

# Guinness Global Innovators Fund

Innovation | Quality | Growth | Conviction

## INVESTMENT COMMENTARY – May 2019

### About the Fund

The Fund is a global growth fund designed to provide exposure to companies benefiting from innovations in technology, communication, globalisation or innovative management strategies. The Fund holds a concentrated portfolio of large and medium-sized companies in any industry and in any region.

<b>Fund size</b>	\$199m
<b>AUM in strategy</b>	\$389m
<b>Fund launch date</b>	31.10.14
<b>Strategy launch date</b>	01.05.03

**Managers** Dr. Ian Mortimer, CFA  
Matthew Page, CFA

**Analysts** Sagar Thanki  
Joseph Stephens

### Performance 30.04.19

Cumulative % total return (GBP)	1 year	3 years	5 years	10 years
<b>Strategy*</b>	9.8	71.7	101.1	358.6
<b>Index</b>	12.5	55.3	84.3	240.0
<b>Sector</b>	8.9	49.0	68.0	187.5
<b>Position in sector</b>	150 /314	18 /27	29 /238	3 /165

### Annualised % total return from strategy inception (GBP)

<b>Strategy*</b>	12.69%
<b>Index</b>	9.91%
<b>Sector</b>	9.08%

**Strategy** Guinness Global Innovators\*

**Index** MSCI World Index

**Sector** IA Global

**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. \*Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14. Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same team using the same investment process as applied to the UCITS version. Source: Financial Express 0.99% OCF, bid to bid, total return, in GBP.**

### Summary performance

In April, the Guinness Global Innovators Fund provided a total return of 6.41% (GBP), against the MSCI World Index net total return of 3.50%. Hence the fund outperformed the benchmark by 2.91%. Year-to-date, the fund has produced a total return of 22.51% against the MSCI World's 13.78%.

Strong performance from the US and the IT sector – the fund's largest regional and sector exposures – helped the fund continue its strong performance this year, with semiconductor names such as Infineon, Lam Research and Applied Materials continuing their ascent on a more upbeat outlook. The fund's positioning relative to its peers continues to be very positive, ranking in the top quartile year-to-date and over three, five and 10 years.

	YTD	1yr	3yr	5yr	10yrs
<b>Fund</b>	22.51	9.77	71.71	101.14	358.61
<b>Index</b>	13.78	12.50	55.31	84.27	240.04
<b>IA sector average</b>	14.15	8.93	49.02	68.03	187.50
<b>Rank vs peers</b>	6/321	150/314	18/272	29/238	3/165
<b>Quartile</b>	1st	2nd	1st	1st	1st

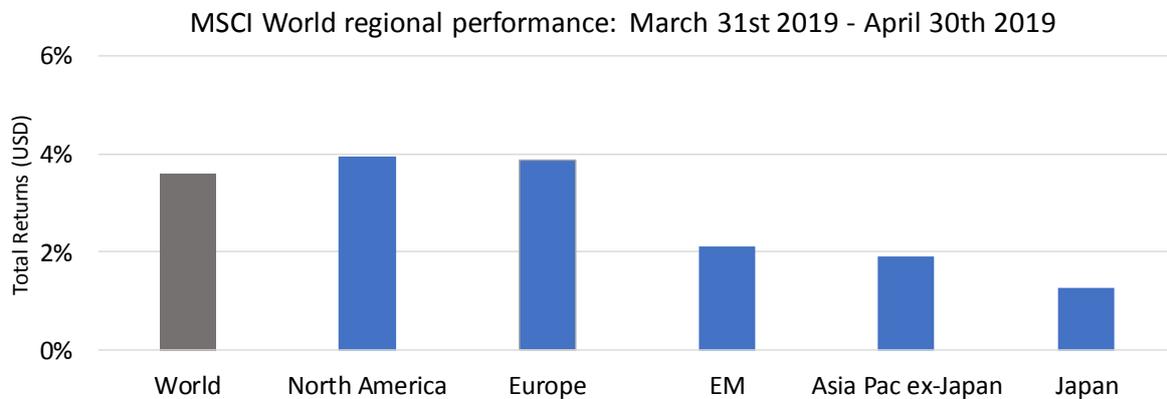
Figure 1: Global Innovators strategy total return GBP, FE (data as at 30.04.2019)

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Following a strong first quarter, global equity markets continued to post strong gains over April with America and Europe leading the group. US data shook off fears of a slowing economy, registering GDP growth of 3.2% for Q1 – well above estimates of 2.3%. Additionally, unemployment remained steady at 3.8% and real wage growth came in at 3.3%, keeping inflationary concerns subdued. The fund benefitted from the strong performance in the US – the fund’s largest regional exposure – with stock selection from names such as Lam Research (up 19.1% in USD) and Facebook (up 16.0% in USD) providing the majority of outperformance relative to the MSCI World.

