GUINNESS

Global Equity Income Fund

ELITE RATED by FundCalibre.com™

Annual review

2017

Dr Ian Mortimer, CFA & Matthew Page, CFA
Portfolio managers

GUINNESS ASSET MANAGEMENT

Fund size (31.12.17)	**£352m**
Launch date	**31.12.10**

Aim

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.

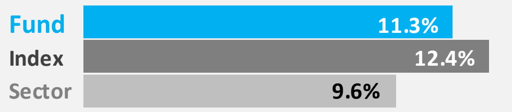
Performance

31.12.17

Fund	Guinness Global Equity Income (Y Cls)
Index	MSCI World Index
Sector	IMA Global Equity Income

	1 year	3 years	From launch
Fund	9.6	42.1	114.3
Index	12.4	52.9	128.4
Sector	10.4	38.1	90.6

Annualised % gross total return from launch (GBP)



Risk analysis (annualised, weekly, from launch)

	Index	Sector	Fund
Alpha	0	0.6	1.1
Beta	1	0.8	0.9
Info ratio	0	-0.3	-0.1
Max drwdn	-18.3	-15.5	-16.3
Tracking err	0	6.0	4.4
Volatility	13.3	11.5	12.3
Sharpe ratio	0.6	0.5	0.6

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 Y class: Simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP.

Annual review

Performance

"Political noise, market poise" suitably characterises the year of 2017. Equity markets persistently defied the sceptics, who pointed to political dysfunction, monetary policy uncertainty, and potential geopolitical crises as reasons for woe. Instead the year saw well-diversified global growth, with many equity indices hitting new highs.

In 2017 the Guinness Global Equity Income Fund produced a total return of 9.6% (TR in GBP), compared to the MSCI World Index return of 12.4%. The fund therefore underperformed the Index by 2.8%.

This reflects what we saw in equity markets over the last 12 months, with the market preferring growth stocks to value; quality companies and defensive sectors benefitted less from the very strong equity rally.

Figure 1: Calendar year performance

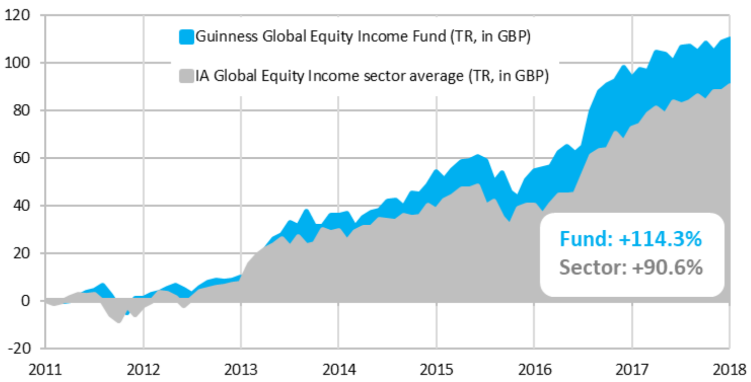
vs IA Global Equity Income sector & MSCI World Index

Fund Y-class TR in GBP	2011	2012	2013	2014	2015	2016	2017
Fund	**2.7%**	**5.5%**	**26.3%**	**10.1%**	**2.2%**	**26.9%**	**9.6%**
Sector	-2.1%	9.7%	20.4%	6.7%	1.5%	23.2%	10.4%
Index	-4.3%	11.4%	25.0%	12.1%	5.5%	29.0%	12.4%

Source: Financial Express, Y Class (0.99% OCF)

Over the long term the fund ranks in the top quartile of the IA Global Equity Income sector over five years and since launch in 2010. The fund has now outperformed the IA sector in five of the seven years the fund has been in existence, and we are pleased to have provided positive returns in each of the last seven years.

Figure 2: Cumulative performance since launch



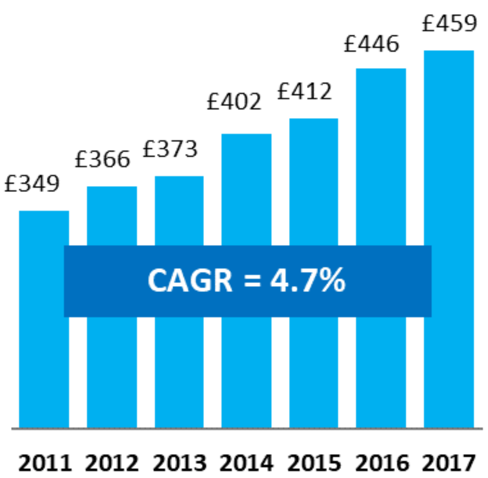
Source: Financial Express, Y Class (0.99% OCF)

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.

Dividend

Importantly, our focus on companies that offer the potential for dividend growth rather than simply a high dividend yield means we have managed to grow the dividend distributed by the fund every year. This year the fund grew the dividend by 2.8% (Y class, in GBP), whilst the annualised growth rate over the last seven years has been 4.7%.

Figure 3: Dividend growth



Source: Guinness AM

*Imputed income generated by investing £10,000 at launch (31/12/2010) and switching into lower OCF share class when introduced on first ex-dividend date.

Based on the price at year end, the Fund has a historic 12 month dividend yield of 2.7% (Y-class).

