Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – October 2018

About the Fund

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

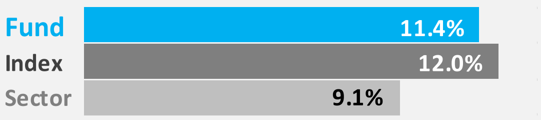
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£449m
Launch date	31.12.10
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens

Performance **30.09.18**

	1 year	3 years	From launch
Fund	13.2	61.4	131.6
Index	14.4	70.0	140.2
Sector	7.0	49.8	96.7

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, total return. Y Class 0.99% OCF. Please refer to 'Performance data notes' for full details

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Summary performance

In September, the Guinness Global Equity Income Fund produced a total return of -0.40% (in GBP) versus the MSCI World Index return of 0.23% (in GBP). The fund therefore underperformed the index by 0.63% in the month.

In the third quarter of the year, the fund produced a total return of 6.33% (in GBP) versus the MSCI World Index return of 6.28% (in GBP). The fund therefore outperformed the index by 0.05% over the quarter.

It is pleasing to see that both the short and long-term performance of the fund remain very strong versus IA Global Equity Income sector peers:

	YTD	1yr	3yr	5yr	Since Launch*
Fund	8.08%	13.15%	61.38%	76.68%	131.61%
Index	9.37%	14.44%	70.02%	93.56%	140.15%
IA sector average	3.18%	6.99%	49.82%	58.60%	96.70%
Rank vs peers	2/56	3/54	7/46	10/37	6/21

Source: Financial Express. Cumulative Total Return in GBP as of 30 September 2018

Performance drivers

Over the third quarter of the year, performance of the fund was aided by our overweight allocation to the Healthcare and Industrial sectors. Healthcare stocks were the strongest performers over the quarter after many surpassed analysts' earnings and revenue growth expectations. Industrials also performed well after concerns regarding (sector-specific) tariffs were somewhat alleviated. A meeting between US President

Donald Trump and President of the European Commission Jean-Claude Juncker resulted in an agreement to work towards zero tariffs on non-auto industrial goods, while new US tariffs on European cars would be at least delayed until longer-term talks can take place.

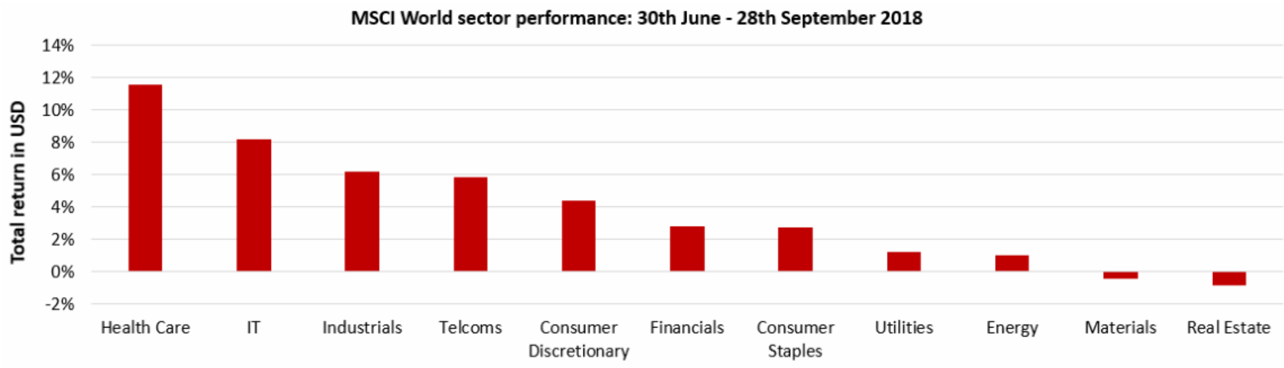


Chart 1: MSCI World Index sector total return breakdown for Q3 2018, in USD. Source: Bloomberg

The fund also benefitted from continuing to hold no positions in Real Estate, Materials and Utilities, and only one position within the Energy sector. These sectors were the worst-performing in the quarter. Energy stocks had a turbulent quarter; weakness in July and August, particularly in the US, stemmed from China's inclusion of US crude oil in its tariff-targeted products list, although September saw a recovery in share prices alongside the rebound in Brent Crude, which rallied to above $82 per barrel at quarter end – its highest level in four years. This was driven by looming US sanctions on Iran.

Upside in the quarter also came from good stock selection, particularly within the Financials sector. We hold no banks in the portfolio, which helped performance; our exposure comes from security exchanges (CME Group, Deutsche Boerse), institutional brokerage (NEX Group) and insurance (Arthur Gallagher, Aflac), which all performed well. Banks notably underperformed due to contagion: European lenders with exposure to Turkey came under pressure as the Turkish Lira weakened sharply, whilst Italian banks were impacted by rising domestic bond yields amid worries that the new Italian government's 2019 budget may come close to breaching EU fiscal rules. The budget is due to be presented to the EU in October.

Drags on performance came largely from our underweight position in IT and exposure to some Tobacco companies which sold off in the quarter. IT performed well once again, buoyed by robust gains in Apple and Amazon. Thanks to a combination of strong iPhone sales and a vast capital returns programme, the Apple share price rose 22% (in USD) in the quarter, making the company the first to surpass a market cap of $1 trillion. Amazon closely followed as the second company to hit the landmark after rising 18% (in USD) in the quarter. Given the weights attached to these stocks in the MSCI World Index (c.4.5% combined), this contributed significantly to benchmark gains in the quarter, and detracted from the fund's active return.

Tobacco stocks were also a drag as they sold off in August after an up-tick in industry-specific risks. Slower-than-expected adoption of Philip Morris's non-combustible IQOS in Japan caused concern over adoption of the product worldwide. If approved by regulators, Altria has exclusive distribution rights to IQOS in the US, although the expectation is that this will make a smaller contribution to revenues than initially expected. Additionally, surging sales of the JUUL vapor device are pressuring sales of cigarettes. As of August 2018, JUUL accounts for over 70% of the US e-cigarette market. The device utilises nicotine salts that exist in leaf-based tobacco to minimise combustion and is a direct competitor to the large tobacco manufacturers.