Whilst our exposure to Asia Pacific has been a tailwind so far this year, the region scaled back further gains to a modest 1.9% (USD) over April. China’s manufacturing PMI came in at 50.2 for April – below March’s 50.8 but still above the important 50, which indicates expansion. GDP data for Q1 indicated the economy grew 6.4%, which was slightly above the forecasted 6.3% but well below 2018 Q1 growth of 6.8%. However, the positive surprise may be an indication that government stimulus is having its desired effect. The region’s relative underperformance to the rest of the world was a slight drag on the portfolio’s asset allocation over the month.

Within Europe, the fund currently holds a small underweight position to the benchmark, a region which outperformed over the month. However, stock selection outweighed this as Infineon, the German semiconductor designer for electric and autonomous vehicles, and Continental, the manufacturer of vehicle tyres, chassis and powertrains, performing strongly over the month with total returns (in USD) of 19.1% and 13.3% respectively.



Source: Bloomberg, as of 30th April 2019

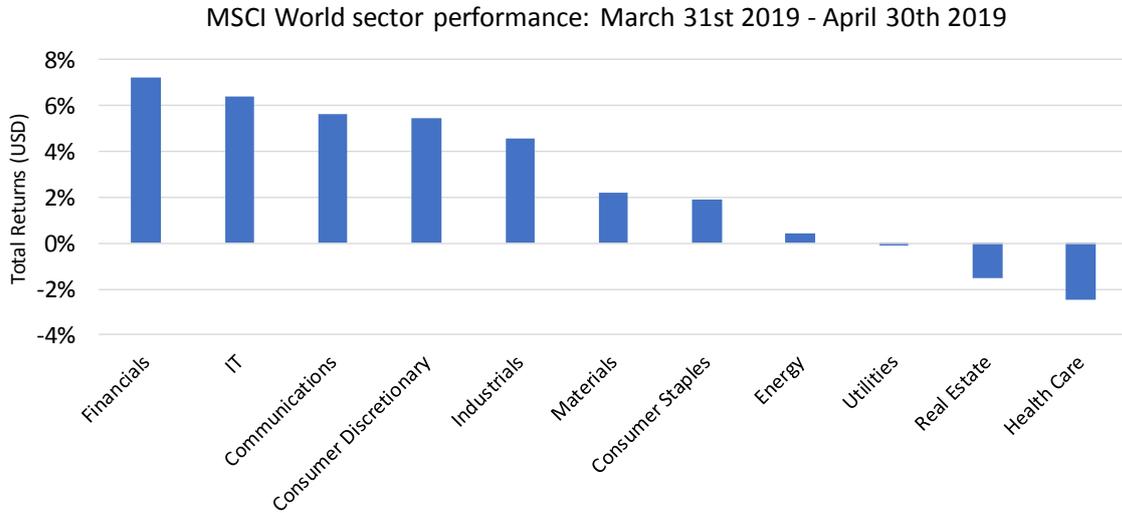
On a sector level, strong returns from IT – the fund’s largest sector exposure – contributed positively to asset allocation. In addition, stock selection within the sector was also positive with semiconductor names such as Infineon, Lam Research and Applied Materials performing well. The latest performance in semiconductors comes as the majority of companies continue to give upbeat outlooks going into the second half of the year.

