

# Guinness Global Equity Income Fund

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A high conviction equity fund managed by Dr. Ian Mortimer and Matthew Page, CFA, in accordance with their intelligent investment process for high quality income portfolios.

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<b>Aim</b>	<b>We don't chase yield, we want capital and dividend growth</b> Our aim is long-term capital growth and a steady rising dividend stream, balanced with a yield of 3-4%.
<b>Process</b>	<b>Quality before yield</b> We buy companies that have generated at least 10% Cash Flow Return on Investment every year for 10 years. <b><i>"It's a rare achievement for a company to meet our investment criteria – 10% cash flow return on investment every year for ten years is a mark of genuine quality. That's where our portfolio starts – persistent cash generation before yield."</i></b> Ian Mortimer, co-manager.

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## INVESTMENT COMMENTARY – February 2012

The market rallied in January amid new optimism surrounding a successful bailout of Greece and improving economic data points from the US. The Fund delivered a total return in GBP of 0.69%, compared to the MSCI World Index up 3.44%. Our defensive positioning and bias towards larger cap. companies meant we didn't capture as much of the rather surprising rally in January. Our positions in Financials, IT and Industrials outperformed while our positions in large cap. Consumer Staples underperformed.

We didn't make any changes to the portfolio in January and remain content with our defensive positioning in light of the volatility we expect to see over the next 12 months. Peripheral European sovereign spreads remain at the level they were in the summer of 2011, despite having come down from the highs of late 2011, and the threat of Greek default increases with every passing day. In light of a lack of any effective Greek domestic monetary policy tool, a deep recession and drastic austerity measures, the threat to the Eurozone remains very real. Ultimately the outlook for growth in Europe remains bleak, hence S&P downgrading the debt ratings of a number of European countries (France lost its AAA rating). The region is now likely to be in recession. What is more positive is how effective the European Central Bank's (ECB) Long-Term Refinancing Operation (LTRO) has been at improving bank balance sheets and therefore improving financing conditions for European companies.

We continue to believe that high quality, globally diversified large cap. companies are best positioned to weather this period of economic uncertainty and, given their large cash piles, should be able to take advantage of M&A opportunities that may arise whilst also strengthening their market position. Most importantly, we believe owning a portfolio of these companies is the best way of defending your capital whilst also paying you a growing dividend.

**Dr. Ian Mortimer & Matthew Page**

**Co-managers**

**Guinness Global Equity Income Fund**

**February 2012**

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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.

## PERFORMANCE

## Discrete years' % total return (quarter end)

12 months ending:	31.12.07	31.12.08	31.12.09	31.12.10	31.12.11
Guinness Global Equity Income Fund	-	-	-	-	2.0
MSCI World Index	7.2	-17.9	15.7	15.3	-4.8
IMA Global Equity Income sector average	5.7	-18.4	17.4	14.3	-2.1

## Cumulative % total return

31/01/2012	1 month	3 months	6 months	1 year	From launch
Guinness Global Equity Income Fund	0.7	2.2	0.8	2.8	2.7
MSCI World Index	3.4	4.7	-0.2	-1.5	-1.6
IMA Global Equity Income sector average	1.9	1.9	-0.1	1.0	-0.2

## Risk analysis

Annualised, month end, from launch on 31.12.10	Index	Sector	Fund
Alpha	0	1.14	3.56
Beta	1	0.87	0.77
Information ratio	0	0.22	0.82
Maximum drawdown	-14.06	-10.95	-10.76
R squared	1	0.76	0.84
Tracking error	0	5.85	4.81
Volatility	11.67	11.61	9.77

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, C class shares, GBP. Launch date: 31.12.10.

**Alpha**

Alpha is a measure of a fund's over or underperformance by comparison to its benchmark. It represents the return of the fund when the benchmark is assumed to have a return of zero, and thus indicates the extra value that the manager's activities have contributed.

**Beta**

Beta is a statistical estimate of a fund's volatility by comparison to that of its benchmark, i.e. how sensitive the fund is to movements in the section of the market that comprises the benchmark. A fund with a Beta close to 1 will move generally in line with the benchmark. Higher than 1 and the fund is more volatile than the benchmark.

**Information Ratio**

An assessment of the degree to which a manager uses skill and knowledge to enhance returns, this is a versatile and useful risk-adjusted measure of actively-managed fund performance. It is calculated by deducting the returns of the fund's benchmark from the fund's overall returns, then dividing the result by its Tracking Error. In this way, we arrive at the value, per unit of extra risk assumed, that the manager's decisions have added to what the market would have delivered anyway.

