Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – December 2017

About the Fund

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

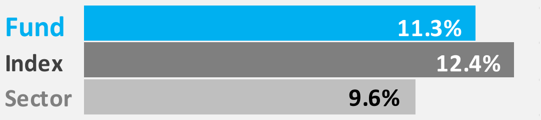
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£348m
Launch date	31.12.10
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Joshua Cole Sagar Thanki

Performance 30.11.17

	1 year	3 years	From launch
Fund	9.7	36.0	110.0
Index	14.8	49.0	125.1
Sector	12.8	34.2	88.1

Annualised % gross total return from launch (GBP)



Benchmark index	MSCI World Index
IA 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, gross total return.

ELITE RATED™ by FundCalibre.com

Summary performance

In November, the Guinness Global Equity Income Fund produced a total return of 0.6% (in GBP) versus the MSCI World Index return of 0.3% (in GBP). The fund therefore outperformed the index by 0.3% in the month.

The concentrated portfolio contains 35 good, quality stocks bought at attractive valuations, with a good dividend yield and potential for dividend growth. Equity markets in the last 12 months have preferred growth companies to value, though this month gave more hints that a market rotation may be prevailing.

November in review

Equity markets over the past year have persistently defied the sceptics, who have pointed to political dysfunction, monetary policy uncertainty, and potential geopolitical crises as reasons for woe. November marked the one-year anniversary for President Trump's time in office; he has consistently touted the stock market as well as taken credit for its steady ascent since the U.S. presidential election on 8th November 2016.

How much President Trump has contributed to stock market gains will remain debatable. However, it is not 'fake news' that his initial proposals were in fact pro-business. These included lower corporate taxes, a repatriation tax holiday (a tax break on overseas profits), huge infrastructure spending, and financial deregulation. Although the proposals faced significant hurdles, November finally saw some traction with tax legislation being passed through the Senate. The bill now must be reconciled with the House version before the President gets the opportunity to sign it into law. This boosted U.S. equity markets late in November, and the S&P

500 index reached the 2,600 mark for the first time. The index is in its second-longest bull market in history without a 20% correction. It's the 10th longest streak without a 10% correction; the 4th longest streak without a 5% pullback; and the longest streak in history without a 3% pullback. The climb so far has largely been attributed to optimism about economic growth and company earnings, in an environment characterised by loose monetary policy.

In terms of macroeconomic news, third quarter GDP growth was revised upwards – it climbed at an annualised rate of 3.3%, up from the previously reported 3%. The nomination of Jerome Powell as the new chairman of the Federal Reserve (Fed) could have created some uncertainty, but was seen as the choice for continuity. Strong economic data and encouraging comments from current Fed chair, Janet Yellen, increased the likelihood for a December interest rate hike, as she told the Joint Economic Committee: "The economic expansion is increasingly broad based across sectors as well as across much of the global economy". The S&P 500 Index gained 3.1% (in USD) in November, taking the year-to-date return to 20.5%.

In Europe, November saw the return of political uncertainty, involving Germany, Italy and Spain. Election and coalition apprehensions were possibly key reasons for the correction of the MSCI Europe (ex-UK) Index, which ended the month with a -2.0% (in EUR) return (although it is still up 12.7% year-to-date). From a macroeconomic viewpoint, the 'goldilocks' tale continued. Strong growth and modest inflation – the 'just right' environment – was broad-based across the Eurozone economies. The 19-nation bloc has also seen the unemployment rate drop to 8.8%, the lowest in almost nine years. Policymakers continue to express confidence that GDP growth and falling unemployment will eventually feed through to prices as the slack in the economy wanes. The latest manufacturing survey data (by IHS Markit) show signs that a mounting order backlog in the Eurozone is putting upward pressure on both input and output prices for goods, and this could eventually be reflected in inflation figures.

In the UK, the equity market fell in November as continued uncertainty in domestic politics weighed on confidence in the UK's economic outlook. At the start of the month, the Bank of England implemented the first interest rate rise in a decade, up from 0.25% to 0.5%, as third-quarter GDP growth was confirmed at 1.5% and inflation remained unchanged at 3.0%. The Autumn Budget revealed a slower pace of fiscal tightening to support the economy through the Brexit negotiations.

The FTSE 100 closed with decline of 1.8% (in GBP), marginally reducing the year-to-date return to +6.6%.

