

GUINNESS

ASSET MANAGEMENT LTD

TB GUINNESS GLOBAL ENERGY FUND

ANNUAL REPORT &
AUDITED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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Note: The Authorised Fund Manager’s Report consists of ‘Authorised Status’ and ‘Investment Objective and Policy’ on page 3, ‘Investment Review’ as provided by the Investment Manager, on pages 11 to 16 and ‘Directory’ on page 40.

THE AUTHORISED FUND MANAGER AND INVESTMENT MANAGER

The Authorised Fund Manager (the 'Manager') of the TB Guinness Global Energy Fund (the 'Fund') is T. Bailey Fund Services Limited ('TBFS'). Guinness Asset Management Limited is the Investment Manager (the 'Investment Manager') of the Fund.

T. Bailey Fund Services Limited and Guinness Asset Management Limited are authorised and regulated by the Financial Conduct Authority. Further information about Guinness Asset Management Limited can be found at www.guinnessfunds.com.

YOUR INVESTMENTS

You can buy or sell units in the Fund through your Financial Adviser. Alternatively, you can telephone the dealing line; 0115 988 8227, during normal office hours. Application forms can be requested in writing from the Manager or by calling the Client Services Team on the dealing line. They can also be downloaded from the website: www.tbaileyfs.co.uk/funds/tb-guinness-global-energy-fund. The Fund is eligible for ISA investments/transfers and is available as part of a regular savers scheme.

The most recent price of units in issue can be found at www.tbaileyfs.co.uk, or by phone using the contact details set out in the prospectus.

RISK PROFILE

The value of investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested.

The movements of exchange rates may lead to further changes in the value of investments and the income from them.

There is no guarantee that the Fund will meet its stated objectives.

A limited number of investments may be held, which has the potential to increase the volatility of performance.

Investment in emerging markets can involve greater risk than established markets which may lead to increased volatility of returns.

The Fund is subject to risks associated to global energy markets including the supply and demand of energy commodities and political, economic and financial events. The Fund may also have a bias towards companies engaged in energy exploration and production, a part of the sector that is particularly speculative meaning risks are greater. The share prices of these companies are also sensitive to rises and falls in the oil price, which may lead to increased volatility of returns.

The Fund may invest in smaller companies. These securities are often traded less frequently than those of larger companies, this means they may be more difficult to buy and sell. Their prices may also be subject to short term swings.

There is a risk that any company providing services such as safe keeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

SYNTHETIC RISK AND REWARD INDICATOR

The Synthetic Risk and Reward Indicator demonstrates, in a standard format, where the Fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category 7 as the Fund's price has shown high fluctuations historically.

OTHER INFORMATION

Full details of the Fund are set out in the Prospectus. This document provides investors with extensive information about the Fund including risks and expenses. A copy of the Prospectus is available on request from the Manager, or can be found at www.tbaileyfs.co.uk/funds/tb-guinness-global-energy-fund.

The Key Investor Information documents and Supplementary Information document are also available at www.tbaileyfs.co.uk/funds/tb-guinness-global-energy-fund.

From 13 September 2021 the Fund changed its Investment Association Sector to Commodities and Natural Resources.

AUTHORISED STATUS

The Fund is constituted by a Trust Deed made between the Manager and the Trustee on 13 December 2010. The Fund is an Authorised Unit Trust Scheme and complies with the conditions of an authorised unit trust categorised as a UCITS. Unitholders are not liable for the debts of the Fund.

The base currency of the Fund is pounds Sterling.

INVESTMENT OBJECTIVE AND POLICY

The objective of the Fund is to achieve long term capital growth primarily from a portfolio of companies engaged in the oil and gas sector, energy generation and transmission. Additionally, the Fund may invest in companies seeking to develop and exploit new energy technologies, and companies that service the energy sector.

The Investment Manager actively manages the portfolio in order to achieve the objective with exposures to company shares, fixed interest securities and derivative instruments as appropriate. The Investment Manager will not be restricted in respect of choice of investments by company size, or in terms of the geographical split of the portfolio. At times, the Fund may have a relatively concentrated portfolio.

The Fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, cash and near cash, derivatives and forward transactions for investment purposes.

FUND BENCHMARK

Investors may wish to compare the performance of the Fund against the MSCI World Energy Index. The MSCI World Energy Index includes a broad range of energy companies across large and mid-cap market capitalisations which is consistent with the stock selection process. The stocks comprising the MSCI World Energy Index are aligned with the Fund's global energy focus, and on that basis the MSCI World Energy Index is considered an appropriate performance comparator for the Fund. Please note the Fund is not constrained by or managed to the MSCI World Energy Index.

The MSCI World Energy Index is a Comparator Benchmark of the Fund.

ONGOING CHARGES FIGURE

The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a Collective Investment Scheme. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performance tables on pages 20 to 21.

REMUNERATION POLICY OF THE AUTHORISED FUND MANAGER

Introduction and Scope

TBFS has policies and practices for those staff whose professional activities have a material impact on the risk profile of the combined activities. TBFS is a UCITS firm and is therefore subject to the UCITS Remuneration Code.

The Remuneration Policy of the Authorised Corporate Director:

- Is consistent with and promotes sound and effective risk management;
- Does not encourage risk taking that exceeds the level of tolerated risk of the firm;
- Encourages behaviour that delivers results which are aligned to the interests of TBFS's clients and the UCITS funds it manages;
- Aligns the interests of Code Staff with the long-term interests of TBFS's clients and the UCITS funds it manages;
- Recognises that remuneration should be competitive and reflect both financial and personal performance. Accordingly, Remuneration for Code Staff is made up of fixed pay (salary and benefits, including pension) and variable (performance-related) pay; and
- Recognises that fixed and variable components should be appropriately balanced and that the variable component should be flexible enough so that in some circumstances no variable component may be paid at all. Variable pay is made up of short-term awards typically based on short-term financial and strategic measures for the area of the business in which the member of Code Staff works.

In accordance with BIPRU 11.5.18R the following disclosures are made:

Decision making process for determining remuneration policy, link between pay and performance

There is no remuneration committee. Remuneration is set within the context of a 5-year plan which ensures any threats to capital adequacy, liquidity and solvency caused by excessive remuneration would be identified. The bonus and commission arrangements including the staff bonus pool are set annually as part of the annual operating plan and any changes to the pool require approval by the CEO of TBFS and the Board of T. Bailey Holdings Limited ('TBH').

