GUINNESS GLOBAL INVESTORS

MULTI-ASSET FUNDS

October 2022 Market Update & Investment Report

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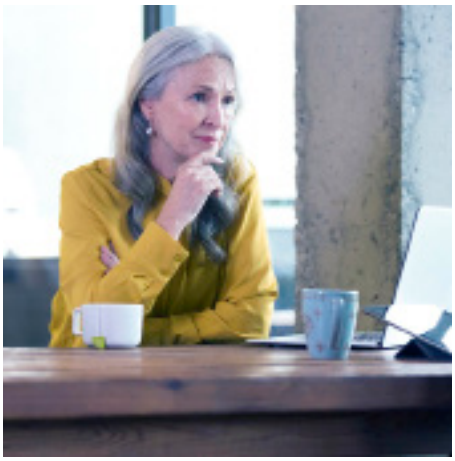
Brewin Dolphin

Contents



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The Month in a Minute...

September Overview

Following on from the first two quarters of the year, both equity and bond markets produced a sea of red as central banks grappled with inflation. Over the third quarter, the Fed increased rates by 150bps (300bps for the year), UK by 100bps (200bps), and Europe by 125bps (125bps). The quarter started promisingly on hopes of a soft landing with equities and bonds rallying but August and September reversed these gains. In dollar terms, Asia was the largest faller with Emerging Markets, UK and Europe registering double digit falls. The S&P 500 was the highlight falling circa 5%. Growth & Small Cap stocks outperformed Value over the period.

Generally sovereign debt fell less than corporate bonds with the exception of UK gilts which collapsed 20% following the appointment of Liz Truss and Kwasi Kwarteng's mini budget promoting large tax breaks. This forced the Bank of England to intervene in the gilt market to avoid a pension fund crisis. The UK was also dominated by the death of its longest reigning monarch.

On the positive side, oil prices dropped circa 30% over the quarter, gas prices fell which is key for Europe and food prices retraced to levels seen at the start of the war in Ukraine. However, core inflation remains above the targets set by most Central Banks. European economic data continued to deteriorate, although over the quarter Europe was able to replenish gas reserves to 85% despite Russia halting supplies via the Nord Stream 1 pipeline.

China had different headwinds ranging from its Covid zero tolerance policy, which saw city shutdowns, weather related disruptions and continued concern with the housing market. That aside the country isn't affected by the global inflation issue with CPI at 2.3%. Whilst economic data has been weak, assisted by support from the PBoC there are improving signs.

During Q3 the overweight position to cash and absolute return benefitted the fund. The holdings of Invesco Nasdaq 100, Xtrackers Russell 2000 and S&P 500 were positive contributors.

The Month in Numbers

As at 30/09/2022	Guinness Multi Asset Balanced Fund			Guinness Multi Growth Fund		
	Strategic Asset Allocation	Tactical Asset Allocation	Difference vs SAA	Strategic Asset Allocation	Tactical Asset Allocation	Difference vs SAA
Cash	2.5%	4.5%	2.0%	2.5%	4.5%	2.0%
Bonds	22.5%	19.5%	-3.0%	12.0%	9.0%	-3.0%
Government Bonds	8.0%	7.5%	-0.5%	5.5%	4.5%	-1.0%
Inflation Linked Bonds	2.5%	2.0%	-0.5%	0.0%	0.0%	0.0%
Corporate Bonds	12.0%	10.0%	-2.0%	6.5%	4.5%	-2.0%
Equities	68.0%	67.5%	-0.5%	83.5%	83.0%	-0.5%
UK equities	2.7%	2.6%	-0.1%	3.3%	3.2%	-0.1%
International equities	65.3%	64.9%	-0.4%	80.2%	79.8%	-0.4%
US	43.4%	43.7%	0.3%	53.3%	53.6%	0.3%
Europe ex UK	8.0%	7.2%	-0.8%	9.8%	9.0%	-0.8%
Japan	4.2%	4.1%	-0.1%	5.1%	5.0%	-0.1%
Asia ex Japan	8.2%	8.6%	0.4%	10.1%	10.5%	0.4%
EM	1.5%	1.3%	-0.2%	1.9%	1.7%	-0.2%
Alternatives	7.0%	8.5%	1.5%	2.0%	3.5%	1.5%
Hedge funds/alternatives	4.0%	6.0%	2.0%	1.0%	3.0%	2.0%
Commercial property	1.5%	1.0%	-0.5%	0.5%	0.0%	-0.5%
Gold	1.5%	1.5%	0.0%	0.5%	0.5%	0.0%

