

Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – March 2019

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 £536m

Launch date 31.12.10

Managers Dr. Ian Mortimer, CFA
Matthew Page, CFA

Analysts Sagar Thanki
Joseph Stephens

Performance 28.02.19

	1 year	3 years	From launch
Fund	5.3	39.8	124.6
Index	4.0	49.7	126.3
Sector	1.7	34.6	89.6

Annualised % gross total return from launch (GBP)

Fund	10.4%
Index	10.5%
Sector	8.1%

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



Summary performance

In February, the Guinness Global Equity Income Fund outperformed the MSCI World Index by 0.3% (in GBP), and outperformed the IA Global Equity Income sector by 0.5%.

The Fund produced a total return of 2.2% versus the Index return of 1.9%, and IA sector average of 1.7% (all TR in GBP).

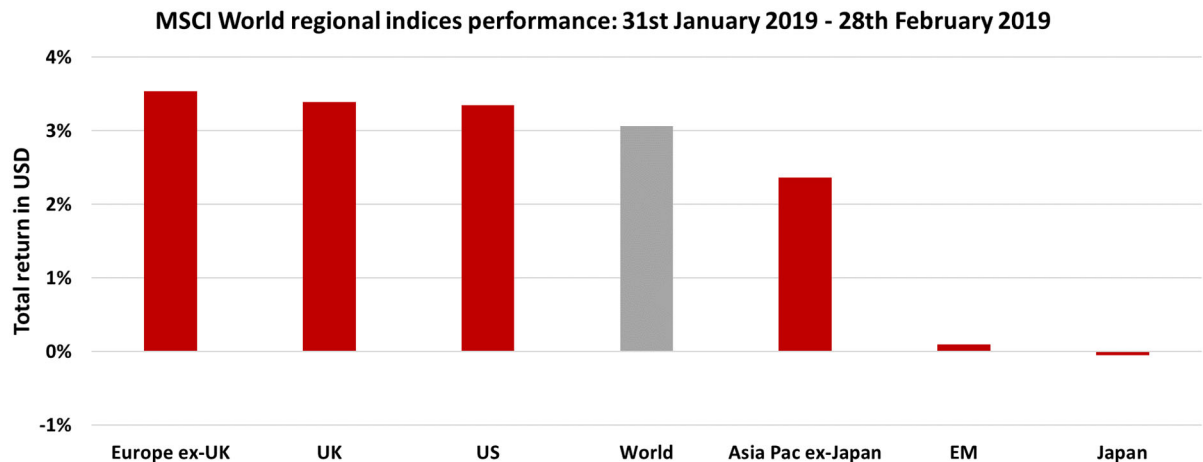
It is pleasing to see that both the short and long-term performance of the fund's strategy remain strong versus the MSCI World Index and IA Global Equity Income Sector peers.

	1yr	3yr	5yr	Since Launch*
Fund	5.3	39.8	66.3	124.6
Index	4.0	49.7	72.9	126.3
IA sector average	1.7	34.6	46.6	89.6
Rank vs peers	14/56	12/47	9/41	3/19
Quartile	1st	2nd	1st	1st

Source: Financial Express. Cumulative Total Return in GBP as of 28th February 2019

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February in Review



Source: Bloomberg; as of 28th February 2019

Global equities rose for the second consecutive month in February, boosted by a combination of constructive US-China trade talks, a considerably more dovish stance from the US Federal Reserve and the implementation of Chinese stimulus measures. Most major regions posted gains as investor concerns eased, with developed regions benefitting the most. Europe, the UK and the US all posted similar, modest gains.

