Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – June 2017

About the Fund

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

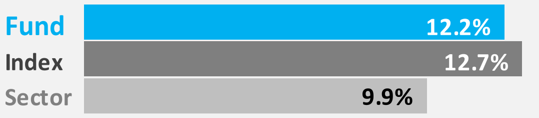
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£314m
Launch date	31.12.10
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Joshua Cole Sagar Thanki

Performance 31.05.17

	1 year	3 years	From launch
Fund	26.6	46.2	108.7
Index	32.0	56.2	115.0
Sector	26.8	36.8	83.8

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.

Summary performance

In May, the Guinness Global Equity Income Fund produced a total return of 3.16% (in GBP) versus the MSCI World Index return of 2.43% (in GBP). The Fund therefore outperformed the index by 0.73% in the month.

Quarter-to-date the Fund is up 1.86%, outperforming the MSCI World Index which is up 0.95%. Year-to-date the Fund is up 5.74%, underperforming the MSCI World Index which is up 5.81%.

May in review

In the early months of 2017, markets have been influenced almost as much, if not more, by political events as by financial development, and May was no different. Global equities ended the month just below a record high as strong company earnings growth was reflected by optimism in the market.

In the US, 75% of the S&P 500 companies exceeded the mean EPS estimate for Q1 2017 and 64% of companies beat mean sales estimates. The blended year-on-year earnings growth for Q1 2017 was 14.0%, the highest growth rate since Q3 2011 (16.7%). However, there remain potential headwinds to global growth and the latest controversy in Washington reiterated the sensitivity of markets to political events. The S&P 500 index retreated mid-month after President Trump dismissed former FBI director, James Comey, amid speculation that he was probing into Trump's electoral campaign ties to Russia. The concern was that controversies surrounding the US President would hinder efforts to push ahead with plans for tax cuts, infrastructure spending and deregulation, all of which are seen as boosts for economic growth and corporate earnings.

In Europe, equity markets continued to advance in May in the aftermath of the French presidential election. Victory for the centrist and pro-EU Emmanuel Macron resolved uncertainty about 'Frexit' and the overall outlook of the EU, whilst favourable macroeconomic data assisted the rally. Improvements in Eurozone manufacturing output and falling unemployment – which at 9.3% is now at its lowest level in eight years – contributed to the rise in the consensus Eurozone annual GDP growth forecast from 1.6% to 1.7%. The MSCI Europe ex-UK Index ended the month up 1.78% (in EUR), though there is still a backdrop of looming elections in the UK, Germany and Italy. On a sector level, Utilities and Telecommunications were the best performers in May. The domestic and low-risk nature of these sectors proved appealing to investors amid a strengthening of the Euro against the US Dollar.

Emerging market equities continued to outperform their peers in the developed world for the fifth month in a row. Emerging Asia was the strongest performing region with all the equity markets in the area gaining ground. South Korea led the gains, driven higher by robust first quarter earnings and receding leadership and political concerns. China also performed well, seemingly unfazed by its first sovereign ratings downgrade (by Moody's, from A1 to Aa3) since 1989.

In the UK, attention turned to the upcoming General Election which Theresa May called in the latter part of April. This led to an initial strengthening of the GBP/USD rate, although the gain retracted slightly after polling data showed a narrowing of the Conservative lead. The FTSE 100 gained 4.9% (in GBP) despite nearly 70% of its revenue being sourced from abroad.

From a global sectoral point of view, the share prices of energy stocks received a boost at the start of May when oil prices rallied strongly on news from Saudi Arabia that Russia was ready to join OPEC in extending supply cuts. The rise was, however, soon followed by disappointment from the market that OPEC members agreed merely to extend the deal to reduce output by 1.8m barrels a day, rather than deepen the cuts. Rising supplies have negatively impacted oil prices for much of the year and this continued, making Energy the worst performing sector in May.

Conversely, the Information Technology sector continued its strong performance of the year so far and was one of the best performing sectors once again. This was driven by good earnings results, particularly from the "FAANGtastic five" tech giants: Facebook, Apple, Amazon, Netflix and Google. Amazon and Google saw EPS growth of over 20% and joined a small group of US companies with shares worth more than $1,000 each.

