

Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – April 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 £287m

Launch date 31.12.10

Managers Dr. Ian Mortimer, CFA
Matthew Page, CFA

Performance 31.03.17

	1 year	3 years	From launch
Fund	24.7	48.9	105.7
Index	32.7	59.3	113.9
Sector	25.4	38.7	81.2

Annualised % gross total return from launch (GBP)

Fund	12.2%
Index	12.9%
Sector	10.0%

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.

Summary performance

In March the Guinness Global Equity Income Fund was up 0.62% (in GBP), versus the MSCI World Index, which was up 0.65%. The Fund therefore underperformed the index by 0.03% over the month.

In the first quarter of 2017 the Fund was up 4.24%, versus the MSCI World Index benchmark, which was up 5.27%. The Fund therefore underperformed the index by 1.03% over the quarter.

Despite recent underperformance versus the benchmark, the longer-term performance of the strategy is strong, with the Fund top quartile versus peers in the IA Global Equity Income sector since launch (31st December 2010) and over five years.

Fund Y-class, GTR in GBP to 31.03.17	YTD	1 year	3 years	5 years	From launch (31.12.10)
Fund	4.2%	24.7%	48.9%	92.7%	105.7%
Index	5.3%	32.7%	59.3%	105.7%	113.9%
Sector	4.9%	25.4%	38.7%	75.8%	81.2%
Rank	30/45	31/42	12/36	7/28	4/22

Quarter in review

Global equity markets had the strongest start to the year since 2012, with growing optimism that the new US administration would be beneficial for corporate profitability.



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

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.

Guinness Global Equity Income Fund

Most of Q1 unfolded with low volatility and included a remarkable streak for the S&P of 109 days without a decline of more than 1%, which ended with the US markets posting their first weekly loss (March 20-24) since the Presidential election in November. This came after a setback to President Trump's healthcare policy, which then raised concerns about his ability to push through his tax reform, deregulation and infrastructure spending initiatives. As expected, the rally in the S&P 500 contributed to the underperformance for the Fund over the year to date. Our bottom-up investment process starts by identifying good quality companies that we would look to hold over a 3-5 year investment horizon, and so we would not expect to outperform by riding the rally in equity markets.

S&P 500 Q3 2016 - Q1 2017



Chart 1:: S&P 500 Price chart. Source: Bloomberg

Encouraging economic growth, improving employment data and strengthening manufacturing conditions worldwide saw the MSCI World index continue its run of positive monthly returns which started in October last year. The overall optimism about the health of the US economy was also evident in the Federal Reserve's interest rate rise mid-March and subsequently growing consensus that there are two more hikes to come within the year.

In Europe, equity markets also rose in March and strong macroeconomic data in the eurozone underpinned gains: unemployment fell to the lowest level in almost eight years (chart 2), while the region's PMI maintained its upward trend to reach its highest level in nearly 6 years.

Eurozone Unemployment %

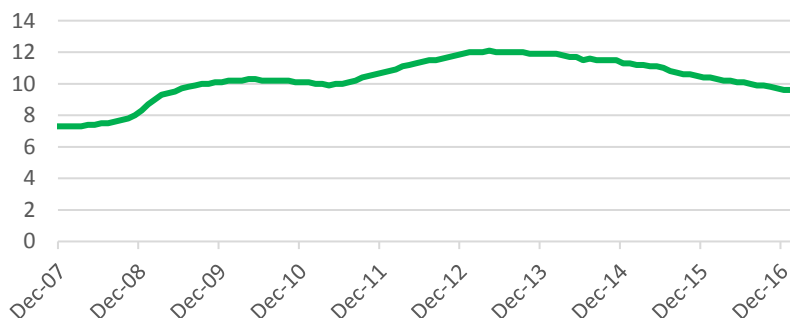


Chart 2: Eurozone unemployment since 2007. Source: Bloomberg

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.

