

Guinness Global Equity Income Fund

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

INVESTMENT COMMENTARY - January 2014

Fund size (31.12.13) **£47.8m**

Aim

We don't chase yield, we want capital and dividend growth

Our aim is long-term capital growth and a steady rising dividend stream.

Process

Quality before yield

We buy companies that have generated at least 10% return on investment every year for 10 years.

"It's a rare achievement for a company to meet our investment criteria – 10% 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."

This performance ranks the Fund in the top quintile of peer funds in the IMA Global Equity Income sector over both one and three years.

The Fund has also grown in assets under management from £16 million at the start of 2013 to £48 million by the end of the year.

It is also worth noting that the performance of the Fund has been achieved with a level of volatility that is lower than both the Index and the sector. The volatility of the Fund over the last three years has been 11.8% while the average fund in the sector has had a volatility of 12.8%, with the Index at 14.4%.

With our focus on companies that have the ability to grow their dividends we have also managed to distribute a dividend from the Fund that has grown each year, as can be seen in the chart.

Chart 1: Dividend growth

Dividends paid on £10,000 invested at launch (C class, 1,000 shares purchased on 31.12.10)



With 36 months of performance, we now have a data set that is statistically significant. When we look at the performance of the Fund over the last 3 years (see chart 2) you can see that the

Annual review

At the start of a new year it seems appropriate to review what we have done in 2013 and consider the year ahead.

In 2013 the Fund produced a total return of 26.21% (in GBP – E Class) compared to the MSCI World Index's 24.32%. The Fund therefore outperformed the Index by 1.89%.

December 31st 2013 also marks the three year anniversary of the Fund's launch, and over this period the Fund has produced a total return of 36.33% compared to the MSCI World Index return of 31.01%, thus outperforming by 5.23%.

Fund has produced a fairly clear picture. The Fund has tended to get most of its outperformance in sharply falling markets (i.e. months where the MSCI World Index has fallen by more than 4%) and tends to underperform in sharply rising markets (i.e. months where the MSCI World Index has gained more than 4%). Importantly, this distribution is somewhat skewed in that the Fund has tended to outperform more in periods of sharp falls, than it has underperformed in periods of sharp gains.

Chart 2: Frequency distribution of monthly total returns of Fund vs benchmark

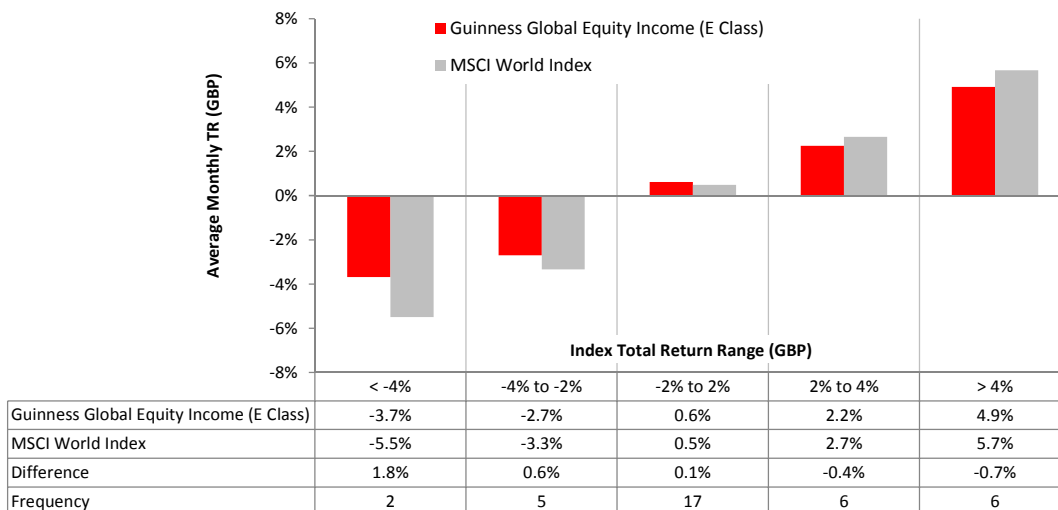
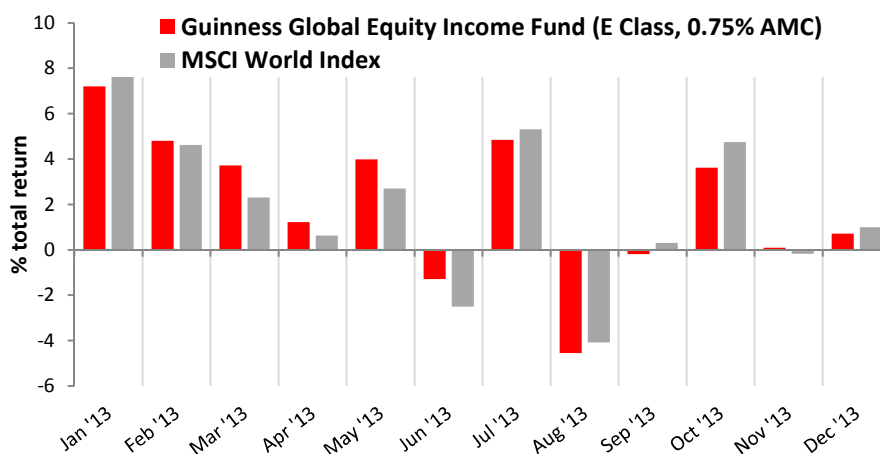


