

**SHINING A LIGHT ON THE.....  
Guinness Emerging Markets Equity Income Fund**

**AT A GLANCE**

<b>Investment Objective</b>	
The investment objective of the Fund is to provide investors with both income and long-term capital appreciation.	

<b>Inception Date</b>	23 <sup>rd</sup> December 2016
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000YD2W">http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000YD2W</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Mark Hammonds	23 <sup>rd</sup> December 2016
Edmund Harriss	23 <sup>rd</sup> December 2016

<b>Investment Style Details</b>	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	34.13%
Large	27.53%
Medium	27.26%
Small	8.18%
Micro	2.90%

<b>Top 10 Holdings</b>		
<b>Total number of holdings</b>	36	
<b>Assets in Top 10 Holdings</b>	30.04%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
AAC Technologies Holdings Inc	Technology	3.82%
Shenzhou International Group Holdings...	Consumer Cyclical	3.00%
Novatek Microelectronics Corp	Technology	3.00%
Porto Seguro SA	Financial Services	2.96%
Elite Material Co Ltd	Technology	2.94%
Taiwan Semiconductor Manufacturing Co...	Technology	2.91%
China Medical System Holdings Ltd	Healthcare	2.88%
Hon Hai Precision Industry Co Ltd	Technology	2.87%
China Merchants Bank Co Ltd Class H	Financial Services	2.84%
Haitian International Holdings Ltd	Industrials	2.81%

<b>Volatility Measurements</b>	
<b>3-Yr Std Dev (volatility)</b>	11.37%
<b>3-Yr Mean Return (average)</b>	7.66%

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## FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2017 to 31<sup>st</sup> January 2020:

	2017	2018	2019	2020
<b>Guinness Emerging Markets Equity Income Fund</b>	26.42%	-9.50%	14.58%	-4.24%
<b>iShares MSCI EM ETF</b>	24.43%	-9.25%	12.62%	-5.86%

Performance over 12 months, 3 years and since launch:

	1 year	3 years	Since launch
<b>Guinness Emerging Markets Equity Income Fund</b>	6.86%	24.77%	25.76%
<b>iShares MSCI EM ETF</b>	0.59%	15.37%	23.92%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## UPDATE....

The investment philosophy is the same across all strategies. The team are looking for companies with a long history of persistent high returns, and those companies which are cheap vs the market, peers or their own history.

The total pool of available companies is 4000. They are looking for those companies with 8% p.a. real returns over an eight-year period, and low debt to equity. This then reduces the available pool to 360. In terms of selecting from this they are looking for companies undervalued by the markets and with a growing income stream. They then pick 36 equally weighted companies. This moves but is rebalanced. The average holding period is 3 to 5 years.

Like the global equity income strategy this should perform better in a down market. We can see in 2018 this didn't play out, although it has held better at the start of this year. The fund aims to outperform in weaker markets and will naturally underperform in sharply rising markets. Over 12 months and 3 years it has significantly outperformed but since launch it has only slightly outperformed.

In terms of what has done well for the fund, this includes Elite Material, Novatek Microelectronics, China Medical System, Qualcomm and B3. Detractors to performance include Indiabulls Housing Finance, Truworths, JSE, KT&G and St Shine Optical.

They sold Indiabulls and purchased Largan. Other changes include China Minsheng Bank, being replaced by China Merchants Bank, and Infosys being replaced by Tech Mahindra.

Looking at the markets they see growth of 4.5% in 2020, rising to 4.7% in 2021. The average company has low levels of debt and there is significant improvement in earnings growth. In terms of risk the trade dispute remains but they think this is easing in the short term. The virus remains a risk, but they

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see this as different from others and don't see that it will have any long-term impact, although they expect it to bring volatility to the market.

In summary, not much has changed from when we reviewed last year. One change that is being made is that they will be incorporating A shares into the investment process. The fund still hasn't really delivered in down markets as we would expect but it is very early days. There are many different options within emerging markets and this might be a fund to monitor at this stage.

*The source of information in this note has been provided by Guinness and is correct as at January 2020. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*