The main shareholders are represented on the Board of TBH which ratifies the annual operating plans. The annual operating plan includes the level of remuneration for all staff including Code Staff.

To assist with the above process, a benchmarking exercise was conducted in 2019 which incorporated information from external consultants in connection with remuneration.

Policy on link between pay and performance

The staff bonus scheme is operated so as to allow for meaningful rewards to be paid to staff whose performance during the year merits recognition but within the context of an annual operating plan. The Board bears in mind the projected performance of the company when making any adjustments to the scheme. This is agreed within the setting of the annual operating plan and reviewed once full year results are available.

The final bonus total is signed off by the TBFS board. The bonus payments are non-contractual and can be amended or withdrawn at any time.

Payment of scheme bonus to individuals is linked to their performance against agreed objectives from staff appraisals. All bonuses are monetary and paid through the payroll.

REMUNERATION POLICY OF THE AUTHORISED FUND MANAGER (CONTINUED)

Total remuneration paid by the Authorised Fund Manager for the year ended 30 September 2020

Total Number of Staff	46
	£'000
Fixed	1,698
Variable	38
Total Remuneration Paid	1,736

Total remuneration paid by the Authorised Fund Manager to Remuneration Code Staff for the year ended 30 September 2020

	Senior Management	Staff with Material Impact
Total Number of Staff	11	-
	£'000	£'000
Fixed	797	-
Variable	26	-
Total Remuneration Paid	823	-

Please note that there were no remuneration payments made directly from the TB Guinness Global Energy Fund.

STATEMENT OF THE AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The Authorised Fund Manager (the 'Manager') of TB Guinness Global Energy Fund (the 'Fund') is responsible for preparing the Annual Report and the Financial Statements in accordance with the Financial Conduct Authority's Collective Investment Schemes' Sourcebook ("COLL") and the Scheme's Trust Deed. COLL requires the Manager to prepare financial statements for each accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association ("IA SORP") in May 2014; and
- give a true and fair view of the financial position of the Fund as at the end of that period and the net revenue and the net capital gains or losses on the property of the Fund for that period.

In preparing the financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The Manager is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Scheme and enable it to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The Manager is also responsible for the system of internal controls, for safeguarding the assets of the Scheme and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FUND MANAGER'S STATEMENT

In accordance with COLL 4.5.8BR, the Annual Report and the Financial Statements were approved by the board of directors of the Manager of the Fund and authorised for issue on 12 November 2021.

The Fund Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Fund consist predominantly of readily realisable securities and accordingly the Fund has adequate resources to continue in operational existence for at least the next twelve months from the approval of the financial statements.

Gavin Padbury, Chief Operations Officer
T. Bailey Fund Services Limited
Nottingham, United Kingdom
12 November 2021

Rachel Elliott, Chief Financial Officer
T. Bailey Fund Services Limited
Nottingham, United Kingdom
12 November 2021

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

- the Schemes cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with Regulations;
- the value of units in the Scheme is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- the Scheme's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the Manager") are carried out (unless they conflict with the Regulations).

The trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

TRUSTEE'S REPORT TO THE UNITHOLDERS OF TB GUINNESS GLOBAL ENERGY FUND

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's income in accordance with the Regulations, the Scheme documents, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

NatWest Trustee & Depositary Services Limited
London, United Kingdom
12 November 2021

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF TB GUINNESS GLOBAL ENERGY FUND

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of TB Guinness Global Energy Fund (the 'Fund'):

- give a true and fair view of the financial position of the Fund as at 31 July 2021 and of the net revenue and the net capital gains on the property of the Fund for the year ended 31 July 2021; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Trust Deed.

We have audited the financial statements which comprise:

- the statement of total return;
- the statement of change in net assets attributable to unitholders;
- the balance sheet;
- the related individual notes 1 to 15; and
- the distribution table.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, the Collective Investment Schemes Sourcebook and the Trust Deed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF TB GUINNESS GLOBAL ENERGY FUND (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee and Manager

As explained more fully in the Statement of Trustee's Responsibilities and the Statement of the Manager's Responsibilities, the Trustee is responsible for the safeguarding of the property of the Fund and the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Fund's industry and its control environment, and reviewed the Fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the Collective Investment Schemes Sourcebook and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Fund's ability to operate or to avoid a material penalty. These included the Open-Ended Investment Companies Regulations 2001.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF TB GUINNESS GLOBAL ENERGY FUND (CONTINUED)

We discussed among the audit engagement team including relevant internal specialist such as valuations and IT Specialist regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the valuation and existence of investments. In response we have: involved our financial instruments specialists to assess the applied valuation methodologies; agreed investment holdings to independent confirmations; and agreed investment prices to reliable independent sources.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and FCA.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the Fund have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 31 July 2021 for the purpose of complying with paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

Use of our report

This report is made solely to the Fund's unitholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
12 November 2021

INVESTMENT REVIEW

Performance

	Cumulative returns for the periods ended 31 July 2021 (%)		
	1 Year	3 Years	5 Years
R Accumulation Shares	32.73	(31.67)	(2.98)
I Accumulation Shares	33.68	(30.16)	0.67
MSCI World Energy Index*	29.72	(30.40)	(11.09)

* *Comparator Benchmark.*

Source: Financial Express. Total return, bid to bid. Sterling terms.

Past performance is not a reliable indicator of future results. Investors are reminded that the price of units and the revenue derived from them is not guaranteed and may go down as well as up.

The TB Guinness Global Energy Fund in the twelve months ended 31 July 2021 produced a total return of 33.7%. This compares to a total return of 29.7% for the Fund's benchmark, the MSCI World Energy Index (net return), and the MSCI World Index's total return of 27.5%.

We have seen a sustained improvement in the balance of the oil market. OPEC have kept their discipline, maintaining their production quotas at levels which have allowed global oil inventories to tighten. The recovery in global oil demand has been uneven, with new European lockdowns and rampant cases of COVID in India coming as setbacks. Overall, though, rising mobility and a surge in freight and industrial activity have helped to improve oil consumption significantly. Oil prices have responded positively, with the Brent spot price up by around 50% since the start of the year, creating a positive backdrop for oil & gas equities.