Guinness Global Equity Income Fund

There were signs that the break-up of the eurozone is not as imminent as many may have thought, after Dutch elections proved underwhelming for eurosceptic candidate Geert Wilders. Over the coming quarter, all eyes turn to France to see whether Marine Le Pen's anti-Euro stance will also be rejected. The polls currently suggest pro-Euro Emmanuel Macron would comfortably defeat her in the second round of the presidential election, gathering 60% of the vote.

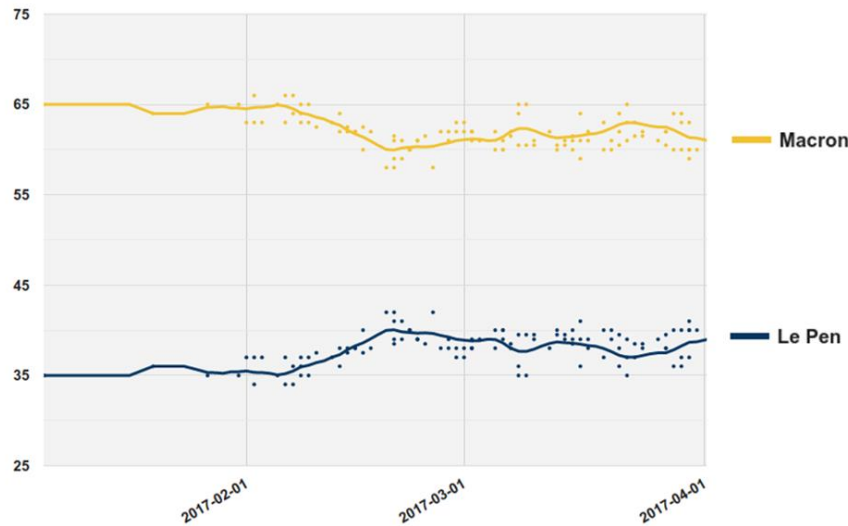


Chart 3: France presidential election 2017 second round polls. Source: OpinionWay, IFOP, Elabe, Ipsos, Harris, Kantar, BVA

Towards the end of the quarter, UK Prime Minister Theresa May triggered Article 50 initiating the nation's formal exit from the EU. This marks the beginning of at least two years of uncertainty as the future relationship between the UK and the EU is negotiated. Continued cooperation on national security and free trade in goods would seem to be in the interest of both the UK and the EU, but it is possibly in the EU's interest for some financial (and other) services to move from London to a European financial centre. Meanwhile, it may not be in the interest of the EU for Britain to make a resounding success of Brexit, considering the real risk that many other member states may seek to follow suit.

Fund performance

At the sector level, the prospect of faster growth in US oil production and rising US stockpiles capped global oil prices, leading to underperformance in the Energy sector. Our underweight position (c.1% underweight) benefitted the portfolio. Additionally, the so-called "Trump trades" saw the biggest swings in the quarter, with Financials being most affected. The sector started the year strongly, continuing a positive streak following the US elections. However, in March investors seemed to become more sceptical and the sector performance dropped, benefiting our portfolio due to its underweight overall position (c.4% underweight). Stock selection here compounded the effect with NEX Group, Arthur J Gallagher and TP ICAP leading the way (up 24.34%, 9.55% and 8.91% in USD respectively). Further positive performance came from our largest overweight positions, in Consumer Staples and Industrials.

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.

