Guinness Global Equity Income Fund

INVESTMENT COMMENTARY - July 2015

About the Fund

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

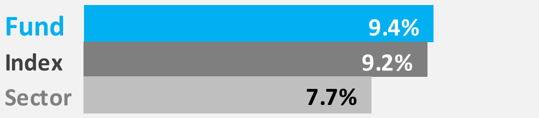
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£106m
Launch date	31.12.10
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA

Performance — 30.06.15

	1 year	3 years	From launch
Fund	5.3	41.3	49.7
Index	10.3	48.8	48.6
Sector	4.3	38.4	39.7

Annualised % total return from launch (GBP)



Benchmark index	MSCI World Index
IA 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

Monthly update

In June the fund produced a total return of -5.75% (in GBP) compared to the MSCI World index of -5.10%. The fund therefore underperformed the MSCI World index by 0.65%.

The threat of an ugly Grexit weighed heavily on markets with European equities unsurprisingly the worst performing region. The high dividend yielding "defensive" sectors which we generally avoid such as REITs, MLPs and Utilities underperformed the broad market despite what one might consider as a "risk-off" scenario. Similarly small cap companies underperformed large-cap companies and growth outperformed quality and value.

Companies within the portfolio generally reflected this broader view of equity markets: our position in Sonic Healthcare, the Australian listed provider of pathology and diagnostic imaging services, being at the smaller end of the market cap spectrum that we own at just over $6 billion, was one of few companies that provided a positive return. While companies with higher sensitivity to the European economy generally underperformed with industrial Schneider Electric being our worst performer.

Today we are certainly seeing more obvious value in the industrial companies that form our universe of consistently high return on capital businesses compared to the more defensive consumer staples sector. Indeed we have been gradually selling down our consumer staples exposure and increasing our industrial exposure over the last three years as opportunities have arose.

We think the risk reward of a company like Schneider Electric is compelling at today's valuation if you look beyond the near-term uncertainty. It has the combination of characteristics that we think are important to give ourselves the best chance of producing a positive total return over a 3-5 year horizon. It is a best of breed company with consistently high return on capital, reasonable levels of debt, the ability to pay a dividend and grow that dividend in the future, and a valuation that is attractive.

While Schneider Electric may not have the rock steady return on capital profile of a Consumer Staple giant such as Coca Cola, it has generated a cash flow return on investment (CFROI) of greater than its cost of capital for each of the last 20 years which is no mean feat for an industrial company.

The company has a debt/equity ratio of 38% which has been gradually falling since reaching 60% in 2007 while net debt/equity is only 23%.

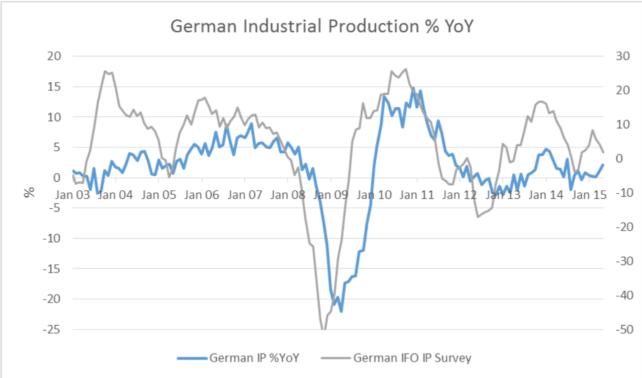
Today's valuation remains compelling. Based on consensus analyst earnings forecasts the company trades on a P/E of 14.8x 2015 and 13.5x 2016, with earnings forecast to grow at 10%. Our reverse DCF model suggests the long-term growth in free cash flow being priced by the market is essentially zero. This seems overly pessimistic to us.

The dividend remains well covered with a payout ratio of just under 50% and therefore the potential for 10% or higher dividend growth remains good.

The company provides important components and solutions in the electrical equipment market, from small scale domestic and commercial devices through to key grid scale components. As the company puts it: "Schneider Electric manages energy in the space between producers and consumers".

The company is geographically diversified with around 30% of revenues coming from Asia-Pacific, 25% from North America, 25% from Western Europe and 20% from the rest of the World. Most of the growth in the business has come from the US and Asia but the European business has been a drag. So how might the European business fare?

German industrial production is a good barometer of broader European levels of industrial demand. As you can see from the chart below German Industrial Production was showing some signs of recovering in the second half of 2013 and into the first half of 2014. It then fell off again in the second half of 2014 but has started to show signs of life again more recently. The blue line shows the year on year change in German industrial production, while the grey line is a survey which reflects expectations of changes in German industrial production. The survey data has shown periods of very strong correlation with the real data and is therefore an interesting indicator of the likely direction of German industrial production.



