

Guinness Global Innovators Fund

INVESTMENT COMMENTARY - December 2015

About the Fund

The Fund is a large cap. 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.

Fund size	£41m
AUM in strategy	£158m
Fund launch date	31.10.14
Strategy launch date	01.05.03
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA

Performance 30.11.15

Cumulative %	1 year	3 years	5 years
Strategy*	2.9	78.4	100.6
Index	3.3	45.5	63.0
Sector	2.1	35.3	42.0
Position in sector	134 /258	4 /232	6 /203

Annualised % total return from strategy inception (GBP)

Strategy*	11.85%
Index	8.70%
Sector	8.08%

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, bid to bid, total return, in GBP.

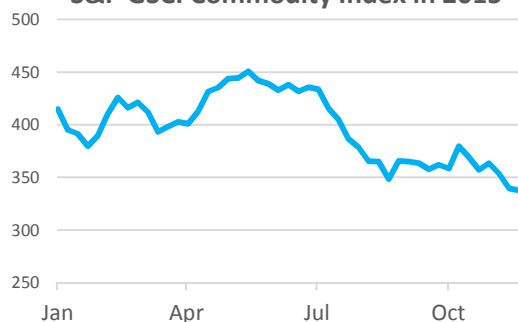
Fund review

In November the Guinness Global Innovators Fund produced a total return of 3.0% (in GBP), versus the MSCI World Index return of 2.1%. The Fund therefore outperformed the benchmark by 0.9%.

Looking at the global equity market broadly we saw strong performance from the IT and industrial sectors over the month, while the “bond proxies” (to which we have zero exposure) were the laggards. Developed markets outperformed developing markets, and small cap stocks outperformed large cap.

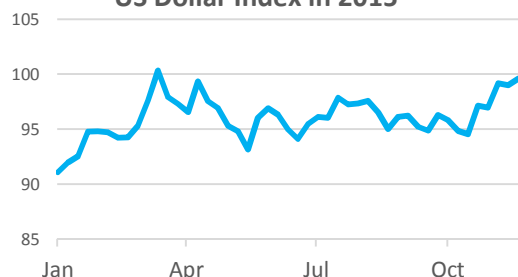
Commodities were generally hit hard during the month, continuing the decline that started in 2014. Oil, copper and gold all declined by around 7%.

S&P GSCI Commodity Index in 2015



We also saw the US dollar continue to strengthen on expectations of an imminent US interest rate rise.

US Dollar Index in 2015



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Looking at the holdings in the portfolio, six companies reported earnings in November and all beat expectations. We saw particularly strong performance from Lenovo, Applied Materials and Nvidia.

Today we have a large overweight to the IT sector, and the changes we made to the portfolio during the turbulent markets of this summer have taken our IT weight back up to where we had it in 2012 at just over 50%. So why do we have such a large weight to this sector in this Fund?

Our investment process is essentially a bottom-up process, looking for individual stocks that satisfy our criteria; so our overweight to the IT sector is not a top-down call. However, when we look at the group of companies we own in the IT sector, an interesting picture emerges.

It's worth noting that the IT companies that we own are not small caps. In fact the median market cap of the IT companies that we own is \$58 billion. Also, we don't own any hyped-up "story" stocks that are promising the world tomorrow. All the companies we own generate profits, and many of them have generated high return on capital for many years.

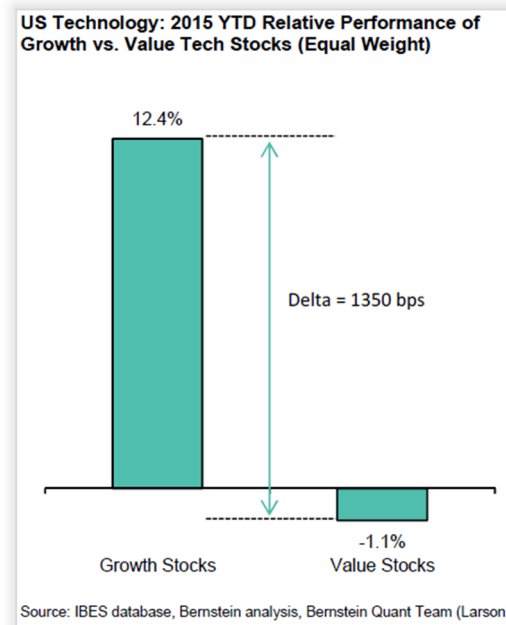
We have a fairly equal mix of semiconductor companies, software companies and hardware companies, with a slight bias towards the software companies because of their ability to generate above average return on capital with wide profit margins.

The IT companies we own generally have large cash piles. Their cash levels as a proportion of their market capitalisation are on average 20%. These companies don't have excessive amounts of debt either, with an average debt to equity ratio of 40%. On a net debt basis, all but four of our IT companies have net cash.