MSCI Sector Performance (%) Q1 2017

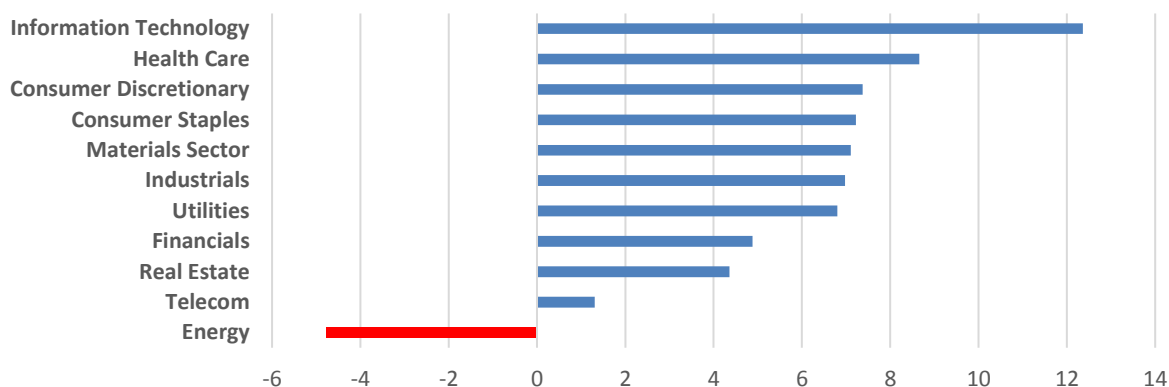


Chart 4: MSCI World Index sector performance breakdown for Q1 2017. Source: Bloomberg

The largest drags came from our underweight position in Information Technology (6.5% underweight) and Consumer Discretionary (1.6%) which performed well in the index. Materials, Utilities and Real Estate also saw positive performance in the index and our zero weight in these sectors held the Fund back during the quarter.

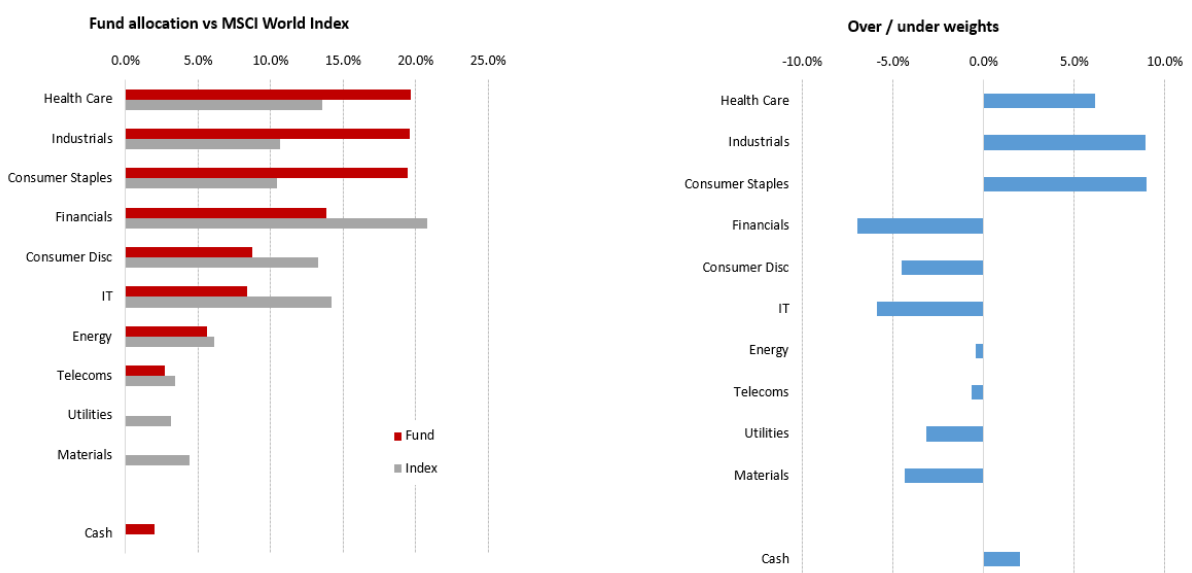


Chart 5: Fund sector breakdown vs MSCI World Index as at 31.03.2017. Source: Guinness Asset Management, Bloomberg.

In terms of geographic exposure, the largest difference between the Fund and the benchmark is in exposure to the US (as measured by country of domicile). Over the quarter the Fund had on average a 53% weighting to North America which compares to the index at 60%, so a 7% underweight position. This was a drag on the portfolio’s relative performance because of the US post-election rally. Nonetheless, this seems to be slowing as we enter the second quarter.

