SHINING A LIGHT ON THE……
Guinness Global Innovators Fund

AT A GLANCE

Investment Objective
The investment objective of the Fund is to provide investors with long-term capital appreciation.

Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000UNFC

Management	
Manager Name	**Start Date**
Ian Mortimer	31 October 2014
Matthew Page	31 October 2014

FUND PERFORMANCE

Performance from 1st January 2016 to 31st August 2021:

	2016	2017	2018	2019	2020	2021
Guinness Global Innovators Fund	28.00%	22.30%	-11.65%	31.64%	32.41%	19.03%
MSCI World NR	28.24%	11.80%	-3.04%	22.74%	12.32%	17.14%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Guinness Global Innovators Fund	31.12%	71.68%	143.80%	207.02%
MSCI World NR	26.25%	43.50%	90.01%	145.52%

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.

Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
5.69	1.22	-	110.77	113.26	61.11	1.10	(0.16)	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	17.36%
3-Yr Mean Return (average)	19.74%

Investment Style Details	
Giant	69.88%
Large	28.69%
Medium	0.00%
Small	0.00%
Micro	0.00%

Top 5 Holdings – 30 Equity Holdings		
Facebook Inc Class A	Communication Services	4.06%
Danaher Corp	Healthcare	3.91%
Adobe Inc	Technology	3.90%
Alphabet Inc Class A	Communication Services	3.88%
Cisco Systems Inc	Technology	3.64%

Top 5 Sectors	
Technology	43.01%
Healthcare	13.74%
Financial Services	12.59%
Communication Services	11.42%
Industrials	10.29%

Top 5 Regions	
United States	79.01%
Germany	6.35%
Switzerland	3.53%
France	3.18%
Taiwan	2.75%

UPDATE….

We are currently doing some deep dive work on several global funds, with the intention of potentially adding to our investment portfolios. The Guinness approach is similar across the suite of funds. They operate a concentrated portfolio with equal weightings, where they rebalance back 2 or 3 times a year, so no-one name is a dominant position within the fund.

The strategy focuses on 9 core innovative themes: advanced healthcare, AI and big data, clean energy and sustainability, cloud computing, internet, media and entertainment, mobile tech and internet of things, next gen consumer, payments and fintech, robotics and automation.

The characterises of the companies they hold are those with faster profit growth, wider profit margins and are not exposed to the economic cycle.

These are all large cap names and they do not invest in non-profitable businesses or those with high levels of debt. This has a quality growth bias, but valuation is important. They use various metrics to assess the valuation of a company. One example is if the company is pricing 40% growth per annum but historically it is has done 20%, then that gives an idea on whether something is fairly valued or not.

As an example, Tesla they see as a great company but feel investors are paying over the odds for it, so they are prepared to miss out on this. They held eBay because of PayPal and when that was split out, they sold eBay and kept PayPal because that is where they saw the value and the innovation.

Looking at companies, a lot of the work is about studying the data and understanding what they do with the money. If they are investing in R&D, does that translate into profitability? If they are growing and profitable, can this persist? They invested in semi-conductors a while back because of the high barriers to entry and the growing demand, whereas they avoided 3-d printing companies as they felt this was a fad.

We talked about whether the market was elevated and whether this would have an impact on future performance. Matthew explained that pockets are elevated, but where they are investing is in quality companies where they make sure everything is contributing to performance. The companies they invest in are far more profitable and have far less debt than the index, and although the price to ratio appears high, they all have strong growth characteristics. Ultimately whatever happens these are businesses that will survive.

There will be periods when this will underperform, for example, where there is a 'dash to trash', or small cap outperforms or higher inflation benefits commodities, banks etc. However, he feels these are short lived and over the long term this should deliver consistent outperformance.

Having a small number of holdings means they can be nimbler. As an example, they held New Oriental and could see what was proposed in the education sector in China, and although they didn't see the end result, they felt that the potential downside of any change would no longer make this a great company. They sold out before the big shocks hit the share price.

With Tencent they have also sold out because they felt they did not need to continue to take the risk on the unknown when there were other great opportunities they could invest in. It all comes back to making sure that when investing, everything as much as possible is in their favour, and if this is the case then they can achieve that outperformance.

We discussed the size of the team compared to larger houses and he explained that being a small team means they can make decisions quickly; they also ensure everyone is looking across geographies and sectors so they can see the whole picture. The aim is that you are open to everything that is happening around you and having a smaller team means the lines of communication are much easier.

In terms of alignment, Matthew invests all his pension money across this strategy and the other fund he manages. He also has an equity stake in the business. This means he is aligned to investors not only in terms the fund but also the direction of the company. This is really important because where there is alignment there is more likely to be better outcomes for investors.

In summary, this was a fascinating discussion with the team and gave greater insight. The fund has performed strongly with the team in place. Even with the rotation to value towards the end of 2020 and start of 2021, this has been able to outperform.

Looking at the holdings, it does hold the likes of Facebook, Alphabet, Microsoft, Apple, and Amazon, but also companies like Cisco, Thermo Fisher, ANTA Sports, Lam Research, so you do feel you are getting something different with this.

Matthew added that there is a leap of faith with every choice you make; if you think equities are the only place to go then he feels he offers a safe pair of hands. This meeting certainly cements the reason why we are considering it and the work will continue in the background before we make a final decision.

The source of information in this note has been provided by Guinness and is correct as of September 2021. 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.