Guinness Global Equity Income Fund

INVESTMENT COMMENTARY - December 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	£65.9m
Launch date	31.12.10
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA

Performance

31.10.14

	1 year	3 years	From launch
Fund	13.6	52.8	54.5
Index	13.9	57.1	47.8
Sector	8.9	48.6	40.1

Annualised % total return from launch (GBP)

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.

LIPPER
FUND AWARDS 2014
SWITZERLAND

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

**Excluding Premier Global Utilities Income Fund*

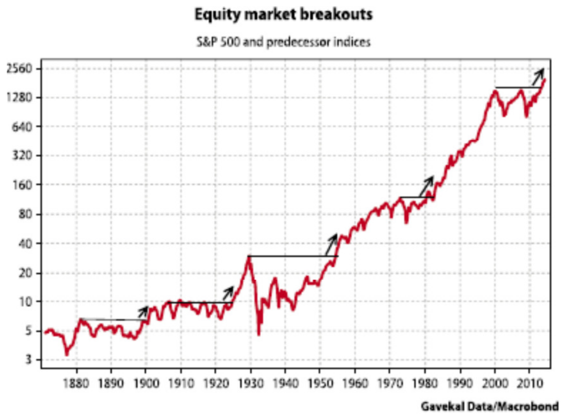
Monthly update

The MSCI World Index finished the month up 4.2%, while the Fund produced a total return of 3.9%, thereby underperforming by 0.3%. This leaves the Fund up 12.8% year-to-date, which ranks as the best performance in the IMA Global Equity Income sector over this period*. We also rank in the top decile since launch (31.12.2010).

November was a rather less volatile month than October, with the MSCI World Index moving higher almost uninterrupted. Within this apparently sanguine environment there were notable exceptions, with commodities, and oil in particular, continuing their downward slide. Simply put, this has meant a divergence in prospects for oil importer and oil exporter economies, with the US and Russia seen as the biggest winner and loser respectively. Throw in a raft of upcoming elections in Europe in which the electorate is showing strong signs of backing far off-centre parties, and continued worries around global growth in general, and the picture does not look so obviously rosy. But, as ever, we feel happy with our approach of focusing on high return on capital businesses that have shown the ability to weather most economic storms and that offer some reasonable value.

The energy companies in the Fund have obviously been affected by the sudden and dramatic collapse in the oil price. Our overall weight to the sector is about the same as in the benchmark (c.10%), but the super majors we own have held up relatively well, meaning we weathered the storm reasonably so far. We are ever conscious of potential dividend cuts in the portfolio holdings, so we are watching things carefully, but it is fair to say we do not envisage any cancellations in the near term.

I would not call myself a 'chartist' in any sense, but I read an interesting article from Gavekal this month in which they highlighted medium and long-term trends in equity markets and questioned the context in which we should look at the latest equity movements.



The first chart is rather ominous, suggesting equities are near the end of a cyclical bounce, whereas the second, longer-term, chart suggests we may be near the beginning of a structural breakout after a near 13-year bear market. Both appear compelling.

Who knows what will come to pass. But investors with different time horizons may chose to focus more on one than the other, as would investors who feel bearish or bullish for whatever reason. Confirmation bias is difficult to shake; we are all prone to fall upon the evidence that best matches our current view, rather than systematically assess all the information available and come to an unbiased conclusion – it just makes life a lot easier.

The financial system is complex, and dependent upon structural issues as wide ranging as demographics, productivity, financial stability and geopolitics. Making a detailed assessment of any one of these is a difficult task, let alone then trying to establish how each of them interact and influence one another.

At this time of year we are inundated with ‘outlook for next year’ pieces from the large investment banks and research houses. I often find them an interesting read, and they are useful in making one think about what is happening more broadly across the globe, and maybe in sectors and regions we do not necessarily spend huge amounts of time thinking about. As for the forecasts, however, we would put them on a par with those of economists i.e. about as good as flipping a coin. We are convinced that trying to predict the level of the S&P500 in a year’s time is a futile exercise. We prefer to concentrate on assessing the fundamentals of individual companies and whether the market is being too optimistic or pessimistic about their prospects compared to what they have achieved in the past. This is not to say we ignore any macroeconomic factors that could help or hinder the company we are looking at (such as forex exposure or regulatory risks); but we try to assess these issues within reasonable boundaries. This helps us to understand the risks the company may be exposed to without having to make explicit forecasts which could ultimately lead us to anchor our expectations on a purely speculative prediction.

If a company ticks the boxes we aim to find in all our investments, we have found this is a better way to avoid the usual pitfalls.

1. Persistently high return on capital over a business cycle.
2. Balance sheet that is not excessively leveraged.
3. Valuation that is cheap relative to its long-term history, its peers, and the broad market (or in reality at least one of these – it is rare to find a company with all three, although not impossible).
4. A well covered and growing dividend.

