Guinness Global Equity Income Fund

INVESTMENT COMMENTARY - December 2015

About the Fund

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

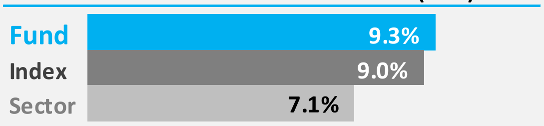
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£100.5m
Launch date	31.12.10
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA

Performance — 30.11.15

	1 year	3 years	From launch
Fund	-0.5	37.6	54.8
Index	0.1	31.1	52.6
Sector	0.2	40.7	40.3

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

Fund review

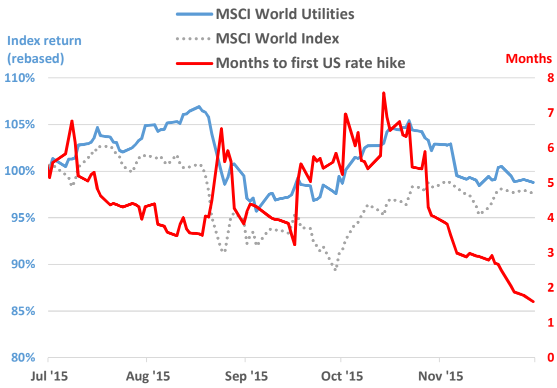
The Fund returned +2.65% in November versus the MSCI World Index's +2.09%. The Fund therefore outperformed by 0.56% in what were essentially range bound markets.

Within the Fund, the best performing stocks in the month were BAE Systems and ICAP, up 17.3% and 15.7% respectively. News broke that Tullett Prebon, the interdealer broker, would purchase the voice broking unit of ICAP. The voice broking unit made up approximately 60% of ICAP's revenue, but only about 30% of its operating profits. This continues a wider sector consolidation, reflecting the pressure in the industry from higher regulatory burdens and generally lower volumes as banks have scaled back their trading activities. This leaves ICAP to focus on its remaining, higher margin, electronic and post-trade operations, which should see a greater market valuation assigned.

Since the low of 25th August the Index has rallied over 12%. This recovery puts it back where it sat before the summer's sharp sell-off when markets reacted to weaker economic data points emanating from China.

The month started with very strong employment numbers in the US, with the influential non-farm payrolls indicating the addition of almost 300,000 jobs through October. This compared to the relatively weaker readings of around 150,000 in both August and September.

The latest employment statistics took on a greater significance as the market has been using such data as a proxy for how the Federal Reserve might think about initiating the first rate rise. While weaker data through the summer (alongside the emerging market sell off) had pushed back expectations of a rate rise before year end, recent stronger data reversed this trend. These market expectations are neatly illustrated using the Morgan Stanley 'M1KE' Index, which uses various data points from market prices to 'backsolve' the baked-in expectations of investors as to the number of months to the first rate hike. There are pros and cons to such data mining, but if you take nothing else from such calculations, you have to say it is a great acronym for an index name.



As the red line shows (looking at the right hand axis), at the start of October market expectations were that the Fed would not raise rates for at least six months (so the first rise would occur around the April 2016 meeting), whereas in the summer markets had expected the first rise to come at the September 2015 meeting.

With November's strong jobs data, market sentiment shifted once again, and more definitively than before. It is now taken as almost a certainty that the first rate rise will come after the December 2015 meeting.

But what to make of this? Generally speaking we are at a bit of a loss as to why asset prices, and particularly equities, have shown to be so sensitive to the rate rise being moved by a period of as little as three months. It has been strongly hinted that the trajectory of future rate rises will be slow, so the beginning of such a series, whether it is today or in a few months, should not be such an issue. Likely it is more a reflection of the market implying what the Fed can see about the economy more generally, and what confidence levels they have in the recovery being sustained.

Even if it is slow, however, increasing rates could have more of a detrimental effect on the so called 'bond-like equities' such as utilities. This is because (i) a decent proportion of the present value of such businesses is made up of their future distributions, which, if they cannot grow, will be discounted back to smaller and smaller values and (ii) they have been bid up by the market through recent years as bond yields have remained so low and investors have scrambled for income where they can find it. The blue line in the chart above shows how the MSCI World Utilities sector has been effected by the changing market expectations of rate rises since the start of the summer. It is obviously a very short time period so we would pause before making any grand statements, but it is something we have observed more broadly over the past few years. Within the Fund we do not generally look at utilities; in fact we have never owned one, as they rarely achieve the high returns on capital or dividend growth that we seek.