Review of 2017

Every single one of the world's 45 major economies (defined by the OECD) grew in 2017 and is forecasted to grow in 2018. It has been more than a decade since the lift to the world economy was this broad. While risks from politics, central bank policies and military threats have not gone away, investors seem to have recognized that the global economy is not as vulnerable to these influences as perhaps thought at the start of 2017.

The MSCI World and S&P 500 indices delivered positive returns in every single calendar month of 2017 – the first time this has happened in history. Perhaps more remarkable is that these consistent returns have come with record low volatility. The maximum drawdown for the S&P 500 index was less than 3.3% over the year, and this compares to the index's median average of 18.0%, going back to 1980. The year started with a growing optimism that the new U.S. administration would be beneficial for corporate profitability. Tax reform, deregulation and infrastructure spending initiatives were part of President Trump's initial plans and helped push stock market returns upwards. Positive macroeconomic data releases led the Federal Reserve (Fed) to hike interest rates in March, June and December of 2017. This followed a rate hike in December 2016, and although a cumulative rise of 1% in 12 months may not sound significant, prior to these 12 months, there were no rate rises in the last decade. Attempts to disengage from the strictures of unconventional monetary policy, namely zero interest rates and quantitative easing, introduced in many economies in the aftermath of the Financial Crisis, are set to continue, with forecasts suggesting three to four further rate hikes in 2018. President Trump also announced that Jerome Powell will lead the Fed when Janet Yellen steps down as Chair in February 2018. Powell is unlikely to materially alter the likely course of rate rises, but the new Fed members to be appointed in the year could potentially shift the path and will warrant close attention. In the final quarter of the year, unemployment fell to the lowest level since 2000, business investment accelerated, and there was also a much-anticipated reduction in the U.S. corporate tax rate to 21%, from 35%. The year finished on a high also in terms of corporate profitability, with third-quarter earnings releases showing a 6% year-on-year rise.

Despite a good year for European equity returns and corporate earnings (up 10% year on year in the third quarter), European stocks underperformed several other markets in local currency terms, highlighting the extremely strong returns delivered elsewhere. European equities had a great start to the year, as business surveys picked up and political risk faded with Emmanuel Macron's election win. The strong rally in the Euro in the first three quarters of the year explains much of the subsequent drag (since May) on European equities in local currency terms. Foreign revenues have had to be translated at a less favourable rate. In the fourth quarter, European equities delivered the lowest returns, despite a broadly flat Euro, suggesting they have not experienced the same boost from U.S. tax cuts. Furthermore, politics has given European investors reason to pause for breath. The Catalonian independence disputes have weighed on the relative performance of Spanish equities since August, and the start of October has seen Italian equities also give up a little of their outperformance for the year as investors start to look ahead to the Italian elections in 2018. Turning to look at central bank action, the European Central Bank was encouraged by the overall health of the European economy, perhaps coupled with legal constraints on the amount of German bunds it can buy, to announce in October that it will reduce its monthly quantitative easing purchases down to EUR 30 billion. This lower pace of purchases will start in January and last until at least September 2018.

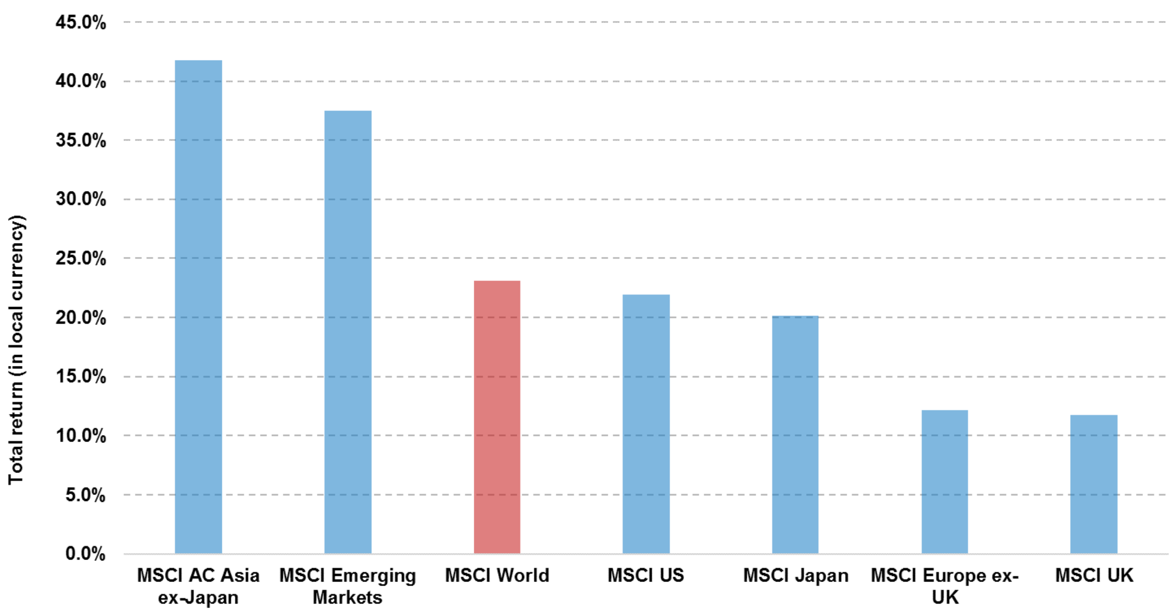
UK equities have had to contend with the strength in Sterling over 2017, weighing on the value of foreign revenues, which make up close to 70% of FTSE 100 sales. The more domestically-focused mid and small-cap stocks have therefore outperformed in 2017, with UK equities overall underperforming most other regions this year. Part of the reason for the rally in the Pound this year has been an increasing probability of a transitional deal on Brexit. The completion of phase one of the Brexit negotiations in December supports the market's assumption that a transitional deal now looks more likely than it did at the start of the year, even though many challenges remain. The deterioration in UK consumer confidence stands in contrast to the buoyant consumer confidence seen in most other regions. The Bank of England increased interest rates in November for the first time since 2007, but noted that any further rate rises are likely to be very gradual and remain highly dependent on the outcome of the Brexit negotiations.