After seeing value-orientated stocks outperform towards the end of July, the trend reversed in August and late September and was more fitting to the picture seen for most of the year in that growth-orientated stocks led the market. This was driven mainly by the strong showing from IT and Consumer Discretionary stocks, led by gains in Apple and Amazon.

Portfolio update

We made two changes to the portfolio in the quarter. We bought new positions in Broadcom and Nestlé and sold our holdings in CA Technologies and NEX Group.

Broadcom announced that it would buy CA Technologies for US$18.9bn in the chipmaker's first major takeover since it was blocked by President Trump from pursuing a bid for rival Qualcomm earlier this year. Broadcom manufactures digital and analogue semiconductors and serves four primary markets: wired infrastructure, wireless communications, enterprise storage, and industrial & others. With a history of successfully integrating acquisitions, Broadcom has been able to grow revenues and gross profits every year consistently. At time of purchase, the stock was trading on a one-year forward price-to-earnings ratio of 10.6, which is significantly cheaper compared to its history and versus the market. We found this particularly attractive given the strong growth profile of Broadcom and the semiconductor industry in general. The recent sell-off points to market pessimism regarding the CA acquisition, since CA's legacy software assets are seen as highly tangential to Broadcom's core business.

For the transaction to be deemed successful in the future, Broadcom will need to quickly divest pieces it deems non-core while integrating elements that are synergistic. Substantial SG&A cuts are likely; CA's SG&A intensity last quarter was 36% of sales, while Broadcom operates at below 6%. While the full gap cannot be bridged given the industries each company operates in, it can be narrowed. Broadcom has a history of dramatically improving operating and gross margins through scale and cost-cuts of its target companies.

CA Technologies was the best performer in the quarter (+23.9% in USD) after the takeover bid from Broadcom led to a strong share price rally in July. This presented a good profit-taking opportunity. We initiated a position in CA at the end of 2015 and it since returned 63% (in USD). The software manufacturer provides tools for managing networks, databases, applications, storage, security, and other systems. Primarily serving large enterprises, its applications work across both mainframes and cloud computing environments. Revenues and gross profit have been falling in recent years mainly due to a lack of organic growth and a decrease in software subscriptions. Cashflow returns on investment have also been gradually falling year-on-year, and although acquisitions have added to inorganic sales growth, they have also added to net debt. The bid from Broadcom led to a 18% rise in CA's share price and this provided an attractive sell opportunity.

We also bought **Nestlé** in the quarter. Measured by revenue, the Swiss multinational is the largest food company in the world and active in almost every country. Twenty-nine of Nestlé's brands have annual sales of over 1 billion USD, including Nespresso & Nescafé coffee, Kit-Kat chocolates, Nesquik drinking chocolate, Stouffer's frozen food, Vittel and Perrier water, Haagen-Dazs ice cream, Purina pet food, DiGiorno pizza, and Maggi noodles.

In recent years Nestlé has struggled to lift its revenues due to sluggish consumer spending in Europe and the US as well as changes in consumer tastes. In fiscal 2017 sales growth was close to zero. This year, however, the company has made significant strides by investing in high-growth businesses such as bottled water, coffee, infant nutrition, and pet care. It recently paid more than $7 billion for rights to sell Starbucks packaged coffees and teas worldwide and acquired Atrium, a Canadian manufacturer of OTC health supplements, for $2.3 billion. Furthermore, the company's 2018 strategy has consisted of many divestitures including the $2.8 billion sale of its famous confectionery business (9% of net revenue and including brands such as Butterfinger, Crunch, Wonka, and Smarties, among others) to Ferrero, the maker of Nutella and Ferrero Rocher. The move comes amid declining sales in the unit and a general repositioning towards healthier and faster-growing categories. We therefore believe that recent market pessimism allows us an attractive entry point into a business that is highly cash-generative, has a very strong balance sheet, and provides an attractive 3% dividend yield.

As part of our one-in-one-out policy, we sold our position in **NEX Group.** The financial technology firm, which provides electronic trading platforms, will be CME Group's largest overseas acquisition and its largest since it bought Nymex for $11bn in 2008. CME Group, which we also own in the fund and which owns and operates both the Chicago Board of Trade and the Chicago Mercantile Exchange, will pay 500 pence and 0.0444 in new CME shares for each NEX Group share. The market has seen the latest wave of consolidation in global exchange markets as positive for both companies, with the annual synergy of expenses expected to reach $200 million per year by 2021.

"At a time when market participants are seeking ways to lower trading costs and manage risk more effectively, this acquisition will create significant value and efficiencies for clients globally," CME Group CEO Terry Duffy said. "As one organization, we will be able to employ the complementary strengths of each company to serve a wider client base while diversifying our combined businesses across futures, cash and OTC products, and post-trade services."

After the CME bid was announced at the end of Q1 2018, NEX share price had an initial increase of c.50%. The new price level has been sustained and with the probability of another bid decreasing over the last few months, we saw an opportunity to take profits from our position in NEX. The valuation at time of sale stood at c.30x on a one-year forward price-to-earnings basis, compared to a 10-year average of 12x.

Looking further at the companies within the portfolio, it is pleasing to see one of our recent additions, **TSMC,** among the best performers in the quarter (+22.5% in USD). TSMC is a pure-play foundry business and manufactures integrated circuits which are used in computers, communication equipment, consumer electronics, automotives and industrial equipment. The company has a very low debt to equity ratio of 12%, and attractive dividend yield of 3% with double digit earnings and profit growth estimates. With a 2-year forward P/E Ratio of 14.5, we see the company as attractively valued given its above-market-average growth forecasts. Revenues and gross margins have increased every year for the last eight and cashflow returns on investment have been maintained above 10% for the last 10 years. The recent rally points to optimism regarding future sales and profit growth which are expected to rise as the use of artificial intelligence applications and the emerging adoption of 5G communication standards boost demand for high-end semiconductors. The company's leadership in manufacturing technology, along with GlobalFoundries' decision to suspend its 7-nanometer product development, will allow TSMC to solidify its market share in high-performance computing chips and to maintain its industry-leading profit margin.