In the US, fourth-quarter GDP growth, released later in February than usual, indicated quarter-on-quarter growth of 2.6% – higher than the expected 2.2%, though slower than the 3.4% growth posted for the third quarter of 2018. With major central banks seemingly on pause or turning less aggressive, investor attention now appears firmly focused on the outlook for global trade and the chances of progress at the next round of talks between the US and China. On this front, President Trump and his top economic advisers have sent a series of conflicting messages about the status of trade talks with China:

- “We’re heading for a historic deal,” Larry Kudlow, director of the National Economic Council, said in an interview on CNBC. “The outlook for a deal is very positive.”
- “We are well on our way to doing something special” with China, President Trump told news reporters.
- But “I am always prepared to walk. I’m never afraid to walk from a deal,” he added. “I would do that with China, too, if it didn’t work out.”
- And “much still needs to be done both before an agreement is reached and, more important, after it is reached, if one is reached,” Robert Lighthizer, President Trump’s top trade negotiator, told Congress.

On one hand, President Trump has proved he will “walk” if need be. After he abandoned peace talks with Kim Jong-un of North Korea, concerns that the President might settle for a poor deal appear diminished. If he does not like the terms of a China deal, the trade war could continue.

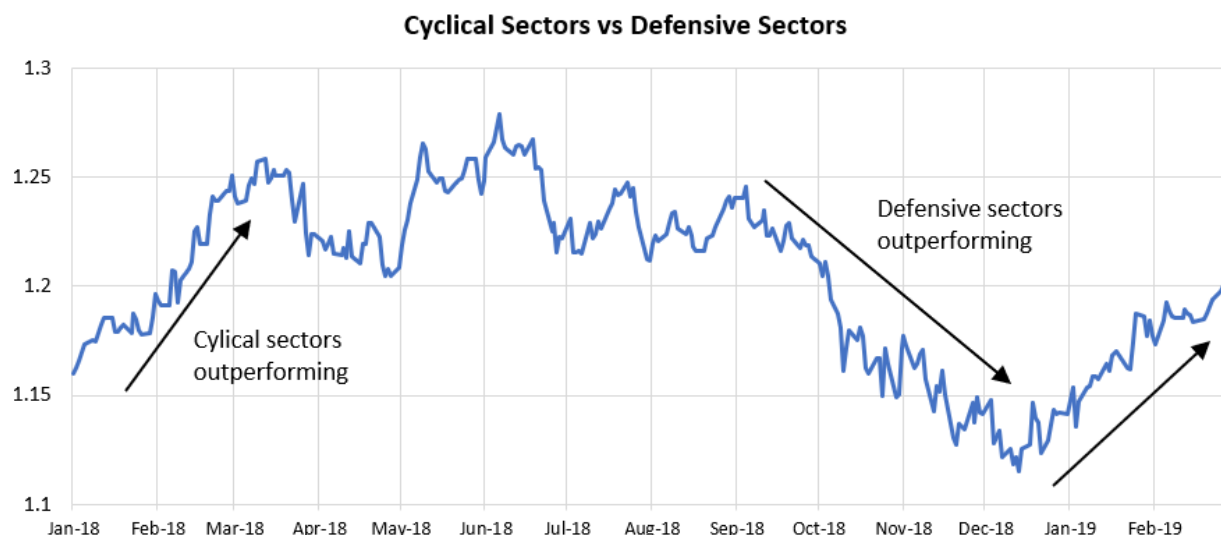
On the other hand, the enforced delay in increasing American tariffs on Chinese goods has buoyed investor expectations that President Trump and President Xi Jinping could sign a trade deal in the near