The largest geographic overweight remains Western Europe (including the UK) which was a c.10% larger position than the benchmark over the quarter and added 2.83% to the overall active performance of the Fund.

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.

Guinness Global Equity Income Fund

Large caps outperformed small caps, which was beneficial for the Fund as it only invests in mid to large-cap companies. There was a bias towards growth stocks versus value stocks, but the effect on the Fund was not significant.

Individual companies that performed well over Q1 were NEX Group (up 24.34% in USD), Unilever (up 20.04%), Roche Holding (up 15.52%), Cisco (up 12.81%), and Imperial Brands (up 12.54%).

Companies that had weaker performance in Q1 were Teva Pharmaceutical (down 10.62% in USD), Mattel (down 5.67%), Royal Dutch Shell (down 2.22%), WPP (down 1.98%), and Japan Tobacco (down 1.37%).

Changes to the portfolio

In the first quarter we made one change to the portfolio, buying Novo Nordisk and selling H&R Block.

H&R Block, the US-based tax preparation company, has seen some significant changes during our long holding of the company. Of note was the spinning off of its banking arm in 2014, which released the company from the associated regulatory burden and capital requirements. This was well received by the market and the company added significantly to the performance of the Fund from our first purchase in 2012 to the end of 2015. However, during 2016 the company posted a series of weak quarterly results and it appeared that competition in the marketplace and particularly 'do-it-yourself' online tax returns had begun to erode their dominant position. This was reflected in sharp declines in the share price over this period. The latest quarterly results released in early March surprised to upside, however, mainly as the market had become too pessimistic rather than results being obviously positive. The subsequent spike upwards in the share price provided us an opportune moment to exit our position. The valuation of the company is undemanding (around 13.5x 2017 expected earnings) but we felt the quality element deteriorated as debt to equity levels began to soar. The next quarterly results (for the year ending April and released in June) will be the acid test as the company's earnings are seasonally skewed due to the tax year. We felt our conviction was not high enough to justify holding the stock through this period.

We bought Novo Nordisk to replace H&R Block, sticking to our one-in, one-out policy. The Danish pharmaceutical company is a leader in the global insulin market and has maintained a concentrated yet market leading portfolio of drugs targeting diabetes – an increasingly prevalent disease especially in less developed countries. We like the fact that its CFROI has grown consistently over the last 10 years and currently stands at 25%, with a small growth projection for 2017. Dividends per share have also been growing very quickly and the five-year dividend growth rate is over 20% per annum. The company has a very strong balance sheet, with very little debt compared to its peers, and has considerably more cash than debt. The company's shares have sold off since mid-2016 after an increase in competitive threats, pricing pressures and uncertainty from possible US healthcare reform. However, we believe that the market has been overly pessimistic given Novo Nordisk's growing drugs pipeline, strong balance sheet and significant cash generation and this gave us an attractive entry point.

Positioning

The chart below highlights the geographic weighting of the portfolio both by domicile (as in our Factsheets) and by origin of revenues – which can often be more illuminating.

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.

Guinness Global Equity Income Fund

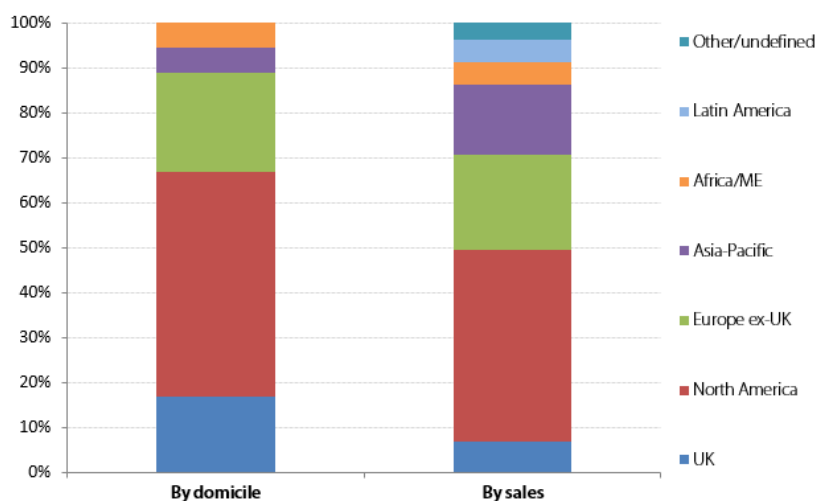


Chart 6: Fund geographic breakdown. Source: Guinness Asset Management, Bloomberg. Data as at 31.03.2017