As at 30/09/2022	Euro STOXX	FTSE 100	MSCI AC Asia ex Japan	MSCI Emerging Markets	S&P 500	TSE TOPIX
1m	-4.8%	-5.2%	-9.1%	-8.0%	-5.4%	-5.8%
3m	-2.5%	-2.7%	-6.3%	-3.8%	3.4%	1.1%
6m	-10.7%	-6.4%	-7.5%	-7.6%	-6.1%	-5.7%
1yr	-15.3%	0.9%	-13.9%	-13.2%	1.6%	-13.9%
3yr	1.9%	3.6%	6.0%	3.7%	37.6%	1.3%
5yr	7.9%	13.5%	13.1%	9.7%	82.0%	13.3%
10yr	123.0%	75.7%	94.9%	60.6%	312.7%	133.4%

Asset Allocation Overview

 Positive Asset Class View

 Negative Asset Class View

Equities

We remain underweight global equities, largely on the back of our view that we are on the cusp of a meaningful slowdown in global economic growth that will see the US economy suffer a recession at some point next year. Historically, the S&P 500 bottoms a median of 4.5 months before the associated recession ends. Importantly, if we exclude the two outlier TMT and COVID bear markets, which were atypical, the range around which the S&P bottoms ahead of a recession ending has been tight at between three and six months. There's no reason to think that won't hold again this cycle. Given a US recession has not even started, it's probably too early to think that global equities have hit a bottom.

Bonds

We increased our allocation to Gilts this month. However, we only bumped Gilts up to neutral, as we believe it is too early to expect a sustained rally. One reason is that the peak in yields typically happens much closer to the point when the BoE stops hiking rates. Historically, the furthest the Gilt yield has peaked ahead of the last BoE hike of the cycle was five months. Currently, the market is pricing in BoE rate hikes until next June. Even if they finish their hiking cycle a few months earlier than traders expect, it would be unusual for Gilts to start a sustainable rally so far ahead of that. Another reason is that there is a lot of Gilt supply coming to market that the private sector will need to absorb. This is due to the government ramping up net issuance to pay for both the energy bailout and tax cuts at a time when the BoE is shrinking its balance sheet. On that point, the recent market ructions only caused the BoE to delay its program of active sales - those will now begin at the end of this month. We remain underweight corporate bonds as there is scope for further spread widening if economic growth continues to deteriorate, as we expect.

Alternatives

We hold a neutral position in gold. The potential for real bond yields to rise further (a headwind for gold) is offset by the potential for a further decline in sterling. We remain underweight property. Real bond yields are rising, inflation pressure in the US is close to peaking and valuations are unattractive. Finally, we are overweight absolute return. This is a relatively attractive asset class at a time when the risk/reward backdrop for equities and bonds is not great.

Cash

We remain overweight. Cash is a relatively attractive asset class at a time when global growth momentum is slowing, and bond yields are rising. Moreover, the BoE base rate continues to move higher.

Equity Allocation by Region

US Equities

The relatively richly valued US market is particularly vulnerable to rising interest rates / bond yields. That said, a slowing in global economic momentum is a relative performance tailwind for the US, given that its sector composition and currency are both relatively defensive. Against this mixed backdrop, we maintain modest exposure to US equities.

Europe ex UK Equities

On the one hand, Europe ex UK stocks are cheap and unloved. In addition, tech/digital stocks (which Europe has very little of) remain vulnerable to additional underperformance if bond yields keep moving higher. That said, most other non-US markets are out of favour, and there probably isn't massive upside from where bond yields are now. Meanwhile, it's probably too early to bet on a sustainable rally in the euro. If European FX continues to slide, that has negative implications for relative performance in common currency terms. At a time when the key macro drivers of Europe ex UK equity relative performance look set to move in competing directions and given the uncertainty around the natural gas backdrop in Europe heading into the winter, we believe it is prudent to stay modestly negatively positioned.

UK Equities

Rate hikes will likely impact growth in the UK faster than the US, partly because mortgage terms in the UK are much shorter. Rising UK mortgage rates should put a damper on UK house prices, and that historically has coincided with weaker consumer spending. Relatively weak UK economic growth tends to weigh on UK equity relative performance. That said, if global bond yields continue rising, that should provide an offset to a weak UK economy. Within equities, rising bond yields tend to boost to the relative performance of the global value style vs its growth style counterpart. The UK equity market is very value style exposed.