A new UCITS fund for an existing Guinness strategy

Last month we (shamelessly) plugged the launch of our new global growth fund, the Guinness Global Innovators Fund, which follows a strategy that we have been managing for our US sister company for over 10 years. We have been delighted with the response we have received, and are pleased to say that the new Fund has already reached $27m in size. In the New Year we will be updating current and prospective investors with progress, and look forward to sharing our views on how we look at growth companies and our outlook for the future.

The offer of a reduced AMC of 0.25% for early investors into the new Global Innovators Fund remains open.

The Guinness Global Innovators Fund is managed as an exact replica of the long-established US SEC-registered Guinness Atkinson Global Innovators Fund (ticker: IWIRX US). The US version has been run by the Guinness team since 2003, and was initially managed by Tim Guinness. We (Matthew and Ian) then took over the day-to-day running of the Fund in 2010.

In terms of philosophy and approach, it shares much with the Global Equity Income Fund. We maintain our focus on value, which in a growth portfolio steers us away from many of the glossy, hyped-up story stocks and towards more out of favour names. It is a high conviction portfolio with 30 equally weighted positions, meaning the portfolio has a high active share (typically over 90%), and we are agnostic as to index weights.

We look to invest in innovative companies because we think that a company that is doing something innovative – be it making scientific or technological breakthroughs, developing better products, or creating new and better business models – should be able to earn a higher return on capital than its average peers. Some of these companies will be highly disruptive, while others will be making more incremental or continuous innovations. We look at the whole spectrum. What is most important to us is not to provide you with a portfolio of the most innovative companies, but to identify a universe of innovative companies, and then select from that universe a portfolio of companies that offer attractive valuation.

We would like to thank all our investors for their support over the last year and look forward to seeing as many of you as possible in 2015!

Dr. Ian Mortimer & Matthew Page

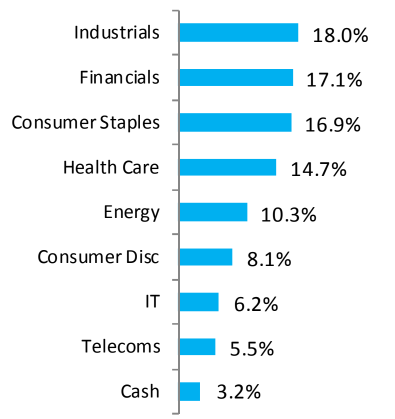
Co-managers, Guinness Global Equity Income Fund
December 2014

PORTFOLIO (30.11.14)

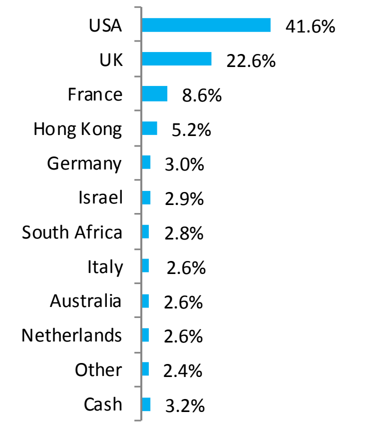
Fund top 10 holdings

Abbvie	3.3%
General Dynamics	3.2%
Cisco Systems	3.2%
Schneider Electric	3.0%
L-3 Communications	3.0%
Johnson & Johnson	3.0%
Imperial Tobacco	3.0%
Deutsche Boerse	3.0%
Illinois Tool Works	3.0%
Microsoft	3.0%
% of Fund in top 10	30.7%
Total number of stocks in Fund	34

Sector analysis



Geographic allocation



PERFORMANCE

Discrete years % total return (GBP)

12 months to month end:	Nov '10	Nov '11	Nov '12	Nov '13	Nov '14
Fund C Class (1.5% AMC)	-	-	8.0	22.7	12.8
Fund X class (0.75% AMC)	-	-	8.8	23.6	13.6
MSCI World Index	11.7	0.5	11.5	23.7	13.9
IMA Global Equity Income sector average	12.2	0.2	13.5	20.2	8.9

Cumulative % total return (GBP) 30/11/2014	1 month	Year-to-date	1 year	3 years	From launch
Fund X class (0.75% AMC)	3.9	12.8	13.6	52.8	54.5
MSCI World Index	4.2	12.8	13.9	57.1	47.8
IMA Global Equity Income sector average	3.3	8.3	8.9	48.6	40.1

Annualised % total return from launch (GBP)	30/11/2014
Fund X class (0.75% AMC)	11.73%
MSCI World Index	10.48%
IMA Global Equity Income sector average	8.99%

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

30/11/2014	Index	Sector	Fund
Alpha	0	0.85	3.10
Beta	1	0.78	0.80
Information ratio	0	-0.22	0.25
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.82	0.89
Sharpe ratio	1	0.47	0.71
Tracking error	0	5.77	4.57
Volatility	13.46	11.66	11.34

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. 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.**

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 a result of market and currency fluctuations.

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 equity markets 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'Ile, 1204 Geneva, Switzerland.

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