Chart 3 shows the performance of the Fund compared to the MSCI World Index month by month over the course of 2013. We saw a strong rally in global equities over the first five months of the year, and pleasingly the Fund outperformed the Index during this rally to 21st of May. This marked the moment where tapering of US quantitative easing become front of mind. During the subsequent fall in markets through June the Fund held up well – and again outperformed. This was largely due to the fact that we had relatively little exposure to high yielding equities, which were hit particularly hard, as well as low exposure to emerging markets, as emerging market currencies moved sharply on the news. The second half of the year was dominated by the US shutdown, which negatively affected sentiment towards US companies in a similar way to what we saw at the end of 2012. This was a modest drag on our performance over the second half of the year.

Chart 3: Monthly total return of Fund vs benchmark in 2013



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Our allocation to Financials (where we were a little underweight relative to the index) and Industrials (where we had been increasing our allocation over the course of the year) were the most significant contributors to performance. The majority of the contribution from these sectors came from stock selection. Our holdings in ICAP and Aberdeen Asset Management were standout performers in the Financials sector, whilst Northrop Grumman, Meggitt, L-3 Communications, Illinois Tool Works and General Dynamics all performed particularly well in the Industrial sector.

The fact we had no exposure to the Materials sector was also an important contributor.

Our allocations to Consumer Staples and Health Care, which we reduced over the course of the year, were the main detractors from performance relative to the Index. This was largely due to our bias towards some of the large companies in the sectors.

Looking at the performance of equity markets as a whole during 2013 by region and sector, the US and Europe showed the strongest gains while emerging market equities actually fell (in USD terms, see chart below). The strongest performing sectors were European Telecomms, US Consumer Discretionary and US Healthcare. The Materials and Energy sectors were relatively weak across all geographies.

Chart 4: Total return (USD) in 2013 by region and sector

| Total Return (USD) 2013 | MSCI World | MSCI US | MSCI Europe | MSCI Asia | MSCI EM |
|-------------------------|------------|---------|-------------|-----------|---------|
| Index | 27.5% | 32.6% | 26.1% | 13.6% | -2.4% |
| Sector | | | | | |
| Energy | 19.0% | 25.4% | 14.0% | -11.0% | -10.5% |
| Materials | 4.0% | 24.6% | 5.0% | 4.1% | -16.8% |
| Industrials | 32.8% | 40.8% | 31.3% | 12.9% | -1.0% |
| Cons Disc | 40.0% | 42.9% | 37.1% | 26.2% | 5.8% |
| Cons Staples | 22.2% | 26.5% | 18.3% | 11.7% | -3.7% |
| Healthcare | 37.1% | 42.0% | 32.3% | 17.6% | 9.2% |
| Finance | 28.2% | 34.0% | 31.6% | 10.6% | -3.9% |
| IT | 29.3% | 29.8% | 33.9% | 16.4% | 14.0% |
| Telecomms | 32.5% | 14.2% | 43.9% | 25.7% | -1.3% |
| Utilities | 13.9% | 13.6% | 19.4% | 9.4% | -2.7% |

An investment process whose ultimate goal is to search for good businesses that are attractively valued requires patience and discipline. Valuation gaps take time to revert to the mean, so you won't find us trading in and out of positions. As we have written previously, we do not consider ourselves traders, we consider ourselves investors. Ultimately we want to own businesses that generate cash and dividends, and as long as the valuations don't present considerable risk to preservation of capital we see no need to trade.

We find it constructive to consider candidates for investment as if they were not listed companies with share prices that oscillate from day to day, minute to minute, but consider what we would want to see in a company that lacked a highly liquid market for its shares such that, to invest, we might have to commit for three years, five years or even longer. This leads us to focus on companies that can continue to generate high returns on capital, that don't have overly stretched balance sheets, and that will give us a "guaranteed" return each year in the form of a dividend. Thinking this way also forces you to consider the variety of economic, industry and stock-specific factors that drive the true value of a business over the long term and ignore short-term sentiment (fear and greed). We can then focus our efforts on identifying which businesses we would like to own and whether they are undervalued, fair value or overvalued.

