

Guinness Global Equity Income Fund

INVESTMENT COMMENTARY - June 2014

About the Fund

Guinness Global Equity Income Fund is designed to provide investors with global exposure to dividend-paying companies.

The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size £55.5m

Launch date 31.12.10

Managers Dr. Ian Mortimer, CFA
Matthew Page, CFA

Performance 31.05.14

	1 year	3 years	From launch
Fund	6.7	35.9	41.9
Index	7.4	32.6	35.0
Sector	6.6	31.2	34.4

Annualised % total return from launch (GBP)

Fund	10.8%
Index	9.2%
Sector	9.0%

Benchmark index MSCI World Index

IMA sector Global Equity Income

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.



Guinness Global Equity Income
BEST FUND OVER 3 YEARS
EQUITY GLOBAL INCOME

Monthly update

The Fund generated a total return of 2.77% (in GBP) in May compared to its benchmark MSCI World Index which had a total return of 2.65%, thereby outperforming by (a slim) 0.12%.

Over the last three months the Fund generated a total return of 5.03%, outperforming the Index's 3.07% by just shy of 2%. This means the Fund has recovered the lost ground it gave up at the start of the year, and pleasingly is now ahead of the index year-to-date (up 3.59% versus the benchmark up 3.00%).

Since launch the Fund is up 41.85%, versus the MSCI World Index up 34.95%.

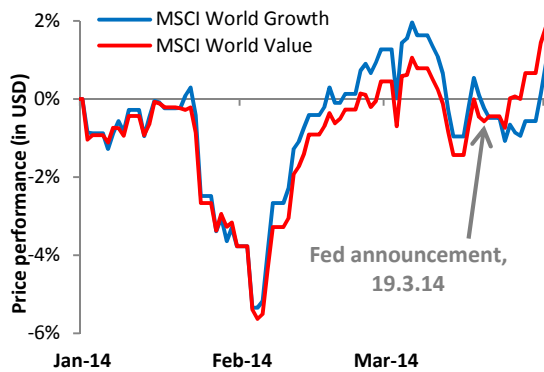
Analysis of returns

Because the performance of the Fund has picked up pace of late, we thought it would be useful to outline where this has occurred and how this has affected our thinking on the outlook for the Fund in the future.

As we discussed in some depth in our February update, the broad market had a poor start to the year and the Fund suffered alongside. In January our investments in emerging market companies were sold down in the market turmoil in that region, and we also had some stock-specific profit warnings – in particular Mattel, which sold off 20%. In February we recovered some of that lost ground as markets rebounded.

March, however, marked a bit of a turning point for the Fund, as value strategies (which we would fully classify ourselves as) started to outperform growth strategies post the Yellen announcement of low interest rates for longer. At the time we noted the diverging performance of the MSCI World Growth Index versus the MSCI World Value index, which coincided with the FED announcement.

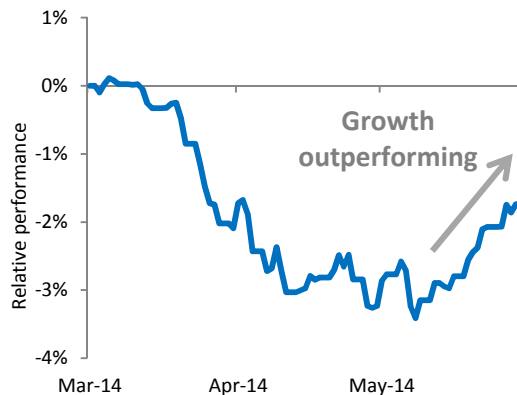
MSCI World Growth & Value Indices, 2014



Source: Bloomberg

In April and May the Fund continued its better performance. But where has this better performance come from? Looking at the relative performance of the MSCI World Growth Index versus the MSCI World Value Index suggests it is not a 'style' shift in the market particularly, as if anything growth has been outperforming value of late.

MSCI World Growth Index relative to MSCI World Value Index

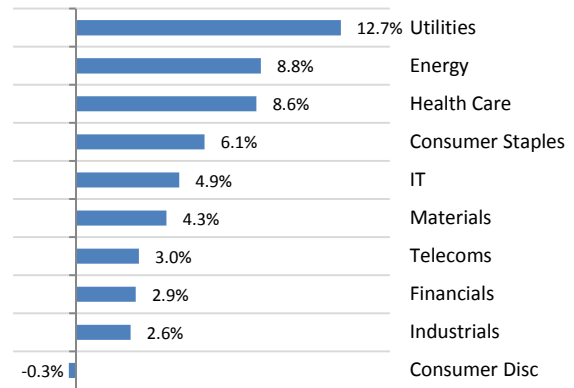


Source: Bloomberg

In terms of our portfolio positioning, our sector allocations have not been a significant driving force either. The best performing sector year-to-date has been utilities (and by a long way), a sector in which we have a zero weighting. The largest sectors in the Fund today are consumer staples and industrials (at approximately 20% each) which have been slightly above average, and a bit below average, respectively.