Japan Equities

Given Japan's plunging population and birth rate, Japanese equities are confronting major demographic headwinds. This acts as a strong disincentive for Japanese businesses to invest and is a structural roadblock to equity market outperformance. More immediately, Japanese equity relative performance in common currency terms has been hindered by the very weak yen. Looking ahead, we do not expect a catalyst to arrive that could spark a meaningful turnaround in Japanese equity relative performance. That said, Japanese equities are relatively defensive in the current environment of tightening monetary policy in the Western world. Meanwhile, the Japanese economy should benefit from its delayed pandemic re-opening in the next few quarters, which should come at a time when US/European economic growth is slowing. Against this backdrop, the relative performance outlook is balanced in our view.

Asia ex Japan Equities

The Chinese economy is facing strong headwinds and it is right to be cautious on the outlook. But there are several reasons to believe it makes sense to take a contrarian stance and position for Asia ex Japan outperformance on a 12–18-month view. Valuations are undemanding, China should begin to ease up on its zero COVID policy, there is very little inflation, there has been a shift on the part of the Chinese authorities to both stimulate the economy and impose regulation in a more market friendly way. Importantly, Asia ex Japan equity correlation with the global equity market is relatively low. If US and European markets remain weak, the region stands to hold up relatively well.

Emerging Markets ex Asia

Brazil, Saudi Arabia, South Africa, Mexico and the UAE are the countries with the highest market cap weightings in EM ex Asia, making it a very commodity exposed index. The Brazilian presidential election was held on Sunday. With no candidate getting 50% of the vote, it is heading to a second round later this month. Odds are good that Lula wins. But Brazil's strong performance under his previous leadership (from 2003-2010) is unlikely to repeat, as commodity prices are unlikely to rise like they did back then. Lacklustre commodity prices are a relative performance roadblock for this region. That is offset somewhat by the fact that valuation multiples are very undemanding.

At a glance...

The Multi Asset Balanced Fund

Medium Risk

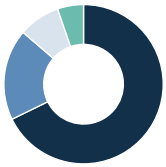
You are prepared to have more than half of your investment held in equities with the aim of achieving a higher investment return over the long term. The greater allocation to equities means your portfolio may experience heightened levels of volatility over the investment term.

The portfolio will typically include two thirds of the assets invested in equities whilst the remainder will be split between cash, fixed income and alternatives. You are prepared to accept fluctuations in the value of your portfolio to achieve your investment goals.

The Fund is actively managed without reference to a benchmark. The Fund invests in funds in a range of different asset classes.

Asset Allocation

Equities	64.9%
Fixed Income	18.8%
Alternatives	9.4%
Cash	6.9%



Equity Allocation

USA	41.7%
Other International (DM)	15.3%
UK	2.4%
Other International (EM)	1.2%
Cash	6.9%

Holding	% Weight
iShares Core S&P 500 UCITS ETF USD Dist	17.0%
Vanguard S&P 500 UCITS ETF	10.6%
iShares Global Corp Bond UCITS ETF	10.0%
SPDR S&P US Dividend Aristocrats UCITS ETF	8.6%
iShares Global Government Bond Index	7.2%
Vanguard FTSE Developed Europe ex UK UCITS ETF	6.8%
Xtrackers CSI300 Swap UCITS ETF	4.5%
Vanguard - Pacific Ex-Japan Stock Index Fund	4.3%
Fidelity MSCI Japan Index Fund	4.0%
Invesco EQQQ Nasdaq-100 UCITS ETF	3.6%
iShares Core FTSE 100 UCITS ETF USD	2.4%
JPM Global Macro Opportunities USD	1.9%
BNY - Global Dynamic Bond Fund	1.9%
Xtrackers Russell 2000 UCITS ETF	1.9%
BNY Global Short-Dated High Yield Bond Fund	1.9%
iShares Physical Gold ETC USD	1.5%
iShares Global Inflation-Linked Bond Index Fund	1.5%
BSF Emerging Companies Absolute Return Fund	1.3%
Lyxor MSCI Emerging Markets Ex China ETF	1.2%
Amundi Index FTSE EPRA NAREIT Global	0.9%
Cash	6.9%

Lower Risk ..... Higher Risk

Risk & Reward						
1	2	3	4	**5**	6	7

Typically Lower Rewards — Typically Higher Rewards

The risk and reward indicator shows where the fund ranks in terms of its potential risk and return. The fund is ranked medium risk as performance (including proxy fund or benchmark performance where the fund has less than five years' data) has shown average fluctuations historically. Historic data may not be a reliable indicator for the future. 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.