The best-performing equity markets this year have been in Asia and the emerging markets. Several factors have contributed to their strong performance. A weak Dollar has historically been supportive of the relative performance of emerging market equities and this proved to be the case in 2017. EM equities have also benefited from a rebound in earnings off a low base and the rally in Technology stocks this year. The MSCI EM Index started the year with Technology making up 25% of the composition. 2017 was another year when the China bears were left disappointed. In the fourth quarter, the 19th National People's Congress laid out a plan for reducing financial risks while focusing on delivering slightly lower, but still very substantial, GDP growth.

Following suit, Japanese equities have likewise had a very strong 2017. The major driver of performance this year has been stellar company earnings, which rose by 16% year-on-year in the third quarter. Earnings were bolstered by strong global growth and a pick-up in global trade. Prime Minister Shinzo Abe comfortably won the election in October, providing political stability and boosting confidence that there would be few changes to his economic policies. Next year, it will be important to watch Bank of Japan (BoJ) policy and whether Kuroda continues as governor after his current term ends in April 2018.

Overall, most equity investors have enjoyed a remarkably smooth and rewarding 2017 as all regions worldwide posted significant gains (as seen in figure 4 below).

Figure 4: Regional Performance (in local currency)

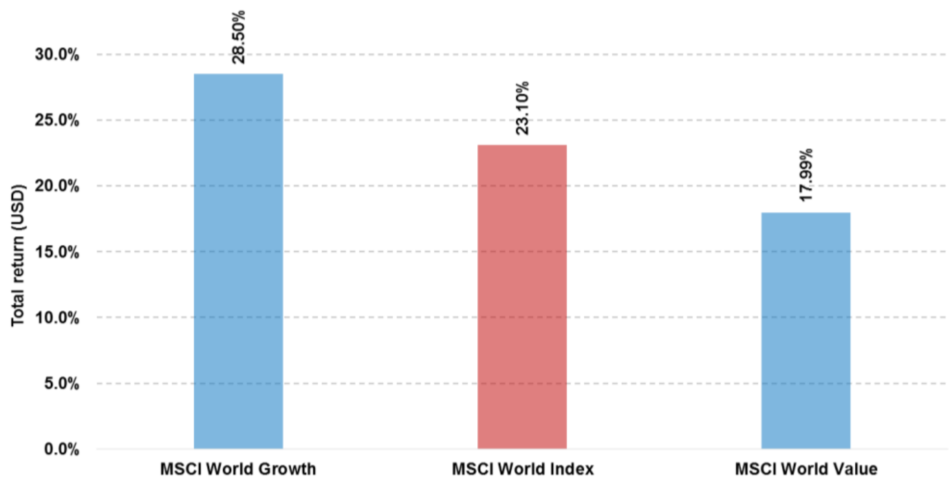


Source: Bloomberg

The big question going into 2018 is whether this can continue as new headwinds approach. As ever, rather than trying to pick which way the macro or political 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. Holding good quality companies that have persistently generated high levels of cashflow return on investment gives us confidence that the fund is well placed to weather different market conditions.

The Guinness Global Equity Income Fund tends to outperform in down markets, and is skewed towards quality companies at attractive valuations. This explains the fund's slight underperformance this year as we see in the below figure that Growth companies significantly outperformed Value.

Figure 5: MSCI World style performance in 2017 (in USD)

