Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – March 2017

About the Fund

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

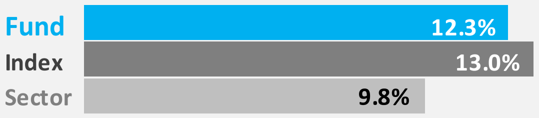
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£265m
Launch date	31.12.10
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA

Performance **31.01.17**

	1 year	3 years	From launch
Fund	26.1	50.4	104.5
Index	36.6	59.4	112.5
Sector	26.6	37.9	78.3

Annualised % gross 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, gross total return.

Guinness Global Equity Income Fund passed its fifth anniversary on 31st December 2015. For our full review of the Fund's history, visit **guinnessfunds.com**

Summary performance

In February, the Guinness Global Equity Income Fund produced a total return of 3.99% (in GBP) versus the MSCI World Index return of 3.96%. The Fund therefore slightly outperformed the index in the month.

February in review

Being the shortest month of the year did not stop February from being eventful. Global equity indices hit new highs, expectations of an interest rate hike from the US Federal Reserve became ever higher, and the political drama in both the US and Europe continued to dominate headlines.

The 'Trump rally' gave equity markets a very positive start to the year, and this was paired with significant and perhaps surprising calmness, evident in the low volatility across the VIX and VSTOXX (tracking US and European markets respectively). Supportively, the S&P 500 consistently closed within 1% of the previous day throughout January and February, making the start to 2017 the most tranquil in 50 years.

The month also saw a swing favouring the higher yielding defensive sectors. Utilities, real estate, consumer staples and healthcare were the strongest areas, while materials and energy were the worst performing. This boded well for the Global Equity Income Fund's large active weights in consumer staples and healthcare, and underweight positions in energy and materials. The underperformance of energy stocks can be attributed mainly to falling oil prices after reports of higher US production, offsetting OPEC's move to reduce output.

The gains in the portfolio were balanced by the outperformance in Asia and emerging markets, where the Fund currently has a lower exposure. Asia's earnings season was generally stronger than expected. Brazil was the best performing market globally, as the central bank unexpectedly cut interest rates by 0.75%.

From a sectoral perspective, the sharp rotation into cyclicals that we saw at the end of last year has stalled as the hysteria which followed the Trump victory has faded. In our previous commentary, we concluded that President Trump seems likely to be the same as Candidate Trump, and although this view was somewhat challenged towards the end of February – when he appeared more measured in his speech to Congress – his fiscal agenda is still blurry and his tweets controversial. We see positives for equity markets from tax reform and deregulation, but also negatives from protectionist trade policies and restrictive immigration controls. Investors rightly remain wary as the Federal Reserve seems likely to raise rates in March, potentially further strengthening the dollar within a North American economy already close to full employment.

Portfolio update

In February, we saw positive total returns from 28 out of our 36 current holdings. The largest gain was seen by Unilever (+17.74% in USD) after the consumer goods manufacturer rejected a takeover bid from Kraft Heinz. Unilever claimed the $143 billion valuation – which was 18% above the undisturbed share price – was too low and that it saw "no merit, either financial or strategic, for shareholders" in the proposal.

The second largest gain was from Cisco Systems (+11.26% in USD) after it reported positive quarterly earnings (57 cents per share vs analyst expectations of 56 cents). The seller of routers, switches, software and services posted revenue of $11.68 billion for Q2 January, surpassing analyst forecasts of $11.55 billion, and it declared a raise in its dividend to 29 cents from 26 cents the previous year. This represents the seventh straight yearly growth in the dividend since the company initiated payments in 2011. Over the last five years the dividend growth has been an impressive 34% annualised.

The worst performer of the portfolio was Deutsche Boerse, which fell 4.62% (in USD). After rallying towards the end of January off the back of analyst upgrades and its proposed acquisition of LSE, this was almost a correction, and began with the allegations against the CEO of insider trading. The stock price fell further as the stock exchange facilitator's deal, worth $31 billion, seemed to have collapsed after LSE refused to bow to EU competition concerns and opposed offloading its 60% stake in the Italian trading platform MTS. The stock is still up 5.54% (in USD) year-to-date, however.