With regards to style, large-cap stocks outperformed small and mid-caps, benefitting the portfolio, although the continuation of growth outperforming value was a drag. This was driven mainly by the Information Technology sector rather than being characteristic of a risk-off environment, considering that the defensive Consumer Staples, Industrials and Health Care sectors performed well in the month. Our overweight positions in these sectors was beneficial for the Fund, although the slight underweight to IT was a mild hindrance.

Among the Fund's individual holdings, the strongest performer was Japan Tobacco. The cigarette manufacturer rallied 13% (in USD) after it became unlikely that it would pursue the acquisition of Imperial Tobacco. This development was well received, as it eased concerns regarding the company's long-term debt. Vodacom also performed very well (+11% in USD). The cellular telephone network operator announced mid-month that it had agreed to acquire a 35% stake in Safaricom, Kenya's biggest mobile operator. Its management simultaneously revealed a clear plan for cost minimisation and margin maximisation which was welcomed by investors. The worst performing stock in May was Teva Pharmaceutical (-12% in USD). The company is a world leader in generic drug manufacturing and its share price declined after sales of core products fell in the first quarter of 2017. We made no changes to the portfolio in May.

Thank you for your continued support.

Portfolio Managers
Matthew Page, CFA
Dr Ian Mortimer, CFA

Analysts
Joshua Cole
Sagar Thanki

June 2017

Data sources

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

Index and stock data: *Bloomberg*

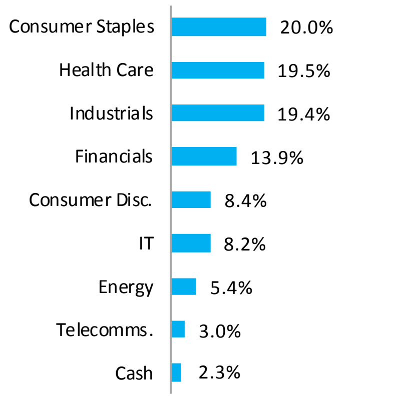
PORTFOLIO

31/05/2017

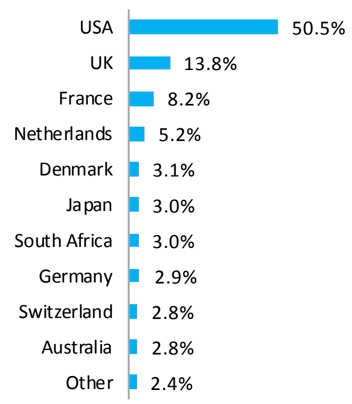
Fund top 10 holdings

Novo Nordisk	3.1%
Japan Tobacco	3.0%
Vodacom	3.0%
General Dynamics	2.9%
Unilever	2.9%
Deutsche Boerse	2.9%
Coca-Cola	2.9%
BAE Systems	2.9%
Wal-Mart Stores	2.9%
Gallagher, Arthur J	2.9%
% of Fund in top 10	29.3%
Total number of stocks held	36

Sector analysis



Geographic allocation



PERFORMANCE

31/05/2017

Annualised % gross total return from launch (GBP)

Discrete years % gross total return (GBP)	May '13	May '14	May '15	May '16	May '17
Fund (Y class, 0.99% OCF)	29.8	6.9	12.4	2.7	26.6
MSCI World Index	30.5	8.0	16.8	1.3	32.0
IA Global Equity Income sector average	28.8	6.6	10.3	-2.2	26.8

Cumulative % gross total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.99% OCF)	3.2	5.7	26.6	46.2	102.7	108.7
MSCI World Index	2.4	5.8	32.0	56.2	120.1	115.0
IA Global Equity Income sector average	3.1	6.4	26.8	36.8	87.6	83.8

RISK ANALYSIS

31/05/2017

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.59	1.57
Beta	1	0.77	0.87
Information ratio	0	-0.32	0.02
Maximum drawdown	-18.26	-15.50	-16.19
R squared	1	0.80	0.89
Sharpe ratio	1	0.54	0.69
Tracking error	0	6.16	4.49
Volatility	13.83	11.81	12.59

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.

Singapore

The Fund is not authorised or recognised by the Monetary Authority of Singapore ("MAS") and shares are not allowed to be offered to the retail public. The Fund is registered with the MAS as a Restricted Foreign Scheme. Shares of the Fund may only be offered to institutional and accredited investors (as defined in the Securities and Futures Act (Cap.289)) ('SFA') and this material is limited to the investors in those categories

Telephone calls may be recorded and monitored