It is interesting to note that over the last three years sentiment and reality have not been tracking as closely as they have done in previous years. Macro uncertainty will likely have affected sentiment and therefore the survey data. Time will tell whether this is reflected in actual production growth.

The current valuation of Schneider does not reflect any significant recovery in growth in the European business. We don't know when exactly this will recover but we can be fairly certain that at some point in the next 5 years the market will feel much more bullish about European demand and Schneider's European business and at that point the market will likely be willing to pay a much higher valuation multiple than it does today and earnings will likely be growing faster. In the meantime we can exploit the short-term shifts in sentiment by rebalancing our position in the portfolio back to its modelled equal weight. At the same time we can seek comfort that we are owning a high quality company at a valuation with a reasonable margin of safety, with a dividend yield of 3.2% and the potential to grow that dividend at 10% per year.

Thanks for your continued support.

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

July 2015

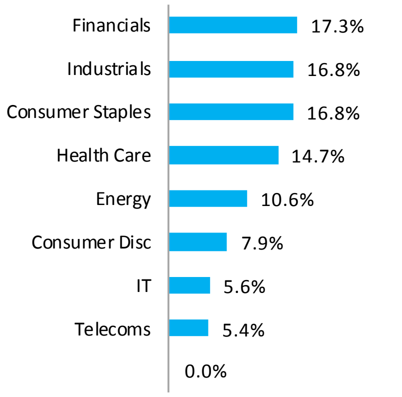
PORTFOLIO

30/06/2015

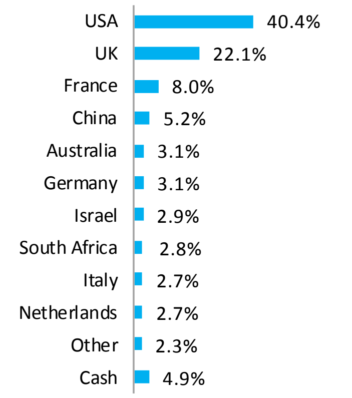
Fund top 10 holdings

Sonic Healthcare	3.1%
Deutsche Boerse	3.1%
General Dynamics	3.0%
Abbvie	3.0%
Aflac	3.0%
Gallagher, Arthur J	2.9%
Procter & Gamble	2.9%
Johnson & Johnson	2.9%
Imperial Tobacco	2.9%
Illinois Tool Works	2.9%
% of Fund in top 10	29.7%
Total number of stocks held	34

Sector analysis



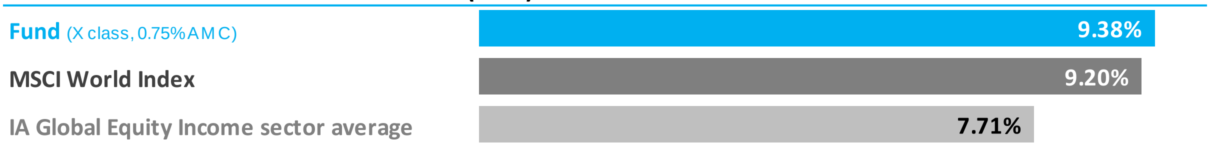
Geographic allocation



PERFORMANCE

30/06/2015

Annualised % total return from launch (GBP)



Discrete years % total return (GBP)	Jun '11	Jun '12	Jun '13	Jun '14	Jun '15
Fund (X class, 0.75% AMC)	-	-0.6	23.9	8.3	5.3
MSCI World Index	21.6	-2.7	22.6	10.0	10.3
IA Global Equity Income sector average	20.9	-1.9	21.1	9.6	4.3

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	From launch
Fund (X class, 0.75% AMC)	-5.8 -	0.7	5.3	41.3	49.7
MSCI World Index	-5.2	1.8	10.3	48.8	48.6
IA Global Equity Income sector average	-5.7	1.2	4.3	38.4	39.7

RISK ANALYSIS

30/06/2015

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.65	1.77
Beta	1	0.78	0.82
Information ratio	0	-0.23	0.04
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.81	0.89
Sharpe ratio	0	0.41	0.55
Tracking error	0	5.74	4.47
Volatility	13.25	11.49	11.57

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. **IA sector** performance based on highest fee share classes for each fund (C Class (1.5% AMC) for Guinness Global Equity Income). **See Notes overleaf.**

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 IA 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.

Telephone calls may be recorded and monitored.