

Guinness Global Equity Income Fund

INVESTMENT COMMENTARY - August 2014

About the Fund

Guinness Global Equity Income Fund is designed to provide investors with global exposure to dividend-paying companies.

The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size £58.5m

Launch date 31.12.10

Managers Dr. Ian Mortimer, CFA
Matthew Page, CFA

Performance 30.06.14

	1 year	3 years	From launch
Fund	1.4	36.4	39.6
Index	4.1	36.2	34.3
Sector	5.1	33.7	33.6

Annualised % total return from launch (GBP)

Fund	9.8%
Index	8.6%
Sector	8.4%

Benchmark index MSCI World Index

IMA sector Global Equity Income

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.

Monthly update

Equity markets ended July in the red as markets sold off in the last week of the month as concerns mounted about tensions in Ukraine and the Middle East. The Fund was down 1.84% (total return in GBP) over the month, versus the MSCI World Index fall of 0.34% (in GBP). Year-to-date the Fund remains in positive territory, up 1.92%, having recovered well in April, May, and June following the market sell off at the start of the year.

The Fund went ex-dividend on July 1st and paid an interim dividend of £0.2572 per share (retail "C" shares) for the income received in the first half of 2014. This represents approximately an 11% increase year-on-year (i.e. compared to the first half dividend paid in 2013). We note, however, that this may be a somewhat flattering comparison because, as ever, the timing of individual company payments across the year can fluctuate and foreign exchange movements for our international holdings can also have an effect. However, tracking the Fund's dividend closely as we progress through the year, we are confident we are on track to grow the full year dividend again in 2014.

The table below shows all the companies held in the Fund that went ex-dividend in the first six months of 2014. It compares the individual company dividend per share payments made in Q1 and Q2 for both 2013 and 2014 and then calculates the growth in those payments on a like-for-like basis. Glancing down this list you can quickly see that the vast majority of the companies have grown their dividend over the last 12 months, and a significant number of these have shown double digit growth (Aberdeen, Illinois Toolworks, Imperial Tobacco, Li & Fung, Microsoft and Teva Pharmaceutical).



Guinness Global Equity Income
BEST FUND OVER 3 YEARS
EQUITY GLOBAL INCOME

Guinness Global Equity Income Fund

	Dividend payments (in local currency)				Growth		
	2013		2014		Q1 YoY	Q2 YoY	1H YoY
	Q1	Q2	Q1	Q2			
AbbVie	0.400	0.400	0.400	0.420	0.0%	5.0%	2.5%
Aberdeen Asset Management	0.060		0.068		12.5%		12.5%
Aflac	0.350	0.350	0.370	0.370	5.7%	5.7%	5.7%
Arthur J Gallagher & Co	0.350	0.350	0.360	0.360	2.9%	2.9%	2.9%
BAE Systems		0.080		0.082		2.5%	2.5%
China Mobile		1.778	1.615			-100.0%	-9.2%
Cisco Systems	0.170	0.170	0.170	0.190	0.0%	11.8%	5.9%
CNOOC		0.320		0.320		0.0%	0.0%
Coca-Cola	0.280	0.280	0.305	0.305	8.9%	8.9%	8.9%
Danone	1.450		1.450		0.0%		0.0%
Deutsche Boerse	2.100		2.100		0.0%		0.0%
Eni	0.540		0.550		1.9%		1.9%
General Dynamics Corp	0.560	0.560	0.620	0.560	10.7%	0.0%	5.4%
H&R Block	0.200	0.200	0.200	0.200	0.0%	0.0%	0.0%
ICAP	0.154		0.154		0.0%		0.0%
Illinois Tool Works	0.380	0.380	0.420	0.420	10.5%	10.5%	10.5%
Imperial Tobacco Group	0.352		0.388		10.2%		10.2%
Johnson & Johnson	0.610	0.660	0.660	0.700	8.2%	6.1%	7.1%
L-3 Communications Holdings	0.550	0.550	0.600	0.600	9.1%	9.1%	9.1%
Li & Fung		0.160		0.340		112.5%	112.5%
Mattel	0.360	0.360	0.380	0.380	5.6%	5.6%	5.6%
Meggitt		0.040		0.043		7.6%	7.6%
Merck & Co	0.430	0.430	0.440	0.440	2.3%	2.3%	2.3%
Microsoft Corp	0.230	0.230	0.280	0.280	21.7%	21.7%	21.7%
Procter & Gamble	0.562	0.602	0.602	0.643	7.1%	6.8%	7.0%
Reckitt Benckiser Group		0.600		0.600		0.0%	0.0%
Royal Dutch Shell	0.450	0.450	0.470	0.470	4.4%	4.4%	4.4%
Schneider Electric	1.870		1.870		0.0%		0.0%
Sonic Healthcare	0.250		0.270		8.0%		8.0%
Teva Pharmaceutical Industries	0.267	0.268	0.293	0.298	9.8%	11.0%	10.4%
Total	0.590	0.771	0.610	0.610	3.4%	-20.8%	-10.3%
Unilever	0.204	0.229	0.222	0.234	9.0%	2.1%	5.3%
Vodacom Group	4.300		4.300		0.0%		0.0%
Willis Group Holdings	0.280	0.280	0.300	0.300	7.1%	7.1%	7.1%
					Median	5.6%	5.3%
					Average	5.7%	7.6%

