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Guinness European Equity Income Fund

Nick Edwards

Why Europe for Quality Equity Income

This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions.

Portfolio managers

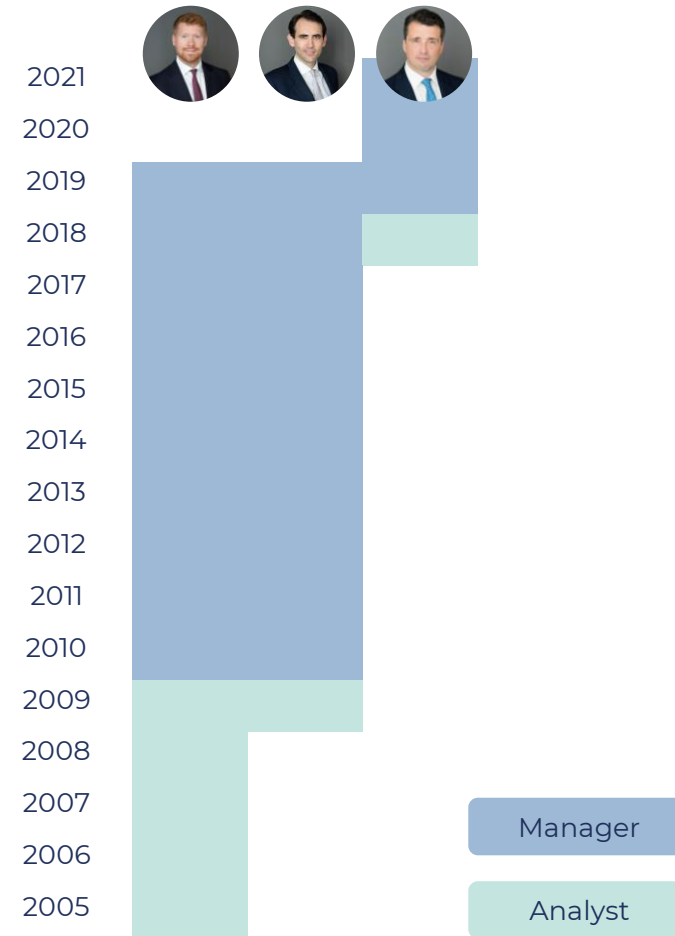


Nicholas Edwards

Portfolio Manager

- Joined Guinness Asset Management in 2018
- Prior to joining Guinness, Nick worked for Mirabaud for 17 years, first in the European equities team and latterly as a member of the Strategy team, with a focus on the capital cycle, capital allocation, quality and incentives.
- Graduated from London Business School with a Master's degree in Finance. Nick also holds an MA Hons degree from the University of Edinburgh.

Investment Team



Equity Income strategies from Guinness Asset Management

Global Equity Income

Launch: 31st December 2010
Sector: IA Global Equity Income



**Matthew Page,
CFA**
Portfolio Manager
Global Equity Income



**Ian Mortimer,
CFA**
Portfolio Manager
Global Equity Income



**Nicholas
Edwards**
Portfolio Manager
European Equity
Income



**Edmund
Harriss**
Portfolio Manager
Asian Equity Income
EM Equity Income



**Mark Hammonds
CA**
Portfolio Manager
Asian Equity Income
EM Equity Income

European Equity Income

Launch: 19th December 2013
Sector: IA Europe ex-UK

Asian Equity Income

Launch: 19th December 2013
Sector: IA Asia ex-Japan



**Sharukh Malik,
CFA**
Portfolio Manager
Asia Team



**Joseph
Stephens**
Analyst
Global Equity Income



**Sagar
Thanki**
Analyst
Global Equity Income



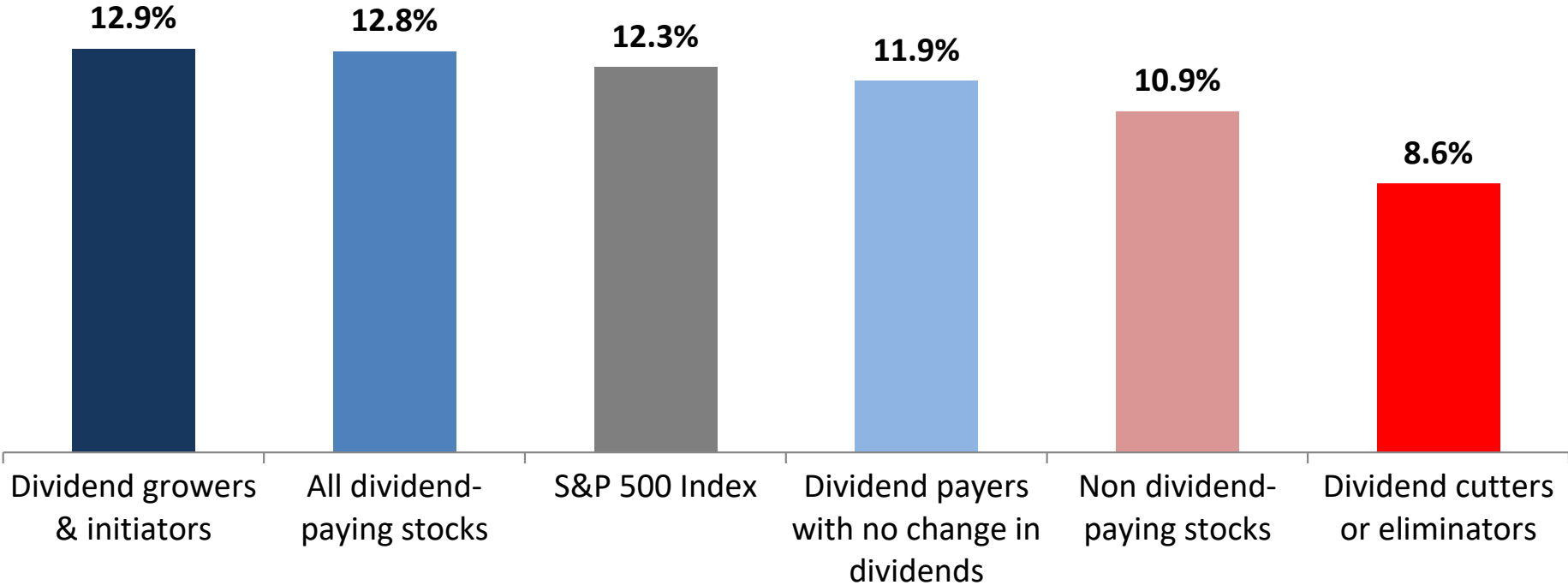
**William van der
Weyden**
Analyst
Global Equity Income

Emerging Markets Equity Income

Launch: 23rd December 2016
Sector: IA Global Emerging Markets

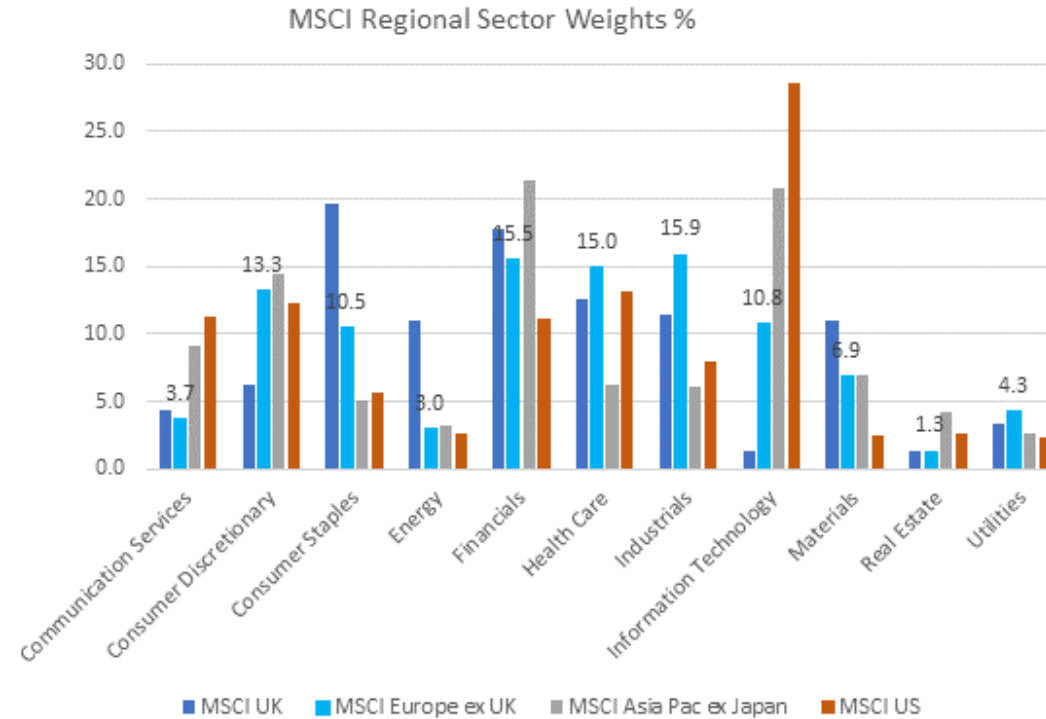
Importance of dividend growth

Historical total return of stocks within the S&P500 between 1972 and 2019



Source: NED David Research.