MSCI World Index:

Sector performance, 2014 to 31st May



Source: Bloomberg

It appears that a lot of the good performance, therefore, is stock-specific, in some cases driven by those positions that have been underperformers over a longer time frame. For example, Imperial Tobacco is up 21% year-to-date, but had been a relative underperformer over the medium term.

In particular, positive stock selection has been very prominent in consumer staples, healthcare and industrials. Our holding in Unilever recovered after falling alongside other emerging market-exposed companies, and Reynolds American, the tobacco company, continued its strong run for the year as merger speculation around Lorillard continued. In healthcare, Merck and Teva performed particularly well, up 17% and 28% respectively (in local USD terms). Of the industrials we own, the US defence stocks continued to do well, with General Dynamics up 25% and L-3 Communications up 15%. We sold out of Northrop Grumman (our other US defence stock) in March on valuation grounds, and the recent performance of both General Dynamics and L-3 means we are now conscious of the downside risk in both these companies.

Of course we haven't got it all right. The main drag on performance has been the financial stocks we hold, all of which have underperformed the MSCI World Financials sector year-to-date. This may be bank-related at the sector-level, which can skew the performance potentially, but either way the

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absolute performance of those stocks is disappointing. There are signs of improvement as I write, however, with ICAP and Aberdeen posting strong gains after Draghi announced the latest round of easing in Europe.

So, overall the 'boost' we received from the better performance of value strategies vs growth strategies from mid-March has appeared to fizzle out, but we have improved our relative performance due to better stock selection (on average).

This leaves us with some potentially more expensive stocks in the portfolio and we are therefore working hard to find better value opportunities – a task that gets a little bit harder as markets make ever higher peaks. I would expect us to make some changes in the next month or two which reflect this thinking, and we look forward to updating you on progress in future updates.

Despite these improved valuations in some of our holding, I would like to highlight that the Fund trades on a 2014 P/E multiple of 14.7, versus the MSCI World at 15.9 and the S&P500 at 16.5. This is a metric we watch closely, and one that we believe highlights that there are still good value opportunities in the well-capitalised businesses that have long histories of above average returns on capital that we look at (despite the rise in markets over the last few years). We would argue that in today's world this type of approach of focussing on value, business quality, and dividends, with investments diversified across the globe remains a sensible way to invest in equities over the long term.

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

June 2014

Guinness Global Equity Income Fund

PORTFOLIO (31.05.14)

Fund top 10 holdings	Sector analysis	Geographic allocation
Aberdeen Asset Management 3.0%	Consumer Staples 20.0%	USA 40.0%
H & R Block 3.0%	Industrials 17.1%	UK 22.9%
Abbvie 3.0%	Financials 17.0%	France 8.5%
Reynolds American 2.9%	Health Care 14.3%	Hong Kong 5.6%
L-3 Communications 2.9%	Energy 11.1%	China 2.9%
Reckitt Benckiser 2.9%	Consumer Disc 8.6%	Israel 2.8%
Merck & Co 2.9%	Telecoms 5.4%	Australia 2.8%
Danone 2.9%	IT 2.9%	Germany 2.7%
General Dynamics 2.9%	Cash 3.7%	Italy 2.7%
BAE Systems 2.9%		Netherlands 2.7%
% of Fund in top 10 29.4%		Other 2.7%
Total number of stocks in Fund 34		Cash 3.7%

PERFORMANCE

Discrete years % total return (GBP)

12 months to month end:	May '10	May '11	May '12	May '13	May '14
Fund C Class (1.5% AMC)	-	-	-2.4	28.5	5.9
Fund X class (0.75% AMC)	-	-	-1.6	29.5	6.7
MSCI World Index	26.1	13.1	-4.9	29.7	7.4
IMA Global Equity Income sector average	22.3	16.2	-4.4	28.8	6.6

Cumulative % total return (GBP)

31/05/2014	1 month	Year-to-date	1 year	3 years	From launch
Fund X class (0.75% AMC)	2.8	3.6	6.7	35.9	41.9
MSCI World Index	2.7	3.0	7.4	32.6	35.0
IMA Global Equity Income sector average	2.5	3.8	6.6	31.2	34.4

Annualised % total return from launch (GBP) 31/05/2014

Fund X class (0.75% AMC)	10.77%
MSCI World Index	9.17%
IMA Global Equity Income sector average	9.03%

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

31/05/2014	Index	Sector	Fund
Alpha	0	1.93	3.29
Beta	1	0.77	0.79
Information ratio	0	0.00	0.31
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.81	0.89
Sharpe ratio	0	0.46	0.62
Tracking error	0	6.00	4.77
Volatility	13.78	11.83	11.46

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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.**

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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

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 Equity Income Fund. It may provide information about the Fund's portfolio, including recent activity and performance. It contains facts relating to the energy market 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 Equity Income 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. 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.

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. The Fund has been approved by the Financial Conduct Authority for sale in the UK. 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.

GUINNESS
—FUNDS—

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

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