Market Update

Towards the end of the month, there was some notable sector rotation – perhaps a healthy way for the market to consolidate some gains without the overall market suffering to any significant degree. U.S. tax reform prompted a rotation out of technology stocks, the year's best-performing sector, and into firms seen to benefit the most from a potential reduction in the corporate tax rate, such as banks. Technology companies are expected to see little boost, as the industry's average effective tax rate of 18.5% is already lower than the new level of 20% proposed by Republicans.

The tables below compare S&P 500 sector performance over two specific time periods: the year to November 27th; and the brief period between November 27th and December 1st. November 27th is chosen since this marked the swift deposition of tech stocks from their leadership perch, among other notable sector reversals.

S&P 500 Sector Performance, 2017

Sector	31/12 - 27/11
IT	39.0%
Healthcare	18.6%
Materials	17.1%
Consumer Discretionary	16.2%
Utilities	14.8%
Financials	12.3%
Industrials	12.0%
Real Estate	8.7%
Consumer Staples	6.1%
Energy	-10.8%
Telecoms	-16.0%

Sector	27/11 - 01/12
Telecoms	6.3%
Financials	5.2%
Energy	3.7%
Industrials	2.7%
Consumer Staples	2.3%
Consumer Discretionary	2.0%
Healthcare	1.8%
Materials	1.0%
Utilities	0.4%
Real Estate	-0.2%
IT	-2.0%

Source: Bloomberg. GICS sector price returns, in USD.

Although it can be argued that the 'correction' time-period is very short, there is significance if we compare versus history. The circumstance where technology stocks were down 2% or more in a calendar week while the S&P 500 advanced 1.5% or more is so rare that it has only occurred three other times since GICS data began in 1989. The good news for the market generally is that breadth overall remains healthy. The net effect is that the market has broadened out, and it is no longer just technology powering ahead.

Portfolio Update

In terms of the fund's individual holdings in November, the strongest performer was Wal-Mart (+11.4% in USD). The world's largest retailer maintained the top spot from October after reporting better-than-expected earnings and its strongest U.S. sales gain in more than eight years. The company has now delivered 13 consecutive quarters of sales growth in its home market, helped by price cuts, cleaner stores and an aggressive push online. Management reaffirmed upbeat 2018 guidance and said it expects U.S. e-commerce sales to surge 40% in the next fiscal year. The company has been seen as making the right moves to further its online competitiveness against Amazon by expanding its web marketplace, acquiring several internet-based retailers, and expanding its online grocery business. Wal-Mart has been rewarded for recognizing the threat of e-commerce to its traditional retail operations and made an aggressive move to acquire Jet.com for $3.3 billion in August 2016. It quickly installed Jet CEO Marc Lore as head of its e-commerce division. Since then, Lore has spearheaded numerous initiatives that together have taken what was a struggling part of Wal-Mart's business and transformed it into its most exciting growth driver. Wal-Mart's U.S. online sales soared 50% year-over-year in the latest quarter.

Cisco (+9.2% in USD) also performed very well. The internet gear maker said revenues should grow in the current quarter by 1-3%, after two years of declines. It signifies that the company's move into a software-services-business from a selling-networking-business is gaining some traction. CEO Chuck Robbins has made a string of purchases to bolster Cisco's ability to offer software and services that let corporations remotely manage and secure their networks, seeking to reduce its dependence on the shrinking market for high-priced hardware. In October, the company agreed to buy BroadSoft for $1.9 billion, bringing in cloud-based communications products and services. This follows on from its $3.7 billion acquisition of IT software-analytics company, AppDynamics, at the start of the year. We have held Cisco in the portfolio since mid-2014.

The fund's worst performing stock in October was BAE Systems (-5.3% in USD). The company provides some of the world's most advanced defence, aerospace and security solutions and has recently underperformed as concerns mounted about the viability of future Saudi military aircraft orders, pension negotiations, and turmoil in the UK Ministry of Defence. These seem to be short-term concerns and the overall picture for BAE Systems still looks positive. More generally, European defence stocks are at a 40% discount to U.S. peers due to budget pressures, and those with greatest exposure outside of the UK and EU are set to benefit. BAE Systems receives 40% of sales from the U.S. and this revenue is forecast to grow at 5% per year. We have held BAE Systems in the portfolio since early 2013 and it has returned 78.78% (in GBP) since then.