Europe, a good hunting ground for Quality Income

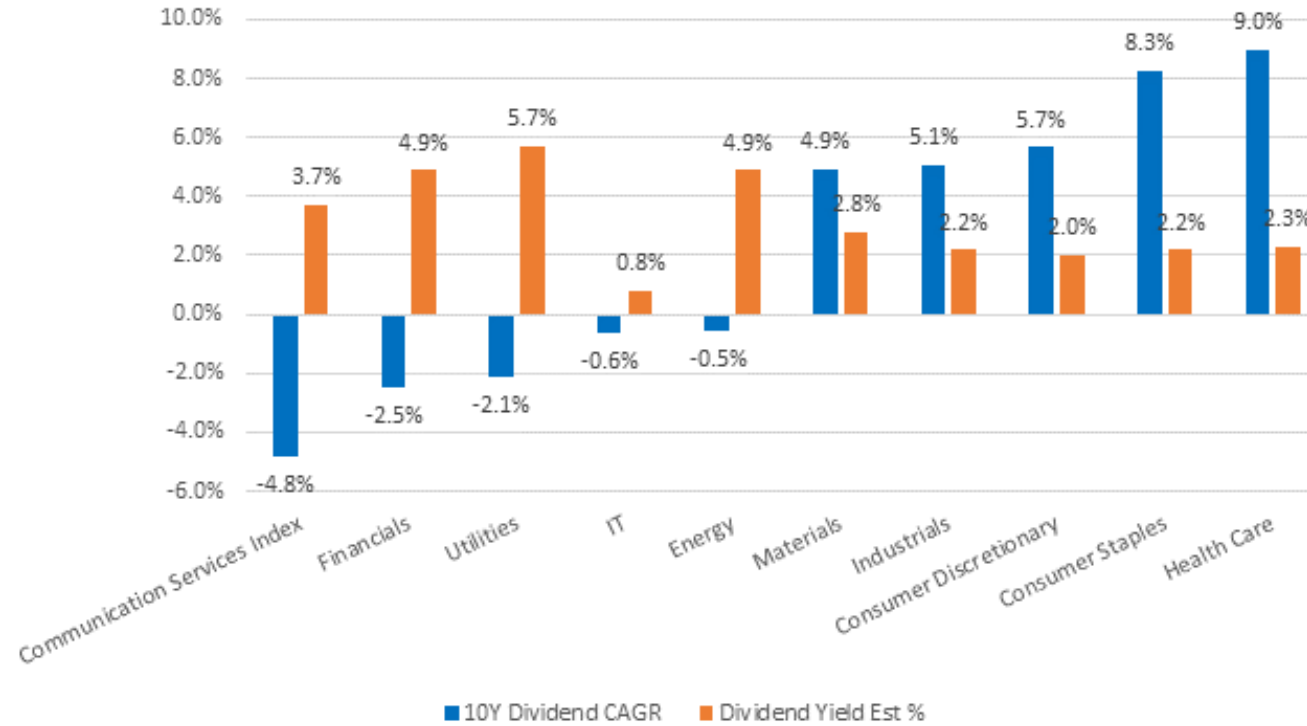


	MSCI UK	MSCI EUROPE ex UK	MSCI Asia Pac ex Japan	MSCI US
% Highly cyclical and highly regulated (ex banks)	31.1	19.1	26.0	21.4

Source: Guinness Global investors, MSCI data (as at 31.12.2021). Highly cyclical and regulated: Energy, Materials, Utilities, Communications, Real Estate.

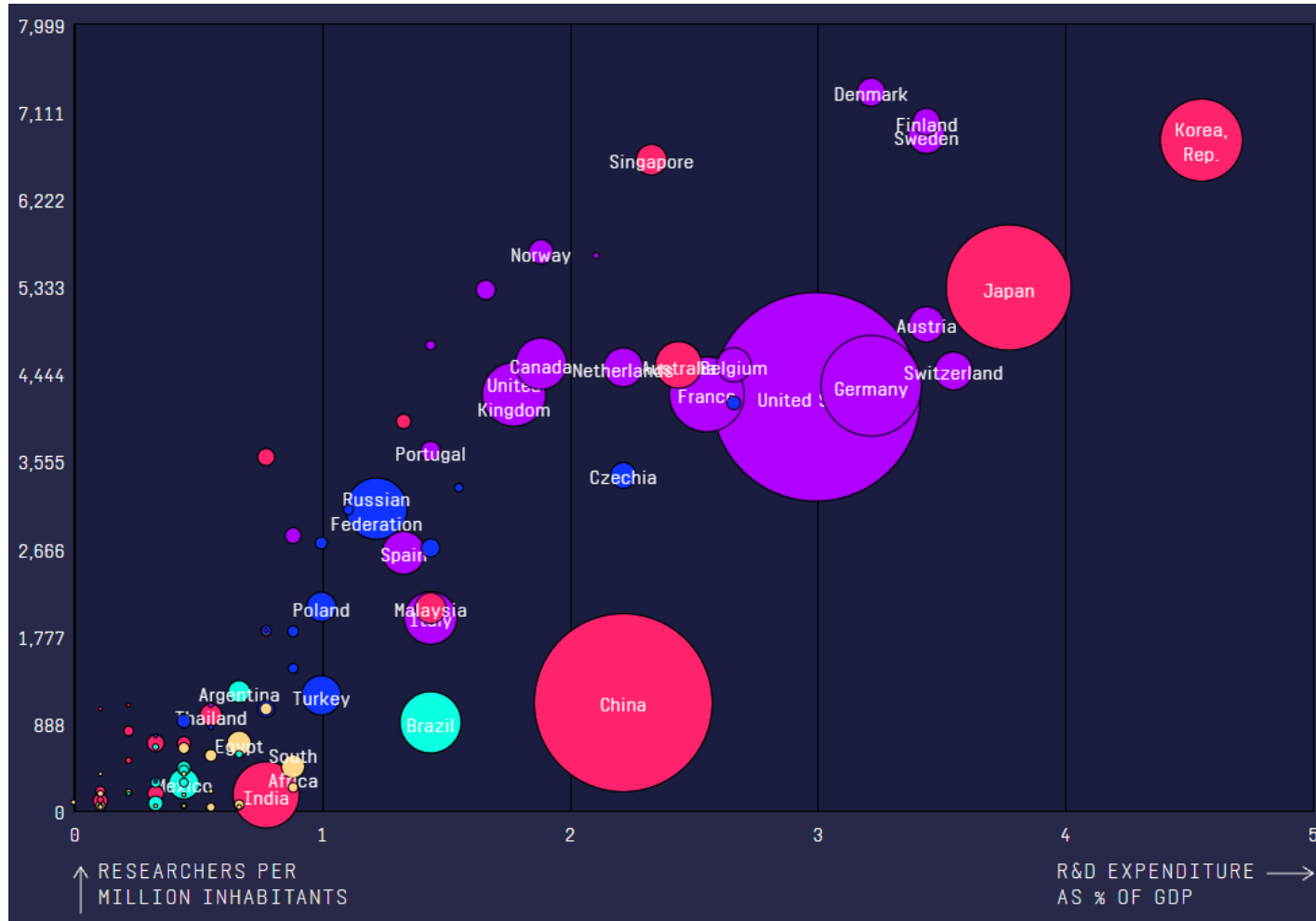
European Quality Income

10Y Dividend CAGR to 2019 and estimated yield by MSCI Europe ex UK sector.