We would note two points. First, the Fund has a lower exposure to the UK when considered in revenues (6%) versus by domicile (17%). This is because we have favoured UK-domiciled companies with a more global exposure, such as Unilever and Imperial Brands. Secondly, there is a larger exposure to Asia and emerging markets by revenues (28%) than by domicile (10%).

In terms of sector weightings, the Fund continues to have a zero weighting to Utilities, Materials, and Real Estate. The largest overweight positions are to Consumer Staples and to Industrials.

The two charts below show how the exposure of the Fund has evolved since we launched the strategy back in 2010.

From a sector perspective, the largest changes made over the past twelve months have been to increase exposure to Healthcare and Industrial stocks, where we have found some good opportunities to buy businesses with high dividend growth at relatively low valuations – something that is becoming increasingly hard to find. This has come at the expense of Telecoms and Financials, where we began to reduce our exposure through the end of 2015.

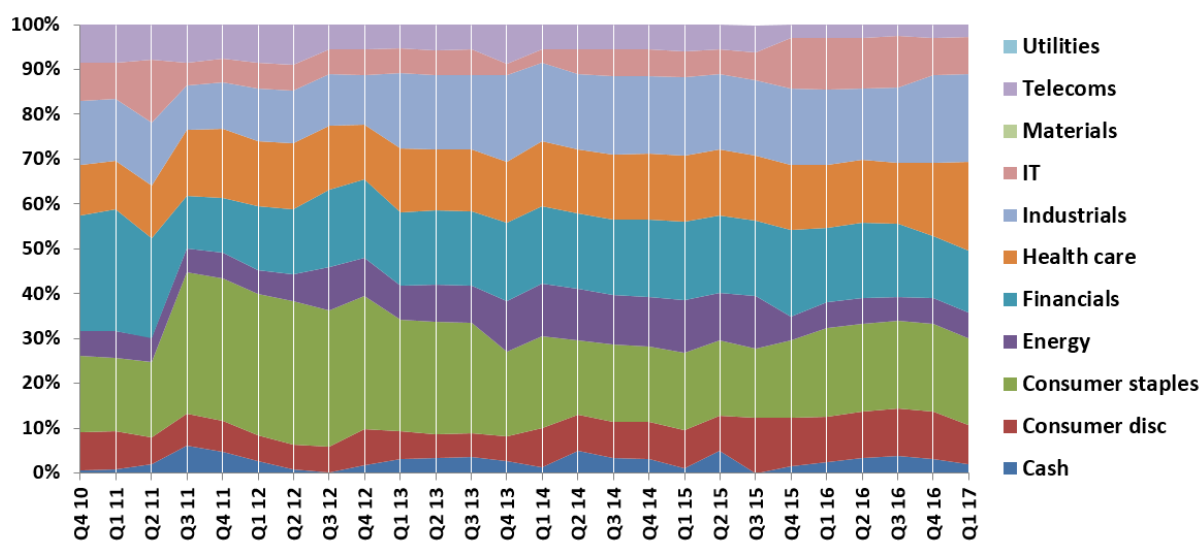


Chart 7: Sector breakdown of the Fund since launch. Source: Guinness Asset Management, Bloomberg. Data as at 31.03.2017

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.

Guinness Global Equity Income Fund

From a geographic point of view, we have reduced our US exposure slightly with the sale of H&R Block in March and added to our European exposure with the purchase of Novo Nordisk. Overall, our US exposure remains the largest, although we are still c.11% underweight versus the benchmark.