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Guinness Global Equity Income Fund

Consequently, our turnover in the portfolio has been low over the last three years, as shown below. In 2013 we sold a total of eight companies and we bought seven. This compares with 2012 where we bought only four companies and sold just three, and 2011 where we bought eight companies and sold nine.

| Portfolio changes | 2011 | 2012 | 2013 |
|-----------------------|------|------|------|
| Purchases | 8 | 4 | 7 |
| Sales | 9 | 3 | 8 |
| Total Holdings | 35 | 36 | 35 |

The number of changes we made to the portfolio this year was higher than last year but similar to 2011. If we were to characterise the majority of the sales we made last year, they would be best described as being driven by valuation, compared to 2011 where most decisions were due to a changing macro environment, and 2012 where we had concerns surrounding forecast profitability.

First, in January we sold Metcash, an Australian supermarket and convenience store brand. The company had acquired a number of a competitor's stores and was struggling to integrate these additional stores into the business, causing a drag on cash flow. The company was also struggling due to weakening pricing power relative to some of their larger competitors. We became concerned about these structural changes in the outlook for the business and concluded there were better opportunities elsewhere.

In March we sold Wal-Mart and VF Corp. We had owned both companies in the Fund since launch and each made a significant contribution to performance. They are very different businesses and have grown in very different ways, but what they share is a remarkable ability to generate cash and a consistent approach to distributing that cash back to shareholders. However, by March neither company looked like the bargain it once was (VF Corp traded on 15.3X PE ratio for 2013, and Wal-Mart on 15.4X) and their share price growth had outpaced that of their dividends, meaning their dividend yields were now modest. We continue to like both companies and will follow their progress in the future, but for now we are happy to have taken profits.

Often the most attractively valued opportunities arise in the ugliest circumstances, and in our update in March we noted the market's obsession with 'cliffs' of all types, be it patent or fiscal. People's perceptions of the severity and implications of such cliffs move the market to extreme valuation levels, which can be overly pessimistic. One area in particular we identified was the defence stocks, which looked cheap on our screens because of the negative sentiment towards these companies following the sequestration debates in the US. To take advantage of these cheap valuations, and to replace our sales of Wal-Mart and VF Corp, we purchased two new companies for the portfolio: Northrop Grumman and BAE Systems. Northrop Grumman is a US-focused defence contractor that was trading on a PE ratio of 9.9X for 2013, and BAE Systems is a more internationally-diversified supplier of defence equipment and systems that was trading on a PE ratio of 9.4X for 2013. Both companies had underperformed the broad market around the turn of 2013 and were trading on EV/EBITDA multiples at historic lows. But with free cash flow yields of 10%+ and proven track records of generating high returns on capital even in previous periods of budgetary constraints, we felt these companies offered a compelling investment opportunity.

Both companies have performed well since we bought them, with Northrop Grumman in particular being one of our top performing companies of the year.

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In October we made more changes to the portfolio to take profits on companies that had done well, and initiate new positions in companies with cheaper valuations, offering better margins of safety, and more attractive dividend yields.

We sold five companies in October and replaced them with five new purchases.

First we took profits on Halma and Pfizer. Halma, the UK-listed industrial safety equipment company, has been one of the best performing stocks we have held in the portfolio, with a total return of almost 70% from purchase to sale. It also provided the Fund with a steadily rising dividend stream, with dividend growth of around 7% per annum. The company has barely put a foot wrong, with good top and bottom-line growth and consistently high returns on capital. The market had recognised this, and by October it was trading on a PE multiple of 22 times, which is very close to the maximum multiple it has achieved over the last ten years. Having reached such a rich valuation we found it difficult to justify continuing to hold it in the portfolio compared to other cheaper opportunities.

We bought Pfizer, the US-listed global pharmaceuticals company, in the summer of 2011 when we made changes to the Fund to reflect our worries regarding the outlook for Europe. Pfizer, and the global pharmaceutical companies in general, were very unloved at that time – the market had sold them down because of the expected impact of patent cliffs. When we purchased the stock it was trading on a PE multiple of 7.9 times and had a share price of \$18. When we sold it the stock was trading on a multiple of 13.5 times with a share price of \$29. Earnings growth for the company was limited during the period we held it, meaning the majority of the share price performance was due to multiple expansion (i.e. re-rating). When we think about the return we might achieve from a company we note it can be split into three main components: a) dividends, b) earnings growth and c) multiple expansion. In the case of Pfizer we think we captured the majority of the multiple expansion; combined with its relatively low dividend yield and our cautious outlook for earnings growth, we chose to sell.

We also sold our holdings in Kraft Foods Group and Mondelez International, the two companies that emerged from the re-organisation of the original Kraft Foods in October 2012. The performance of both companies has been enviable, with good revenue and earnings growth combined with a good tailwind from US stock market performance generally and the US Consumer Staple sector specifically. With PE multiples of 19 times for Kraft Foods Group and 21 times for Mondelez, and dividend yields of 3.7% and 1.6% respectively, we felt it an opportune time to take profits and instead buy companies offering better upside potential (which also reduced our exposure to the US and the Consumer Staples sector).