The best-performing stock from Q2, **Merck**, also continued its rally into this quarter, rising +19.2% in USD. Best-selling drugs in the Pharmaceutical segment include type 2 diabetes drug Januvia, which brings in about $4 billion in revenues annually. Other products earning more than $2 billion include diabetes drug Janumet, HPV vaccine Gardasil, and cholesterol medication Zetia. Meanwhile, $1 billion top sellers include cholesterol medication Vytorin, skin antibiotic treatment Cubicin, HIV therapy Isentress, inflammatory treatment Remicade, cancer drug Keytruda, and chickenpox vaccine ProQuad. Strong performance in the quarter came after Merck's lung cancer drug, Keytruda, won a string of clinical trials which places it in the top spot for treating lung cancer. Estimates suggest that Keytruda could bring in $12.5 billion by 2022; the clinical trials proved a huge positive for Merck, as it continues to expand its drug portfolio with its R&D efforts.

The weakest performer in the quarter was **ANTA Sports** (-7.2% in USD). The Chinese company has had a cashflow return on investment over 10% for its entire 10 years of existence as a public company. The business generates revenue through the manufacture and trading of sporting goods including footwear, apparel and accessories. Its brand portfolio includes ANTA, ANTA KIDS, FILA, FILA KIDS and NBA, and it has joint ventures with new brands such as South Korea's Kolon. ANTA Sports has very solid margin growth alongside a surge in sales in recent years. The company is well positioned to benefit from the growing wealth in China and has maintained low debt. It is the official sponsor of the Chinese Olympics team and we have conviction that the stock has potential to maintain its significant earnings growth. The recent sell-off comes after Anta made an offer to buy Amer Sports, the Finnish company that makes golf, racquet, winter and team sports equipment, as well as diving gear and workout equipment. Amer's brands include Wilson, Arc'teryx, Atomic, Dynamic and Salomon, and the company is valued by Anta Sports & FountainVest

Partners (a Hong Kong private equity group) at €4.6 billion ($5.3 bn). The offer of €40 cash per share for Amer represents a nearly 40% premium to the prior trading day's closing price before the approach was made public. It has also led to Anta Sports proposing a scale-back in the distribution of earnings as dividends, from which the market has drawn negatives. On the upside, however, the move to acquire a European company gives Anta Sports scale to expand geographically, as well as launch new products in China. The company's growing product offering could well fuel earnings and revenue growth further and the shrewd move into winter sport clothing and equipment comes well-timed ahead of the 2022 Winter Olympics in Beijing.

Positioning

In terms of geographic exposure (chart 2), the largest difference between the fund and the benchmark is our exposure to the US (as measured by country of domicile). The fund over the quarter had on average a c.43% weighting to North America which compares to the index at c.64%. The largest geographic overweight remains the UK, which had a c.11% larger position than the benchmark over the quarter. Both of these positionings were negative for fund performance in the quarter.

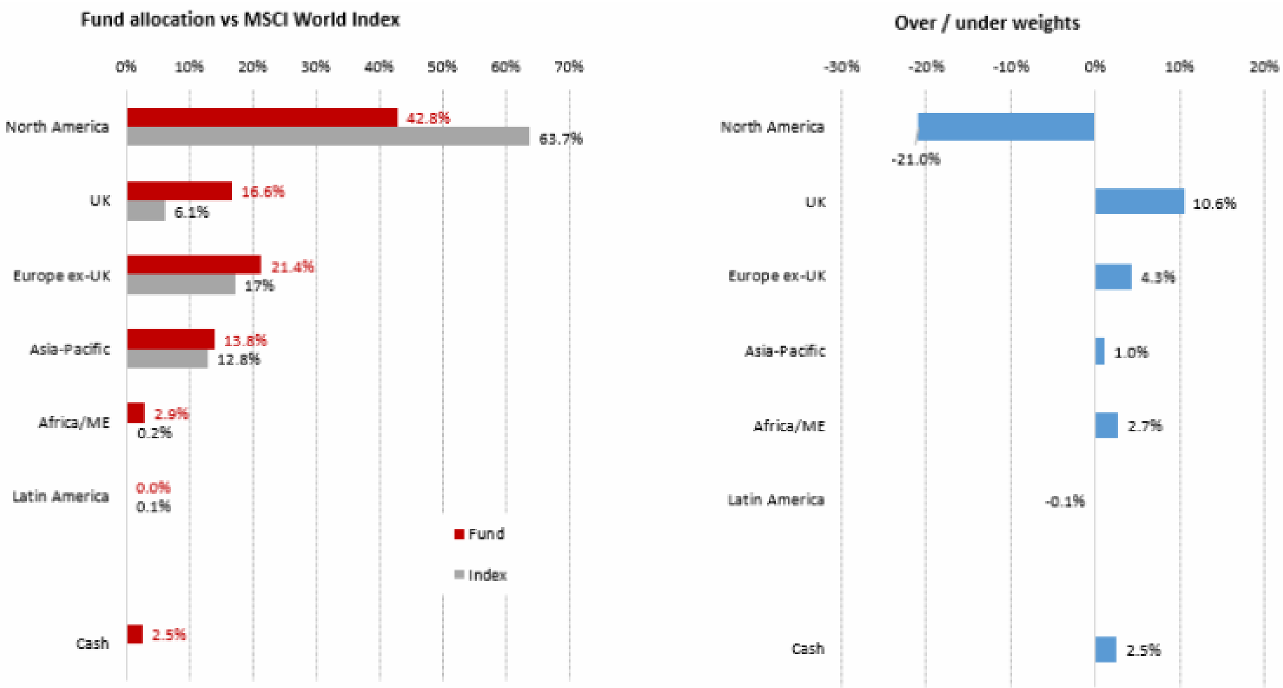


Chart 2: Regional breakdown of the fund versus MSCI World Index. Guinness Asset Management, Bloomberg (data as at 30th September 2018)

We would however note two main points, illustrated by the chart below: (i) the fund has a lower exposure to the UK when considered in revenues (c.6%) versus by domicile (c.16%), because we have favoured UK-domiciled companies with a more global exposure (such as Unilever and Imperial Brands); and (ii) there is a larger exposure to Asia-Pacific by revenues (c.23%) than by domicile (c.12%).