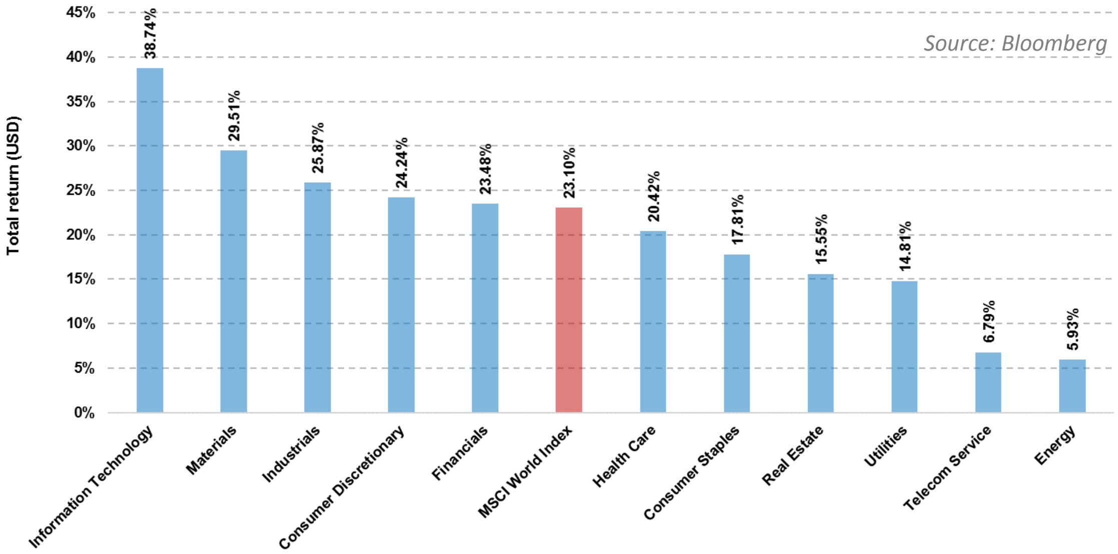


Source: Bloomberg

In terms of sectors, Technology stocks led the way, returning almost 40% (in USD), but the market rally was relatively broad-based, with Materials, Industrials, Consumer Discretionary, Financials and Healthcare all returning over 20% (in USD). Defensive "bond proxy" sectors such as Utilities, Telecommunications, Real Estate and Consumer Staples lagged.

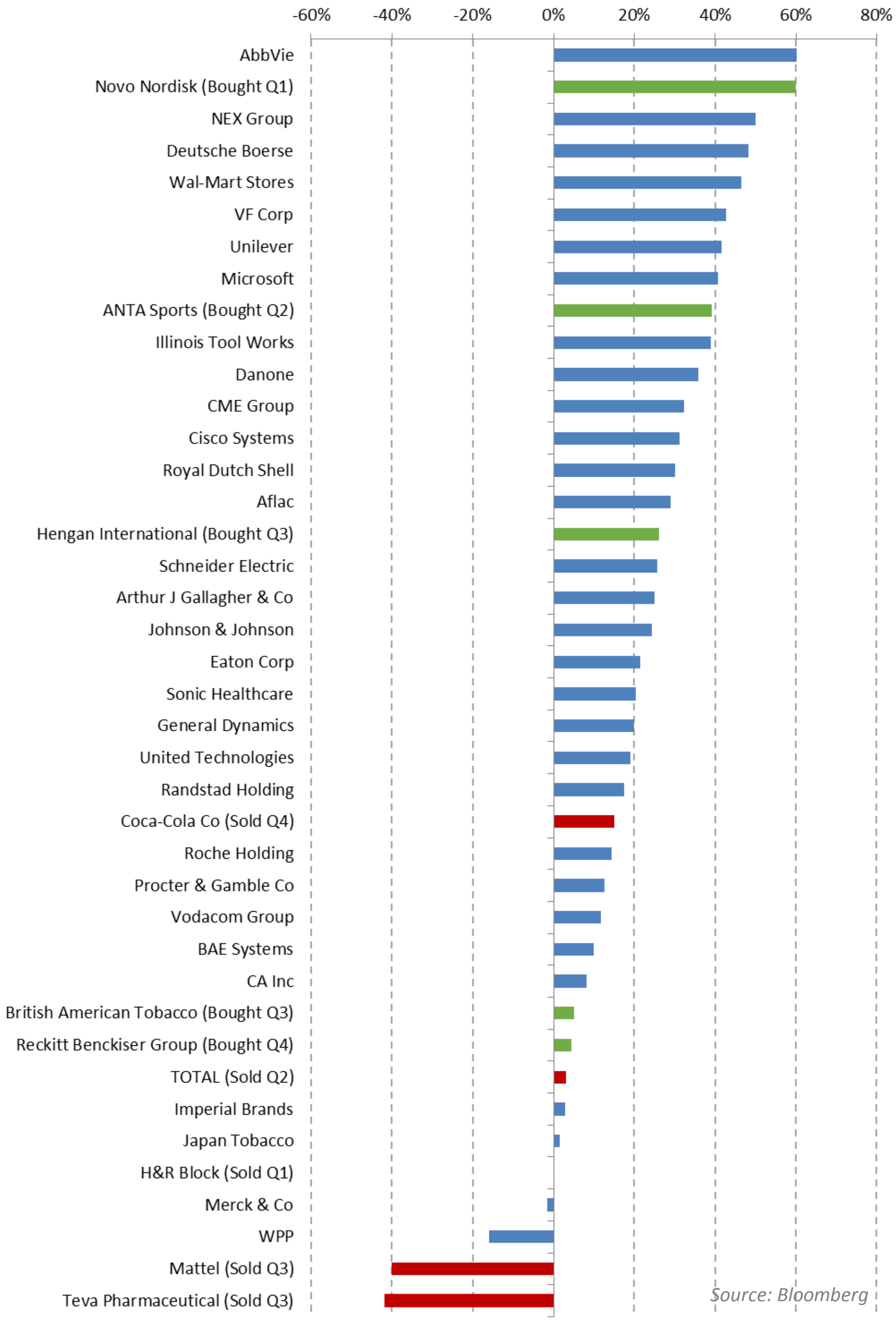
For the fund, overweight Healthcare was a small drag on performance from an allocation perspective, but good stock selection (e.g. Novo Nordisk and AbbVie) meant overall allocation to the sector added to performance. This is similar to the case with IT stocks, where underweight to the sector dragged on performance though we saw good returns from individual positions such as Microsoft and Cisco. We also note that although Consumer Staples underperformed as a sector, good stock selection meant positive contributions. It is particularly pleasing to see many of our newer additions performing well in this sector.