Global oil demand over the twelve months under review rose sharply, as post-COVID recovery gained momentum. The 2020/21 winter saw renewed lockdowns, but thereafter, accelerated vaccination programmes contributed to mobility improving in US and Europe. Freight and industrial activity surged. The recovery in activity in developed markets is faster than many were assuming, helping offset a slower recovery in parts of South Asia and Latin America. The area of oil demand that continues to lag is aviation. Globally, commercial flights per day so far in 2021 have remained around 30% lower than in 2019. Even in this sector, however, there are signs of improvement.

Building an accurate view of annual global oil demand for 2021 depends on the path of the COVID recovery, and that remains uncertain. The IEA's best estimate is for a recovery in demand in 2021 of around 5.5m b/day, followed by a 3m b/day rise in 2022. This would put global oil demand in 2022 on course for 99.5m b/day, around the same level as demand in 2019.

OPEC, led by Saudi, have been focused on micromanaging the oil market as demand improves. Their approach has also been a cautious one, returning oil to the market but in volumes that have kept the overall balance tight. Outside OPEC+, there has been no significant supply response, leaving the direction of the oil price in OPEC's hands.

OPEC+ started 2021 with quotas 7.8m b/day below 'base line'. Saudi reacted to the softness in European demand in the first quarter with the unilateral decision to remove a further 1m b/day from the market. Since then, OPEC+ has been increasing its supply in accordance with the 2020 quota agreement, reducing the quota cut by June to 5.8m b/day. The group has been disciplined, maintaining at least 100% compliance with quotas every month so far this year.

INVESTMENT REVIEW (CONTINUED)

With the possibility of an overheating oil market, the Saudi energy minister responded in June 2021 by stating, "I'll believe it when I see it.", indicating Saudi's continued conservative output policy. However, with Brent oil prices over \$70/bl, tensions within the OPEC+ group have risen, with Russia content to see a lower price than Saudi and UAE scrapping for greater market share.

The reduced investment in 2020/2021 further compounds an already weakened outlook for oil project investment, increasing the risk that new large-scale oil projects will not be sufficient to satisfy demand. 2021 is shaping up to be the lowest year for large project additions since the early 2000s. And on average, the production outlook (ex US shale and Russia) in 2021-2026 is around 0.5m b/day lower per year than it was in 2017-2019. This anticipated slow down reflects the lower oil and gas investment seen between 2016 and 2021 and is unlikely to change even if oil prices recover from here.

For US shale oil, production has recovered from the lows of May/June 2020, but still sits around 1.4m b/day below the November 2019 peak of 10.4m b/day.

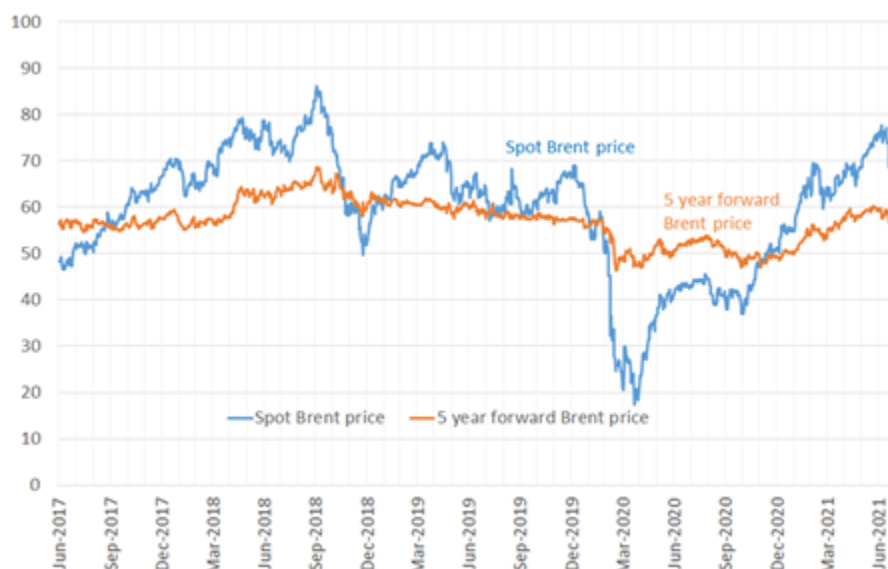
The last rebound in production, post the 2016 trough, was achieved thanks to equity and debt markets that kept on giving, combined with a producer mentality that favoured growth over returns. Even before the collapse in oil prices last March, producers had started to show better capital discipline that was slowing supply growth. And so far this year, shale oil producers have been adding back drilling rigs at a lower pace than in the 2016 cycle, with equity markets rewarding companies that are prioritising free cashflow and dividends over the recycling of cashflow into additional drilling.

Overall, non-OPEC supply is expected to recover by 0.8m b/day in 2021, having fallen by 2.5m b/day in 2020. By comparison, given that demand will rebound by over 5m b/day this year, it has fallen to OPEC to control market balance.

Thanks to the events described above, spot oil prices have risen strongly over the last twelve months. Brent started the period at \$43/bl, reached \$51/bl by the end of December, then continued its upwards trajectory, reaching \$75/bl by the end of July. Brent spot has averaged \$66/bl so far in 2021, versus \$42/bl in 2020. The five-year forward Brent price opened the period at \$52/bl and rose steadily by the end of July to \$59/bl.

WTI oil prices in the US followed a similar path, with WTI reaching \$74/bl by the end of July. Five-year forward WTI was up from \$47/bl to \$54/bl.

Brent spot vs five year forward oil prices (2017-21)



Source: Bloomberg

INVESTMENT REVIEW (CONTINUED)

For natural gas, a number of factors have come together across the globe to drive prices materially higher. Surging industrial activity as many economies recover from COVID, a cold start to the summer in Europe, drought in Brazil curbing hydro output, then extreme North American heat in June, have acted to create unusually tight markets. The European gas price (using UK NBP) rose to \$14.0/mcf; Japanese LNG prices rose to \$14.8/mcf; and the US spot price (Henry Hub) rose to \$4.1/mcf. In the US, exports of LNG have reached new highs of around 11 Bcf/day, as the arbitrage between US and European/Asian prices has been wide enough to incentivise export operations running at full capacity.

Energy equities

Given the recovery in oil and gas prices, the period under review has been a positive period for energy equities. The sector (MSCI World Energy Index net return in USD) finished +29.7%, ahead of the broad market (MSCI World +27.5%). The TB Guinness Global Energy Fund produced a total return of +33.7%.