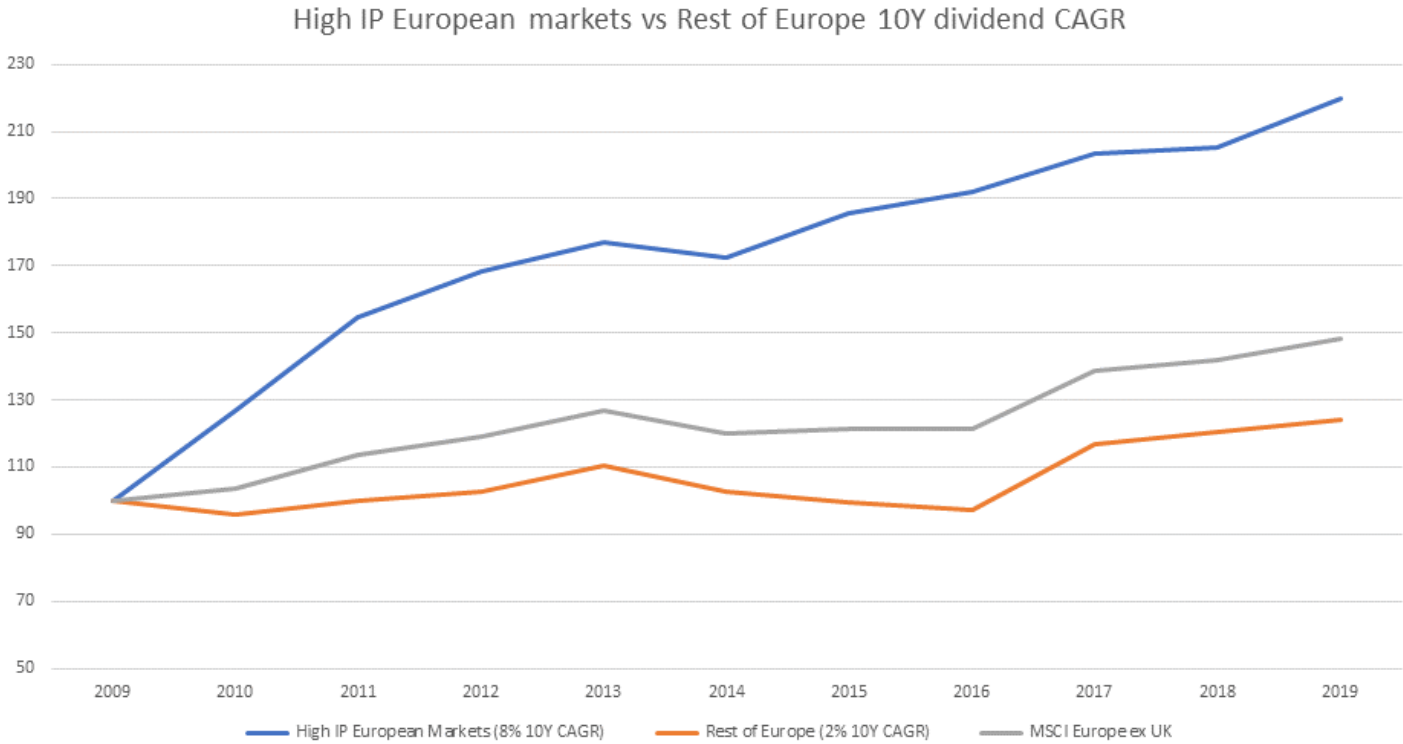
Source: Guinness Global investors, Bloomberg data. 31.12.2009 to 31.12.2019

European Innovation in a global context



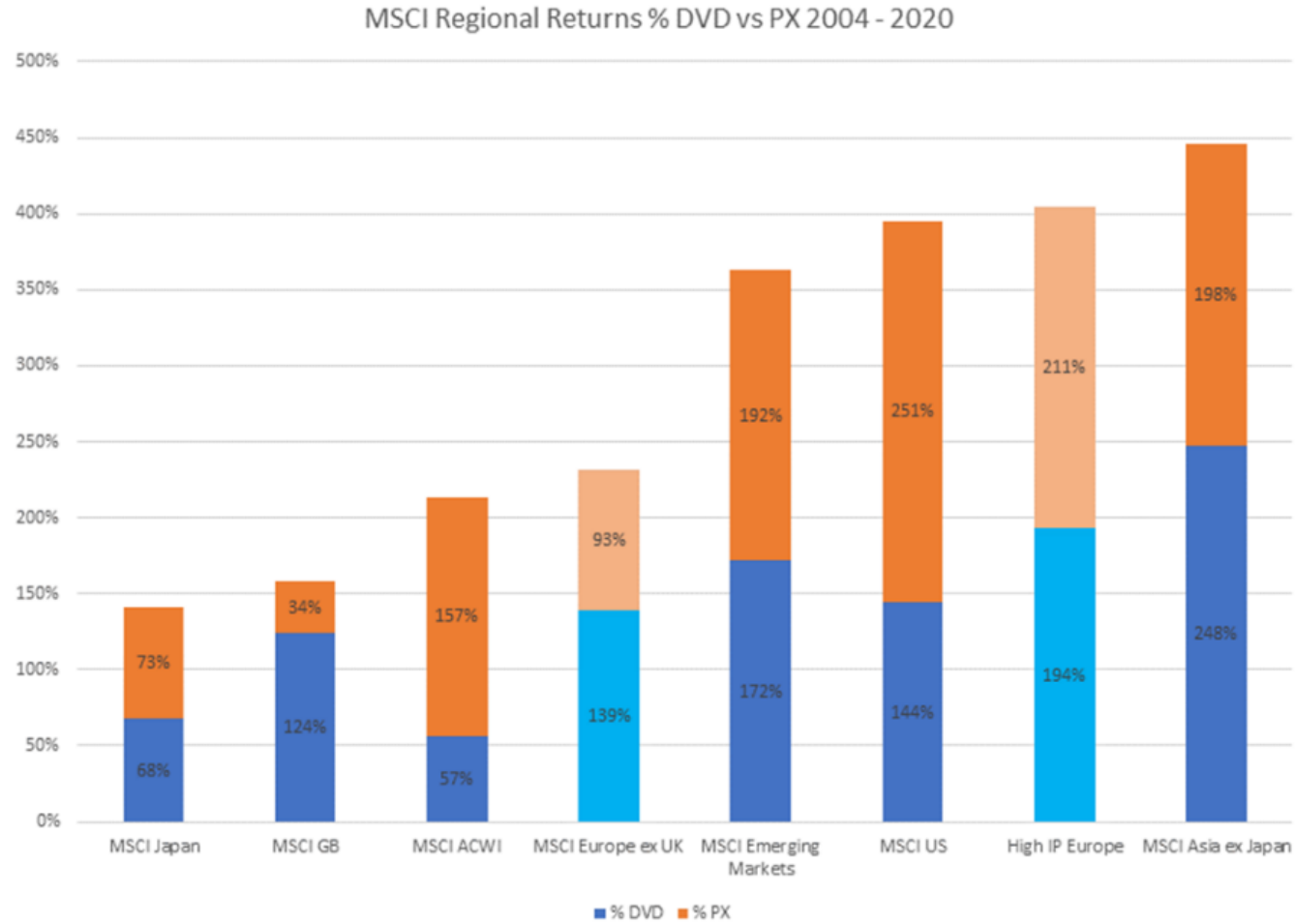
Source: <http://uis.unesco.org/apps/visualisations/research-and-development-spending/>