The strength of the Financials sector left our underweight position contributing negatively to asset allocation over the month, although our single position, Intercontinental Exchange, provided an otherwise positive total return of 6.8%. Conversely, the fund’s underweight exposure to Health Care

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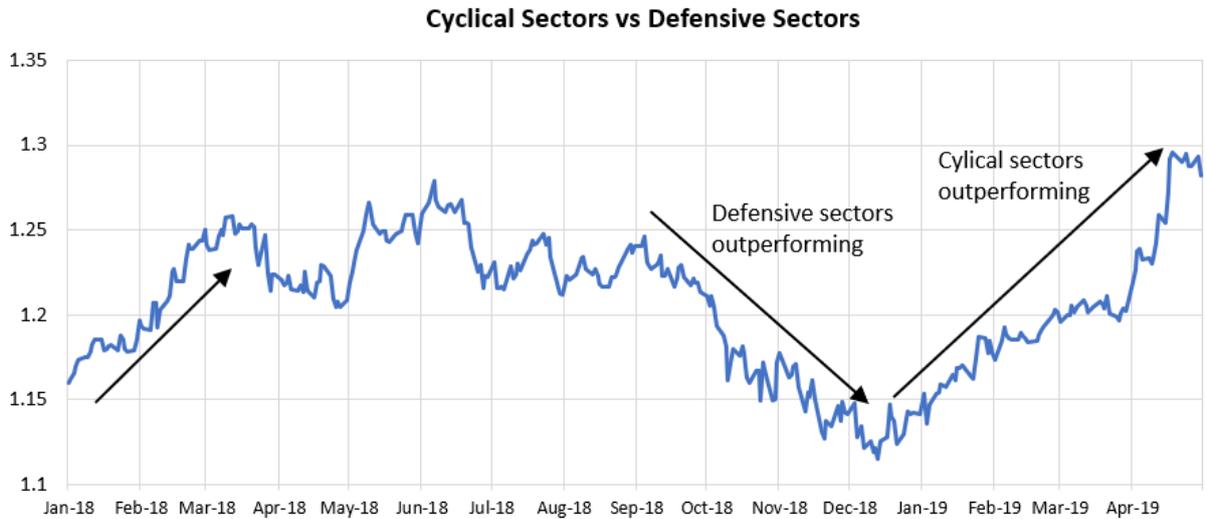
## Guinness Global Innovators Fund

– the worst-performing region over the month – contributed positively; the fund’s one holding, Danaher, produced 0.3% whilst the sector was down.



Source: Bloomberg, as of 30th April 2019

Having seen valuations compressed in 2H 2018 following fears of overvaluation at the start of 2018, the reversal from defensive to more cyclical names this year has seen our overweight exposure to IT benefit greatly.



**MSCI USA Cyclical Sectors / MSCI USA Defensive Sectors**

Source: Bloomberg, as of 30th April 2019

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Individual companies that performed well over the month included Infineon Technologies AG (19.14% in USD) and Facebook Inc (16.02% in USD).



**Infineon**, the designer of semiconductors used primarily in automobiles, was the highest performer over April having sold off during March when management pre-announced earnings which included soft full-year guidance on macro and demand weaknesses. However, Infineon rebounded strongly as other semiconductor names gave more upbeat guidance, lifting the industry as a whole. We continue to see strong growth prospects as the general demand in semiconductors and especially for electric and autonomous vehicles begins to rebound going into the second half of 2019, with Infineon, the market leader, set to benefit.

**Facebook** reported earnings and revenue over April that topped estimates, indicating revenue growth of 26% for the first quarter. Much has been made over the slowing of Facebook's advertising revenues. However, historic growth rates of more than 40% were always going to be unsustainable and it is pleasing to see the company still posting strong numbers and turning its attention to the monetisation of other areas. Speaking at the F8 developers' conference in April, Mark Zuckerberg revealed plans to create a more 'privacy-focused' network with a revamp of the platforms. The future of the network of apps includes the integration of messaging systems from WhatsApp, FB Messenger and Instagram Direct; the introduction of e-commerce on the Instagram platform allowing users to purchase items directly through the app as opposed to being re-directed to the merchant's website; and a focus on encouraging communication through group chats on the Facebook platform instead of individual posts.

Individual companies that underperformed over the month were Check Point Software Technologies (-4.53% in USD) and Danaher Corporation (0.32% in USD).



**Danaher**, the diversified conglomerate with products focused on life sciences, diagnostics, dental and environmental solutions, was one of the relative underperformers for the fund over the month with a total return of 0.3%, albeit in the context of the Health Care sector being down 2.4%. Danaher has been one of the top performers in the fund this year after announcing an agreement to buy General Electric's (GE) biopharmaceutical unit, GE Life Sciences, in a continuation of Danaher's strategic acquisition process – identifying companies with secular growth drivers, high return-on-capital and strong market position, and leveraging its Danaher playbook, DBS, to add long-term value. Over the month, Danaher reported Q1 earnings and revenue which surpassed analysts' forecasts and helped the stock to outperform the general Health Care sector.

