

Guinness Global Equity Income Fund

A high conviction equity fund managed by Dr. Ian Mortimer and Matthew Page, CFA, in accordance with their intelligent investment process for high quality income portfolios.

INVESTMENT COMMENTARY - April 2012

Fund size (31.3.12) **£14.8m**

Aim

We don't chase yield, we want capital and dividend growth

Our aim is long-term capital growth and a steady rising dividend stream, balanced with a yield of 3-4%.

Process

Quality before yield

We buy companies that have generated at least 10% Cash Flow Return on Investment every year for 10 years.

"It's a rare achievement for a company to meet our investment criteria – 10% cash flow return on investment every year for ten years is a mark of genuine quality. That's where our portfolio starts – persistent cash generation before yield."

Fund review

Global equity markets continued their strong rise over the first quarter of 2012, following the upswing seen in the final quarter of 2011. The Fund delivered a total return of 3.51% over the quarter versus the MSCI World Index up 8.35%. In the month of March, the Fund was up 1.03% versus the MSCI World Index up 1.27%. Our current bias towards larger capitalisation 'blue chip' stocks and the Fund's general approach to owning quality companies meant we did not capture the full extent of the recent rally as the market favoured companies in the more cyclical sectors and those more geared to positive markets.

Since launch on 31st December 2010, the Fund is up 5.53%, versus 3.27% by the MSCI World Index and 3.09% by the average IMA Global Equity Income Fund.

(Performance data source: Financial Express, bid to bid basis, total return, C class, GBP, to 31.3.12.)

We made no changes to the portfolio in March and continue to believe that the recent market rally is underpinned by loose monetary policy in the US and Europe that is masking recessionary effects and lower growth generally. The risk of sustained high volatility emanating from Europe persists, in our view. There is a procession of important political events coming over the next few months, with the likely effects on the market extremely difficult to gauge. Indeed, right now the initial voting in the French election suggests the status quo of the Franco-German dominated fiscal measures is coming under pressure.

We continue to believe that high quality, globally diversified large capitalisation companies are best positioned to weather this period of economic uncertainty. We also believe owning a portfolio of these companies that pay a reasonable, and most importantly growing, dividend can, over the long term, perform well in periods dominated by low economic growth. The table below illustrates this point by looking at the proportion dividends contributed to the total return of the S&P 500 in each decade since the 1940s.

S&P500 returns per decade since 1940

	Total return (TR)	Capital growth	Dividends	Dividends as % of TR
1940s	143.1%	34.8%	108.3%	75.7%
1950s	467.4%	256.7%	210.7%	45.1%
1960s	109.5%	53.7%	55.8%	51.0%
1970s	76.9%	17.2%	59.7%	77.6%
1980s	389.2%	227.4%	161.8%	41.6%
1990s	423.2%	315.7%	107.5%	25.4%
2000s	-9.1%	-24.1%	15.0%	N/A
Average	228.6%	125.9%	102.7%	52.7%

Source: Bloomberg, Guinness Asset Management

Past performance should not be taken as an indicator of future performance. The value of investments and any income arising from them can fall as well as rise.

As the table shows, the minimum contribution to total return was 25.4% (not an insignificant sum) in the 1990s, when markets rallied strongly up to the peak of the 'technology bubble' at the start of the 2000s. What we find more compelling, however, is that the importance of dividends to total returns increases dramatically in low growth decades (defined by some combination of sluggish economic growth, rising inflation, increasing oil prices, and high unemployment). In low growth periods such as the 1940s and 1970s, dividends accounted for over 75% of total returns.

For more information regarding our thoughts on dividends, dividend investing, and why we believe investors should rediscover the power of dividends as an important element in the pursuit of long-term total returns, please see our White Paper *Why Dividends Matter*, which can be found on our website guinnessfunds.com.

Dr. Ian Mortimer & Matthew Page

Co-managers

Guinness Global Equity Income Fund

April 2012

PORTFOLIO (31.3.12)

Fund top 10 holdings		Geographic allocation		Sector analysis	
Abbott Laboratories	3.1%	United States	46.2%	Consumer Staples	31.7%
Meggitt	3.0%	Great Britain	28.6%	Health Care	14.6%
Coca-Cola	3.0%	France	8.5%	Financials	14.2%
Pfizer	3.0%	Hong Kong	2.9%	Industrials	11.6%
Danone	3.0%	Australia	2.9%	Telecommunications	8.5%
Pepsico	3.0%	Germany	2.8%	Information Technology	5.8%
China Mobile	2.9%	Spain	2.7%	Consumer Discretionary	5.7%
Sanofi	2.9%	Netherlands	2.7%	Energy	5.3%
ICAP	2.9%				
Microsoft	2.9%				
% of Fund in top 10	29.8%	Cash	2.6%	Cash	2.6%
Number of stocks held	34		100.0%		100.0%

PERFORMANCE**Discrete years' % total return**

12 months to month end:	Mar '08	Mar '09	Mar '10	Mar '11	Mar '12
Guinness Global Equity Income Fund	-	-	-	-	3.6
MSCI World Index	-4.5	-20.4	44.0	7.4	0.9
IMA Global Equity Income sector average	-6.2	-19.2	38.7	9.1	1.6

Cumulative % total return

31/03/2012	1 month	3 months	6 months	1 year	From launch
Guinness Global Equity Income Fund	1.0	3.5	11.4	3.6	5.5
MSCI World Index	1.3	8.5	17.0	0.9	3.3
IMA Global Equity Income sector average	-0.7	5.3	12.6	1.6	3.1

Risk analysis - Annualised, month end, from launch on 31.12.10

31/03/2012	Index	Sector	Fund
Alpha	0	0.26	2.40
Beta	1	0.87	0.74
Information ratio	0	-0.02	0.36
Maximum drawdown	-14.06	-10.95	-10.76
R squared	1	0.76	0.83
Tracking error	0	5.72	4.85
Volatility	11.33	11.35	9.17

Past performance should not be taken as an indicator of future performance. The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations.