Expectations for earnings growth for these companies are good, if not spectacular. On average earnings are expected to grow at 10% next year. Assuming these companies can continue to earn the high return on capital they are currently earning, the firepower they are generating to invest in growth is substantial.

Given all these attractive traits one might expect the market to value these companies at a premium. However, using a standardised discounted cash flow valuation implies these companies have on average 48% upside to their current valuation.

So far in 2015 the market has preferred to reward IT stocks that are at the opposite end of the growth-value spectrum (i.e. very high growth expectations, high valuation, weak balance sheets, etc). Research from Bernstein shows that in the US these expensive growth IT stocks have outperformed the value IT stocks by 13.5% year to date.



As always, we are reluctant to predict what the market will do in 2016, but history shows us that companies that are well capitalised, and that are not overly sensitive to commodity prices or regulation, should be

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Guinness Global Innovators Fund

able to weather whatever economic storm may emerge, and therefore provide a margin of safety to one's capital. History also shows us that companies trading on attractive valuations tend to outperform over the long term, and if they offer above average growth all the better.

This is what we have always searched for, and will continue to do so in 2016.

Thanks for your continued support and may we wish you all a very merry Christmas. We look forward to seeing many of you in the New Year.

Dr. Ian Mortimer & Matthew Page
Co-managers, Guinness Global Innovators Fund

December 2015

Data sources

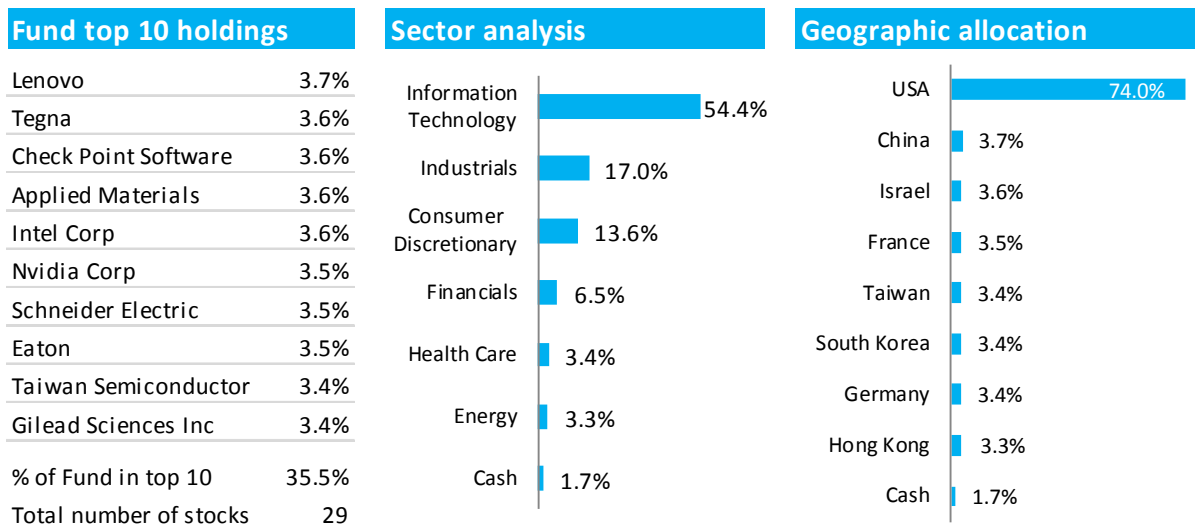
Fund performance: *Financial Express, total return in GBP*

Stock performance: *Bloomberg*

Guinness Global Innovators Fund

PORTFOLIO

30/11/2015



PERFORMANCE

30/11/2015

Annualised % total return from strategy inception (GBP)

Guinness Global Innovators strategy*	11.85%
MSCI World Index	8.70%
IA Global sector average	8.08%

Discrete years % total return (GBP)

	Nov '11	Nov '12	Nov '13	Nov '14	Nov '15
Guinness Global Innovators strategy*	1.0	11.4	40.3	23.6	2.9
MSCI World Index	0.5	11.5	23.7	13.9	3.3
IA Global sector average	-5.6	11.2	21.8	8.7	2.1

Cumulative % total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years
Guinness Global Innovators strategy*	3.0	3.9	2.9	78.4	100.6
MSCI World Index	2.1	4.5	3.3	45.5	63.0
IA Global sector average	1.5	3.0	2.1	35.3	42.0

RISK ANALYSIS

30/11/2015

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	-0.97	3.57
Beta	1	0.81	1.10
Information ratio	0	-0.44	0.70
Maximum drawdown	-18.26	-17.61	-25.41
R squared	1	0.80	0.86
Sharpe ratio	0.45	0.26	0.68
Tracking error	0	6.02	6.11
Volatility	13.34	12.18	15.89

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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, 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.

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ASSET MANAGEMENT LTD

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