**Check Point Software Technology**, the Israeli security specialist which develops and markets a range of software and hardware products for IT security, reported earnings during the month that were in line with consensus. Underperformance stemmed from management's guidance for Q2 which was

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## Guinness Global Innovators Fund

below expectations. Check Point is a long-term holding of the fund purchased in 2003 and has since seen a price increase of over 600%. The company continues to exhibit above 20% returns on capital and net margins steadily above 40% and currently holds no debt. Consequently, we continue to see good upside as cybersecurity plays an ever-greater role in an increasingly digital world.

### Portfolio Managers

Dr Ian Mortimer, CFA  
Matthew Page, CFA

### Analysts

Joseph Stephens  
Sagar Thanki

### Data sources

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

Index and stock data: *Bloomberg*

## Guinness Global Innovators Fund

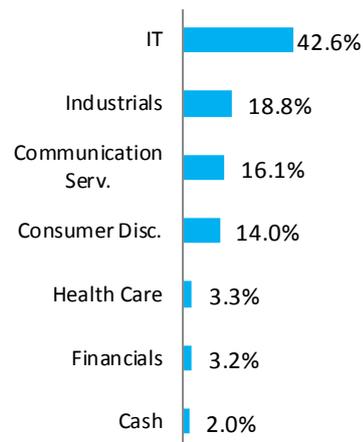
### PORTFOLIO

30/04/2019

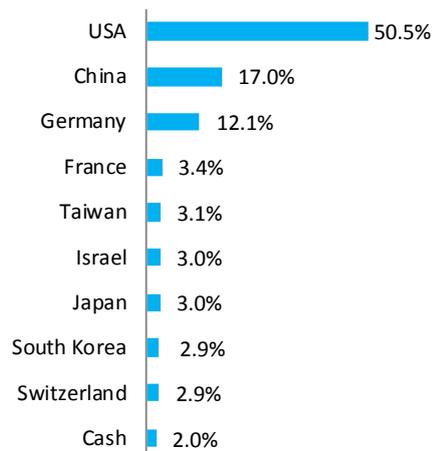
#### Fund top 10 holdings

Anta Sports Products	4.1%
New Oriental Education & Technology Group	3.9%
Lam Research	3.9%
KLA-Tencor	3.7%
Paypal	3.6%
Roper Industries Inc	3.5%
Facebook	3.4%
Comcast Corp	3.4%
Nvidia Corp	3.4%
Schneider Electric	3.4%
% of Fund in top 10	36.4%
Total number of stocks	30

#### Sector analysis



#### Geographic allocation



30/04/2019

#### Annualised % total return from strategy inception (GBP)

Guinness Global Innovators strategy*	12.69%
MSCI World Index	9.91%
IA Global sector average	9.08%

#### Discrete years % total return (GBP)

	Apr '15	Apr '16	Apr '17	Apr '18	Apr '19
Guinness Global Innovators strategy*	21.2	-3.3	39.1	12.5	9.8
MSCI World Index	18.0	0.5	29.8	6.4	12.5
IA Global sector average	15.5	-2.4	26.8	7.9	8.9

#### Cumulative % total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years	10 years
Guinness Global Innovators strategy*	6.4	22.5	9.8	71.7	101.1	358.6
MSCI World Index	3.5	13.8	12.5	55.3	84.3	240.0
IA Global sector average	4.0	14.2	8.9	49.0	68.0	187.5

#### RISK ANALYSIS

30/04/2019

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	0.55	0.75
Beta	1	0.80	1.13
Information ratio	0	-0.32	0.33
Maximum drawdown	-14.03	-17.08	-19.65
R squared	1	0.79	0.86
Sharpe ratio	0.73	0.63	0.74
Tracking error	0	6.04	6.27
Volatility	13.15	11.76	16.04

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\*Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14. Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same investment team using the same investment process as applied to the UCITS version. The past performance of the US mutual fund is not indicative of the future performance of Guinness Global Innovators Fund.

Source: Financial Express, bid to bid, total return, in GBP

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## 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 Innovators 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 Innovators 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.

### **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](http://www.guinnessfunds.com), or free of charge from:-

- the Manager: Link Fund Manager Solutions (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](http://www.carnegie-fund-services.ch). The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 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.

**GUINNESS**

ASSET MANAGEMENT

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

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