Figure 6: MSCI World sector performance in 2017 (in USD)



When we look at how individual companies within the portfolio performed in 2017 we see that out of the top five, we have two Healthcare, two Financial, and one Consumer Staples stock (figure 7). This is testament to the bottom-up philosophy of the Guinness Global Equity Income Fund, focusing on quality companies at attractive valuations. It is also worth noting at this stage that the fund is benchmark and sector agnostic – positions are based on high-conviction, bottom-up fundamental analysis.

Figure 7: Individual holdings performance over holding period during 2017 (total return USD)



Of the two worst-performing stocks, Mattel and Teva Pharmaceutical, we saw significant share price falls in the third quarter. In its earnings release, Teva surprised the market with significant write-downs associated with the Allergan acquisition and a large cut to the dividend, so we decided to sell our position. Mattel had been a long-term holding in the fund and performed very well from 2012 to 2015. The company saw falling sales and earnings in more recent years, and it announced a dividend cut in the third quarter, convincing us to sell our position.

Changes to the portfolio

In 2017 we sold five positions and bought five new positions, leaving the portfolio with 35 positions at the end of the year. This was more changes than in 2016, though fewer than in 2015.

Figure 8: Number of changes to the portfolio

	2011	2012	2013	2014	2015	2016	2017
Buys	8	4	7	2	7	4	5
Sales	9	3	8	3	6	4	5
Total holdings	35	36	35	34	35	35	35

In the **first quarter**, we made one change to the portfolio, whereby we bought Novo Nordisk and sold H&R Block.

H&R Block, the US-based tax preparation firm, saw some significant changes during our long-term holding of the company. Of particular note was the spinning off of its banking arm in 2014, which released the company from the regulatory burden and capital requirements associated with that business. 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, through 2016 the company posted a series of weak quarterly results as it appeared competition in the market place and particularly the 'do-it-yourself' online tax returns model had begun to erode their dominant position. This was reflected by sharp declines in the share price over this period. The quarterly results released in early March 2017 surprised to the upside, however, mainly because 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. At the time of sale, the valuation of the company was undemanding (around 13.5x 2017 expected earnings) but we felt the quality had deteriorated as debt to equity levels began to rise significantly. We felt our conviction was not high enough to justify holding the stock.

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 liked the fact that CFROI has been consistently growing over the last 10 years and currently stands at 25%. Dividends per share have also been growing very quickly with a five-year dividend growth rate of 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 sold off since mid-2016 after an increase in competitive threats, pricing pressures and uncertainty over U.S. healthcare reform. However, we believed that the market had 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. During the time we have held the stock, the share price has already rallied 60% (in USD).

In the **second quarter**, we also made one change to the portfolio. We bought ANTA Sports and sold TOTAL.

TOTAL, the global oil and gas company, was one of our two Energy sector holdings. We grew increasingly worried at the company's falling cashflow return on investment and this was accompanied by stagnant dividend growth and capital growth. In our opinion, the company's inability to sustain healthy margins put the stock out of favour, especially at a time where industry-wide factors were hampering the performance of energy stocks. We believe that the stock was overvalued versus its history, based on its P/E multiple, and with an increasing amount of long-term debt maturing in the next few years, it was deemed a good time for us to sell our entire position in TOTAL.

We bought **ANTA Sports** to replace TOTAL. ANTA Sports, based in China, has had a cashflow return on investment over 10% for its entire 10 years of existence as a public company. The company generates revenue through the manufacture and trading of sporting goods, including footwear, apparel and accessories. Its brand portfolio includes ANTA, ANTA KIDS, FILA, FILA KIDS and NBA, and it also has joint ventures with new brands such as South Korea's Kolon. Looking at the financials, ANTA Sports has very solid margin growth alongside a surge in sales in recent years. The company is well positioned to benefit from the growing wealth and recovering economy in China, and has maintained low debt. It is the official sponsor of the Chinese Olympics team and we have conviction that the stock has potential to maintain its significant earnings growth. Since buying the stock, the company strengthened its multi-brand strategy by acquiring popular kidswear brand, KingKow. During the time we have held the stock, the share price has rallied 39% (in USD).

In the **third quarter**, we made two changes to the portfolio whereby we bought British American Tobacco and Hengan International. We sold positions in Teva Pharmaceuticals and Mattel.

British American Tobacco – the global tobacco leader – was on our radar due to its stellar cashflow returns on invested capital and strong dividend profile. Its increasing market share, sales and earnings, and its successful integration of the mega $65.4bn acquisition of Reynolds American, position the company well for future price and dividend growth. Despite rising debt, the company has large piles of cash and good interest cover. At the time, we believed that the U.S. Food & Drug Administration's proposal to reduce nicotine in cigarettes had been overly discounted, and coupled with a sell-off following bribery allegations, this provided us an attractive valuation to buy a new position. Integrating the Reynolds American deal and developing the "global drive brands" strategy is the company's focus for the next few years, as synergies from the acquisition are expected to be $400 million. "Global drive brands" continue to boost BAT's market share at higher price points and increased investment in new-generation products will allow longer-term growth.