The final sell we made in October was that of AstraZeneca, which we put in the bucket of sells induced by a change in investment thesis: we no longer expect the re-rating or earnings growth we had originally envisaged. We had owned AstraZeneca since we launched the Fund, one of a basket of pharmaceutical companies that we purchased at the time which we believed had been unfairly sold down. Indeed, when we first bought AstraZeneca it was trading on a PE of just 6 times. Since purchase the total return for the Fund had been just under 40%, as the PE multiple had expanded to 10 times, despite a headwind of decreasing earnings over the period as a whole. We thought the outlook had turned even more negative, and on many indicators we follow our investment thesis no longer stood up. Analysts' earnings expectations were sharply lower, and the free cash flow dividend cover stood at only 1.5 times. Despite the company offering a high dividend yield which will be attractive to many, we concluded there was only modest potential for upside and little scope for dividend growth.

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Of the five companies we bought in October, four can be classified as quality companies that we identified as offering good value, and one is probably better classified as ‘deep value’ because the market sentiment is almost universally negative.

The four companies in the ‘quality at a good price’ group were:

- Schneider Electric, the French-listed electrical component manufacturer
- Sonic Healthcare, an Australian-listed medical diagnostics company
- Vodacom, the South African-listed telecoms company
- CNOOC, the Hong Kong-listed Chinese state oil company

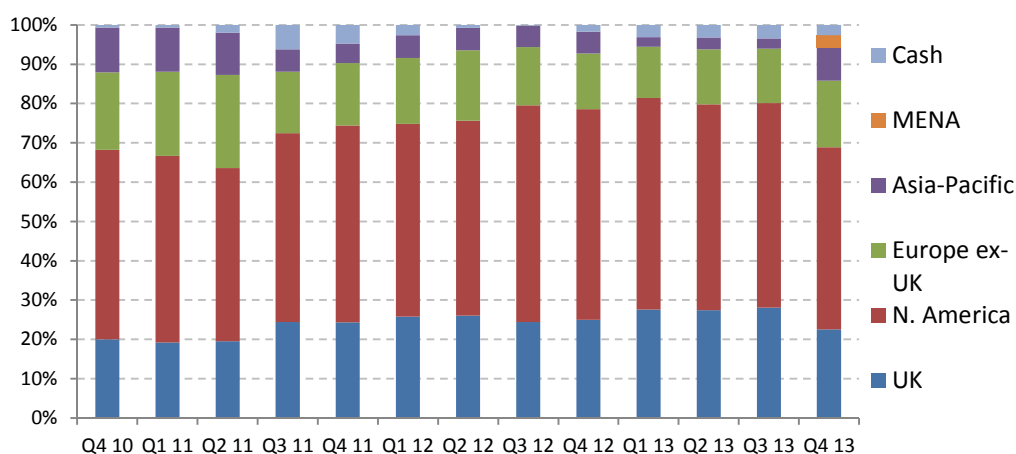
What immediately jumped out about this group was that none were listed in the UK or US (regions that had performed well) and they were in the more cyclical sectors of the market. This was not necessarily reflective of a ‘top-down’ view we had but reflects our ‘bottom-up’ analysis, which focuses purely on valuations of individual stocks regardless of which sectors or regions they are in. They all traded on valuation multiples well below their historic highs and, importantly, offer good prospects for earnings growth. The latter is something we were increasingly focusing on in the portfolio, as we have seen the market multiple expand so much since the lows after the financial crisis.

The final company we purchased was Teva Pharmaceutical, the US-listed generic drug manufacturer that is based in Israel. The company has been a consolidator of generic drug manufacturers and also generates a large proportion of its revenues from a multiple sclerosis drug for which it owns the patent. Ironically it is the threat of generic competition to this drug next year, when it comes off patent, that has been a drag on the company. Priced at just over seven times 2014 expected earnings, however, it ranked in the bottom decile of its industry peers and almost two standard deviations away from its median multiple over the past 10 years. Earnings expectations have fallen over the past year but we felt this may have bottomed, and the market has oversold the stock based on an overly pessimistic view. Again, we cannot pinpoint when sentiment and/or the share price may start to recover, but at such lowly valuations and with sentiment already at extreme levels we feel there is good upside potential over the longer term and a lot of bad news already priced in.

The overall effect of the changes we made to the portfolio can be seen in the charts below.

In terms of geographic exposure the main change was to reduce our exposure to North America and the UK and increase our exposure to Europe and Asia.

