

# Guinness Global Innovators Fund

## INVESTMENT COMMENTARY - March 2017

### 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.

Fund size	£70m
AUM in strategy	£210m
Fund launch date	31.10.14
Strategy launch date	01.05.03

Managers Dr Ian Mortimer, CFA  
Matthew Page, CFA

### Performance 28.02.17

Cumulative % gross total return (GBP)	1 year	3 years	5 years	10 years
Strategy*	35.7	60.5	141.5	251.3
Index	36.6	59.4	107.1	153.7
Sector	31.2	41.3	72.8	98.4
Position in sector	71 /266	26 /238	3 /205	1 /138

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

Strategy*	12.97%
Index	10.81%
Sector	9.28%

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, gross total return, in GBP.

### Summary performance

In February, the Guinness Global Innovators Fund produced a total return of 3.39% (in GBP) versus the MSCI World Index return of 3.96%. The Fund therefore underperformed the index by 0.57% in the month.

Year-to-date the Fund is now up 4.84%, outperforming the MSCI World Index, up 4.59%.

### February in Review

The events of the previous year continue to ripple throughout the economic, financial and political world. Has globalisation peaked? Can we expect to see an increasingly multipolar world? The landscape is changing but the markets appear to be taking it in their stride. Record highs were achieved mid-month for various indices as positive core economic and consumer demand data as well as strengthening manufacturing numbers all aided the market rally on the hope of faster economic growth. In general, global markets had a strong month but ended on a more cautious note ahead of Donald Trump's speech to a joint session of the US Congress.

The expectation was for a more detailed outline of the key fiscal initiatives of the incoming administration for 2017 and beyond. Surprisingly (or unsurprisingly), Trump did the exact opposite, giving few details. Any disappointment regarding the lack of granularity on policy was swept quickly away as the markets focused instead on the President's more measured tone.

In the US, there is the increased prospect of a March interest rate rise as the US Federal Reserve strikes a more hawkish tone amid rising inflationary pressures, partly resulting from the Trump reflationary trade. Early indications from company earnings suggested slower fourth quarter growth, but this did not shake market confidence as investors looked instead towards higher expected growth in 2017.

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In Europe, markets followed the same trend as the US and advanced, albeit at a slightly slower pace. Corporate earnings were overall more positive than expected and growth estimates were revised upwards for 2017. Political uncertainty was focused toward France in the lead up to the presidential election and led to volatility within French government bonds and a widening spread versus German bunds. The first round of voting is held on April 23rd and the run-off on May 7th. With a Macron – Le Pen run-off expected, Macron is now favourite to win. The upcoming Dutch elections may also give an indication of populist sentiment in Europe.

In February FX saw the trade-weighted USD gain marginally (+0.2%), with GBP (-1.6%) and EUR (-2.1%) both down. MXN gained the most last month with +3.6%. (Price returns per USD for all currencies.)

### Market Movements

February saw a shift into defensive stocks, with especially strong performance from Health Care, Staples and Utilities. Our current underweight to these defensive sectors meant we didn't partake fully in this rally. Certain cyclical sectors such as IT (in which we are overweight) also performed well, which was positive for the Fund. Only Telecommunications, Materials and Energy posted negative returns over the month. Energy's lacklustre performance can be attributed to natural gas price declines and investor worries surrounding the perceived ceiling on oil prices imposed by US oil production growth.

North America outperformed Western Europe and Asia Pacific. Large-caps rallied, doing better than small-caps and mid-caps.

### Portfolio update

Individual stock performance in February largely followed the market movements outlined above, although corporate earnings season resulted in some larger idiosyncratic stock movements.

VeriFone, the US technology electronic payment provider, was up 13.8% (total return in USD), reflecting increased confidence that the business will perform well this year. Shares in Cognizant (+12.7% total return in USD), the US technology consulting and services company, were bought on the back of positive earnings and worries abating over the H1B professional services visas. Cisco Systems (+11.3% total return in USD), the US manufacturer of IT networking and communication products, beat Wall Street expectations for its fiscal second quarter because of strong demand for security products. Boeing (+11.2% total return in USD), the US aircraft manufacturer, rose with profit rising as build rates increase.

WisdomTree (-10.7%) suffered with poor Q4 2016 earnings. NVIDIA (-6.9%) handily beat earnings expectations, although the share price declined over the month. Baiting the bears were two analysts' downgrades to 'sell' as they questioned the outlook for the company's core gaming market. Schneider Electric (-5.1%) sold off because of weaker than expected results, and H&R Block (-4.19%) declined as the market continues to worry about the upcoming tax season.

The following companies in the portfolio are expected to report earnings in March: H&R Block (March 7th), followed by Verifone (March 9th), Nike (March 21st) and AAC (March 22nd).

We made no changes to the portfolio in February.

We thank you for your continued support.

### Portfolio Managers

Dr Ian Mortimer, CFA  
Matthew Page, CFA

### Analysts

Joshua Cole  
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## Guinness Global Innovators Fund

### PORTFOLIO

28/02/2017

Fund top 10 holdings	Sector analysis	Geographic allocation
Boeing 3.7%	IT 45.8%	USA 63.3%
Applied Materials 3.6%	Industrials 19.5%	Germany 9.7%
AAC Technologies 3.6%	Consumer Disc. 12.6%	China 6.7%
Check Point Software 3.5%	Health Care 9.6%	Israel 3.5%
Verifone Systems 3.5%	Financials 5.6%	South Korea 3.5%
Comcast Corp 3.5%	Energy 3.0%	UK 3.3%
Samsung Electronics GDR 3.5%	Cash 3.9%	Japan 3.0%
Cisco Systems 3.4%		France 3.0%
SAP AG 3.3%		Cash 3.9%
Shire 3.3%		
% of Fund in top 10 35.0%		
Total number of stocks 30		

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

Guinness Global Innovators strategy*	12.97%
MSCI World Index	10.81%
IA Global sector average	9.28%

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

	Feb '13	Feb '14	Feb '15	Feb '16	Feb '17
Guinness Global Innovators strategy*	19.5	25.8	22.3	-3.2	35.7
MSCI World Index	17.2	10.8	17.6	-0.7	36.6
IA Global sector average	11.9	9.3	11.8	-3.7	31.2

### Cumulative % gross total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years	10 years
Guinness Global Innovators strategy*	3.4	4.9	35.7	60.5	141.5	251.3
MSCI World Index	4.0	4.6	36.6	59.4	107.1	153.7
IA Global sector average	2.9	4.3	31.2	41.3	72.8	98.4

### RISK ANALYSIS

28/02/2017

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	0.18	2.53
Beta	1	0.81	1.11
Information ratio	0	-0.44	0.69
Maximum drawdown	-14.03	-17.08	-17.14
R squared	1	0.78	0.86
Sharpe ratio	0.95	0.78	1.09
Tracking error	0	5.84	5.73
Volatility	12.38	11.31	14.88

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Source: Financial Express, bid to bid, gross 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: 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](http://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**

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