There were only two companies that reduced their dividend over the period: Reckitt Benckiser and China Mobile. Reckitt reduced their Q1 dividend by 1p to £0.77 for 2014, but we note the expected Q2 dividend payment is back in line with that paid in 2013. The announced spin off of their pharmaceuticals unit could

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also pave the way for the remaining business to allocate more capital for returns to shareholders and thus dividend increases in the future. China Mobile reduced its dividend for the first half by just over 9% (and also moved its payment schedule for 2014 by bring the dividend payment from Q2 in 2013 to Q1 in 2014 – thus the apparent 100% ‘cut’ in the table).

It is always disappointing when a company held in the portfolio reduces its dividend, as it can indicate significant operational or business problems, particularly if the company has a long history of steady dividend payments. For Asian companies, however, it is more nuanced as very few have a progressive dividend policy and instead follow a payout ratio model, i.e. the company will stick to paying out a fixed percentage of net income as dividends. For China Mobile this fixed percentage is approximately 45%. The 9% dividend reduction therefore represents an approximately 9% decrease in net income in the period year-on-year rather than a change in policy for capital allocation – although a drop in earnings is not something we particularly enjoy seeing either. China Mobile has been a strong performer in the Fund over the last few months and we are therefore hopeful of a recovery in earnings, and thus dividends in the future. In a similar vein the 112% increase in the dividend for Li & Fung was representative of a recovery in earnings, from a rather low base, to a more normal level.

Overall the median growth in dividends paid by companies held in the portfolio was 5.3% over the first half of 2014, which is slightly ahead of the average growth in the Fund dividend per share since we launched just over 3.5 years ago. Our aim is to grow the dividend paid by the Fund ‘organically’ through dividend increases by the underlying companies held, rather than manipulating higher payments through dividend capture techniques. On the current analysis we are hopeful we can continue to do this.

Thank you once again for your continued support and we would like to wish everyone a very enjoyable summer!

Dr. Ian Mortimer & Matthew Page
Co-managers, Guinness Global Equity Income Fund

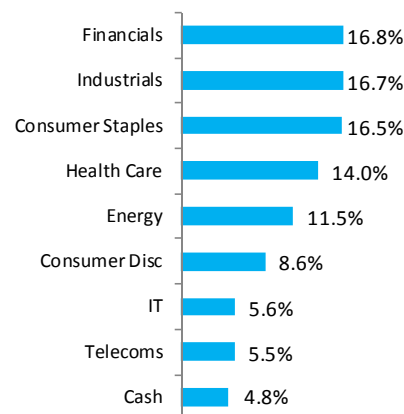
August 2014

PORTFOLIO (31.07.14)