The actions of the Fed will also be keenly felt across the wider world, not just the US, whether it's the UK following the Fed's lead, or how currencies will react to opposing central bank monetary policies (for example Europe easing further when the US is tightening).

At this time of year it is easy to find a plethora of strategist outlooks for 2016, but you need only look up those same outlooks one year ago to realise that it is the devil's task to make accurate, or worse timely, predictions as to how markets will behave. We prefer to stick to the overriding principles of the Fund to point us in the right direction: companies which have shown a persistent ability to generate returns on their investments well above their cost of capital over long periods, that are not overly leveraged, that have undemanding valuations, and that pay sensible, sustainable, and growing dividends. If you have a decent time horizon and can buy these types of businesses for the long term, we think you will be well rewarded.

As in previous years we will write a detailed analysis of how the Fund performed and what changes we made across the whole of 2015, which we will send out in early January. We will also be celebrating the 5th anniversary of the Fund, as we launched back in December 2010. As ever, we thank you for your support and look forward to updating you on the Fund next year. We wish all our investors a very happy Christmas and a prosperous New Year.

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

December 2015

Data sources

Fund performance: *Financial Express, total return in GBP*

Index and stock data: *Bloomberg*

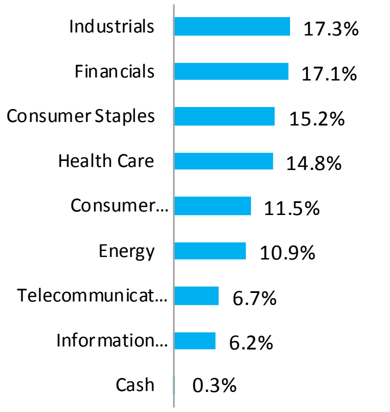
PORTFOLIO

30/11/2015

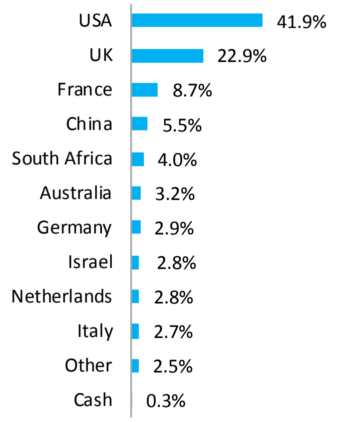
Fund top 10 holdings

Vodacom	4.0%
Microsoft	3.3%
Danone	3.3%
Johnson & Johnson	3.2%
WPP	3.2%
Illinois Tool Works	3.2%
Sonic Healthcare	3.2%
Eaton	3.2%
BAE Systems	3.1%
Imperial Tobacco	3.1%
% of Fund in top 10	32.8%
Total number of stocks in Fund	34

Sector analysis



Geographic allocation



PERFORMANCE

30/11/2015

Annualised % total return from launch (GBP)

Discrete years % total return (GBP)	Nov '11	Nov '12	Nov '13	Nov '14	Nov '15
Fund (X class, 0.75% AMC)	-	8.8	23.6	13.6	0.2
MSCI World Index	0.5	11.5	23.7	13.9	3.3
IA Global Equity Income sector average	0.2	13.5	20.2	8.9	0.1

Cumulative % total return (GBP)	1 month	3 months	Year-to-date	1 year	3 years	From launch
Fund (X class, 0.75% AMC)	2.65	6.19	2.7	0.2	40.7	54.8
MSCI World Index	2.09	5.67	4.5	3.3	45.5	52.6
IA Global Equity Income sector average	1.01	3.70	1.6	0.1	31.1	40.3

RISK ANALYSIS

30/11/2015

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.26	1.60
Beta	1	0.76	0.84
Information ratio	0	-0.29	0.06
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.80	0.89
Sharpe ratio	0	0.31	0.48
Tracking error	0	6.00	4.42
Volatility	13.42	11.44	11.94

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.**

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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 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. 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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