Europe Regional Returns 10Y Dividend CAGR



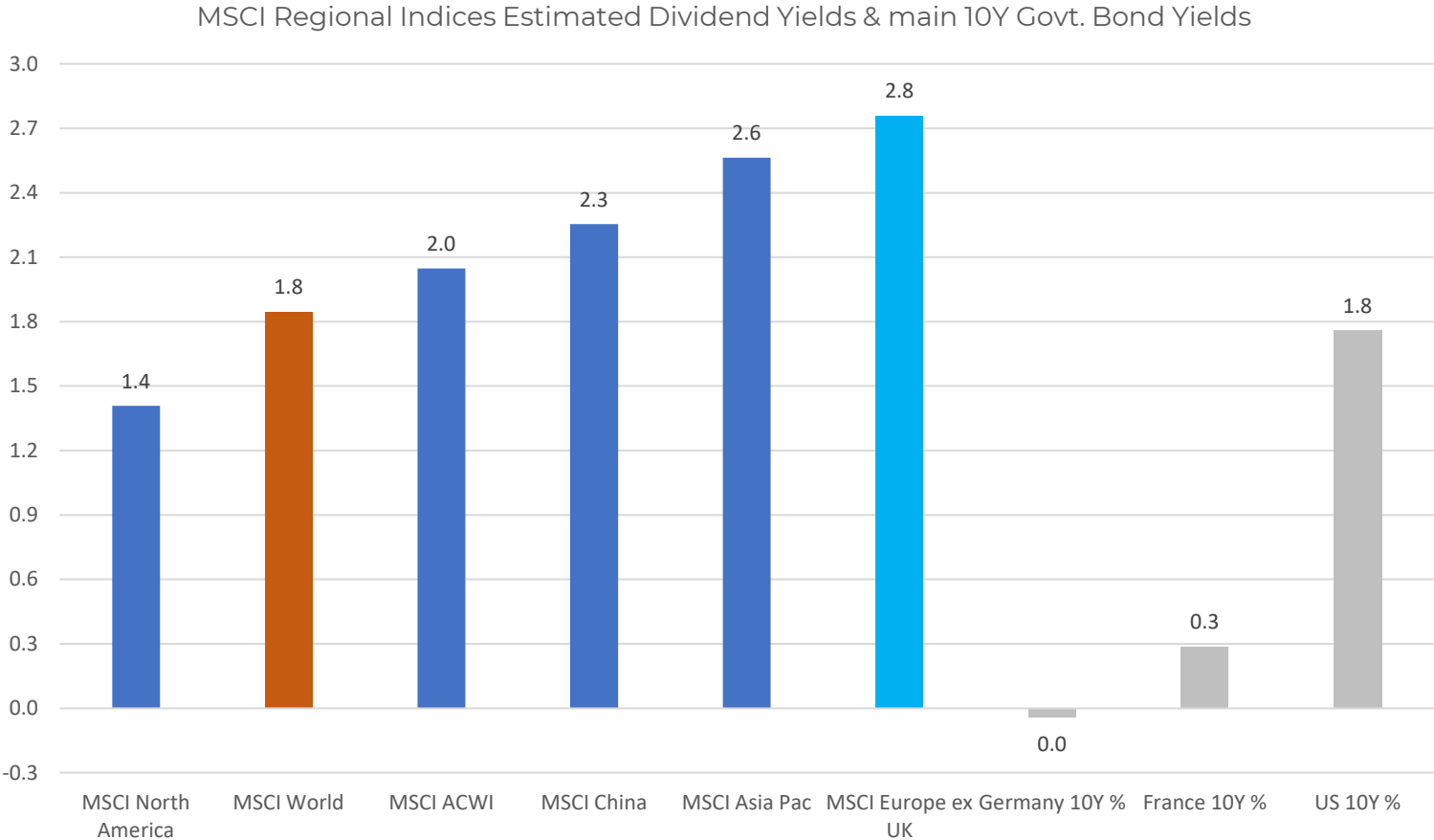
Source: Guinness Global Investors, Bloomberg (data as at 31.12.2019). Past performance is not a guide to future performance

MSCI Regional Returns % DVD vs PX 2004 - 2020



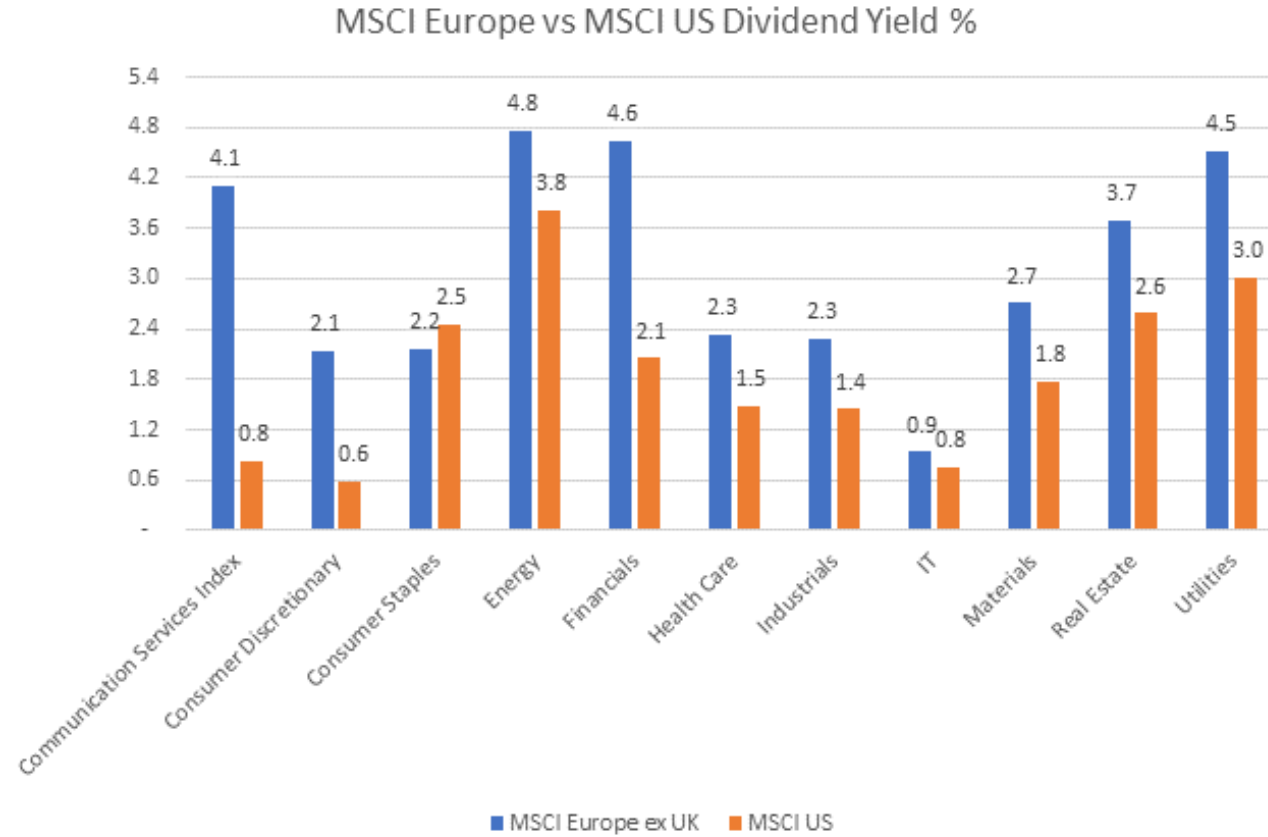
Source: Guinness Global Investors, Bloomberg (data as at 31.12.2020). Past performance is not a guide to future performance

Europe ex UK income vs. developed regions and asset classes



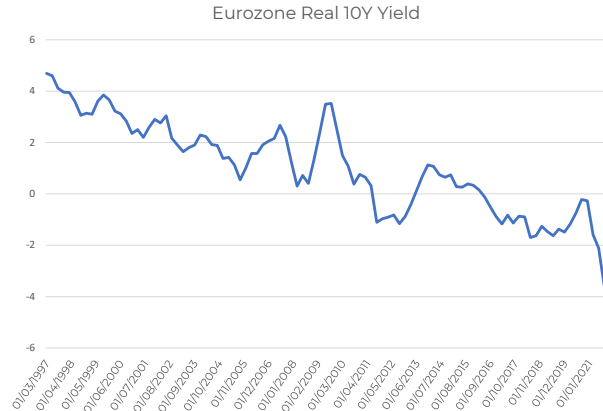
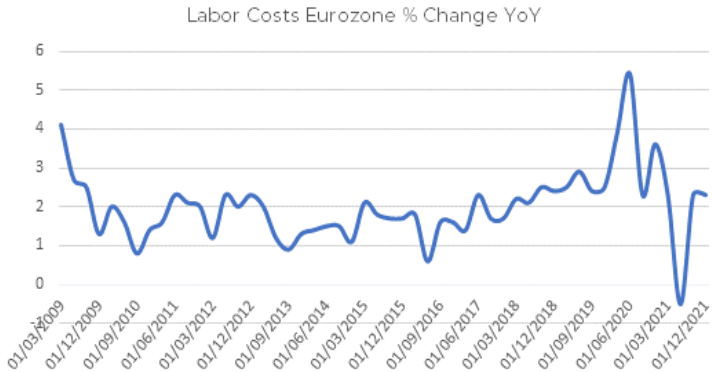
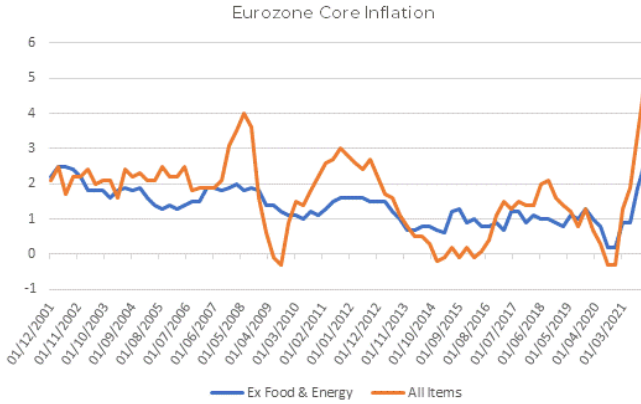
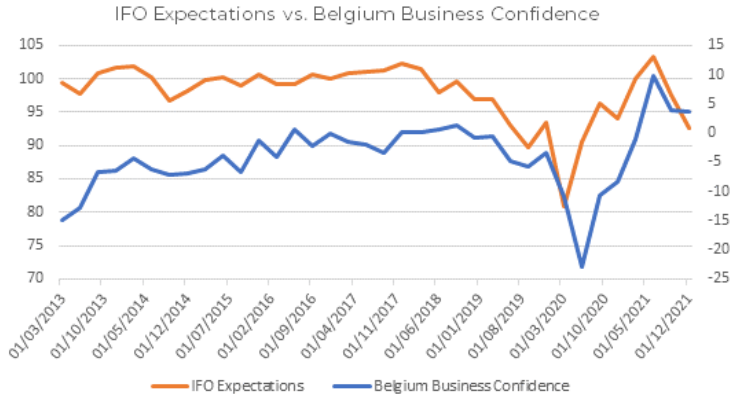
Source: Guinness Global Investors, Bloomberg (data as at 31.12.2021).