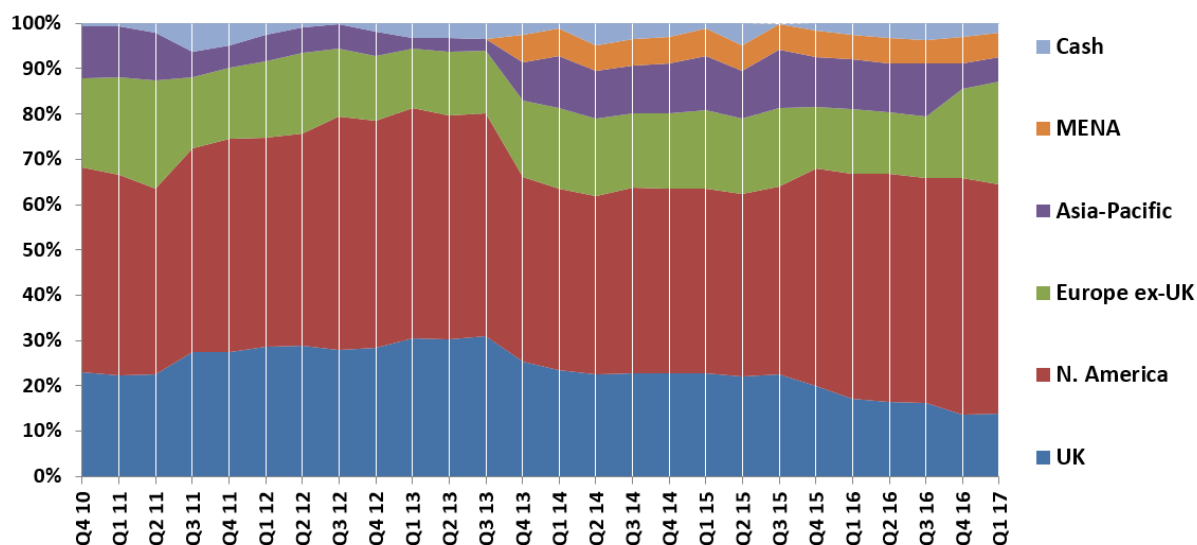


Chart 8: Geographic breakdown of the Fund since launch (31.12.2010). Source: Guinness Asset Management, Bloomberg. Data as at 31.03.2017

Key fund metrics

Our four key tenets are: quality, value, dividend, and conviction. We monitor the portfolio constantly to make sure we are providing what we say we will.

At the quarter end, we are pleased to report that the portfolio provides a reasonable measure on all four of these relative to the benchmark MSCI World Index.

		Fund	MSCI World Index
Quality	Average 10 year CFROI	18%	10%
	Weighted average debt / equity	68%	147%
Value	PE (2017e)	16	17
Dividend	Yield (LTM)	2.7%	2.4%
	Weighted average payout ratio	70%	59%
Conviction	Number of stocks	36	1650
	Active share	95%	-

Chart 9: Portfolio metrics versus index. Guinness Asset Management, Credit Suisse HOLT, Bloomberg. Data as at 31.03.2017

Outlook

The fund at the end of the quarter was trading on 15.9X 2017 expected price to earnings, and 14.6X 2018 expected price to earnings; a discount of 6.2% and 4.4%, respectively to the broad market. We therefore see the portfolio as still providing good value to our investors on these simple metrics. With interest rates set to rise and heightened geopolitical uncertainty expected around the globe, our

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.

Guinness Global Equity Income Fund

perpetual approach of focusing on the quality of the underlying companies we own should stand us in good stead in our search for rising income streams and long term capital growth.

Thank you for your continued support.