On a stock-by-stock basis in the fund, our three US shale oil biased E&P companies (Devon Energy Corp +162%; EOG Resources +62%; Pioneer Natural Resources +53%) were strong performers, enjoying a high degree of operational leverage to rising oil prices. Another other subsector within the fund that outperformed over the first half of 2021 was Canadian integrations (Imperial Oil +82%; Canadian Natural Resources +98%), with high cost oil sands operations enjoying oil price leverage and growing free cashflow profiles.

Natural gas producers also did well, thanks to strength in the underlying commodity. Gazprom, which controls a major portion of European gas sales, was the stand-out larger cap gas name in the Fund, up 68% over the period.

Weaker stocks in the Fund included some mid cap European integrations (Galp -4%), the common theme here being weaker prospects for downstream earnings as COVID-related lockdowns stepped up again across the continent, dampening product demand. We were reasonably pleased with the oil service exposure in the Fund (Schlumberger +62%), though much of the wider energy services sector remained weighed down by excess capacity concerns.

Outlook

Following the extraordinarily challenging events of the past eighteen months, market conditions for oil have swung in OPEC's favour. Owing to significant quota cuts since May 2020, the group still has a high level of spare production capacity, which tends to be bearish for prices. However, the anaemic supply response from non-OPEC countries in the COVID recovery has opened the door for OPEC to take control of the market again, as they did for much of the 1998-2008 period.

After a record surplus of oil in inventories in the middle of 2020, which pushed oil prices below \$20/bl, OPEC's management of the global oil balance has resulted in much of the excess being worked off. Indeed, the pendulum has swung to a tight market, with the production increases agreed by OPEC at the start of July potentially not sufficient to prevent further tightness over the coming months. Hence, talk in the oil market has moved quickly to issues of inflation and demand destruction, should prices rise further from here. In some areas of the non-OECD, oil prices in local currency terms are already within touching distance of all-time highs. No surprise then that the Indian government, for example, has been vocal in its demands for OPEC to manage the oil price lower from here.

The path for oil demand will vary region by region, affected by price and how rapidly economies open after COVID. The inflection in gasoline and distillate consumption, plus strength in petrochemical feedstock demand, likely continues for the remainder of the year, whilst the ongoing weakness in jet fuel recovery implies a longer period before jet demand reaches its previous peak. Overall, the IEA forecast demand in 2021 is 96.4m b/day, up by 5.4m b/day versus 2020. Demand is expected to rise in 2022 to 99.5m b/day, back essentially to the 2019 peak.

OPEC+ are looking for the rest of this year to manage supply back into the market as the oil demand recovery allows. Agreement was reached in July for the group to add 0.4m b/day each month from August 2021 to September 2022, at which point quota cuts will have been reversed. Despite this plan, OPEC will still be micro-managing the market, ratifying each month's production increase only if market conditions merit it.

INVESTMENT REVIEW (CONTINUED)

Iran remains another main wildcard within OPEC, with a return of Iranian exports likely at the latter part of 2021 if negotiations around their nuclear programme progress as expected. We expect this to be absorbed in OPEC's plans.

We see little threat to OPEC from US shale production for the rest of the year, though 2022 will see some pick up. Average US shale oil production in 2021 will be lower than in 2020. Non-OPEC (ex US shale) will take its share of the OPEC+ quota increases, but beyond that, there will be no major roll-out of large new projects, the cycle having peaked in 2020.

Ultimately, Saudi as OPEC 'kingpin' requires over \$70/bl to create fiscal breakeven for themselves. We believe that they continue to work to achieve an average price as close to this level as is sustainable, but mindful that too high a price is not in their interests as it will stimulate non-OPEC supply once again.

Since the middle of the year, we have seen continued significant price inflation in gas markets. European and Asian gas prices have rallied from ~US\$7/mcf to over ~US\$30/mcf whilst US gas prices have rallied from \$3/mcf to over \$6/mcf. There have been many factors at play, in particular the strong economic recovery which is driving demand, and a shortage of coal supply in China which is causing China to pull in additional LNG.

How does this play out? Relief will come partly via lower demand, either from a dampening of activity or switching to other commodities. Gas-to-oil switching will come, as heating oil supply is maximised. Additional supply will be forthcoming from Russia and Norway; China is likely to increase its coal supply, and with normalised weather, hydro and wind generation will pick up. Ultimately, we do not expect these very high prices to be sustained and see the price in Europe and Asia in the medium term at around \$7-9/mcf. Keep in mind that European gas prices averaged around \$4.5/mcf in 2019 (and sub \$4/mcf in 2020), so this would still represent a reasonable step up.

The recovery in crude prices so far this year has been accompanied by a strong rally in oil & gas equities, as the market adjusts to the tighter oil balance. The rise in energy equities has lifted the price-to-book ratio for the energy sector at the end of July to around 1.4x, having fallen as low as 0.7x in March 2020. This compares to the S&P 500 trading at over 4.5x. On a relative price-to-book (P/B) basis (versus the S&P500), therefore, the valuation of energy equities still sits close to a 55-year low, at around 0.3x.

Price to book ratio of S&P 500 vs energy sector (1965-2021)



Sources: Bernstein; Bloomberg; Guinness Asset Management

INVESTMENT REVIEW (CONTINUED)

We see the P/B ratio for the energy sector as driven by levels of return on capital employed ROCE, which remain depressed compared to history.

Having recovered to around 7% in 2019, the collapse in oil prices in 2020 brought ROCE for the Guinness Global Energy portfolio down to around 1%, just below the level seen in 2016 when the Brent oil price averaged \$45/bl. Our case base assumption sees the Brent oil price recover to average \$64/bl/\$60/bl in 2021 and 2022. In these circumstances, ROCE would rise to around 8% in both years, implying strong upside on a P/B basis:

ROCE of current Guinness Energy Portfolio



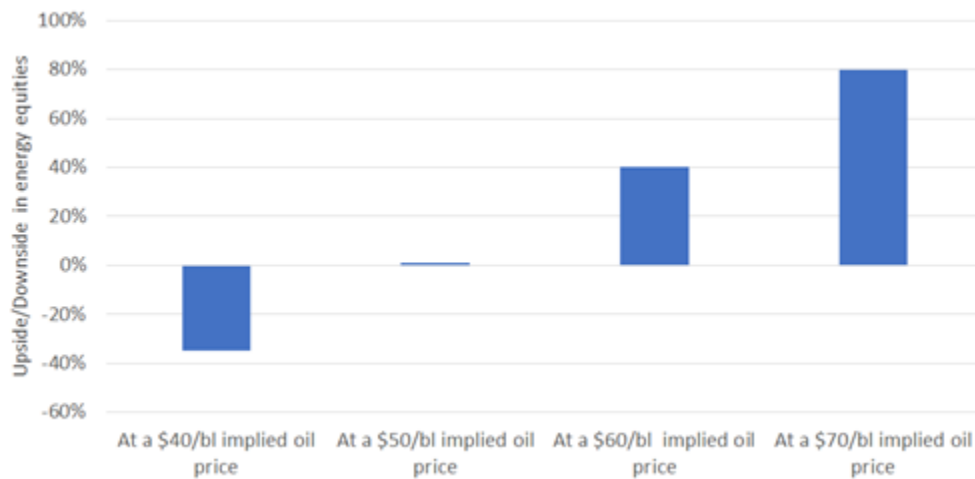
ROCE vs P/B multiple for Guinness Energy portfolio



Sources: Bernstein; Bloomberg; Guinness Asset Management

Our valuation sensitivity work now shows upsides and downsides at the following oil prices:

Upside/downside for Guinness Energy portfolio (1 year view)



Source: Guinness Asset Management

INVESTMENT REVIEW (CONTINUED)

Our portfolio is currently tilted to oil over gas. The predominant theme being companies that are well placed to weather volatility in oil markets, but that offer good upside in the oil price environment we describe above.

Assuming an average Brent oil price of \$60/bl, we estimate the free cashflow yield of our portfolio, after capital expenditure, to be around 9%.

Tim Guinness
Fund Manager
Guinness Asset Management Limited
London, United Kingdom
12 November 2021

Will Riley
Fund Manager
Guinness Asset Management Limited
London, United Kingdom
12 November 2021

Jonathan Waghorn
Fund Manager
Guinness Asset Management Limited
London, United Kingdom
12 November 2021

PORTFOLIO STATEMENTAs at 31 July 2021

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Integrated Oil & Gas (59.7%; 31.07.20 - 60.0%)		
601,851 BP	1,740,553	4.3
24,679 Chevron	1,807,084	4.5
3,648,000 China Petroleum & Chemical	1,201,743	3.0
183,508 Eni	1,570,196	3.9
119,280 Equinor	1,677,758	4.2
43,400 Exxon Mobil	1,796,368	4.5
176,170 Galp Energia SGPS	1,236,724	3.1
294,570 Gazprom	1,649,117	4.1
85,900 Imperial Oil	1,689,170	4.2
40,901 OMV	1,585,765	4.0
4,705,000 Petrochina	1,410,625	3.5
193,442 Repsol	1,522,437	3.8
128,043 Royal Dutch Shell	1,817,955	4.5
1,055,715 Suncor Energy	1,493,580	3.7
56,282 Total	1,762,926	4.4
	<hr/> 23,962,001	<hr/> 59.7
Oil & Gas Equipment & Services (4.1%; 31.07.20 - 4.4%)		
85,800 Helix Energy Solutions	255,475	0.6
68,200 Schlumberger	1,413,639	3.5
	<hr/> 1,669,114	<hr/> 4.1

PORTFOLIO STATEMENT (CONTINUED)As at 31 July 2021

Holding or nominal value of positions		Bid market value £	Percentage of total net assets %
Oil & Gas Exploration & Production			
(24.2%; 31.07.20 - 23.5%)			
21,898	Aker	426,364	1.1
60,283	Canadian Natural Resources	1,430,856	3.6
1,206,400	CNOOC	858,469	2.1
36,861	ConocoPhillips	1,486,211	3.7
74,300	Devon Energy	1,380,834	3.4
127,190	Diversified Gas & Oil	133,804	0.3
590,000	Eco (Atlantic) Oil & Gas	141,600	0.4
27,470	EOG Resources	1,439,093	3.6
743,839	Hurricane Energy	22,687	0.1
20,331	Lundin Petroleum	455,689	1.1
37,401	Parex Resources	440,202	1.1
13,700	Pioneer Natural Resources	1,432,273	3.6
8,089,220	Reabold Resources	34,784	0.1
		<hr/> 9,682,866	<hr/> 24.2
Oil & Gas Refining & Marketing			
(3.8%; 31.07.20 - 3.9%)			
31,550	Valero Energy	1,519,864	3.8
		<hr/> 1,519,864	<hr/> 3.8
Oil & Gas Storage & Transportation			
(4.8%; 31.07.20 - 4.7%)			
68,250	Enbridge	1,931,067	4.8
		<hr/> 1,931,067	<hr/> 4.8

PORTFOLIO STATEMENT (CONTINUED)As at 31 July 2021

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Semiconductors		
(1.0%; 31.07.20 - 1.3%)		
4,112 Maxeon Solar Technologies	46,846	0.1
19,800 Sunpower	352,737	0.9
	<hr/> 399,583	<hr/> 1.0
Portfolio of investments	39,164,495	97.6
Net other assets	973,118	2.4
Total net assets	<hr/> 40,137,613	<hr/> 100.0

All investments are equities listed on recognised stock exchanges.

SUMMARY OF FUND PERFORMANCE

I Accumulation Units	1 Aug 2020 to 31 Jul 2021	1 Aug 2019 to 31 Jul 2020	1 Aug 2018 to 31 Jul 2019
	(pence per unit)	(pence per unit)	(pence per unit)
Change in net assets per unit			
Opening net asset value per unit	19.68	35.56	38.21
Return before operating charges*	7.12	(15.61)	(2.29)
Operating charges	(0.24)	(0.27)	(0.36)
Return after operating charges*	6.88	(15.88)	(2.65)
Distributions	(0.77)	(0.89)	(0.56)
Retained distributions on accumulation units	0.77	0.89	0.56
Closing net asset value per unit	26.56	19.68	35.56
* after direct transaction costs of:	0.02	0.03	0.01
Performance			
Return after charges	34.96%	(44.66)%	(6.94)%
Other information			
Closing net asset value	£32,474,048	£11,595,944	£21,537,000
Closing number of units	122,250,431	58,924,405	60,565,744
Operating charges (p.a.)	0.96%	0.95%	1.01%
Direct transaction costs (p.a.)	0.09%	0.12%	0.03%
Prices			
Highest published unit price	29.88	37.55	40.74
Lowest published unit price	16.31	15.17	29.84

Past performance is not a reliable indicator of future results. Investors are reminded that the price of units and the revenue derived from them is not guaranteed and may go down as well as up.