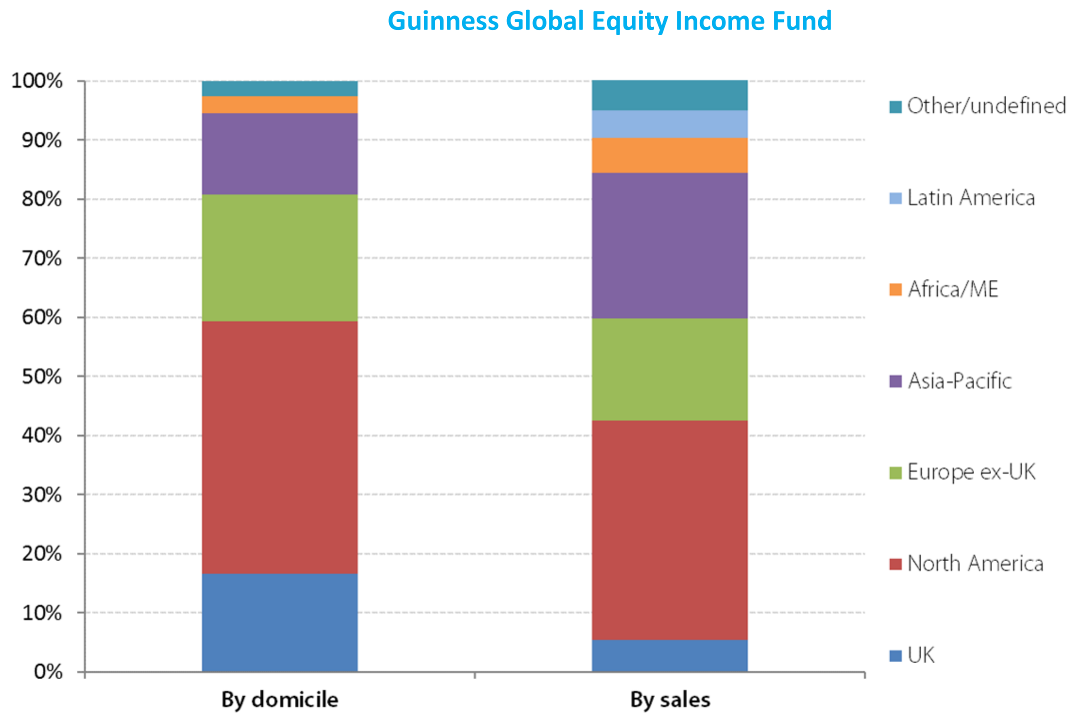


Chart 3: Geographic breakdown of the fund. Guinness Asset Management, Bloomberg (data as at 30th September 2018)

In sector terms, the fund continues to have a zero weighting to Utilities, Materials and Real Estate, which in the last quarter proved to be beneficial for performance. Overweight Industrials and Healthcare also benefited the fund, whereas underweight IT was a drag.

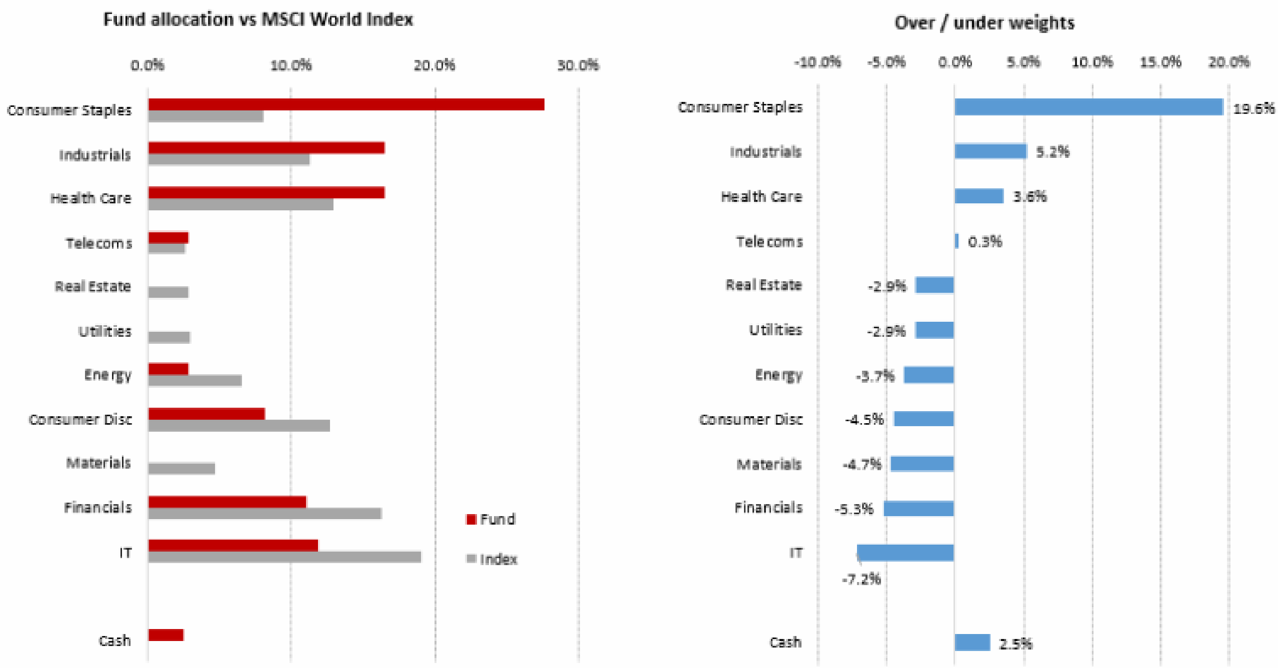


Chart 4: Sector breakdown of the fund versus MSCI World Index. Guinness Asset Management, Bloomberg (data as at 30th September 2018)

The two charts below show how the exposure of the fund has evolved since we launched the strategy in 2010.