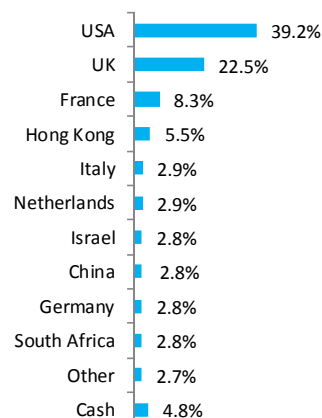
Fund top 10 holdings

H & R Block	3.1%
Aberdeen Asset Management	3.0%
ENI	2.9%
Meggitt	2.9%
Royal Dutch Shell	2.9%
Abbvie	2.9%
Coca-Cola	2.9%
Johnson & Johnson	2.9%
Teva Pharmaceutical	2.8%
Willis Group Holdings	2.8%
% of Fund in top 10	29.2%
Total number of stocks in Fund	34

Sector analysis



Geographic allocation



PERFORMANCE

Discrete years % total return (GBP)

12 months to month end:	Jul '10	Jul '11	Jul '12	Jul '13	Jul '14
Fund C Class (1.5% AMC)	-	-	4.8	26.4	0.7
Fund X class (0.75% AMC)	-	-	5.6	27.4	1.4
MSCI World Index	16.3	13.1	2.7	27.4	4.1
IMA Global Equity Income sector average	16.2	13.6	4.2	22.1	5.1

Cumulative % total return (GBP)

31/07/2014	1 month	Year-to-date	1 year	3 years	From launch
Fund X class (0.75% AMC)	-1.8	1.9	1.4	36.4	39.6
MSCI World Index	-0.3	2.5	4.1	36.2	34.3
IMA Global Equity Income sector average	-0.2	3.2	5.1	33.7	33.6

Annualised % total return from launch (GBP) 31/07/2014

Fund X class (0.75% AMC)	9.75%
MSCI World Index	8.58%
IMA Global Equity Income sector average	8.42%

Risk analysis - Annualised, weekly, from launch on 31.12.10, in GBP

31/07/2014	Index	Sector	Fund
Alpha	0	1.65	3.06
Beta	1	0.77	0.78
Information ratio	0	-0.04	0.27
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.81	0.89
Sharpe ratio	0	0.44	0.60
Tracking error	0	5.91	4.69
Volatility	13.55	11.65	11.26

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Source: Financial Express, bid to bid, total return. Fund launch date: 31.12.10. **Fund X class:** Simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP. **IMA sector** performance based on highest fee share classes for each fund (C Class (1.5% AMC) for Guinness Global Equity Income). **See Notes overleaf.**

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Performance data notes

1) The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's X class was launched on 15/02/2012. The performance shown is a simulation for X class performance being based on the actual performance of the Fund's E class, which has the same annual management charge as the X class, and has existed since the Fund's launch. The Fund's E class is denominated in USD but for the purposes of this performance data its performance is calculated in GBP. Hence the Fund's E Share class is used here to illustrate the performance of a GBP-based clean-fee (RDR-compliant) share class since the Fund's launch on 31.12.10.

2) The performance of the IMA Global Equity Income sector is based on the average of the highest fee share class of each constituent fund, e.g. C class for the Guinness Global Equity Income Fund, with an annual management fee of 1.5%.

Important information

Issued by Guinness Asset Management Limited, authorised and regulated by the Financial Conduct Authority.

This report is primarily designed to inform you about Guinness Global Equity Income Fund. It may provide information about the Fund's portfolio, including recent activity and performance. It contains facts relating to the energy market and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report.

This document is provided 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 contents of the document should not therefore be relied upon. It should not be taken as a recommendation to make an investment in the Fund or to buy or sell individual securities, nor does it constitute an offer for sale.

Risk

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 an investment and the income from it can fall as well as rise as a result of market and currency

movement, and you may not get back the amount originally invested. Details on the risk factors are included in the Fund's documentation, available on our website. 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.

Documentation

The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available from the website www.guinnessfunds.com, or 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.

Residency

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

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

Structure & regulation

The Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and authorised and supervised by the Central Bank of Ireland, which operates under EU legislation. The Fund has been approved by the Financial Conduct Authority for sale in the UK. If you are in any doubt about the suitability of investing in this Fund, please consult your investment or other professional adviser.

Switzerland

The prospectus and KIID for Switzerland, the articles of association, and the annual and semi-annual reports 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, www.carnegie-fund-services.ch. The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Geneva, Switzerland.

Telephone calls may be recorded and monitored.

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

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