Hengan International is one of the largest producers of sanitary napkins, diapers and tissue paper in China. Historically the company has captured significant market share in established distribution channels (maternity stores, hypermarkets) and more recently it has seen growth from online exposure. Management has built up an e-commerce team to take advantage of the channel shift in China whereby consumers are increasingly purchasing everyday items online. Alongside this there are new brand launches and a revitalised sales strategy to maintain its offline market share. Growing revenues, high and stable margins, year-on-year earnings growth and a well-covered, high dividend are some of the highlights making this a compelling addition to the fund.

We bought **Teva Pharmaceuticals** in 2013 when the stock was trading at historic low multiples and the market was overly focused on "patent cliffs" – an issue which was associated with healthcare companies in general. Over the following two years the stock price recovered significantly as the expected pessimistic scenarios did not come about. Into 2016, however, the share price weakened as worries mounted regarding drug pricing in the U.S. and the company announced a significant M&A transaction, buying the generic drug business of Allergan for around $40bn. This was an exceptionally large figure for the company and raised questions as to whether Teva had both overpaid and overstretched. In the second half of 2016, the share price continued to fall, although we felt this was more sentiment-driven. However, the second quarter earnings release came as a shock to the market due to the severity of the announcement, which entailed significant write-downs associated with the Allergan business acquisition and a large cut to the dividend, in part to preserve cash to pay down debt and prevent certain covenants being breached. As a consequence of these poor results, and especially in light of the dividend cut, we were quick to sell our full position in Teva.

Mattel is another company that has been a long-term holding in the portfolio, though over the last two years it has had mixed results. Ultimately sales have declined due to strong competition and lack of innovation from the company, and the cost of goods sold has not declined in parallel – meaning earnings have been hit. With such an operationally leveraged company it has been of particular disappointment that the management had not been able to tackle costs and arrest the decline in margins. Throughout this period the company did maintain its commitment to the dividend, even as payout ratios increased from what were relatively low levels. February saw the announcement of a change of CEO after only two years. The new CEO, whose background was Google and Groupon, has a focus on modernising Mattel's product offering. Through 2017 the company continued to disappoint but the dividend cut announced by the new CEO on the second quarter earnings call further added to market worries, and as a consequence we sold our position in the company.

In the **fourth quarter** of the year, we made one change. We bought Reckitt Benckiser and sold Coca-Cola.

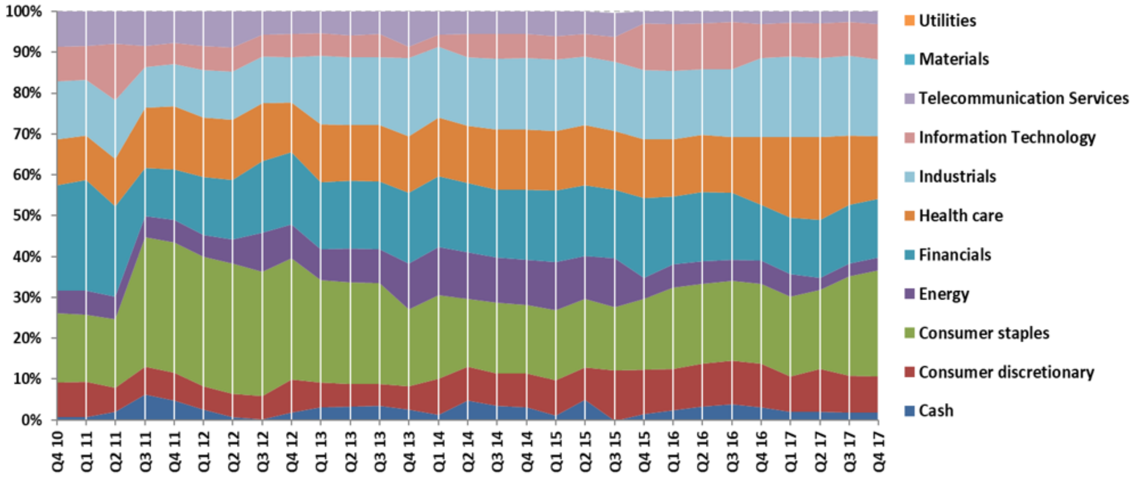
We bought **Coca-Cola** in August 2011 and the drinks manufacturer has returned close to 70% (in USD) in total return over the holding period. A sizable proportion of this has come from a large and growing dividend payment over the years, and more recently the stock has seen significant multiple expansion. The company trades at a 10-year peak forward P/E multiple of 23x, and we have seen this as a good opportunity to take profit and sell our position. Although margins have improved, the company has been seeing lower sales growth with earnings increasingly supported by share buybacks. Increased debt to fund these buybacks has left the company more leveraged and reduced our conviction on future growth. Although the dividend yield is still attractive at 3.3%, we believe that there is a higher risk of multiple de-rating if emerging market sales recovery disappoints or is already “priced in”. Regulation of sugary drinks and growing consumer consciousness add to the concerns for Coca-Cola, and this is translating to falling sales growth for each of the last 5 years.

