

Guinness Global Equity Income Fund

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

INVESTMENT COMMENTARY - October 2013

Fund size (30.9.13) **£38.9m**

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.

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."

Performance

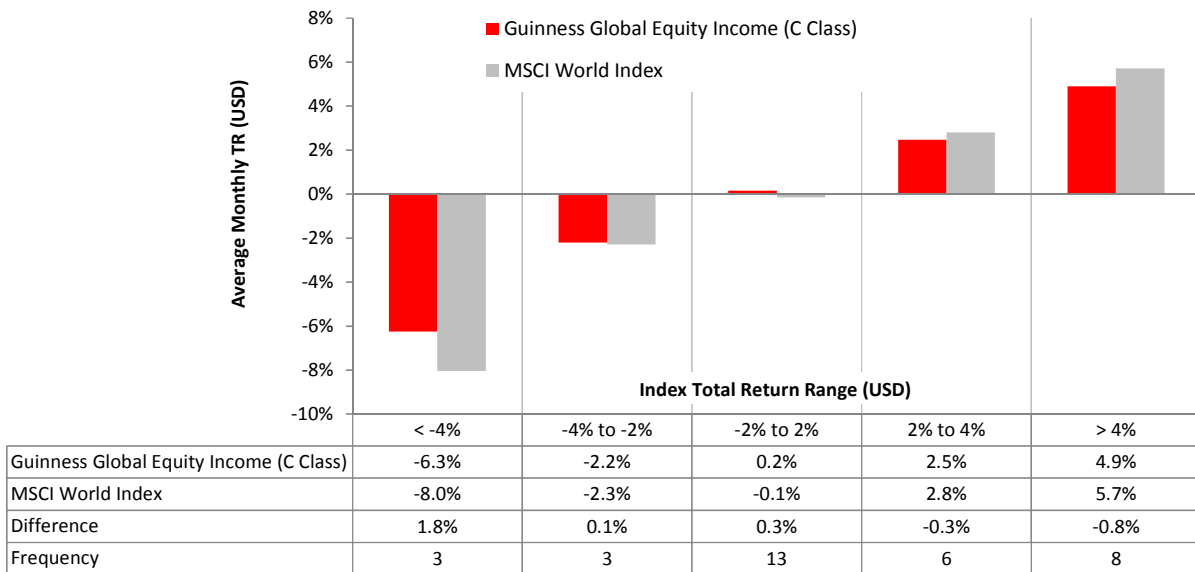
The Fund generated a total return of -0.26% (in GBP) in September compared to its MSCI World Index benchmark return of 0.30%, thereby underperforming by 0.56%. The Fund has returned +20.26% year-to-date, versus the Index return of +17.74%. This ranks the Fund 2nd in its peer group of 32 funds in the IMA Global Equity Income sector over this period.

Update

September was another volatile month. There was optimism in the market during the first half of the month as concerns over the Fed timescale for tapering its quantitative easing programme subsided. However, some of this dissipated in the light of the looming deadline for the US Congress to raise the "debt ceiling" and avoid a government shutdown. Given these concerns September saw a 4.4% strengthening in the pound vs US dollar exchange rate.

Measured in US dollars the MSCI World Index had a total return of 5.0% (versus 0.3% in GBP) and the Fund had a total return of 4.4% (versus -0.26% in GBP). Given the type of fairly steady, high return-on-capital companies that we like to invest in, we expect the portfolio to underperform in sharply rising markets when investors are willing to pay more for lower quality companies, to outperform in falling markets when the opposite occurs, and to outperform over a cycle due to these companies' ability to consistently earn a high return on capital. Certainly this is what we have seen since we have been running the portfolio, as demonstrated in the chart overleaf. The chart shows the average monthly total return (in USD) of the Fund relative to the MSCI World Index, by different ranges of monthly total return of the Index. In the 8 monthly periods we have seen where the MSCI World Index is up by more than 4%, the Index has been up on average 5.7% while the Fund has been up on average 4.9%. September therefore fits this historic pattern when considered in the more global currency of USD (also the Fund's base currency).