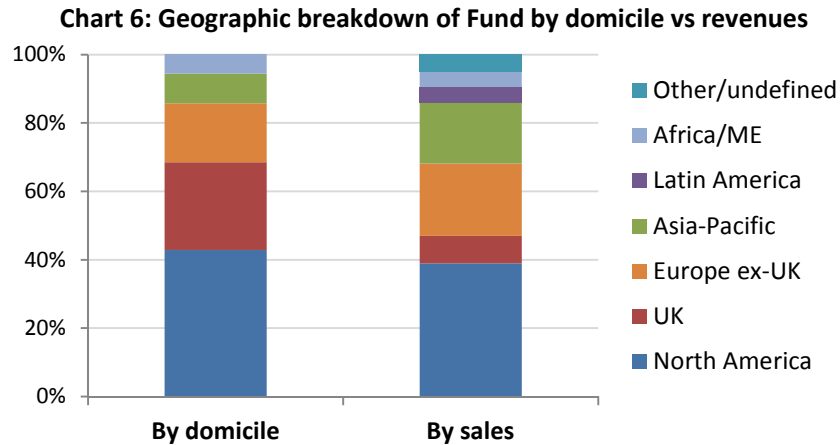
Chart 5: Geographic breakdown of Fund over time (at quarter end since launch)



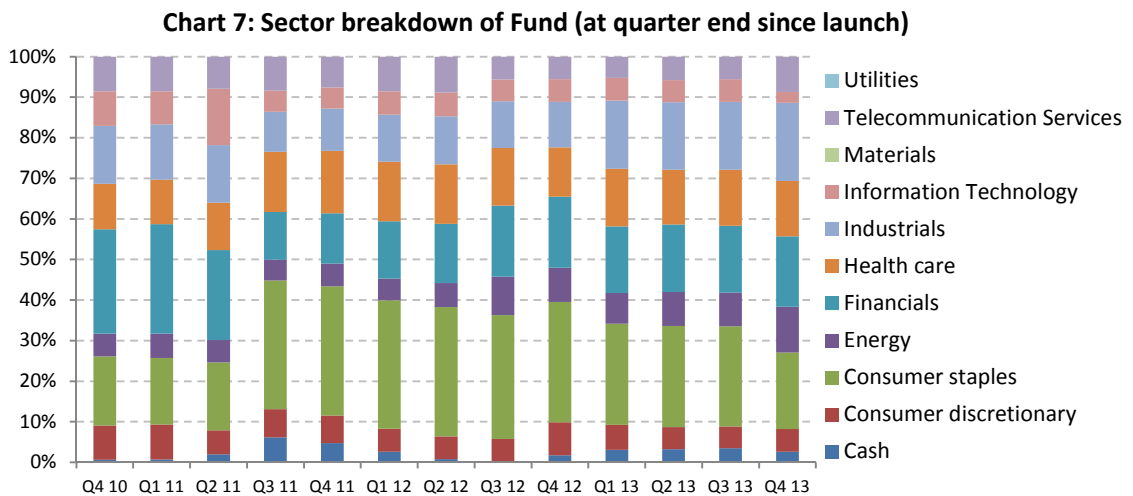
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We note that many of the companies we own have global revenue streams, so we also like to look at the portfolio's exposure by where the aggregate revenues are coming from. The chart below illustrates that our exposure at the end of the year by sales looks quite different to our exposure by domicile. The UK stands out particularly: our exposure to UK companies by domicile is 25% whereas by sales it is only around 8%.

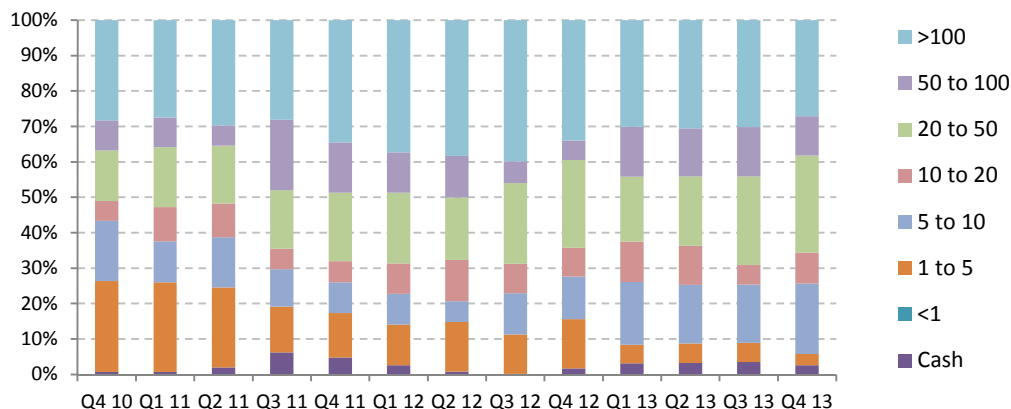


In terms of sectors, the effect of the changes we made to the portfolio has been to reduce our exposure to the Consumer Staples sector quite markedly while increasing our exposure to Industrials, Financials, and Energy.



The changes to the portfolio have had very little effect on the Fund's market cap breakdown.