Portfolio Managers

Matthew Page, CFA
Dr Ian Mortimer, CFA

Analysts

Joshua Cole
Sagar Thanki

April 2017

Data sources

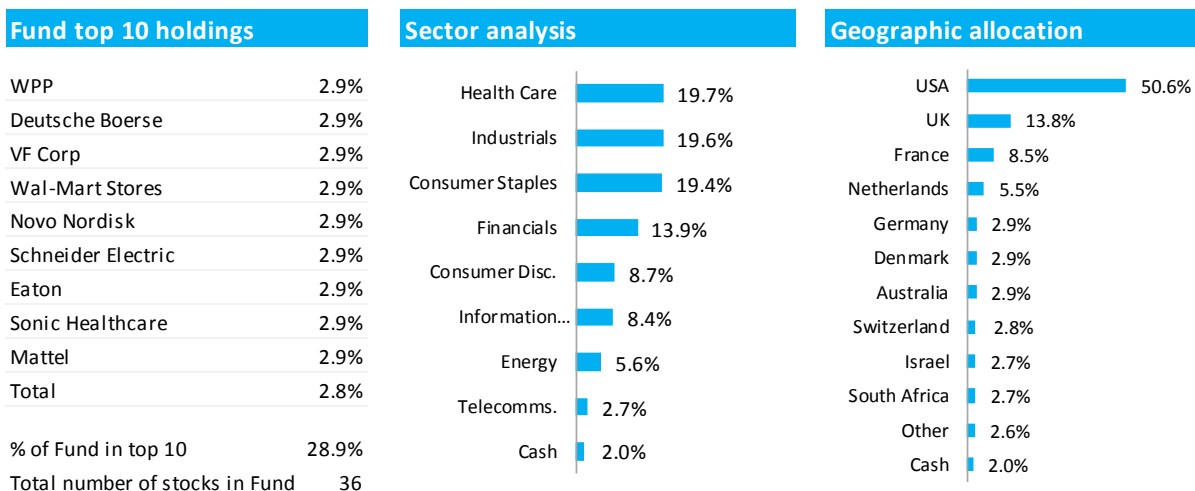
Fund performance: *Financial Express, gross total return in GBP*

Index and stock data: *Bloomberg*

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.

PORTFOLIO

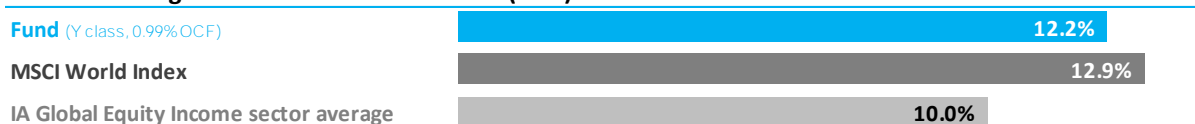
31/03/2017



PERFORMANCE

31/03/2017

Annualised % gross total return from launch (GBP)



Discrete years % gross total return (GBP)

	Mar '13	Mar '14	Mar '15	Mar '16	Mar '17
Fund (Y class, 0.99%OCF)	18.9	8.9	16.1	2.8	24.7
MSCI World Index	18.4	9.0	19.7	0.3	32.7
IA Global Equity Income sector average	18.3	7.1	12.6	-1.8	25.4

Cumulative % gross total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.99%OCF)	0.6	4.2	24.7	48.9	92.7	105.7
MSCI World Index	0.7	5.3	32.7	59.3	105.7	113.9
IA Global Equity Income sector average	1.6	4.9	25.4	38.7	75.8	81.2

RISK ANALYSIS

31/03/2017

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.59	1.46
Beta	1	0.77	0.87
Information ratio	0	-0.32	-0.01
Maximum drawdown	-18.26	-15.50	-16.19
R squared	1	0.80	0.89
Sharpe ratio	1	0.54	0.68
Tracking error	0	6.20	4.52
Volatility	13.83	11.87	12.65

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.

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 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'Île, 1204 Geneva, Switzerland.

Telephone calls may be recorded and monitored.

GUINNESS

ASSET MANAGEMENT LTD

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

Tel: +44 (0) 20 7222 5703

Email: info@guinnessfunds.com

Web: guinnessfunds.com