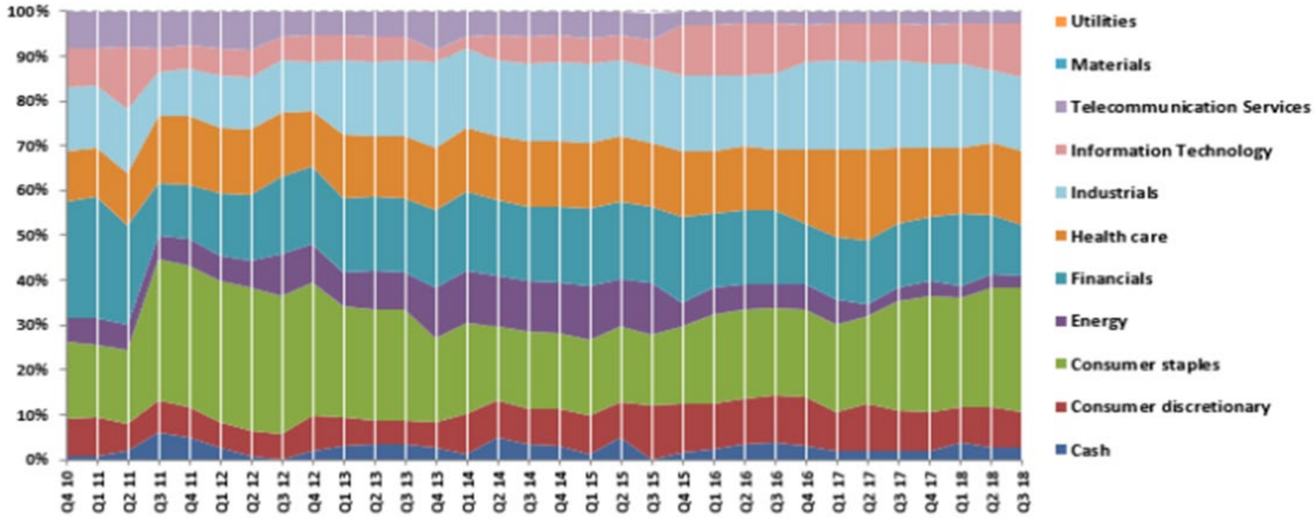


Chart 5: Sector breakdown of the fund since launch. Guinness Asset Management, Bloomberg (data as at 30th September 2018)

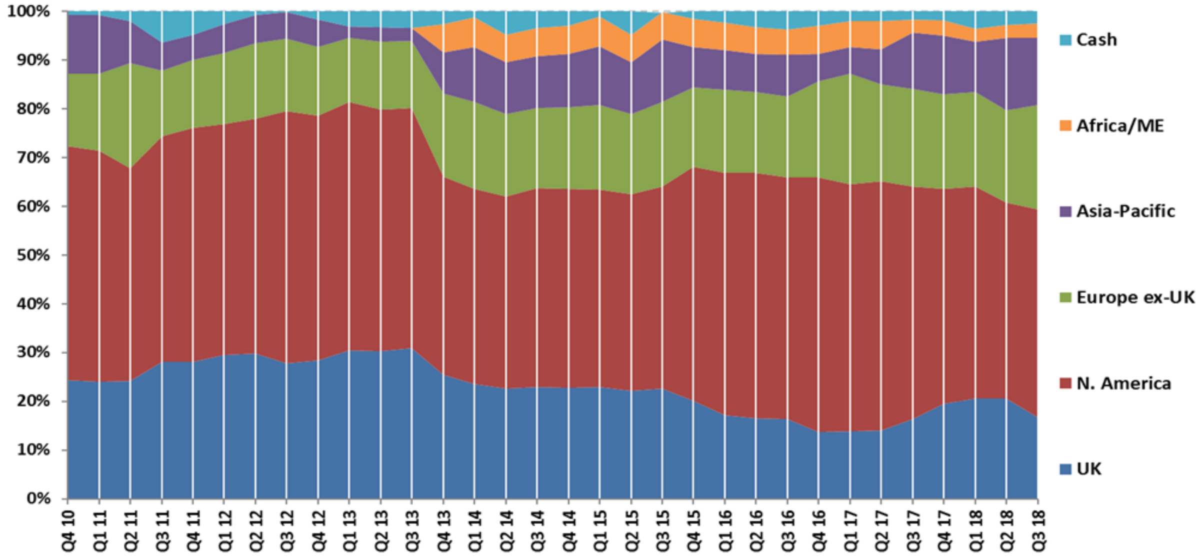
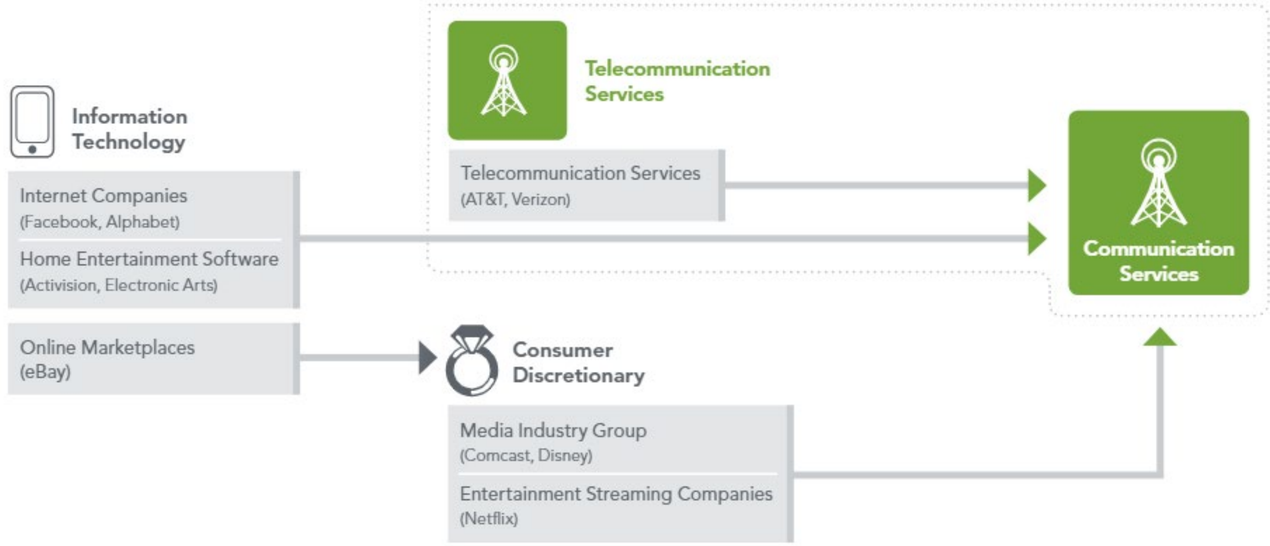