Europe Sector Dividend Yields vs US



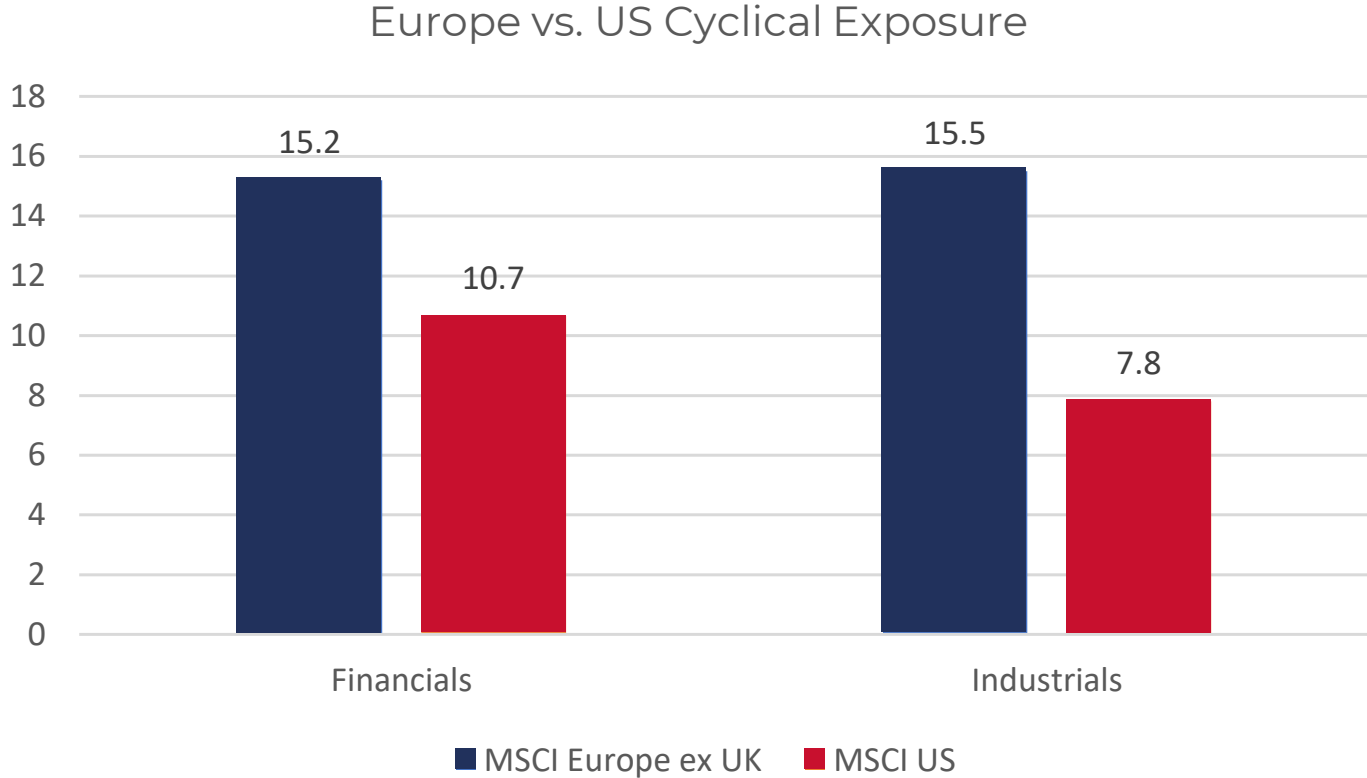
Source: Guinness Global Investors, Bloomberg (data as at 31.12.2021). Past performance is not a guide to future performance

Economic data – Favourable backdrop for Quality Income



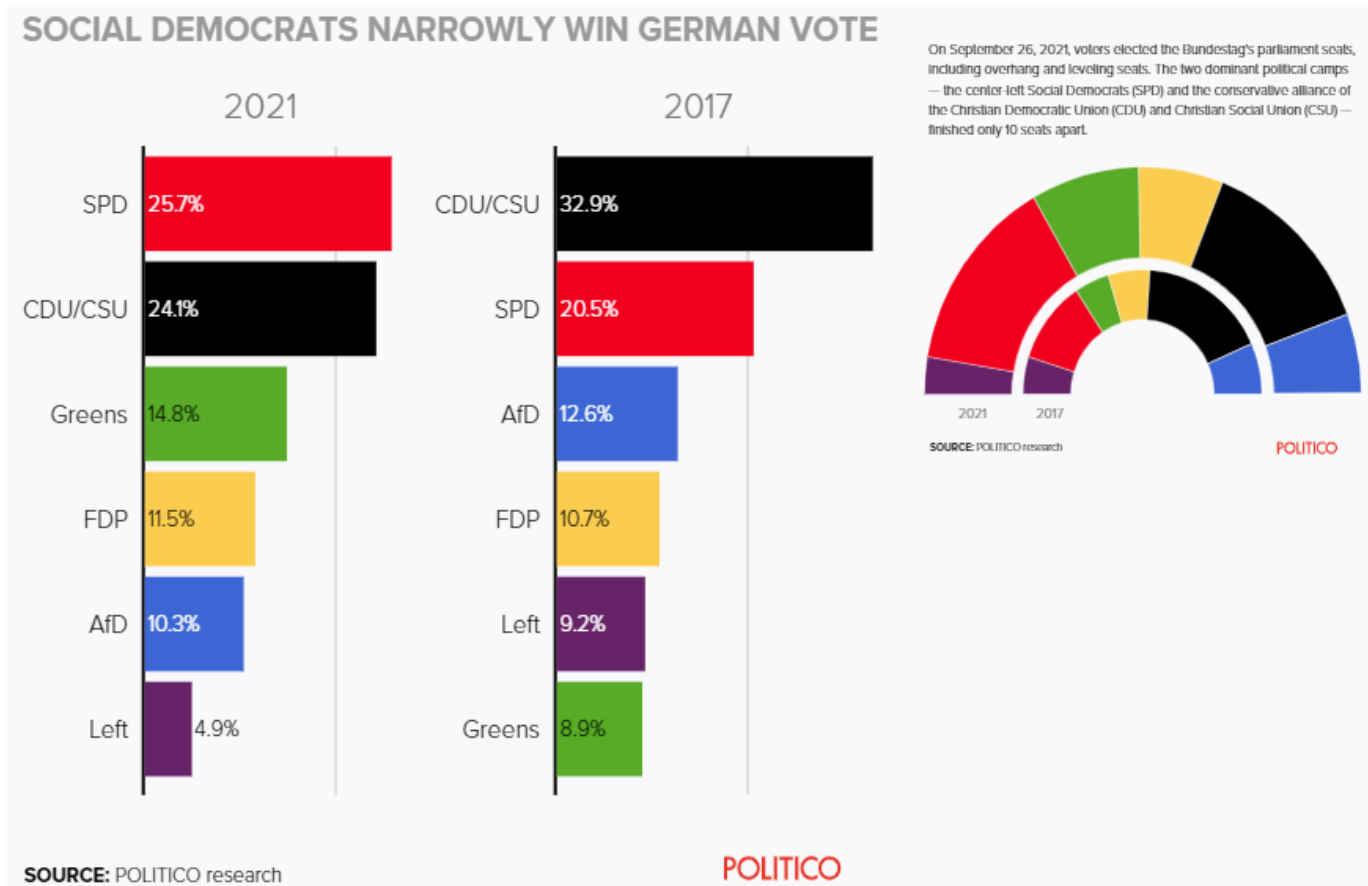
Source: Guinness Global investors, Bloomberg data (as at 31.12.2021).