SUMMARY OF FUND PERFORMANCE (CONTINUED)

R Accumulation Units	1 Aug 2020 to 31 Jul 2021	1 Aug 2019 to 31 Jul 2020	1 Aug 2018 to 31 Jul 2019
	(pence per unit)	(pence per unit)	(pence per unit)
Change in net assets per unit			
Opening net asset value per unit	18.36	33.42	36.18
Return before operating charges*	6.61	(14.61)	(2.18)
Operating charges	(0.38)	(0.45)	(0.58)
Return after operating charges*	6.23	(15.06)	(2.76)
Distributions	(0.55)	(0.64)	(0.28)
Retained distributions on accumulation units	0.55	0.64	0.28
Closing net asset value per unit	24.59	18.36	33.42
* after direct transaction costs of:	0.02	0.03	0.01
Performance			
Return after charges	33.93%	(45.06)%	(7.63)%
Other information			
Closing net asset value	£7,663,565	£5,280,873	£10,805,000
Closing number of units	31,164,628	28,769,973	32,329,890
Operating charges (p.a.)	1.71%	1.70%	1.76%
Direct transaction costs (p.a.)	0.09%	0.12%	0.03%
Prices			
Highest published unit price	27.67	35.25	38.53
Lowest published unit price	15.18	14.19	28.17

Past performance is not a reliable indicator of future results. Investors are reminded that the price of units and the revenue derived from them is not guaranteed and may go down as well as up.

STATEMENT OF TOTAL RETURNFor the year ended 31 July 2021

	Note	£	31.07.21 £	31.07.20 £
Income				
Net capital gains/(losses)	2		6,424,886	(13,630,450)
Revenue	3	1,475,726		1,143,481
Expenses	4	(349,735)		(292,672)
Interest payable and similar charges	6	(723)		(6,081)
Net revenue before taxation		1,125,268		844,728
Taxation	5	(174,120)		(124,282)
Net revenue after taxation			951,148	720,446
Total return/(loss) before distributions			7,376,034	(12,910,004)
Distributions	6		(920,887)	(727,438)
Change in net assets attributable to unitholders from investment activities			6,455,147	(13,637,442)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERSFor the year ended 31 July 2021

	Note	£	31.07.21 £	31.07.20 £
Opening net assets attributable to unitholders			16,876,817	32,342,000
<i>Movements due to sales and purchases of units:</i>				
Amounts receivable on issue of units		42,826,675		11,824,866
Amounts payable on cancellation of units		(27,194,491)		(14,397,203)
			15,632,184	(2,572,337)
Dilution levy			60,209	33,833
Change in net assets attributable to unitholders from investment activities			6,455,147	(13,637,442)
Retained distributions on accumulation units	6		1,113,256	710,763
Closing net assets attributable to unitholders			40,137,613	16,876,817

BALANCE SHEETAs at 31 July 2021

		31.07.21	31.07.20
	Note	£	£
Assets:			
Fixed assets:			
Investments		39,164,495	16,500,670
Current assets:			
Debtors	7	376,641	317,914
Cash and bank balances	8	988,977	204,468
Total assets		<u>40,530,113</u>	<u>17,023,052</u>
Liabilities:			
Creditors			
Other creditors	9	392,500	146,235
Total liabilities		<u>392,500</u>	<u>146,235</u>
Net assets attributable to unitholders		<u>40,137,613</u>	<u>16,876,817</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with Financial Reporting Standard (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by the Investment Association in May 2014.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Fund consist predominantly of readily realisable securities and accordingly the Fund has adequate resources to continue in operational existence for at least the next twelve months from the approval of the financial statements.

(b) Functional currency

The functional currency used in the financial statements is Pound Sterling because it is the currency of the primary economic environment in which the Fund operates.

(c) Recognition of revenue

Dividends and distributions on holdings, net of any irrecoverable withholding tax, are recognised when the underlying security or collective investment scheme is quoted ex-dividend or ex-distribution. Bank interest and revenue management fee rebates are accounted for on an accruals basis.

All revenue is recognised on the condition that the flow of economic benefits is probable and the amount can be measured reliably.

(d) Treatment of stock dividends

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis in determining whether the dividend is to be treated as revenue or capital.

(e) Equalisation on distributions

Equalisation, on revenue distributions received by the Fund from its holdings in underlying collective investment schemes, is treated as a return of capital.

(f) Treatment of expenses

All expenses, except those relating to the purchase and sale of investments are allocated to the revenue account on an accrual basis.

(g) Allocation of revenue and expenses to multiple unit classes

Any assets or liabilities not attributable to a particular unit class are allocated by the Manager in a manner which is considered fair to unitholders in general, usually pro-rata based on the net asset values of the relevant unit classes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 July 2021

1. Accounting policies (continued)**(h) Taxation/deferred taxation**

Corporation tax is provided for on taxable revenue, less deductible expenses, at a rate of 20%. This is the rate that has been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided for in respect of all items that have been included in these financial statements, or those of a previous period, that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the average rates of tax expected to apply to the reversal of timing difference.

(i) Distribution policy

Revenue produced by the Fund's investments is accumulated annually. At the end of each year, the revenue, less the expenses allocated to the revenue account, is accumulated.

(j) Exchange rates

Assets and liabilities in overseas currencies at the year-end are translated into Pound Sterling at the latest available rates of exchange on the balance sheet date. Transactions in overseas currencies occurring during the year are recorded at the rate of exchange on the date of the transaction.

(k) Financial instruments

Financial assets and financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at transaction price (including transaction costs) and subsequently measured at amortised cost, except for the Fund's investments classified as financial assets at fair value through profit or loss, which are initially recognised at fair value (excluding transaction costs).

The investments are measured at bid prices, and quoted price for single priced funds, on the balance sheet date, with any gains or losses arising on measurement recognised in the statement of total return. If bid prices are not available, the latest available prices are used. If separate offer and bid prices are quoted for shares or units, then the bid price is used. If no price or recent available price exists, the investments are valued at a price which, in the opinion of the Manager, reflects the fair value of the asset. This may involve the use of an appropriate valuation technique/methodology.