Chart 6: Geographic breakdown of the fund since launch. Guinness Asset Management, Bloomberg (data as at 30th September 2018)

On 28th September 2018 there were notable changes to the GICS Sector classification system affecting 8.5% of the market capitalisation of the S&P 500 Index and reclassifying some of the largest names. The Telecommunication Services sector will be expanded to Communication Services and will include Internet and Media companies currently classified within the IT and Consumer Discretionary sectors respectively. The diagram below summarises the changes and highlights some of the companies that will be reclassified.



Source: Fidelity Investments

The impact on the portfolio is minimal and affects two stocks. Vodacom will now be classified in the Communication Services sector as opposed to Telecommunication Services and WPP will move from the Consumer Discretionary sector to the new Communication Services sector.

Quarter in review

Global equity indices rose in the quarter, pulled higher by a resilient US market. US stocks outperformed on the back of a robust corporate earnings season and strong economic data releases. Escalating US-China trade tensions, the currency crisis in Turkey, a reinstatement of US-Iran sanctions as well as ongoing Brexit negotiations hurt sentiment in most major equity markets, with Asia, Emerging Markets and the UK seeing the largest declines.

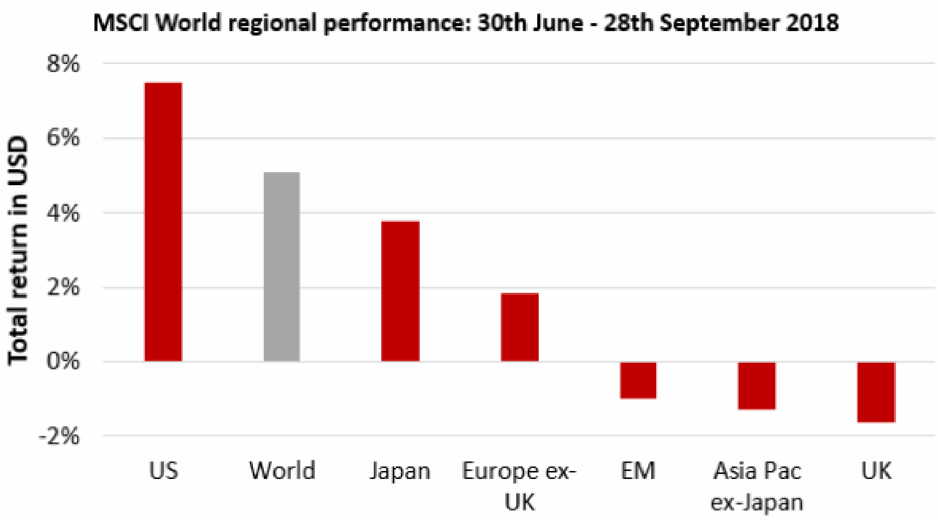


Chart 7: MSCI World Index regional total return breakdown for Q3 2018, in USD. Source: Bloomberg

Ten years ago, on September 15th 2008, Lehman Brothers filed for bankruptcy. The S&P 500 fell by -28% in the 22 days that followed, and the index ended up losing more than half its value through the trough of the bear market (March 2009). The US unemployment rate went from around 5% in January 2008 close to 10% in January 2010. Millions of Americans lost their jobs and their homes, and the US entered one of the deepest recessions it has ever experienced. At one point, GDP fell by -8.9% in a single quarter (Q4 2008), its worst decline in 50 years.

Ten years on, equities markets have recovered and have reached new all-time highs. Corporate America, along with the global economy, continues to expand. The S&P 500 Index rose +7.2% (in USD) in the third quarter, despite bubbling trade disputes, rising interest rates, and concerns about currency and debt in the Emerging Markets. Q3 marked the S&P 500's best quarterly performance in nearly five years (since Q4 2013).

Last quarter we quoted US Treasury Secretary Steve Mnuchin saying: "We're not in a trade war with China, it's a trade dispute." This quarter the definition became more blurred. The US initially targeted $34 billion of Chinese products with a 25% tariff in early July to which China retaliated equally. US tariffs on another $16 billion began in late August, before a 10% tariff was implemented on a further $200 billion of Chinese goods in September (set to rise to 25% in January). China immediately retaliated with new tariffs on $60 billion of US goods, to which the Trump administration re-retaliated with threats of an additional $267 billion in tariffs. Should these tariffs take effect, there will be almost no Chinese imports spared from duties. Chinese imports into the US totalled around $505 billion in 2017.

In contrast, the US exports only about $130 billion to China, so any further action from Chinese officials would require higher tariff rates or non-tariff measures (e.g. investment restrictions, sales of US assets or currency devaluation) if they are to continue to respond in kind. Since April, the Chinese Yuan has depreciated against the Dollar by close to 10%, making US goods less competitive and, to some extent, offsetting the impact of the tariffs on both the US and Chinese economy.

Closer to home for the US, there were significant advances for trade with Mexico and Canada. The United States–Mexico–Canada Agreement (USMCA), or NAFTA 2.0 as it is also referred to, gives the US more access to Canada's $19 billion dairy market, incentivises more domestic production of cars and trucks, increases environmental and labour regulations and introduces updated intellectual property protections. This was a significant victory for President Trump, especially considering the US mid-term elections take place on November 6th.