MSCI Europe ex UK cyclical exposure vs US



Source: Bloomberg data as at 31.12.2021

Political Backdrop



- SPD Green Conservative (FDP) coalition in Germany “decade of capex”
- Recovery fund - €750bn focused on green and digital
- IMF Europe €520bn/annum capex next decade to meet climate goals
- Italy – Mario Draghi presence suggests recovery funds will be spent well and structural reforms enacted.
- Dutch turned French under influence of D66.

Source: <https://www.politico.eu/europe-poll-of-polls/germany/>

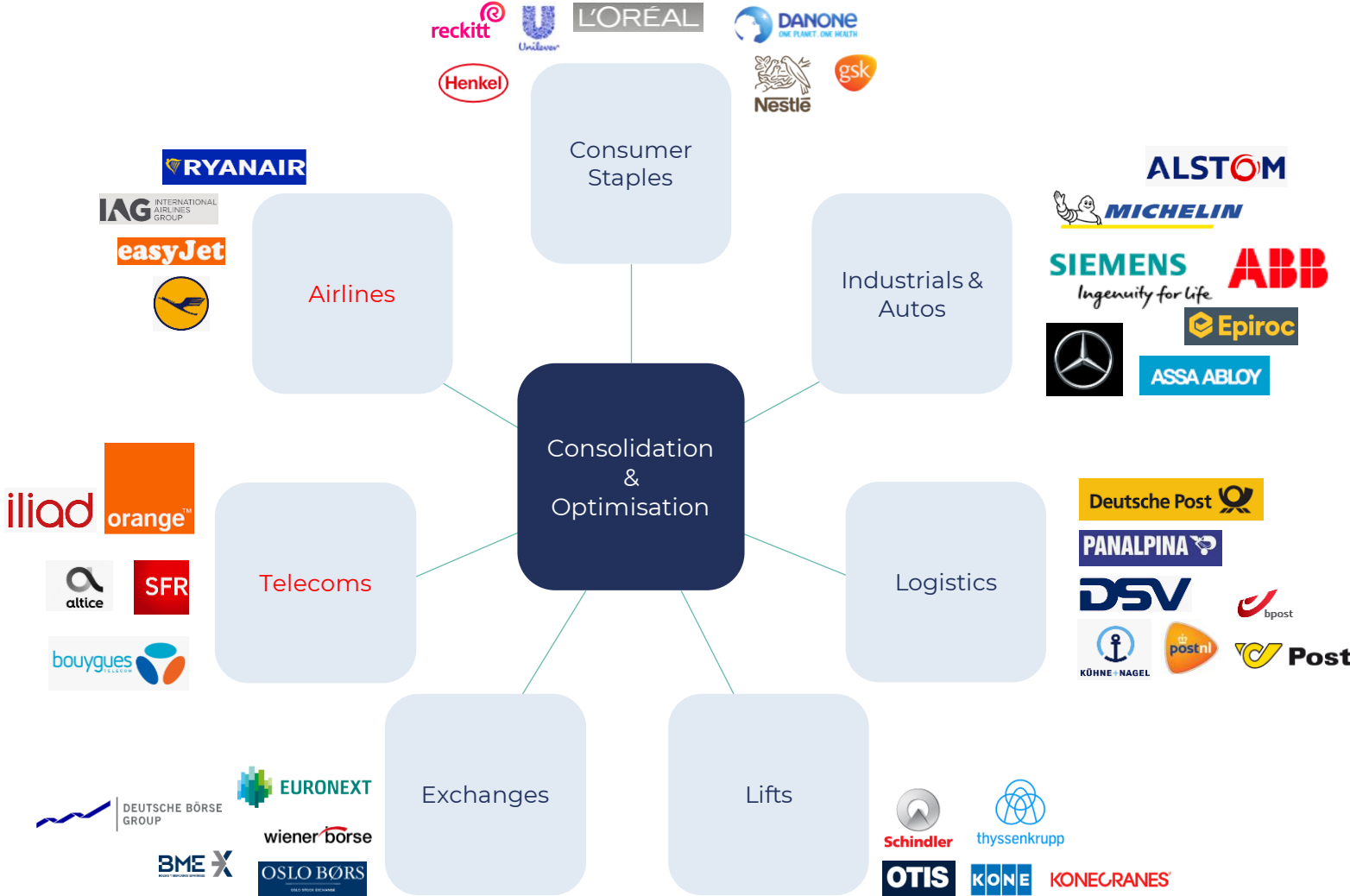
Direction of (European) Returns

- Fragmented market vs. US (along country lines)
- Further integration looks likely (given the imperative of scale to match up US and China)
- Opportunities for consolidation and optimisation (deconsolidation)
- Potentially driving higher levels of returns.

	Europe ex UK	US
Population (Eurozone) million	343	330
Number of listed companies	5,863	4,266
Debt / Equity	209	122
ROE % 2021e	11	23
Payout Ratio %	73	50

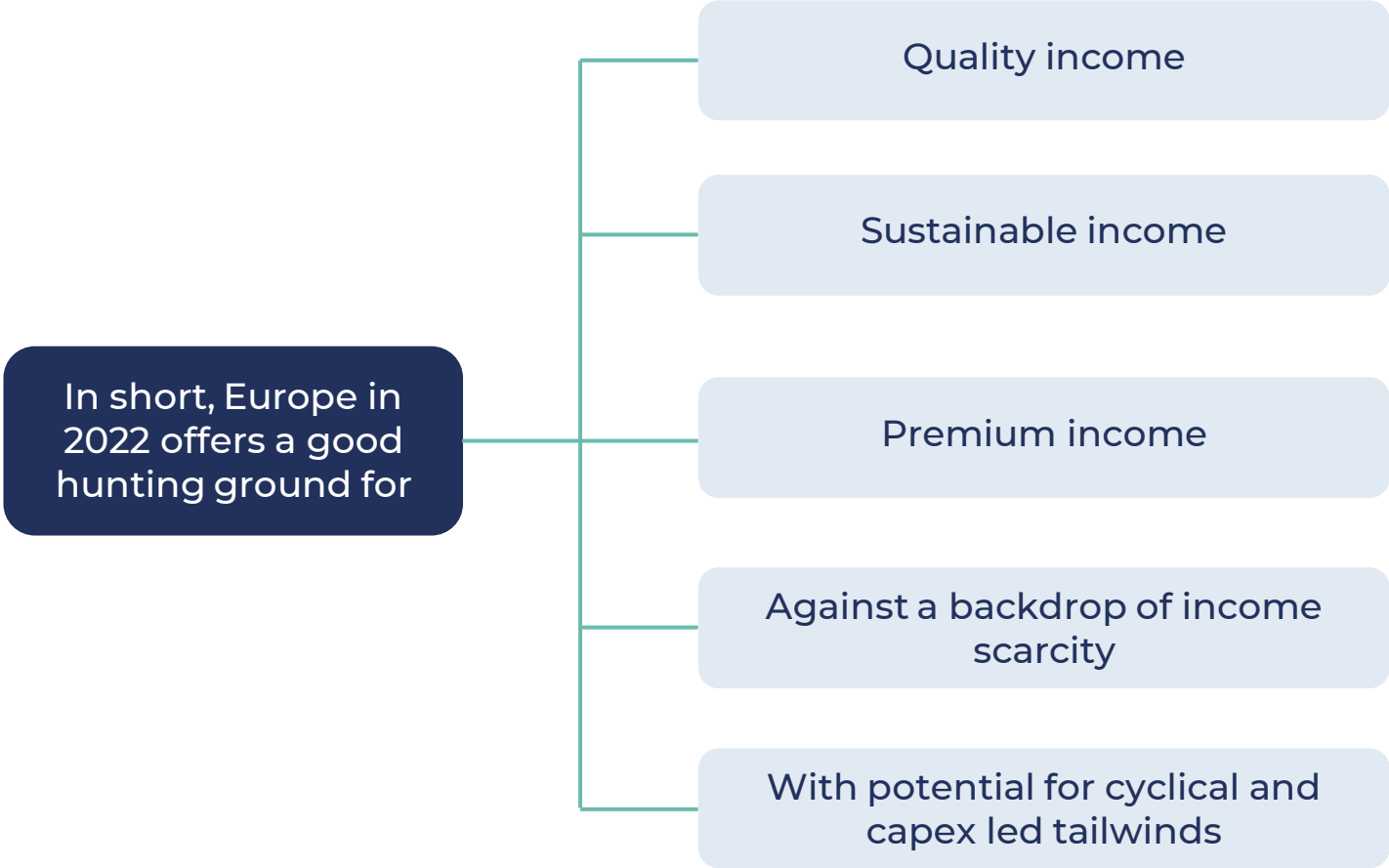
Source: World Bank data, Bloomberg data (iShares MSCI Europe ex UK, USA ETFs)