We replaced our position in Coca-Cola with **Reckitt Benckiser**, a stock we previously held between 2011 and 2015. The company is a British producer of health, hygiene and home products, with ‘Powerbrands’ – as Reckitt Benckiser likes to call them – such as Nurofen painkillers, Durex condoms and Dettol disinfectant. We see this as a high-quality business that has underperformed the MSCI World Consumer Staples index since mid-2016 due to falling sales growth, particularly in India, Brazil and the Middle East. More recently, in October, the firm cut its full-year sales forecast as it struggled with the fallout from a cyber-attack, a failed product launch and a safety scandal in South Korea. We believe the market has been overly pessimistic and recent acquisitions (e.g. the $16bn purchase of baby milk maker Mead Johnson) and business re-organisation efforts have not fully been recognised. The stock is currently trading at a forward P/E multiple of 18x, compared to 24x in mid-2016. We see this as an attractive entry point, especially given that dividend growth was 10% in 2017 and earnings are forecasted to grow 6% in 2018.

Portfolio today and outlook

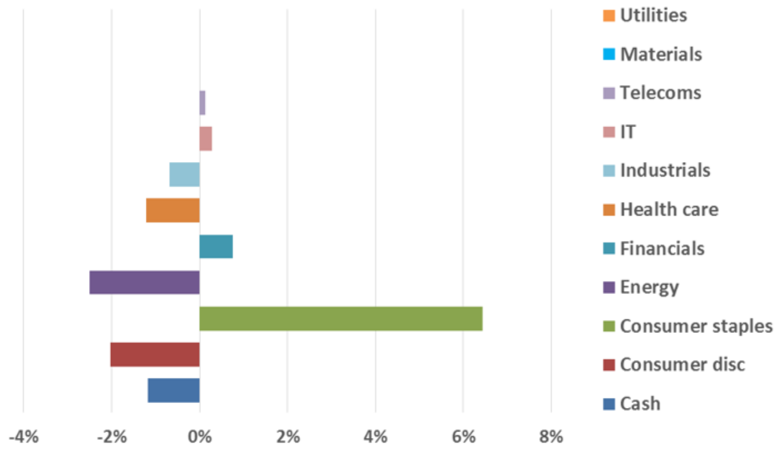
The charts below show the sector and geographic breakdown of the portfolio over the last seven years. The major effect of the changes we made to the portfolio in 2017 was to increase our exposure to Consumer Staples. In terms of sector weightings, the fund continues to have a zero weighting to Utilities, Materials, and Real Estate. The largest overweight positions are to Consumer Staples, Industrials and Healthcare.

Figure 9: Portfolio sector breakdown (31.12.17)



Source: Guinness Asset Management, Bloomberg

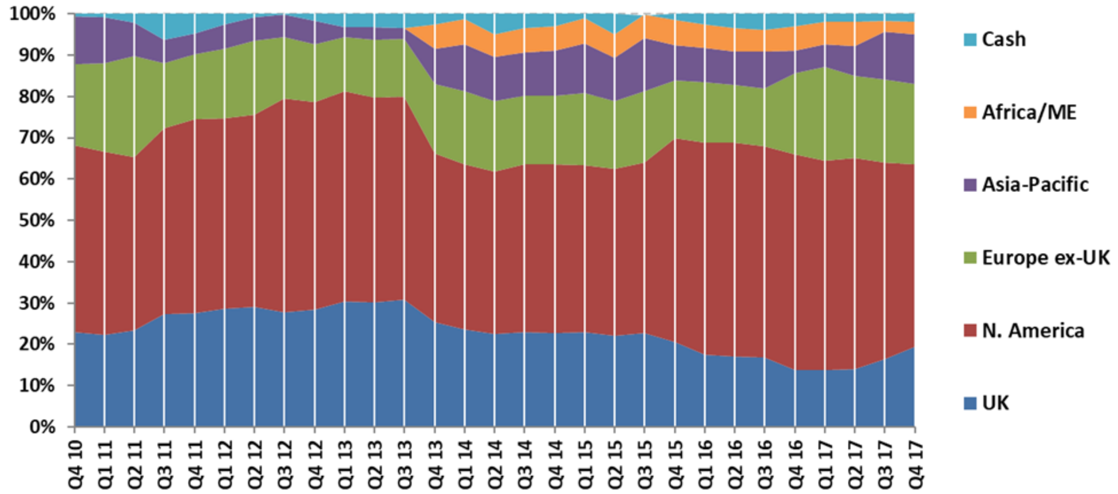
Figure 10: Year on year change in sector breakdown (31.12.17 vs 31.12.16)



Source: Guinness Asset Management, Bloomberg

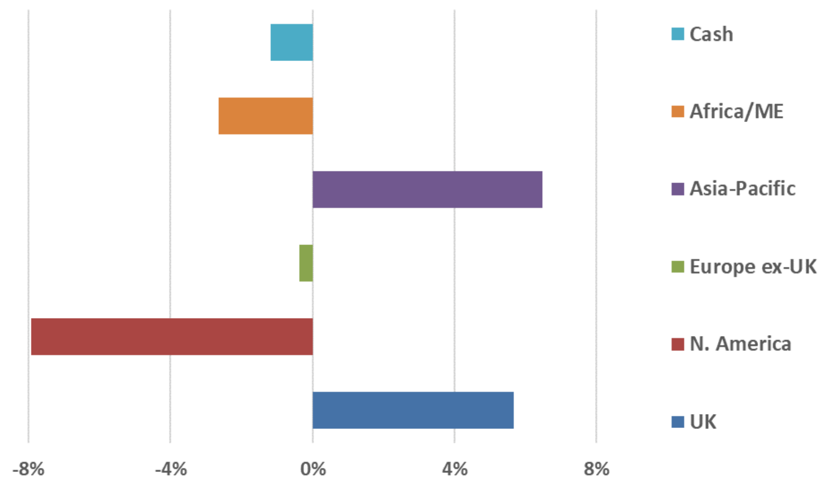
In terms of geographic allocation, we reduced our exposure to North America, while increasing our exposure to Asia-Pacific and the UK.