Source: Financial Express, bid to bid, total return, C class shares, GBP. Launch date: 31.12.10.

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IMPORTANT INFORMATION

This report is primarily designed to inform you about the Guinness Global Equity Income Fund, including recent activity and performance. For regulatory purposes it falls within the legal definition of a financial promotion. Please therefore note the risk warnings below and the following statements: it contains facts relating to equity markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report. It is for information only and all the information contained in it is believed to be reliable but may be inaccurate or incomplete; any opinions stated are honestly held at the time of writing, but are not guaranteed. The content of the document should not therefore be relied upon. It should not be taken as a recommendation to buy or sell individual securities.

Guinness Global Equity Income Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. Investment in the Fund carries with it a degree of risk and investors should read the risk factors section in the prospectus before investing.

Past performance is not a guide to the future. The value of this investment and any income arising from it can fall as well as rise. This will be as a result of market, currency and exchange rate fluctuations as well as other factors both directly and indirectly related to the stocks in which it is invested.

Shareholders should note that all or part of the fees and expenses will be charged to the capital of the Fund. This will have the effect of lowering the capital value of your investment.

The full Fund documentation contains more complete and detailed information of risk, fees, charges and expenses that are to be borne by an investor. The documentation should be read carefully before investing. The full documentation needed to make an investment, including the Prospectus, the Simplified Prospectus and the Application Form are available, free of charge, from the Manager: Capita Financial Managers (Ireland) Limited, Montague House, Adelaide Road, Dublin 2 Ireland or the Promoter and Investment Manager: Guinness Asset Management Ltd, 14 Queen Anne's Gate, London SW1H 9AA. **Documentation is also available from the website guinnessfunds.com.**

This document should not be distributed to Retail Clients who are resident in countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful.

THIS INVESTMENT IS NOT FOR SALE TO U.S. PERSONS.

The Guinness Global Equity Income 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. The Fund has been approved by the Financial Services Authority for sale in the UK. The Company and the Fund have been recognised in the UK by the FSA pursuant to section 264 of the FSMA. Guinness Asset Management Ltd is authorised and regulated by the Financial Services Authority. The prospectus for Switzerland, the simplified prospectus for Switzerland, the articles of association, the annual and semi-annual reports, as well as the list of the buying and selling transactions can be obtained free of charge from the representative in Switzerland, Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva, Switzerland, Tel. +41 22 705 11 77, Fax: +41 22 705 11 79, www.carnegie-fund-services.ch. The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Geneva, Switzerland. Telephone calls to Guinness Asset Management may be recorded.

GLOSSARY

Alpha

Alpha is a measure of a fund's over or underperformance versus its benchmark. It represents the return of the fund when the benchmark is assumed to have a return of zero, and thus indicates the extra value that the manager's activities have contributed.

Beta

Beta is a statistical estimate of a fund's volatility by comparison to that of its benchmark, i.e. how sensitive the fund is to movements in the section of the market that comprises the benchmark. A fund with a Beta close to 1 will move generally in line with the benchmark. Higher than 1 and the fund is more volatile than the benchmark.

Information Ratio

An assessment of the degree to which a manager uses skill and knowledge to enhance returns, this is a versatile and useful risk-adjusted measure of actively-managed fund performance. It is calculated by deducting the returns of the fund's benchmark from the fund's overall returns, then dividing the result by its Tracking Error. In this way, we arrive at the value, per unit of extra risk assumed, that the manager's decisions have added to what the market would have delivered anyway.

Maximum Drawdown

Represents the worst possible return over a period, e.g. buying at the highest price over the period and selling at the lowest.

R-Squared

The R-Squared measure is an indication of how closely correlated a fund is to an index or a benchmark. It can be treated as a percentage, showing what proportion of a fund's movements can be attributed to those of the benchmark. Values for R-Squared range between 0 and 1, with 0 indicating no correlation at all, and 1, rarely, showing a perfect match.

Tracking Error

This statistic measures the standard deviation of a fund's excess returns over the returns of an index or benchmark portfolio. As such, it can be an indication of "riskiness" in the manager's investment style. A Tracking Error below 2 suggests a passive approach, with a close fit between the fund and its benchmark. At 3 and above the correlation is progressively looser: the manager will be deploying a more active investment style, and taking bigger positions away from the benchmark's composition.

Volatility

Standard deviation is a statistical measurement which, when applied to an investment fund, expresses its volatility, or risk. It shows how widely a range of returns varied from the fund's average return over a particular period. Low volatility reduces the risk of buying into an investment in the upper range of its deviation cycle, then seeing its value head towards the lower extreme.

GUINNESS

FUNDS

Guinness Asset Management Ltd is authorised and regulated by the Financial Services Authority

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