Consolidation & Optimisation



Source: Guinness Global Investors, qualitative assessment

Guinness European Equity Income



Source: Guinness Global Investors, qualitative assessment

Fund Process Key Slides

Fund philosophy

Quality

- We focus on companies with a long history of persistent high return on capital
- We avoid highly leveraged companies

Value

- We try to identify companies that are cheap vs market, peers, and their own history
- Fund investment process is fundamentally driven from the bottom-up

Dividend

- The Fund targets a moderate dividend yield (we do not screen for high dividend yield companies)
- The Fund aims to grow the dividend stream year-on-year

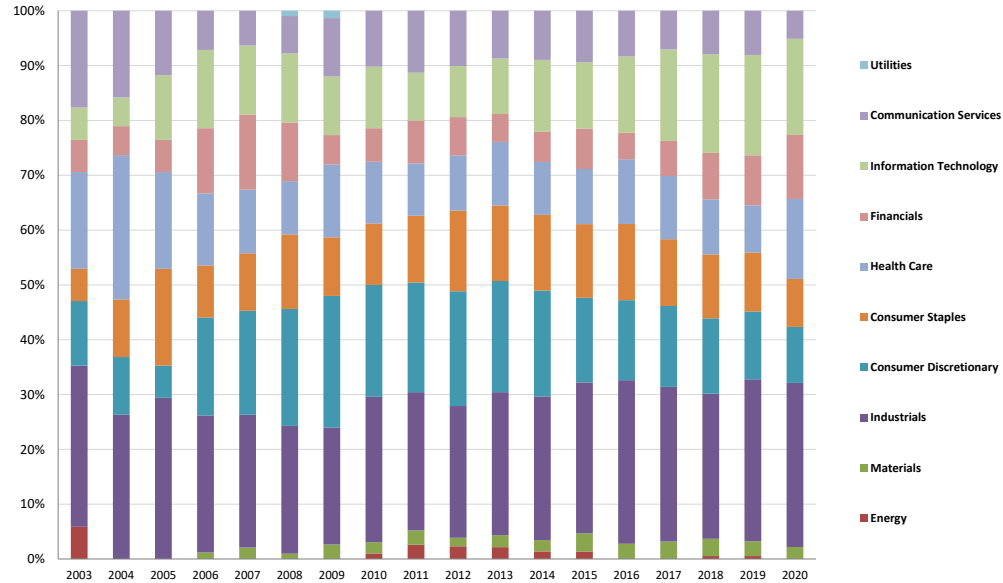
Conviction

- The Fund typically has 30 equally weighted positions
- We target a low turnover with average of 3 – 5 year investment horizon

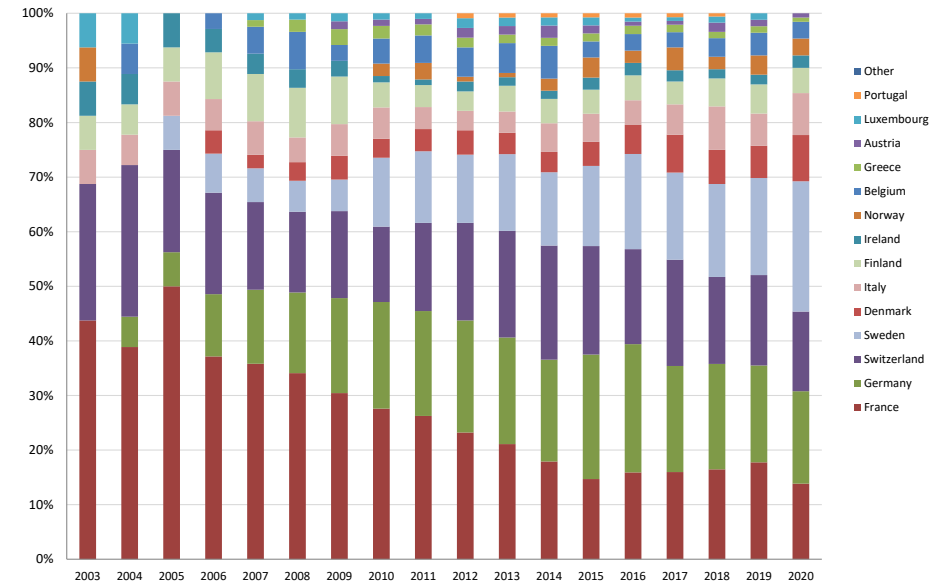
Concentrated portfolio of high return on capital companies, at attractive valuations, with a moderate dividend yield and good potential for dividend growth

Universe characteristics – good sector distribution

GICS sector (current)



Country of domicile

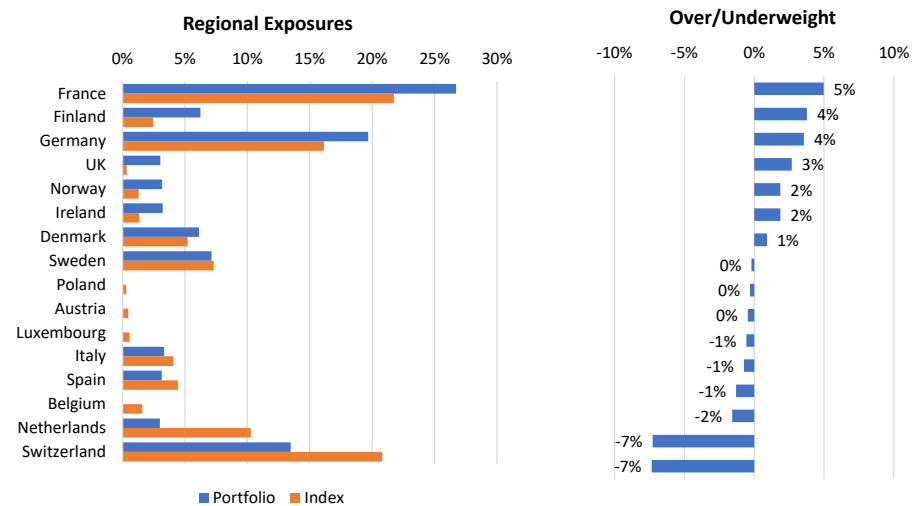
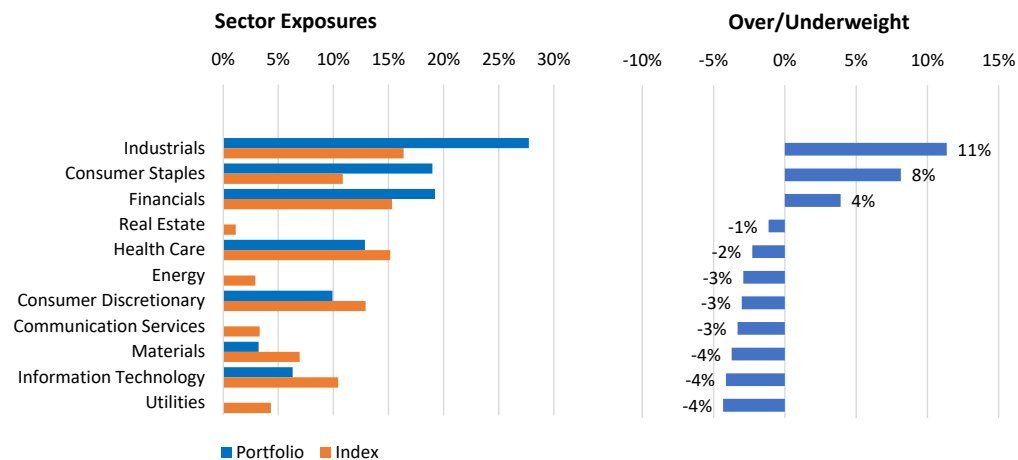