Chart 8: Market capitalisation breakdown of Fund (\$bn, at quarter end since launch)



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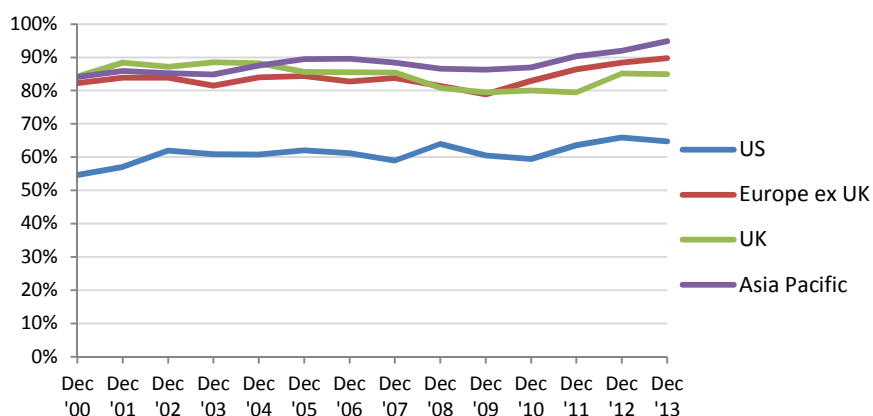
The Fund at the end of the quarter was trading on a PE of 13.4X 2014 earnings, and 12.5X 2015 earnings, a discount of 9.9% and 6.7% respectively to the broad market. We therefore see the portfolio as continuing to provide good value compared to the broad market.

Given the strong demand that exists for income right now and the fact that yields on cash and bonds are so low, a lot more attention has been given to dividend-paying equities as a source of income over the last few years. Whilst we do not seek to meet any high dividend yield target for the Fund, preferring to focus on investing in good businesses that can grow their dividend, we note that demand for high-yielding equities had been very strong up until May 2013. In May Bernanke signalled the potential for tapering the Fed’s quantitative easing programme, and consequently some high-yielding equities (particularly those with emerging market exposure) were hit as the market’s focus shifted from their attractive yields to the viability of the underlying business in a higher interest rate environment. Given the strong rally we have seen this past year, it is interesting to consider how the pool of available dividend-paying companies has evolved over the last few years, and put it in a longer-term context as well.

In the charts below we look at some of the trends and variations amongst dividend paying companies by the region in which they are domiciled over the last 14 years. The first chart shows the proportion of companies that pay a dividend (this includes companies that have only a very modest dividend yield which therefore would be too low to include in most dividend-focused portfolios, but nonetheless it’s an interesting picture). The chart shows the trend that an increasing proportion of companies have been choosing to pay dividends over the last three years. This is partly due to management’s reluctance to expand capital expenditure to drive growth (due to uncertainty of demand) and partly due to higher profit margins (due to lower debt financing costs). Management have therefore preferred to return cash to shareholders, and shareholders have been happy to receive it.

It’s also clear that in the US, where there is a long tradition of share buy-backs, only around 65% of companies with a market capitalisation of over \$1b pay a dividend, but this has grown from 55% back in 2000. It is also striking that a higher proportion of companies in Asia-Pacific with a market cap over \$1 billion pay a dividend than any other region.

Chart 9: Proportion of companies with a market cap over \$1bn that pay a dividend, by region

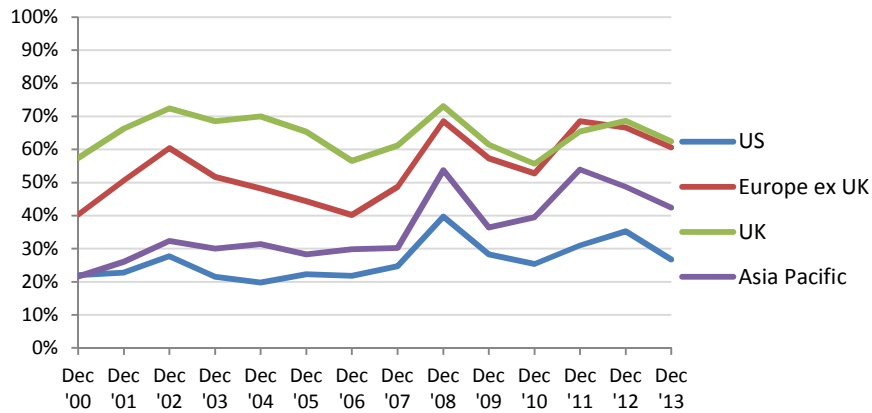


When we look at the proportion of companies that have a dividend yield above 2% (trailing 12 month dividend yield) the picture looks quite different. The US is still the lowest at only 27%, but then we see Asia-Pacific at 42%, with the UK and continental Europe at over 60%. Looking over the longer term back to 2000, what is striking is the substantial growth in the proportion of companies from both Europe ex-UK