(l) Management fee rebates

Management fee rebates are accounted for on an accruals basis and are allocated to the capital or revenue account of the Fund according to whether the underlying fund charges its fees to capital or revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 July 2021

2. Net capital losses/(losses)

	31.07.21	31.07.20
	£	£
Non-derivative securities	7,924,892	(12,576,740)
Currency losses	(1,499,935)	(1,053,676)
Market associated costs	(71)	(34)
Net capital gains/(losses)	6,424,886	(13,630,450)

3. Revenue

	31.07.21	31.07.20
	£	£
UK franked dividends	100,584	130,236
Overseas dividends	1,378,213	1,012,551
Unfranked revenue currency losses	(3,071)	-
Bank interest	-	694
Total revenue	1,475,726	1,143,481

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 July 2021

4. Expenses

	31.07.21	31.07.20
	£	£
Payable to the Manager, associates of the Manager and agents of either:		
Annual management charge	283,847	242,980
Administration fees	62,695	48,674
	<u>346,542</u>	<u>291,654</u>
Other expenses:		
Other expenses	3,193	1,018
	<u>3,193</u>	<u>1,018</u>
Total expenses	<u>349,735</u>	<u>292,672</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 July 2021

5. Taxation**(a) Analysis of the charge in the year**

	31.07.21	31.07.20
	£	£
Analysis of the tax charge in the year		
Overseas tax	174,120	124,282
Total current tax for the year (see note 5(b))	174,120	124,282
Deferred tax (see note 5(c))	-	-
Total taxation for the year	174,120	124,282

Corporation tax has been provided at a rate of 20% (31 July 2020: 20%).

(b) Factors affecting the current taxation charge for the year

The taxation assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:

	31.07.21	31.07.20
	£	£
Net revenue before taxation	1,125,268	844,728
Corporation tax at 20%	225,054	168,946
Effects of:		
Revenue not subject to taxation	(295,759)	(228,558)
Excess expenses for which no relief taken	70,705	59,612
Overseas taxation	174,120	124,282
Current tax charge for the year (see note 5(a))	174,120	124,282

(c) Provision for deferred tax

At 31 July 2021, the Fund had surplus management expenses of £2,049,049 (31 July 2020: £1,695,520). The deferred tax in respect of this would be £409,810 (31 July 2020: £339,104). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at the year end, or at the previous year end (see note 5(a)). Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and the effective tax rate in the future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 July 2021

6. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:

	31.07.21	31.07.20
	£	£
Final - Accumulation	<u>1,113,256</u>	<u>710,763</u>
	1,113,256	710,763
Add: Revenue deducted on cancellation of units	451,750	290,717
Deduct: Revenue received on issue of units	<u>(644,119)</u>	<u>(274,042)</u>
Net distribution for the year	<u>920,887</u>	<u>727,438</u>
Interest	723	6,081
Total finance costs	<u>921,610</u>	<u>733,519</u>
Reconciliation of net revenue to net distribution for the year		
Net revenue after taxation for the year	951,148	720,446
Expenses allocated to capital, net of tax relief	3,192	276
Revenue currency gains	<u>(33,453)</u>	<u>6,716</u>
Net distribution for the year	<u>920,887</u>	<u>727,438</u>

Details of the distributions per unit are set out in the distribution table on page 39.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 July 2021

7. Debtors

	31.07.21	31.07.20
	£	£
Amounts receivable for issue of units	200,831	84,861
Sales awaiting settlement	-	98,510
Accrued revenue	82,964	52,766
Income tax recoverable	92,846	81,777
Total debtors	376,641	317,914

8. Cash and bank balances

	31.07.21	31.07.20
	£	£
Cash and bank balances	988,977	204,469
Deposit account	-	(1)
Total cash and bank balances	988,977	204,468

9. Creditors

	31.07.21	31.07.20
	£	£
Amounts payable for cancellation of units	354,727	127,483
Accrued annual management charge	30,827	15,603
Accrued administration fees	6,943	3,148
Debit interest payable	3	1
Total creditors	392,500	146,235

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 July 2021

10. Related party transactions

The Manager is regarded as a related party of the Fund. The Manager acts as either agent or principal for the Trustee in respect of all transactions of units of the Fund. The aggregate monies received through creation and paid on cancellation are disclosed in the statement of change in net assets attributable to unitholders.

There were no units in the Fund held by the Trustee or Manager or associates of either the Trustee or the Manager.

As at the balance sheet date, Hargreaves Lansdown Nominees Ltd held units in the Fund amounting to approximately 28.7% and Transact Nominees Limited held units in the Fund amounting to approximately 25.5% of the Fund's Net Asset Value.

Details of transactions occurring during the accounting period between the Manager and the Trustee and any balances due at the period end are fully disclosed in notes 4 and 9 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 July 2021

11. Unit classes

As at the balance sheet date the Fund had two unit classes. The following table shows a breakdown of the change in units in issue of each unit class in the year:

	I Accumulation
Opening shares at the start of the year	58,924,404.581
Total creation of shares in the year	165,122,522.626
Total cancellation of shares in the year	<u>(101,796,495.763)</u>
Closing shares at the end of the year	<u>122,250,431.444</u>
	R Accumulation
Opening shares at the start of the year	28,769,973.287
Total creation of shares in the year	12,393,163.810
Total cancellation of shares in the year	<u>(9,998,508.773)</u>
Closing shares at the end of the year	<u>31,164,628.324</u>

The annual management charge of each unit class is as follows:

I Accumulation	0.75% p.a.
R Accumulation	1.50% p.a.

The net asset value of each unit class, the net asset value per unit and the number of units in each class are given in the Summary of Fund Performance tables on pages 20 to 21. The distributions per unit class are given in the distribution table on page 39. Income, and the associated tax, which is not attributable to a particular unit class is allocated by the Manager in a manner which is considered fair to unitholders in general, usually pro-rata based on the net asset values of the unit classes. All unit classes have the same rights on winding up.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 July 2021

12. Risk management policies

In pursuing its investment objectives, the Fund holds financial instruments which expose it to various types of risk. The main risks inherent in the Fund's investment portfolio, and the Manager's policies for managing these risks, which were applied consistently throughout the period, are set out below:

(a) Currency exposures

The Fund's financial assets are invested in listed equities whose prices are quoted in Pound Sterling and other currencies. Where assets are quoted in other currencies this gives rise to a direct currency exposure, details of which are shown in the following table.