At a glance...

The Multi Asset Growth Fund

Medium / Higher Risk

You are seeking to generate higher investment returns through a high exposure to equities to help achieve your long-term investment goals.

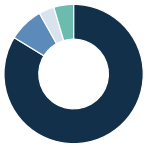
The portfolio will typically have a very high proportion of your investment held in equities and very low levels of fixed income, cash and alternative asset classes.

A larger proportion invested in equities is likely to lead to increased volatility in the overall value of the portfolio.

The Fund is actively managed without reference to a benchmark. The Fund invests in funds in a range of different asset classes.

Asset Allocation

Equities	79.8%
Fixed Income	8.1%
Alternatives	4.2%
Cash	7.9%



Equity Allocation

USA	51.2%
Other International (DM)	24.0%
UK	3.0%
Other International (EM)	1.5%
Cash	7.9%

Holding	% Weight
iShares Core S&P 500 UCITS ETF USD Dist	17.7%
Vanguard S&P 500 UCITS ETF	16.2%
SPDR S&P US Dividend Aristocrats UCITS ETF	10.5%
Vanguard FTSE Developed Europe ex UK UCITS ETF	8.5%
Vanguard - Pacific Ex-Japan Stock Index Fund	5.3%
Xtrackers CSI300 Swap UCITS ETF	5.3%
Fidelity MSCI Japan Index Fund	4.9%
iShares Global Corp Bond UCITS ETF	4.5%
Invesco EQQQ Nasdaq-100 UCITS ETF	4.4%
iShares Global Government Bond Index	3.6%
iShares Core FTSE 100 UCITS ETF USD	3.0%
Xtrackers Russell 2000 UCITS ETF	2.3%
Lyxor MSCI Emerging Markets Ex China UCITS ETF	1.5%
JPM Global Macro Opportunities USD	1.0%
BNY - Global Dynamic Bond Fund	1.0%
BNY - Global Short-Dated High Yield Bond Fund	1.0%
BSF Emerging Companies Absolute Return Fund	0.7%
iShares Physical Gold ETC USD	0.5%
Cash	7.9%

Lower Risk ..... Higher Risk

Risk & Reward

1	2	3	4	5	6	7

Typically Lower Rewards — Typically Higher Rewards

The risk and reward indicator shows where the fund ranks in terms of its potential risk and return. The fund is ranked medium risk as performance (including proxy fund or benchmark performance where the fund has less than five years' data) has shown average fluctuations historically. Historic data may not be a reliable indicator for the future. 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.

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Expert thinking

When you invest with Guinness Global Investors you have a team of experts working for you.

Strength and depth

They are part of our broader team who collaborate to interpret the wider market and economic environment and identify those funds that meet our standard for investment, adding up to the strength and depth of insight we need to deliver for you.

"The Guinness Multi Asset fund range follows a tried and tested investment approach so our investors can be confident about what to expect from it."
- David Hood,
Head of Investment Solutions

Meet the Guinness team

Jonathan Waghorn
Co-Manager
Jonathan joined Guinness Global Investors in September 2013 and is co-manager on the Guinness Multi Asset range

Will Riley
Co-Manager
Will joined Guinness Global Investors in May 2007 and is co-manager on the Guinness Multi Asset range

Meet the RBC Brewin Dolphin team

David Hood
Head of Investment Solutions
David joined RBC Brewin Dolphin in March 2009 as a quantitative analyst. He heads up the investment solutions team which specialises in model portfolio, fund construction and risk analysis.

Guy Foster
Head of Research
Guy is our Chief Strategist and oversees our broader team, which uses its collective expertise to make both strategic and tactical recommendations for asset allocation by RBC Brewin Dolphin.

Janet Mui
Investment Director
Janet is investment director at Brewin Dolphin. As part of the research team, Janet is responsible for the commentary and communication of RBC Brewin Dolphin's macro/investment views to clients and the media.

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Notes

Important Information

Issued by Guinness Global Investors a trading name of Guinness Asset Management which is authorised and regulated by the Financial Conduct Authority. This document is provided for information only. All the information contained in it is believed to be reliable but may be inaccurate or incomplete; it should not be relied upon. It is not an invitation to make an investment nor does it constitute an offer for sale. Telephone calls will be recorded.

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 the website www.guinnessgi.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.

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/

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.

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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.

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