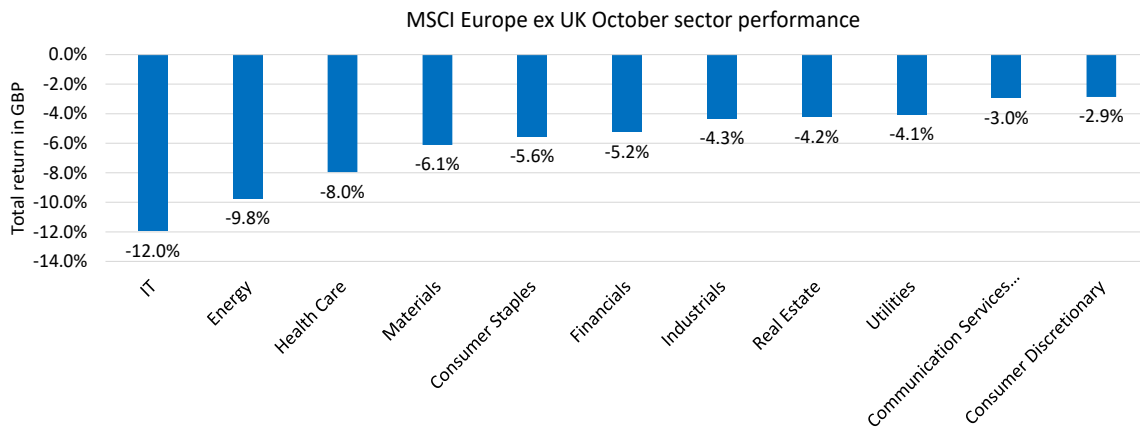


Figure 2: MSCI Europe ex UK sector performance for October 2020, in GBP. Source: Bloomberg

Relative portfolio performance over the month was primarily driven by shorter-term factors. European markets underperformed as many countries in the region entered renewed lockdowns causing regulated sectors which the Fund avoids including telecoms, utilities, real estate and banks (within Financials) to outperform, the latter as governments took more of the pain following excessive sector provisioning. From a stock specific point of view **Fresenius** underperformed its sector on the back of renewed lockdowns depressing demand for near-term elective surgery. **Euronext** was at the bottom of the exchange pile as it announced it had won the bidding to acquire Borsa Italiana, which will be earnings enhancing and give it critical mass in clearing and fixed income, but also necessitate some equity issuance due to the size of the deal. In Staples **Danone** announced some restructuring relating to changing consumer habits, including lower levels of convenience shopping impacting demand for smaller sized water bottles, while its core plant-based and healthy brands remain world class in our view. **Thales** lost ground relative to Industrials as a new lockdown saw selling of aerospace exposures generally, creating an opportunity in this high-quality communications and security market leader. We would urge you to look through this noise, which may continue intermittently for a while yet.

US elections and Europe

Approximately 22% of the Fund's company sales derive from the US. The indirect exposure of course is of course much higher but harder to quantify. The Trump presidency contributed to significant trade related uncertainty for Europe's export led economy, as new direct tariffs were levied on European goods and question marks were placed over the direction of global trade itself via increased confrontation with China. It even led to greater questioning of the European project itself as Trump warmed to factions seeking to undermine European unity, and stepped away from the core institutions of multilateralism, the United Nations and Nato.

Fund regional sales exposure

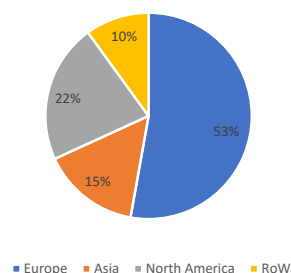


Figure 3: Fund regional sales exposure, as of 31.10.2020. Source: Bloomberg

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“If Biden is elected... it will be orgasmic in Brussels” were the precise recent words of the French ambassador in Washington, Gerard Araud. Three factors have depressed returns in Europe over the last four years: Trump on trade, Brexit and COVID-19. The latter two are in all probability transitory in terms of negative impact, and both look set to be good for Europe over the medium to longer-term, driving greater appreciation of the benefits of unity, cooperation and integration; most notably vis-à-vis European sentiment in Italy, the largest beneficiary of the European recovery packages, and where 5Y sovereign yields just turned negative. The former was arguably the biggest outstanding long-term variable. To be sure, we may not be going back to Bush; Biden after all was part of an Obama administration that displayed relative ambivalence towards Europe, in contrast to Clinton and Bush. However, the simple act of moving to rebuild multilateral relationships including with Europe, the United States’ historic closest long-term partner and the world’s largest single market, should prove good tonic for confidence in Europe and its export markets in particular. To quote Biden advisor Tony Blinken “the EU is the largest market in the world. We need to improve our economic relations. We need to bring to an end an artificial trade war that the Trump administration has started, that has been poisoning economic relations, costing jobs and increasing costs for consumers”.