Thank you for your continued support.

Portfolio Managers
Matthew Page, CFA
Dr Ian Mortimer, CFA

Analysts
Joshua Cole
Sagar Thanki

Data sources

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

Index and stock data: *Bloomberg*

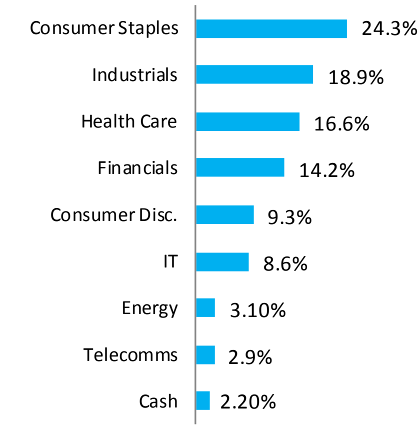
PORTFOLIO

30/11/2017

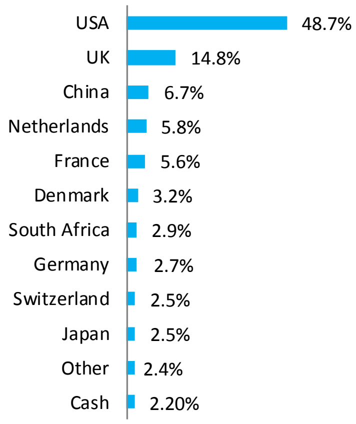
Fund top 10 holdings

Anta Sports Products	3.8%
Abbvie	3.6%
VF Corp	3.4%
Wal-Mart Stores	3.3%
Novo Nordisk	3.2%
CME Group	3.2%
Royal Dutch Shell	3.1%
Illinois Tool Works	3.1%
Microsoft	3.1%
Hengan International Group	2.9%
% of Fund in top 10	32.8%
Total number of stocks in Fund	35

Sector analysis



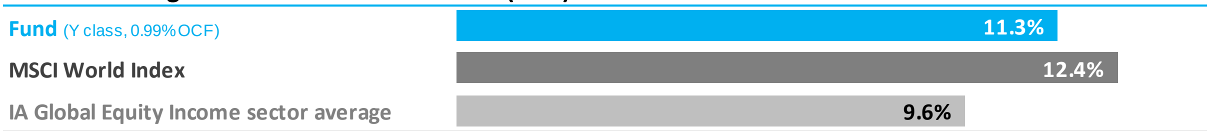
Geographic allocation



PERFORMANCE

30/11/2017

Annualised % gross total return from launch (GBP)



Discrete years % gross total return (GBP)	Nov '13	Nov '14	Nov '15	Nov '16	Nov '17
Fund (Y class, 0.99% OCF)	23.6	13.6	0.4	23.5	9.7
MSCI World Index	24.4	14.5	3.9	25.0	14.8
IA Global Equity Income sector average	20.2	8.9	0.1	18.8	12.8

Cumulative % gross total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.99% OCF)	0.6	7.4	9.7	36.0	90.9	110.0
MSCI World Index	0.3	10.8	14.8	49.0	112.2	125.1
IA Global Equity Income sector average	0.0	8.9	12.8	34.2	75.8	88.1

RISK ANALYSIS

30/11/2017

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.51	0.92
Beta	1	0.77	0.87
Information ratio	0	-0.34	-0.12
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.80	0.89
Sharpe ratio	1	0.52	0.63
Tracking error	0	6.03	4.41
Volatility	13.83	11.52	12.33

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, gross total return. Fund launch date: 31.12.10. **Fund Y class**: Composite simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP.

Performance data notes

1) The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's Y class was launched on 11.03.15. The performance shown is a composite simulation for Y class performance being based on the actual performance of the Fund's E class, which has an annual management charge 0.75%, 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.

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 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 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: Link Fund Administrators (Ireland) Ltd, 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'Ile, 1204 Geneva, Switzerland.

Singapore

The Fund is not authorised or recognised by the Monetary Authority of Singapore ("MAS") and shares are not allowed to be offered to the retail public. The Fund is registered with the MAS as a Restricted Foreign Scheme. Shares of the Fund may only be offered to institutional and accredited investors (as defined in the Securities and Futures Act (Cap.289)) ('SFA') and this material is limited to the investors in those categories

Telephone calls may be recorded and monitor