Looking further at the portfolio, 18 companies reported earnings in February, with 12 showing positive surprises, reiterating the strengthening corporate earnings environment.

Table 1: Portfolio holdings that reported earnings in February. Source: Bloomberg

Company	Date of announcement	Frequency of Release	Period	Estimated earnings (Local currency)	Actual earnings (Local currency)	Surprise
Total	09-Feb	Quarterly	Q4 2016	0.85	0.89	5.07%
Deutsche Boerse	15-Feb	Quarterly	Q4 2016	0.93	0.97	4.30%
CME Group	02-Feb	Quarterly	Q4 2016	1.11	1.14	3.17%
Japan Tobacco	06-Feb	Quarterly	Q4 2016	38.82	40.03	3.13%
Bae Systems	23-Feb	Semi-annual	H2 2016	0.22	0.23	2.23%
Randstad	14-Feb	Quarterly	Q4 2016	0.99	1.01	2.23%
Teva Pharmaceutical	13-Feb	Quarterly	Q4 2016	1.35	1.38	2.00%
Eaton Corp	02-Feb	Quarterly	Q4 2016	1.10	1.12	1.82%
Danone	15-Feb	Semi-annual	H2 2016	1.55	1.58	1.74%
Cisco Systems	15-Feb	Quarterly	Q2 2017	0.56	0.57	1.42%
Coca-Cola	09-Feb	Quarterly	Q4 2016	0.37	0.37	0.82%
Wal-Mart	21-Feb	Quarterly	Q4 2017	1.29	1.30	0.78%
VF Corp	17-Feb	Quarterly	Q4 2016	0.97	0.97	0.21%
Merck & Co	02-Feb	Quarterly	Q4 2016	0.89	0.89	0.11%
Roche	01-Feb	Semi-annual	H2 2016	6.89	6.79	-1.51%
Schneider Electric	16-Feb	Semi-annual	H2 2016	2.29	2.12	-7.51%
Royal Dutch Shell	02-Feb	Quarterly	Q4 2016	0.34	0.22	-34.91%
Sonic Healthcare	15-Feb	Semi-annual	H1 2017	No Est	0.484	-
Earnings releases expected in March						
WPP	03-Mar	Semi-annual	H2 2016	0.731	-	-
H&R Block	07-Mar	Quarterly	Q3 2017	-0.525	-	-
TP ICAP	14-Mar	Semi-annual	H2 2016	0.136	-	-

Out of the 10 companies from the portfolio which went ex-dividend in February, seven showed positive dividend growth compared to the equivalent period one year ago, and none cut its dividend. Mattel, Royal Dutch Shell, and Teva all maintained their prevailing dividend levels.

Table 2: Portfolio holdings that went ex-dividend in February. Source: Bloomberg

Company	Dividend Ex-date	Dividend amount (Local currency)	Frequency	YoY same period growth
Unilever	09-Feb	27.68	Quarterly	20%
Imperial Brands	16-Feb	54.10	Quarterly	10%
United Technologies	15-Feb	0.66	Quarterly	9%
Johnson & Johnson	24-Feb	0.80	Quarterly	9%
Microsoft	14-Feb	0.39	Quarterly	8%
Aflac	13-Feb	0.43	Quarterly	5%
CA Inc	14-Feb	0.26	Quarterly	4%
Mattel	14-Feb	0.38	Quarterly	0%
Royal Dutch Shell	16-Feb	0.47	Quarterly	0%
Teva Pharmaceutical	28-Feb	0.34	Quarterly	0%

Looking forward, it is questionable whether the rallying equity markets can continue with such low volatility. An impressive earnings season can certainly buoy markets and add to the increasingly positive sentiment, but it will be interesting to see whether this environment can be maintained through the political elections to come in Europe. Dutch elections take place in March, followed by those in France in May and Germany in September.