We would not expect the US to row back on tariffs and restrictions relating to technology and China; and Europe looks unlikely to give up on lost tax revenue relating to US tech champions. However, Joe Biden has said he would look to revitalise the transatlantic alliance, so we can expect negative sentiment relating to direct tariffs to abate. More important for the Fund is Joe Biden’s assertion of a return to the Paris accord and the outstanding possibility of some part of his \$2trn green stimulus bill still coming through (currently dependant on the race for the Senate and the two seats in Georgia, set to be decided in early January). The Fund’s US sales exposure is in good part through shares of market leading European companies that dominate global niches in environmental and climate technologies – **Schneider Electric, ABB, Siemens, Alberts, Sika, Epiroc** and **Smurfit Kappa** to name some shown in the chart below.

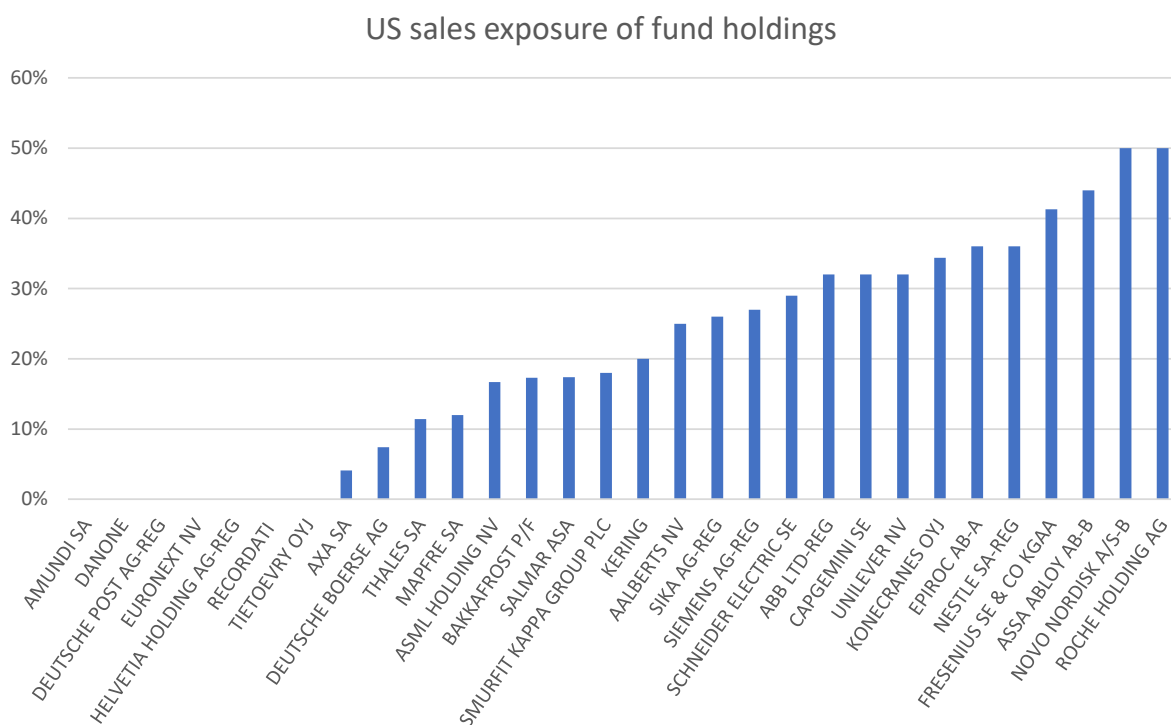


Figure 4: US sales exposure of fund holdings, as of 31.10.2020. Source: Bloomberg

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Guinness European Equity Income Fund

With the US returning to the Paris agreement added to the fuel of the €750bn European Recovery Fund (primarily focused on the Green Deal and Digital packages) playing to Europe's strength in environmental technology, the backdrop for our overweight positions in high quality Industrials and smart green Materials is improving. There are other potential positives too. Our two largest single stock exposures to the US are Roche and Novo Nordisk, both of which stand to benefit from the tougher response to COVID-19 that Joe Biden has promised. Increased diagnostics testing capacity in the US can only strengthen **Roche's** position and its trajectory to becoming a global powerhouse in personalised medicine, through the meeting of genomics, big data and diagnostics. For **Novo Nordisk** the long-term benefit may be more trivial but its core GLP-1 blockbuster franchise has proven efficacious in treating COVID-19.