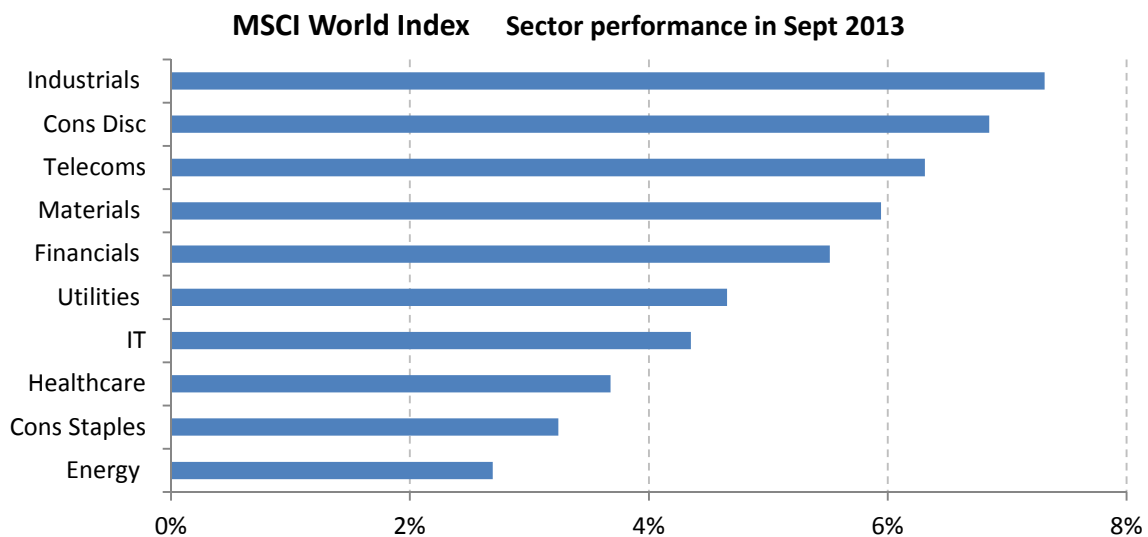
Fund performance in range of MSCI World Index monthly returns



Source: Bloomberg (in USD)

When we drill down into the individual sectors of the Index, we see that Industrial and Consumer Discretionary sectors were the best performing, while the Energy and Consumer Staples sectors were the worst. At the Fund level the largest positive contributor relative to the Index was the Financials sector, with a recovery in the price of Aberdeen Asset Management, making it the best performing stock in the portfolio over the month, up 7.5%. On the other hand our holdings in

consumer-related stocks (both Staples and Discretionary) were the main detractor from performance, particularly H&R Block, which is our best performing stock year-to-date, but gave up 3.8% during the month. Consumer Staples stocks tend to lag in any sharp rise in the market. Given our overweight in this sector, mainly in US companies, this held back the performance of the Fund.



Source: Bloomberg, Guinness Asset Management (in USD)

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.

Our quest for value in the universe of high return-on-capital companies continues, and whilst we have made very few changes to the portfolio so far this year we have been developing a watchlist of companies that we like, but are not quite yet compelled to purchase, be it due to valuation, earnings momentum, or any other stock specific concern. The companies that are currently on that watchlist are mainly outside of the US, with more companies in cyclical sectors than in defensive sectors.

Within the portfolio the companies we feel most inclined to sell are those that have been significantly rerated through multiple expansion without a corresponding growth in earnings. This has led us to consider our holdings in Consumer Staples (mainly the Food processing companies rather than Tobacco) and Healthcare (large cap Pharmaceuticals) sectors. Given the good performance of global equities this year we are focusing hard on where these companies are trading relative to their historic valuation range.

The portfolio is currently trading on a PE multiple of 13.8x 2013 forecast earnings, which is a

relatively modest discount of around 5% to the MSCI World Index. Typically we have had the portfolio at a discount of 10-20% relative to the Index, and we are looking to get it back into this range.