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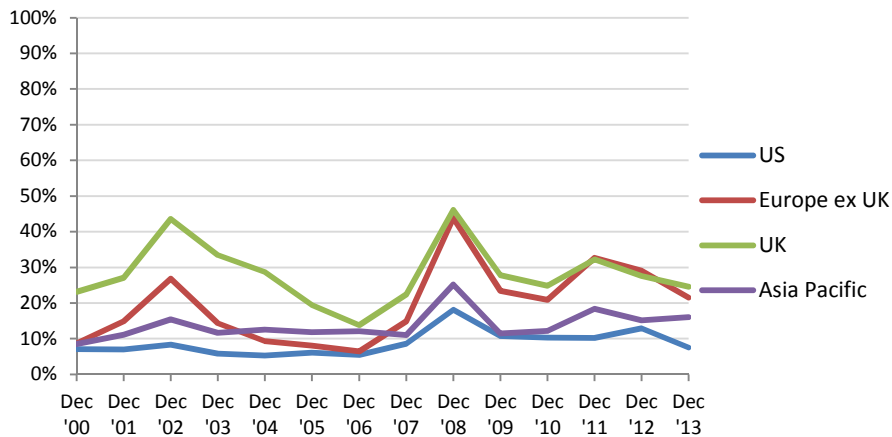
and Asia-Pacific that pay a reasonable dividend, thereby providing a more diversified pool of companies for inclusion in funds like ours.

Chart 10: Proportion of companies with a market cap over \$1bn that yield over 2%



If we then increase this yield cut-off to 4%, we see a similar picture, with a steady growth in the proportion of European and Asian companies that have a high yield.

Chart 11: Proportion of companies with a market cap over \$1bn that yield over 4%



The group of companies that pay dividends has shown some positive new trends over the last few years. And despite last year’s strong rally in equities there remains today a good pool of companies to invest in that is well diversified across geographies.

In terms of valuation, Emerging Markets and Asia offer the most attractive valuation as a whole, but this is skewed by the large weighting towards the Financials sector. Indeed Consumer Staples and Healthcare stocks in these regions look expensive relative to western companies. While markets have seen multiple expansion over the last 12 months, the overall picture on a relative basis has not changed drastically over the last two years. We also note that US companies have tended historically to command a premium to European companies.

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Chart 12: 2014 PE at 31.12.13 by region and sector

| PE '14 at 31/12/13 | MSCI World | MSCI US | MSCI Europe | MSCI Asia | MSCI EM |
|--------------------|------------|---------|-------------|-----------|---------|
| Index | 15.1 | 15.6 | 13.6 | 13.0 | 10.6 |
| Energy | 12.7 | 13.3 | 10.2 | 9.4 | 7.0 |
| Materials | 14.7 | 16.1 | 14.0 | 14.2 | 2.3 |
| Industrials | 16.2 | 16.9 | 15.6 | 14.1 | 14.1 |
| Cons Disc | 17.0 | 19.7 | 14.1 | 12.8 | 12.0 |
| Cons Staples | 17.3 | 17.3 | 16.8 | 20.2 | 21.4 |
| Healthcare | 16.4 | 16.9 | 15.2 | 21.1 | 21.7 |
| Finance | 12.9 | 13.5 | 11.5 | 10.9 | 8.8 |
| IT | 15.3 | 14.5 | 19.8 | 12.6 | 11.0 |
| Telecomms | 15.5 | 15.9 | 14.7 | 15.4 | 12.8 |
| Utilities | 15.2 | 15.0 | 13.1 | 18.8 | 6.4 |

Looking at dividend yield, Europe followed by Emerging markets are offering the highest dividend yields. Again the relative picture has not changed drastically over the last few years.

Chart 13: Trailing 12 month dividend yield at 31.12.13 by region and sector

| Div Yield at 31/12/13 | MSCI World | MSCI US | MSCI Europe | MSCI Asia | MSCI EM |
|-----------------------|------------|---------|-------------|-----------|---------|
| Index | 2.4 | 1.9 | 3.4 | 2.1 | 2.6 |
| Energy | 2.9 | 2.0 | 4.5 | 3.4 | 3.7 |
| Materials | 2.6 | 2.2 | 3.1 | 1.7 | 2.7 |
| Industrials | 2.1 | 1.9 | 2.8 | 1.8 | 2.0 |
| Cons Disc | 1.7 | 1.2 | 2.9 | 1.6 | 1.5 |
| Cons Staples | 2.7 | 2.6 | 2.9 | 1.8 | 2.0 |
| Healthcare | 2.1 | 1.6 | 3.0 | 2.2 | 1.0 |
| Finance | 2.7 | 1.8 | 3.5 | 2.5 | 3.2 |
| IT | 1.5 | 1.5 | 1.5 | 1.5 | 1.6 |
| Telecomms | 4.3 | 4.8 | 4.6 | 2.9 | 3.7 |
| Utilities | 4.5 | 4.0 | 6.1 | 2.0 | 3.1 |

Clearly valuations in aggregate are higher today than they have been for some time, but we are cautious about drawing too many conclusions for our investment process from looking at aggregate data like this. An average can obscure huge amounts of useful and interesting data in the underlying spread and the bias that market capitalisation can have on these weighted averages. Indeed, our investment process is designed to focus on identifying companies whose valuations are at the far left of the distribution, not the average (i.e. are cheap relative to their peers). We select a concentrated portfolio of 35 companies on a case-by-case basis and will go to whichever companies look attractive irrespective of what sector or geographies they may be in. It is more important to us to find a set of companies with a proven history of high return on capital, attractive valuation, good capital budgeting discipline and scope for dividend growth etc., than to identify companies in a sector or industry that in aggregate looks cheap relative to others. We continue to try to identify good businesses that are unloved and attractively valued, but which require an investment horizon beyond the short-term.