Despite geopolitical events demanding media attention, the US economy and stock market both proved resilient. The Q2 earnings season saw the strongest quarter since 2010. S&P 500 companies posted a 25.4% increase in earnings and 9.8% higher revenues. Expectations for Q3 suggest that earnings are expected to increase 17.6% and revenues to increase 7.3%. Earnings expectations for 2018 are expected to be +20.7% with a 6.7% increase in revenue. Growth is still expected to decelerate as we head into 2019, with earnings growing 9.7% and revenue growing 5.1%.

This is combined with the highest US consumer confidence level since 2000, the highest wage growth since 2009, and the lowest monthly average of initial jobless claims since 1969. US GDP rose at 4.2% in the second quarter, marking the highest since late 2014. Against this remarkably strong growth backdrop it is not surprising that US equities have delivered attractive returns. It also led the Federal Reserve, unsurprisingly, to raise interest rates a further 0.25% (from 2.25% to 2.5%). This is in tune with the once-a-quarter expectation of the market.

Turning to Europe, equity markets grew sluggishly over the quarter due to concerns over the Italian budget combined with contagion fears over weakness in the Turkish Lira. Relations between Italy's populist government and the EU worried markets, with new government plans revealing pledges estimated to cost over €100bn. Adding to the tension, Deputy Prime Minister Luigi Di Maio said in a recent interview that Italy may breach the EU's deficit limit if needed to increase investment spending to boost the economy. The other Deputy Prime Minister, Matteo Salvini, also said that higher infrastructure spending is required in Italy and this should not be counted in the EU deficit rules. While the budget discussions spooked markets at the start of the quarter, Italy performed well in September as it came to light that that the budget proposal would need to overcome many constitutional safeguards before becoming law. Italy also posted a deficit of 2.4% in September, well below the 3% EU threshold.

Elsewhere, Turkey was in the spotlight amid a sharp depreciation in the Lira. The currency fell as geopolitical tensions with the US exacerbated ongoing concerns over its wide current account deficit (5.5% of GDP), above-target inflation (17.9%) and central bank reluctance to increase interest rates.

On the economic front, growth for the second quarter of 2018 was revised up to 0.4% quarter-on-quarter, compared to the initial estimate of 0.3%. Forward-looking activity indicators continued to point towards expansion, albeit at a more subdued pace than at the start of 2018. The flash Eurozone composite purchasing managers' index for September fell to a four-month low of 54.2 and accordingly there was no change in interest rates from the ECB, which reiterated that rates would remain on hold at least until mid-2019.

UK equity markets were the worst performing over the quarter as Brexit uncertainty continues to loom. The EU's rejection of the Government's Chequers plan and comments from the Bank of England (BoE) on the "uncomfortably high" prospect of a "no deal" saw Sterling fall to a 13-month low against the US Dollar, before strengthening on supportive comments from the EU's Chief Negotiator Michel Barnier on the likelihood of a post-Brexit partnership. The base interest rate was expectedly raised by 0.25% in the quarter and consensus suggests that it offers the Monetary Policy Committee greater interest rate flexibility if deemed necessary following the final deal negotiated for the UK's exit from the EU.

Whilst 'no-deal Brexit' fears weighed on UK domestic companies, the larger multinationals – which have greater exposure to Emerging Markets and Asia – also performed poorly due to the escalating US-China trade tensions. All three regions underperformed. Data in China also came out slightly weaker than expected, suggesting slower growth in industrial production. The Chinese authorities announced a range of targeted economic support measures, including a shift to fiscal stimulus and credit easing, and the central bank re-introduced macro measures to stabilise the Renminbi.

Looking at currency performance, the trade-weighted Dollar has gained over 7% since its lows reached towards the start of the year (chart 8). The Dollar rally has important implications for equity markets, especially in Asia and Emerging Markets, where a strong Dollar is a forceful headwind. It effectively increases the Dollar value of debt and reduces the Dollar value of exports – two key factors for Emerging Market economies. Looking forward, the direction of the Dollar remains important for relative regional equity performance. In the short term, the outperformance of US growth and interest rates may support the currency, though at some point rising levels of government debt and a large current account deficit will likely weigh in.