Figure 11: Portfolio geographic breakdown (31.12.17)



Source: Guinness Asset Management, Bloomberg

Figure 12: Year on year change in geographic breakdown (31.12.17 vs 31.12.16)



Source: Guinness Asset Management, Bloomberg

The four key tenets to our approach are: quality, value, dividend, and conviction. We follow these at the portfolio level to make sure we are providing what we say we will.

At the year end, we are pleased to report that the fund continues to deliver on all four of these measures relative to the benchmark MSCI World Index, offering a high-conviction portfolio of higher quality companies at similar valuations.

Figure 13: Portfolio metrics versus index. Guinness Asset Management, Credit Suisse HOLT, Bloomberg (data as at 31.12.2017)

		Fund	MSCI World Index
Quality	Average 10 year CFROI	21%	10%
	Weighted average debt / equity	94%	147%
Value	PE (2018e)	17.1	17.2
	FCF Yield (LTM)	6.4%	4.5%
Dividend	Dividend Yield (LTM)	2.7%	2.3%
	Weighted average payout ratio	62%	52%
Conviction	Number of stocks	35	1650
	Active share	92%	-

The fund at the end of the quarter was trading on 17.2x 2018 expected price to earnings; a discount of 0.5% to the broad market. However, on a free cashflow basis, the fund trades at a significant discount to the market. With interest rates set to rise and continuous geopolitical uncertainty around the globe, our 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.

As ever we would like to thank you for your continued support and we wish you all a prosperous 2018.

Matthew Page, CFA
Dr Ian Mortimer, CFA
Portfolio managers, Guinness Global Equity Income Fund

January 2018

All Index and performance data source: Bloomberg, except Fund performance data, which is sourced from Financial Express and Guinness Asset Management.

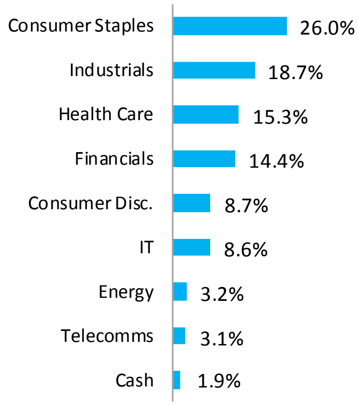
PORTFOLIO

31/12/2017

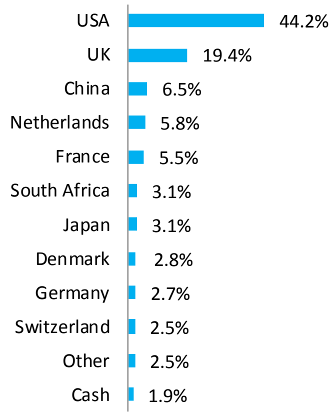
Fund top 10 holdings

CME Group	3.6%
British American Tobacco	3.4%
Hengan International Group	3.3%
Royal Dutch Shell	3.2%
Anta Sports Products	3.2%
Vodacom	3.1%
Japan Tobacco	3.1%
Microsoft	3.1%
Illinois Tool Works	3.0%
Cisco Systems	3.0%
% of Fund in top 10	32.0%
Total number of stocks in Fund	35

Sector analysis



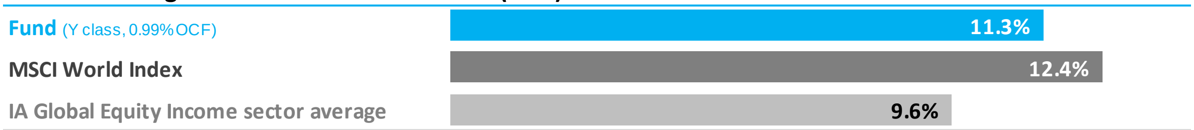
Geographic allocation



PERFORMANCE

31/12/2017

Annualised % gross total return from launch (GBP)



Discrete years % gross total return (GBP)	Dec '13	Dec '14	Dec '15	Dec '16	Dec '17
Fund (Y class, 0.99% OCF)	26.3	10.1	2.2	26.9	9.6
MSCI World Index	25.0	12.1	5.5	29.0	12.4
IA Global Equity Income sector average	20.4	6.7	1.5	23.2	10.4

Cumulative % gross total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.99% OCF)	2.0	9.6	9.6	42.1	97.7	114.3
MSCI World Index	1.5	12.4	12.4	52.9	114.2	128.4
IA Global Equity Income sector average	1.4	10.4	10.4	38.1	77.4	90.6

RISK ANALYSIS

31/12/2017

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.60	1.11
Beta	1	0.77	0.87
Information ratio	0	-0.32	-0.08
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.80	0.89
Sharpe ratio	1	0.53	0.64
Tracking error	0	6.02	4.40
Volatility	13.83	11.45	12.26

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 Y class (0.99% OCF)**: 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 (1.99% OCF) 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 IMA 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: Link Fund Manager Solutions (Ireland) Ltd, 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 will be recorded and monitored