Assets under management

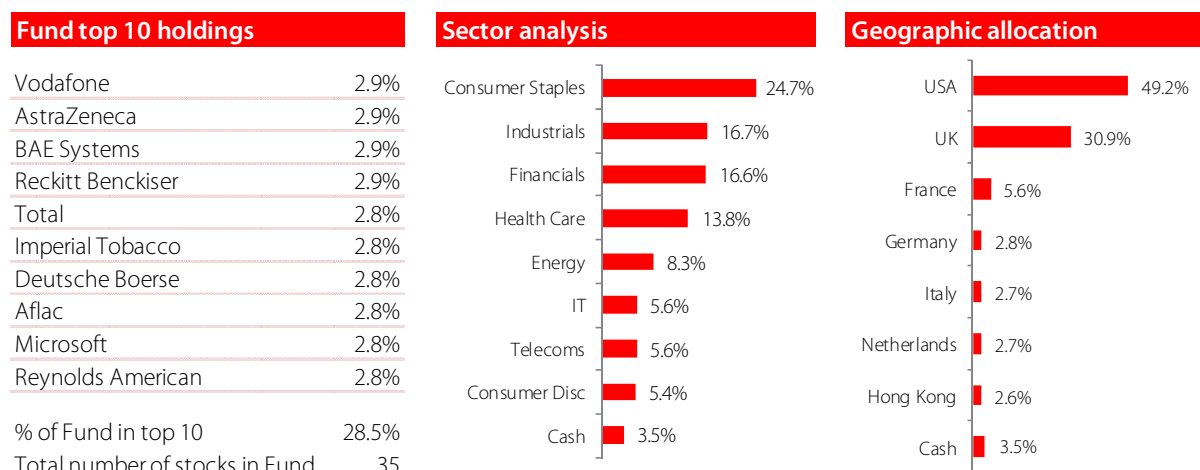
We were encouraged to see the Fund continue to grow in terms of assets under management. At the time of writing the Fund has £42m under management. The Fund seems to have gathered some momentum in raising assets through a number of channels and we are optimistic we will reach £50m before we reach our 3 year track record at the end of this year. Many thanks again for your continued support.

Dr. Ian Mortimer & Matthew Page

**Co-managers,
Guinness Global Equity Income Fund**

October 2013

PORTFOLIO (30.9.13)



PERFORMANCE

12 months to month end:	Sep '09	Sep '10	Sep '11	Sep '12	Sep '13
Guinness Global Equity Income Fund	-	-	-	13.0	20.1
MSCI World Index	8.9	8.4	-3.2	17.3	19.9
IMA Global Equity Income sector average	12.1	9.9	-0.5	15.5	17.3

Cumulative % total return

30/09/2013	1 month	3 months	6 months	1 year	From launch
Guinness Global Equity Income Fund	-0.3	-0.3	3.4	20.1	28.4
MSCI World Index	0.3	1.3	2.1	19.9	24.1
IMA Global Equity Income sector average	0.8	1.5	1.7	17.3	24.0

Annualised % total return from launch

30/09/2013

Guinness Global Equity Income Fund	9.52%
MSCI World Index	8.16%
IMA Global Equity Income sector average	8.14%

Risk analysis - Annualised, weekly, from launch on 31.12.10

30/09/2013	Index	Sector	Fund
Alpha	0	1.87	2.89
Beta	1	0.76	0.78
Information ratio	0	0.00	0.23
Maximum drawdown	-18.26	-15.50	-16.40
R squared	1	0.81	0.90
Sharpe ratio	0	0.39	0.51
Tracking error	0	6.49	5.07
Volatility	14.85	12.61	12.20

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.

The Guinness Global Equity Income Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. The value of the Fund's portfolio changes daily and can be affected by changes in currencies, interest rates, general market conditions and other political, social and economic developments, as well as specific matters relating to the companies in whose securities the Fund invests. Investment in the Fund carries with it a degree of risk and investors should read the risk factors section in the prospectus before investing. 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 KIID and the Application Form are available, free of charge, from the Manager: Capita Financial Managers (Ireland) Limited, 2 Grand Canal Square, Grand Canal Harbour, 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 Conduct 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 Conduct Authority.

Telephone calls to Guinness Asset Management may be recorded.

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.

GLOSSARY

Alpha

Alpha is a measure of a fund's over or underperformance by comparison to 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.

Sharpe ratio

This is a commonly-used measure which calculates the level of a fund's return over and above the return of a notional risk-free investment, such as cash or Government bonds. The difference in returns is then divided by the fund's standard deviation - its volatility, or risk measurement. The resulting ratio is an indication of the amount of excess return generated per unit of risk.

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 Conduct Authority

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