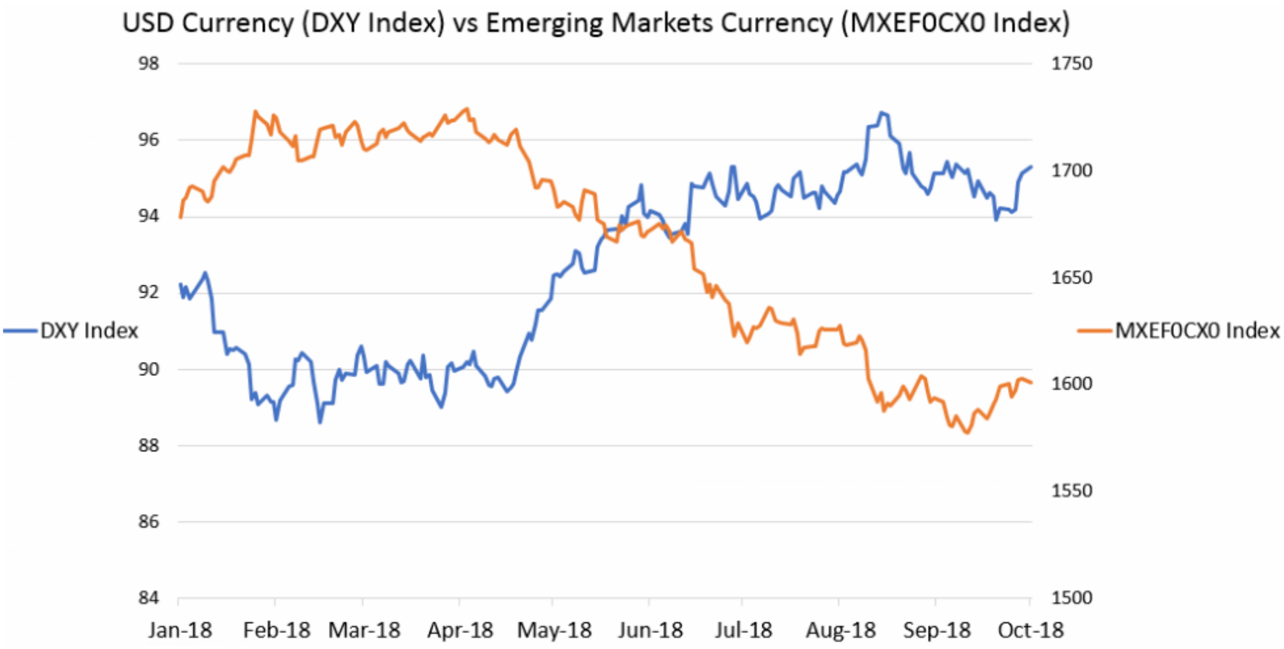


Chart 8: DXY Index. Date range: 30th June 2017 – 30th June 2018. Source: Bloomberg. DXY Index: US Dollar Index measuring the value of USD relative to a basket of foreign trade-partner currencies. MXEF0CX0 Index: MSCI World Emerging Markets Currency Index, which tracks the performance of 25 emerging market currencies relative to the US Dollar.

Key Fund Metrics Today

The four key tenets to our approach are: quality, value, dividend, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will. Based on the measures, our high-conviction fund holds companies which are on average better quality at better value versus the index.

At the quarter end, we are pleased to report that the portfolio continues to deliver on all four of these measures relative to the benchmark MSCI World Index.

		Fund	MSCI World Index
Quality	Average 10 year CFROI	17%	8%
	Weighted average debt / equity	40%	64%
Value	PE (2018e)	16.0	16.4
	FCF Yield (LTM)	5.7	5.0
Dividend	Dividend Yield (LTM)	2.6%	2.3%
	Weighted average payout ratio	52%	48%
Conviction	Number of stocks	35	1650
	Active share	91%	-

Chart 10: Portfolio metrics versus index. Guinness Asset Management, Credit Suisse HOLT, Bloomberg (As at 30th September 2018)

Outlook

With the increasing influence of geopolitics on market returns and volatility, we believe that our approach to finding quality companies at attractive valuations is more important than ever. The Guinness Global Equity Income Fund currently trades at an attractive valuation relative to the MSCI World on both a price-to-earnings and free-cash-flow-yield basis. We believe this provides good value to our investors and puts us in good stead in our search for long-term capital growth and a steady, growing income stream.

We thank you for your continued support.

Portfolio Managers
Matthew Page, CFA
Dr Ian Mortimer, CFA

Analysts
Joseph Stephens
Sagar Thanki

Data sources

Fund performance: *Financial Express, Total return in GBP*

Index and stock data: *Bloomberg*

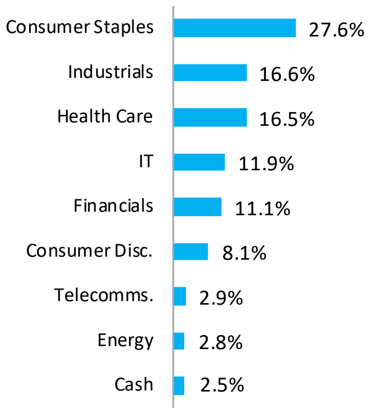
PORTFOLIO

30/09/2018

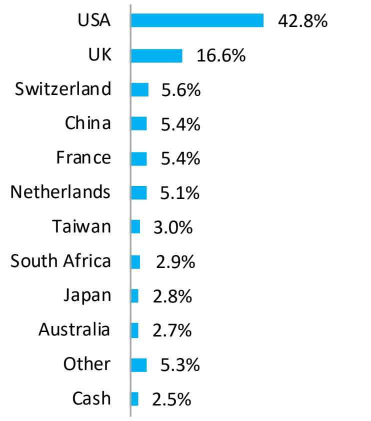
Fund top 10 holdings

Broadcom	3.2%
Taiwan Semiconductor	3.0%
United Technologies	2.9%
Reckitt Benckiser	2.9%
Cisco Systems	2.9%
Eaton	2.9%
Hengan International Group	2.9%
Gallagher, Arthur J	2.9%
Vodacom	2.9%
BAE Systems	2.9%
% of Fund in top 10	29.5%
Total number of stocks in Fund	35

Sector analysis



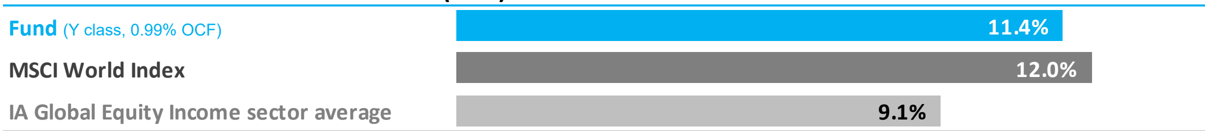
Geographic allocation



PERFORMANCE

30/09/2018

Annualised % total return from launch (GBP)



Discrete years % total return (GBP)	Sep '14	Sep '15	Sep '16	Sep '17	Sep '18
Fund (Y class, 0.99% OCF)	10.5	-0.9	33.1	7.2	13.2
MSCI World Index	12.7	2.1	30.6	15.1	15.1
IA Global Equity Income sector average	8.8	-2.7	24.7	12.3	7.0

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.99% OCF)	-0.4	8.1	13.2	61.4	76.7	131.6
MSCI World Index	0.2	9.4	14.4	70.0	93.6	140.2
IA Global Equity Income sector average	-0.2	3.2	7.0	49.8	58.6	96.7

RISK ANALYSIS

30/09/2018

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.13	1.02
Beta	1	0.76	0.87
Information ratio	0	-0.41	-0.11
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.79	0.89
Sharpe ratio	1	0.49	0.65
Tracking error	0	6.07	4.37
Volatility	13.83	11.29	12.13

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 Y class (0.99% OCF): 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 will be recorded and monitored