Second order effects of a Biden presidency like a weaker dollar are harder to gauge and are of course speculative. Dollar weakness could depress returns for US facing European holdings in the short-term. Net net however, we would argue the impact of a Biden presidency looks like good news for the Fund, which happens to be positioned accordingly.

The next question of course is **what next for European elections** and what has become of the populist vote over COVID-19. The good news is that COVID-19 has been very good for Italian sentiment towards the EU following the announcement of the European recovery fund. In Italy a new election does not look likely until 2023, though there is a small window of opportunity in Q2 2022. In Germany the 2021 general election is looking constructive with real potential for a green coalition government, with all CDU / Chancellor candidates having voiced support for the European Recovery Fund (and hence further integration and capital markets union) and for the number two in the polls Green Party. The next French election is due in April 2022 and looks likely to be a contest between incumbent Emmanuel Macron of La Republique en Marche and Marine Le Pen of the National Rally.

Whatever the weather, the Guinness European Equity Income Fund remains well placed, invested in companies characterised by persistent high cash returns and strong balance sheets, alongside high levels of self-determination, namely, identifiable barriers to entry, leading market positions, widening moats, aligned interests and long runways for growth.

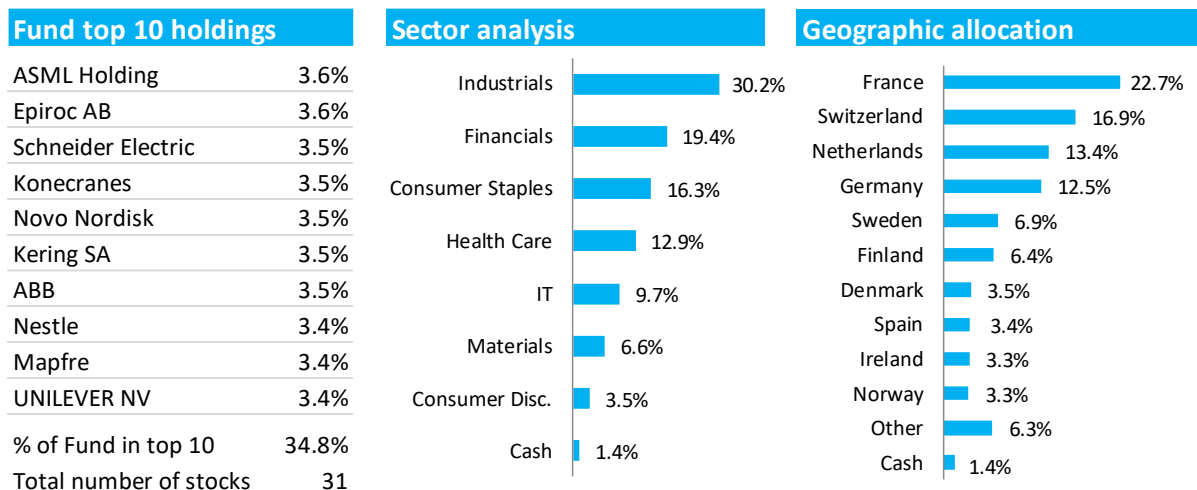
We thank you for your continued support.

Nick Edwards (Portfolio Manager)

Guinness European Equity Income Fund

PORTFOLIO

31/10/2020



PERFORMANCE

31/10/2020

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



Discrete years % total return (GBP)	Oct '20	Oct '19	Oct '18	Oct '17	Oct '16
Fund (0.35% OCF)	-8.5	12.1	-3.1	12.5	28.8
MSCI Europe ex UK Index	-4.8	10.9	-6.2	18.7	18.5
IA Europe ex UK sector average	-2.1	8.5	-7.0	18.7	19.0

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (0.35% OCF)	-7.5	-11.9	-8.5	-0.5	44.2	48.9
MSCI Europe ex UK Index	-5.8	-7.1	-4.8	-0.9	39.5	47.3
IA Europe ex UK sector average	-6.2	-5.8	-2.1	-1.2	39.7	50.8

RISK ANALYSIS

31/10/2020

Annualised, weekly, from launch on 19.12.13, in GBP	Index	Sector	Fund
Alpha	0.00	1.05	0.69
Beta	1.00	0.87	0.94
Information ratio	0.00	0.07	0.06
Maximum drawdown	-25.02	-24.43	-30.29
R squared	1.00	0.88	0.89
Sharpe ratio	0.14	0.17	0.16
Tracking error	0.00	5.51	5.26
Volatility	16.05	14.92	15.94

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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 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.

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 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'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

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