As ever, rather than trying to decide which way the macro winds will blow in the near term, we maintain our focus on companies that can deliver a sustainable, rising income stream alongside capital growth over the long term.

Thank you for your continued support.

Portfolio Managers
Matthew Page, CFA
Dr Ian Mortimer, CFA

Analysts
Joshua Cole
Sagar Thanki

March 2017

Data sources

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

Index and stock data: *Bloomberg*

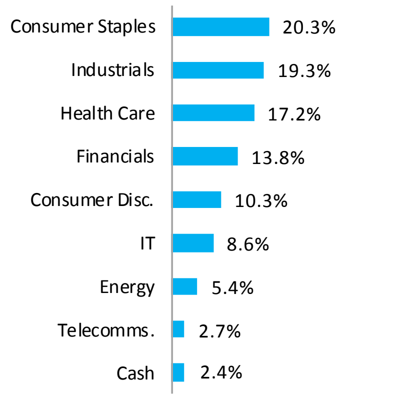
PORTFOLIO

28/02/2017

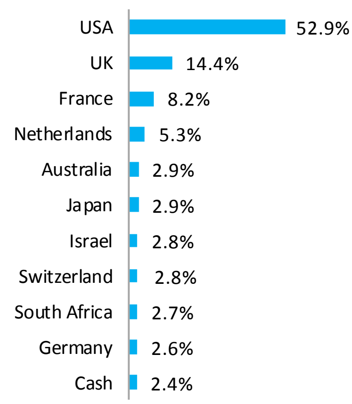
Fund top 10 holdings

Unilever	3.2%
Cisco Systems	3.0%
General Dynamics	3.0%
Johnson & Johnson	3.0%
Danone	3.0%
Merck & Co	2.9%
Procter & Gamble	2.9%
Sonic Healthcare	2.9%
Wal-Mart Stores	2.9%
Japan Tobacco	2.9%
% of Fund in top 10	29.7%
Total number of stocks held	36

Sector analysis



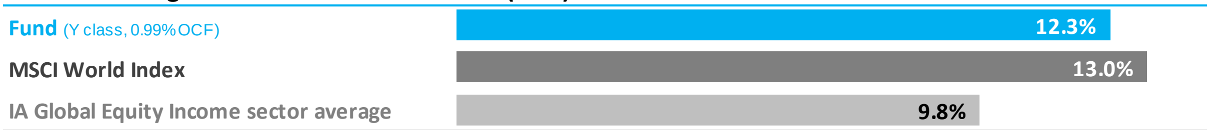
Geographic allocation



PERFORMANCE

28/02/2017

Annualised % gross total return from launch (GBP)



Discrete years % gross total return (GBP)	Feb '13	Feb '14	Feb '15	Feb '16	Feb '17
Fund (Y class, 0.99% OCF)	15.9	11.1	17.8	1.3	26.1
MSCI World Index	17.2	10.8	17.6	-0.7	36.6
IA Global Equity Income sector average	15.1	8.3	11.5	-2.3	26.6

Cumulative % gross total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.99% OCF)	4.0	3.6	26.1	50.4	93.6	104.5
MSCI World Index	4.0	4.6	36.6	59.4	107.1	112.5
IA Global Equity Income sector average	2.6	3.3	26.6	37.9	71.9	78.3

RISK ANALYSIS

28/02/2017

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.35	1.46
Beta	1	0.77	0.87
Information ratio	0	-0.36	-0.01
Maximum drawdown	-18.26	-15.50	-16.19
R squared	1	0.80	0.89
Sharpe ratio	1	0.52	0.68
Tracking error	0	6.23	4.54
Volatility	13.83	11.90	12.70

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, gross total return. Fund launch date: 31.12.10. **Fund Y class**: Composite simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP.

Performance data notes

1) The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's Y class was launched on 11.03.15. The performance shown is a composite simulation for Y class performance being based on the actual performance of the Fund's E class, which has an annual management charge 0.75%, 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.

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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