- Few highly cyclical companies in universe (energy, materials)
- Few highly regulated industries (utilities, telecoms): difficult to achieve high CFROI

- Good geographic diversification; Sweden, Germany, France and Switzerland have the largest weightings

Source: Guinness Global Investors, CS HOLT, Bloomberg as at 31.12.2020

Portfolio allocation – Sector Over/ Underweight



Source: Guinness Global Investors, Bloomberg (data as at 31.012.2021)

Portfolio breakdown

Name	Sector	Mkt. cap	Country	% NAV	PE	
					21Y	22Y
Kering SA	Consumer Discretionary	102.1	FP	3.4%	27.9	24.0
Daimler AG	Consumer Discretionary	90.5	GR	3.0%	5.9	6.1
Kaufman & Broad SA	Consumer Discretionary	0.9	FP	3.3%	17.1	10.7
Nestle SA	Consumer Staples	381.6	SW	3.5%	28.6	26.7
Danone SA	Consumer Staples	43.7	FP	3.1%	16.7	15.7
Salmar ASA	Consumer Staples	8.0	NO	3.3%	32.0	22.2
Unilever PLC	Consumer Staples	135.8	LN	3.1%	18.9	17.7
Bakkafrost P/F	Consumer Staples	3.8	NO	3.3%	36.9	20.4
Henkel AG & Co KGaA	Consumer Staples	35.6	GR	3.4%	15.2	14.0
Euronext NV	Financials	10.6	FP	3.2%	18.4	17.9
Helvetia Holding AG	Financials	6.4	SW	3.4%	12.2	11.1
Amundi SA	Financials	16.6	FP	3.1%	11.7	11.9
AXA SA	Financials	73.6	FP	3.6%	9.5	8.8
Mapfre SA	Financials	6.3	SM	3.2%	7.6	7.7
Deutsche Boerse AG	Financials	31.2	GR	3.1%	22.1	20.4
Novo Nordisk A/S	Health Care	237.3	DC	3.5%	35.5	32.1
Fresenius SE & Co KGaA	Health Care	22.5	GR	3.1%	10.7	9.7
Recordati Industria Chimica e Far	Health Care	12.7	IM	3.6%	28.1	26.0
Roche Holding AG	Health Care	353.3	SW	3.6%	18.7	18.1
Konecranes Oyj	Industrials	3.3	FH	3.2%	15.6	12.4
Epiroc AB	Industrials	29.8	SS	3.8%	33.0	28.6
Thales SA	Industrials	18.6	FP	3.3%	13.0	11.2
Deutsche Post AG	Industrials	79.0	GR	3.3%	14.1	14.0
ABB Ltd	Industrials	78.3	SW	3.4%	26.4	23.3
Siemens AG	Industrials	148.2	GR	3.2%	21.1	17.9
Schneider Electric SE	Industrials	111.9	FP	3.7%	29.5	26.6
Assa Abloy AB	Industrials	33.9	SS	3.4%	29.5	25.3
TietoEVRY Oyj	Information Technology	3.7	FH	3.1%	12.2	11.1
Capgemini SE	Information Technology	39.9	FP	3.6%	25.6	22.1
Smurfit Kappa Group PLC	Materials	14.6	LN	3.2%	18.3	15.1

Average mkt. cap	71.1
Median mkt. cap	32.6

Total portfolio	16.7	15.0
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MSCI Europe ex-UK Index	17.4	16.5
<i>Fund premium/(discount)</i>	-3.9%	-9.2%

Source: Source: Guinness Global Investors, Bloomberg. By receipt of this presentation document in either hard or soft copy, the recipient agrees not to copy, disclose, disseminate or use this information other than in their own fund selection process. Note: this portfolio data is Confidential Information that, until the 10th day of each month, is not in the public domain.

Portfolio statistics – are we doing what we say we will do?

Quality

Focus on companies with a long history of persistent high return on capital

Avoid highly leveraged companies

	Fund	MSCI Europe ex-UK
ROE %	21%	9%
Debt / equity (w.a)	84%	233%
Net debt / Equity %	40%	51%

Value

Identify companies that are cheap vs market, peers, or their own history

Fundamentally driven bottom-up process

	Fund	MSCI Europe ex-UK
P/E (2022)	15.0	16.7
FCF Yield %	7.3	5.5

Dividends

Target a moderate dividend yield (do not screen for high dividend yield companies)

Aim to grow the dividend stream year-on-year

	Fund	MSCI Europe ex-UK
Div yield (2022e)	3.3% (gross)	2.9%
Payout ratio %	45%	65%

Conviction

Typically 30 equally weighted positions in the portfolio

Low turnover: average 3 – 5 year investment horizon

Positions	30
Top 10% NAV	35%
Bottom 10% NAV	32%
Active Share	83%

Source: Guinness Global investors, Bloomberg, CS HOLT (data as at 31.12.2021).

Portfolio Breakdown – Attributes

		Holdings
Strong Self determination	Identifiable Barriers to Entry	Intangibles, Switching Costs, Scale, Network Effects, Regulation
	Market Leadership Positions	Dominates a market or niche, number 1, 2 or 3 position. Balance sheet strength.
	Widening Moat	Market share gains. R&D spend. New Products. Widening margins. Eye on capital cycle / new entrants
	Aligned Incentives	Active shareholders. Capital allocators. Returns based incentives. Business owner culture. Stakeholder focus.
	Market Opportunity	Long runway. Secular growth. Not forgetting about the supply side.
External factors	Commodity industries	Materials, Energy.
	Regulated Industries	Utilities, Telecoms.
	Banks	Leverage, regulation.

Source: Guinness Global Investors, qualitative assessment

Platform availability

Share classes*					
Class	Currency	Max TER (OCF)	Description	Acc / dist	ISIN
Z	GBP	0.35%	Founder share class	Dist	IE00BGHQF300
Y	GBP	0.89%	Primary Share Class	dist	IE00BYVHWJ06



The Fund	
Fund launch date	19 December 2013
Fund managers	Nick Edwards,
Benchmark	MSCI Europe ex-UK Index
Leverage	None
Currency hedging	None

Pricing & dealing	
Pricing	Daily
Performance fee	None
Valuation point	11pm Dublin time
Dealing cut off	3pm Dublin time
Domicile	Ireland

Structure & legal	
Fund structure	Dublin OEIC (UCITS IV)
Administrator	Link Fund Administrators (Ireland) Ltd.
Custodian	BBH
Temporary permissions regime	Yes
Reporting status	Reporting Fund for UK tax purposes

Performance – Discrete Years to 31.12.2021**	
2021 Fund	17.5%
2021 Index	16.7%
2020 Fund	0.1%
2020 Index	7.5%
2019 Fund	23.7%
2019 Index	20.0%
2018 Fund	-8.8%
2018 Index	-9.9%
2017 Fund	16.7%
2017 Index	15.8%

Past performance should not be taken as an indicator of future performance. The value of an investment and the income from it can fall as well as rise as a result of market and currency movement; you may not get back the amount originally invested.

Source: Guinness Global investors . *Y class rebated down to 0.35% on Fidelity FundsNetwork. Founder Z share class will close to new investment when the Fund reaches £50m in AUM. **Source FE fundinfo to 31.12.2021 Y GBP Acc (OCF0.89%). Index MSCI Europe Ex. UK

Thank you

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Q&A

Contact details

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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. 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 in English from www.guinnessgi.com or free of charge from:-

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

LFMSI, as UCITS Man Co, has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive.

Investor Rights

A summary of investor rights in English is available here: <https://www.linkgroup.eu/policy-statements/irish-management-company/>

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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. **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. The Fund has been approved by the Financial Conduct Authority for sale in the UK. If you are in any doubt about the suitability of investing in this Fund, please consult your investment or other professional adviser.

Switzerland

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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.

15/01/2022, GBP