**Maximum Drawdown**

Represents the worst possible return over a period, e.g. buying at the highest price over the period and selling at the lowest.

**R-Squared**

The R-Squared measure is an indication of how closely correlated a fund is to an index or a benchmark. It can be treated as a percentage, showing what proportion of a fund's movements can be attributed to those of the benchmark. Values for R-Squared range between 0 and 1, with 0 indicating no correlation at all, and 1, rarely, showing a perfect match.

**Tracking Error**

This statistic measures the standard deviation of a fund's excess returns over the returns of an index or benchmark portfolio. As such, it can be an indication of "riskiness" in the manager's investment style. A Tracking Error below 2 suggests a passive approach, with a close fit between the fund and its benchmark. At 3 and above the correlation is progressively looser: the manager will be deploying a more active investment style, and taking bigger positions away from the benchmark's composition.

**Volatility**

Standard deviation is a statistical measurement which, when applied to an investment fund, expresses its volatility, or risk. It shows how widely a range of returns varied from the fund's average return over a particular period. Low volatility reduces the risk of buying into an investment in the upper range of its deviation cycle, then seeing its value head towards the lower extreme.

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**PORTFOLIO**

<b>Fund top 10 holdings</b>		<b>Geographic allocation</b>		<b>Sector analysis</b>	
L-3 Communications	3.0%	United States	46.9%	Consumer Staples	30.4%
ICAP	3.0%	Great Britain	29.3%	Financials	14.6%
Wal-Mart Stores	2.9%	France	8.8%	Health Care	14.6%
Halma	2.9%	Spain	2.9%	Industrials	11.8%
Pepsico	2.9%	Netherlands	2.9%	Telecommunication Services	7.0%
Aberdeen Asset Management	2.9%	Germany	2.9%	Information Technology	5.9%
Reckitt Benckiser	2.9%	Hong Kong	1.2%	Energy	5.9%
Johnson & Johnson	2.9%	Australia	1.1%	Consumer Discretionary	5.8%
Illinois Tool Works	2.9%				
Danone	2.9%				
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% of fund in top 10	29.4%	Cash	4.0%	Cash	4.0%
Total number of stocks in fund	34		100.0%		100.0%

**IMPORTANT INFORMATION**

This report is primarily designed to inform you about the Guinness Global Equity Income Fund, including recent activity and performance. For regulatory purposes it falls within the legal definition of a financial promotion. Please therefore note the risk warnings below and the following statements: it contains facts relating to equity markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report. It is 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 content of the document should not therefore be relied upon. It should not be taken as a recommendation to buy or sell individual securities.

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 the Fund's portfolio changes daily and can be affected by changes in currencies, interest rates, general market conditions and other political, social and economic developments, as well as specific matters relating to the companies in whose securities the Fund invests. Investment in the Fund carries with it a degree of risk and investors should read the risk factors section in the prospectus before investing.

The full Fund documentation contains more complete and detailed information of risk, fees, charges and expenses that are to be borne by an investor. The documentation should be read carefully before investing. The full documentation needed to make an investment, including the Prospectus, the Simplified Prospectus and the Application Form are available, free of charge, from the Manager: Capita Financial Managers (Ireland) Limited, Montague House, Adelaide Road, Dublin 2 Ireland or the Promoter and Investment Manager: Guinness Asset Management Ltd, 14 Queen Anne's Gate, London SW1H 9AA. **Documentation is also available from the website [www.guinnessfunds.com](http://www.guinnessfunds.com).** This document should not be distributed to Retail Clients who are resident in countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful. **THIS INVESTMENT IS NOT FOR SALE TO U.S. PERSONS.**

The Guinness Global Equity Income 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. The Fund has been approved by the Financial Services Authority for sale in the UK. The Company and the Fund have been recognised in the UK by the FSA pursuant to section 264 of the FSMA. Guinness Asset Management Ltd is authorised and regulated by the Financial Services Authority. The prospectus for Switzerland, the simplified prospectus for Switzerland, the articles of association, the annual and semi-annual reports, as well as the list of the buying and selling transactions 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, Fax: +41 22 705 11 79, [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 to Guinness Asset Management may be recorded.

**GUINNESS**  
— FUNDS —

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