	Net foreign currency assets at 31 July 2021			Net foreign currency assets at 31 July 2020		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Canadian Dollar	-	5,078	5,078	-	2,080	2,080
Euro	-	7,722	7,722	-	3,297	3,297
Hong Kong Dollar	41	2,612	2,653	-	1,145	1,145
Norwegian Krone	-	2,104	2,104	-	918	918
Swedish Krona	-	456	456	-	207	207
US Dollar	-	17,477	17,477	-	7,245	7,245

There are no specific policies employed by the Investment Manager to manage the currency exposure.

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £3,206,647 (31 July 2020: £1,332,620). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £3,919,235 (31 July 2020: £1,628,758). These calculations assume all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 July 2021

12. Risk management policies (continued)**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities**

The Fund's revenue is mainly received from holdings in listed equities. The Fund does not have any long-term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances.

The direct exposure of the Fund to interest rate risk as at the balance sheet date is shown in the following table:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
31.07.21						
Canadian Dollar	-	-	5,078	-	-	5,078
Euro	-	-	7,722	-	-	7,722
Hong Kong Dollar	41	-	2,612	-	-	2,653
Norwegian Krone	-	-	2,104	-	-	2,104
Sterling	948	-	4,092	-	(393)	4,647
Swedish Krona	-	-	456	-	-	456
US Dollar	-	-	17,477	-	-	17,477
31.07.20						
Canadian Dollar	-	-	2,080	-	-	2,080
Euro	-	-	3,297	-	-	3,297
Hong Kong Dollar	15	-	1,145	-	-	1,160
Norwegian Krone	-	-	918	-	-	918
Sterling	189	-	1,927	-	(146)	1,970
Swedish Krona	-	-	207	-	-	207
US Dollar	-	-	7,245	-	-	7,245

Short term debtors and creditors are included as financial assets and liabilities not carrying interest in the above table.

The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not bearing interest mainly comprise investments that do not have a maturity date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 July 2021

12. Risk management polices (continued)**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities (continued)**

Cash flow risk and interest rate risk is managed by only holding cash at reputable financial institutions.

Changes in interest rates would have no material impact to the valuation of floating rate financial assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

(c) Liquidity risk

All of the Fund's underlying financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis. Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty and these are reviewed on an ongoing basis.

(e) Market price risk

The value of shares/units in the underlying investments is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share/unit held within an underlying investment or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding diversified portfolios of collective investment schemes and transferable securities in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one underlying investment.

If the value of shares/units in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £3,916,450. This calculation assumes all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)For the year ended 31 July 2021

12. Risk management policies (continued)**(f) Fair value of financial assets and liabilities**

Valuation technique	INVESTMENT ASSETS	
	31 July 2021	31 July 2020
	£	£
Level 1: Quoted Prices	39,164,495	16,500,670
Level 2: Observable Market Data	-	-
Level 3: Unobservable Data	-	-
	<u>39,164,495</u>	<u>16,500,670</u>

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

(g) Commitments on derivatives

As at the year end date the Fund held no derivatives. (31 July 2020: £nil)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 July 2021

13. Transaction costs

(a) Direct transaction costs

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. In addition to direct transaction costs below, indirect costs are incurred through the bid-offer spread. It is not possible for the Manager to quantify these indirect costs. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the year are shown in the table below:

	31.07.21 £		31.07.20 £	
Analysis of total purchase costs				
PURCHASES				
Equities	(26,362,284)		(26,828,216)	
Net purchases before direct transaction costs	(26,362,284)		(26,828,216)	
		% of total purchases		% of total purchases
DIRECT TRANSACTION COSTS				
Equities	26,578	-0.10%	16,324	-0.06%
Total direct transaction costs	26,578	-0.10%	16,324	-0.06%
Gross purchases total	(26,335,706)		(26,811,892)	
Analysis of total sale costs				
SALES				
Equities	10,144,488		28,920,557	
Gross sales before direct transaction costs	10,144,488		28,920,557	
		% of total sales		% of total sales
DIRECT TRANSACTION COSTS				
Equities	(2,302)	0.02%	(11,739)	0.04%
Total direct transaction costs	(2,302)	0.02%	(11,739)	0.04%
Net sales total	10,142,186		28,908,818	
	31.07.21 £	% of average NAV	31.07.20 £	% of average NAV
Analysis of total direct transaction costs				
Equities	28,880	0.09%	28,063	0.16%
Total direct transaction costs	28,880	0.09%	28,063	0.16%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 July 2021

13. Transaction costs (continued)**(b) Average portfolio dealing spread**

The average portfolio dealing spread of the investments at the balance sheet date was 0.13% (31 July 2020: 0.17%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

14. Capital commitments and contingent liabilities

The Fund had no capital commitments or contingent liabilities at the balance sheet date (31 July 2020: £nil).

15. Post balance sheet events

Subsequent to the year-end, the net asset value per unit of each unit class has changed as follows:

I Accumulation Units – Increased from 26.56 pence per unit to 32.94 pence per unit (29 October 2021).

R Accumulation Units – Increased from 24.59 pence per unit to 30.44 pence per unit (29 October 2021).

There are no post balance sheet events which require adjustments at the year-end.

DISTRIBUTION TABLEFor the year ended 31 July 2021

Annual Distribution (31 July 2021)

Group 1 - Shares purchased on or prior to 31 July 2020

Group 2 - Shares purchased after 31 July 2020

Units	Revenue	Equalisation¹	Paid	Paid
	(pence)	(pence)	30.09.21	30.09.20
			(pence)	(pence)
I Accumulation				
Group 1	0.7702	-	0.7702	0.5588
Group 2	0.3584	0.4118	0.7702	0.5588
R Accumulation				
Group 1	0.5505	-	0.5505	0.2781
Group 2	0.2652	0.2853	0.5505	0.2781

¹ Equalisation applies only to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

DIRECTORY

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Dealing line: 0115 988 8227
Website: www.tbaileyfs.co.uk

Authorised and regulated by the Financial Conduct Authority.

Directors of the Authorised Fund Manager

Miss J L Kirk
Mr G M J Padbury
Mrs R E Elliott
Mrs A E Troup (Non-Executive)
Mr A Kerneis (Non-Executive)

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