We would like to wish everyone a very happy and prosperous New Year and thank you for your support over the last three years.

Dr. Ian Mortimer & Matthew Page

**Co-managers,
Guinness Global Equity Income Fund**

January 2014

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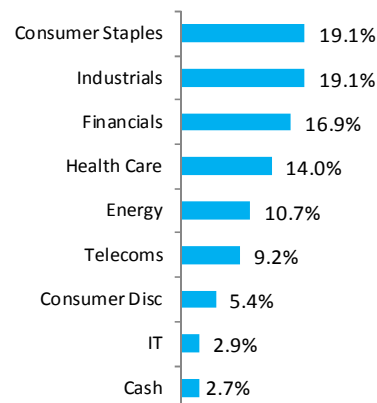
PORTFOLIO (31.12.13)

Fund top 10 holdings

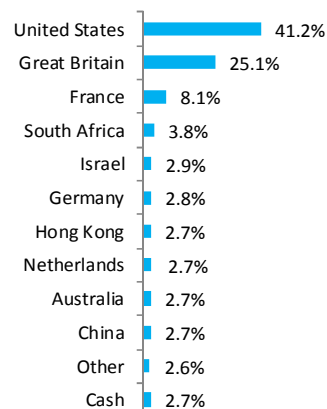
| | |
|---------------------------|------|
| Vodacom | 3.8% |
| Aberdeen Asset Management | 3.1% |
| ICAP | 3.0% |
| Merck & Co | 3.0% |
| Teva Pharmaceutical | 2.9% |
| Microsoft | 2.9% |
| Northrop Grumman | 2.8% |
| Reckitt Benckiser | 2.8% |
| General Dynamics | 2.8% |
| Deutsche Boerse | 2.8% |

% of Fund in top 10 30.0%
Total number of stocks in Fund 35

Sector analysis



Geographic allocation



PERFORMANCE

Discrete years % total return (GBP)

| 12 months to month end: | Dec '09 | Dec '10 | Dec '11 | Dec '12 | Dec '13 |
|---|---------|---------|---------|---------|---------|
| Fund C Class (1.5% AMC) | - | - | 2.0 | 4.7 | 25.4 |
| Fund X class (0.75% AMC) | - | - | 2.7 | 5.5 | 26.3 |
| MSCI World Index | 15.7 | 15.3 | -4.8 | 10.7 | 24.3 |
| IMA Global Equity Income sector average | 17.4 | 14.3 | -2.1 | 9.7 | 20.4 |

Cumulative % total return (GBP)

| 31/12/2013 | 1 month | Year-to-date | 1 year | 3 years | From launch |
|---|---------|--------------|--------|---------|-------------|
| Fund X class (0.75% AMC) | 0.7 | - | 26.3 | 36.9 | 36.9 |
| MSCI World Index | 1.0 | - | 24.3 | 31.0 | 31.0 |
| IMA Global Equity Income sector average | 0.6 | - | 20.4 | 29.4 | 29.4 |

Annualised % total return from launch (GBP) 31/12/2013

| | |
|---|--------|
| Fund X class (0.75% AMC) | 11.03% |
| MSCI World Index | 9.41% |
| IMA Global Equity Income sector average | 8.96% |

Risk analysis - Annualised, weekly, from launch on 31.12.10, in GBP

| 31/12/2013 | Index | Sector | Fund |
|-------------------|--------|--------|--------|
| Alpha | 0 | 1.67 | 3.31 |
| Beta | 1 | 0.77 | 0.78 |
| Information ratio | 0 | -0.06 | 0.29 |
| Maximum drawdown | -18.26 | -15.50 | -16.34 |
| R squared | 1 | 0.81 | 0.90 |
| Sharpe ratio | 0 | 0.44 | 0.62 |
| Tracking error | 0 | 6.29 | 4.94 |
| Volatility | 14.36 | 12.27 | 11.84 |

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 X class:** Simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP. **IMA sector** performance based on highest fee share classes for each fund (C Class (1.5% AMC) for Guinness Global Equity Income). **See Notes overleaf.**

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 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

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. 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.

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 KIID and the Application Form are available, 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. **Documentation is also available from the website 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 Conduct Authority for sale in the UK. The Company and the Fund have been recognised in the UK by the FCA pursuant to section 264 of the FSMA. Guinness Asset Management Ltd is authorised and regulated by the Financial Conduct Authority.

Telephone calls to Guinness Asset Management may be recorded.

The prospectus for Switzerland, the KIID 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. The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Geneva, Switzerland.

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