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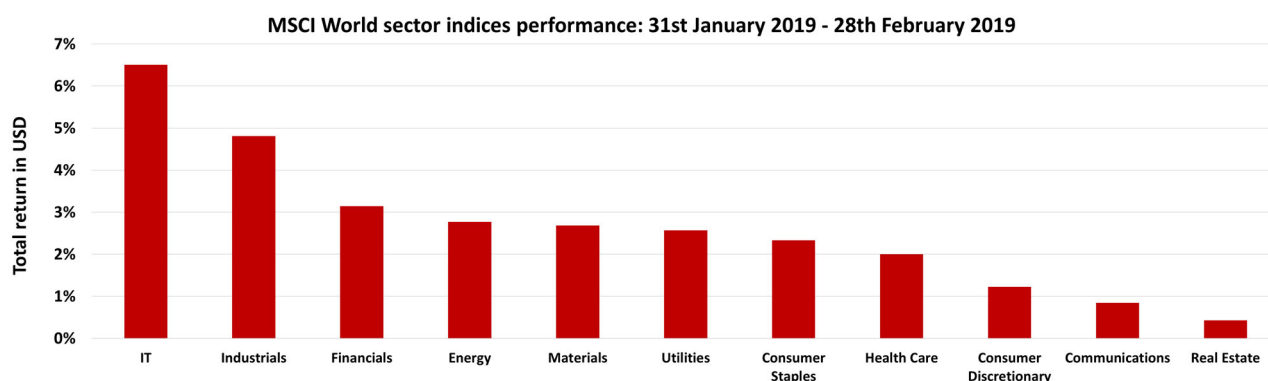
future. The trade tensions have hurt global equities and any deal would be a welcome relief for markets.

Anticipation of stronger future markets – or perhaps less weak markets – has meant February saw the continued outperformance of the cyclical sectors:



MSCI USA Cyclical Sectors / MSCI USA Defensive Sectors
Source: Bloomberg. As of 28th February 2019

The MSCI Cyclical Sectors Index has been outperforming the MSCI Defensive Sectors Index since mid-December. This can also be seen in individual sector performance seen during February:



Source: Bloomberg. As of 28th February 2019

IT was the stand-out performer in the month as earnings season brought with it a renewed interest in the sector. At the start of 2018, IT stocks were deemed to be expensive and strong positive performance was narrowly driven by the FAANGs (Facebook, Amazon, Apple, Netflix and Google). The share prices of these stocks were humbled towards the end of last year, though the tech sell-off was much broader-based, with many other IT stocks also negatively affected. Since the turn of the year, market pessimism towards the broader sector has eased and performance has thus been relatively strong. Notably, however, the FAANGs no longer correlate as closely; Amazon, Apple and Google have lagged the broader market year-to-date, whereas Facebook and Netflix have both significantly outperformed.

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In the Guinness Global Equity Income Fund we hold five stocks within the IT sector: Paychex, Cisco, Microsoft, Taiwan Semiconductors, and Broadcom. As a group these have performed very pleasingly in 2019; good stock selection in this respect has offset the drag from being underweight the IT sector (versus the MSCI World benchmark).

Over the course of February, sector allocation added modestly to performance. The Fund avoided significant exposure to the worst-performing sectors: we hold no positions within the Real Estate sector and are underweight within the Communications and Consumer Discretionary sectors. This was beneficial to the Fund's active return.

The Fund is overweight in the Consumer Staples, Healthcare and Industrials sectors, which together produced returns in line with the broader market. The Fund's outperformance in the month can therefore be attributed largely to good stock selection.

ANTA Sports was the best-performing stock in the fund (+13.4% in USD, in February), and is also the best performer year-to-date (+22.2% in USD). The company generates revenue through the manufacture and trading of sporting goods, including footwear, apparel and accessories. ANTA is poised for greater market share in China as it seeks to woo affluent shoppers with more expensive athletic gear. This includes popular brands such as Fila and Descente, as well as Salomon and Arc'teryx – both owned by Amer Sports, which ANTA is looking to acquire. Going premium should make up for less robust gains at its lower-priced namesake brand, which sells at half the price of Nike and Adidas products. ANTA's sales growth is likely to accelerate if it acquires Amer, yet a profitability boost may not be likely until two years after the deal is completed. On the upside, 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 and the shrewd move into winter sports clothing and equipment comes well-timed ahead of the next Winter Olympics in 2022 in Beijing.



Randstad (+10.6% in USD) also performed well. The Dutch recruitment firm's cost control and strong dividend increase have compensated for slower sales growth, and the market has responded positively to this. Fourth-quarter organic revenue growth confirmed the effect of tougher comparisons and economic slowdown, though margins remained resilient. Continental Europe slowed the most, with France and Germany having the greatest effect, though other key markets, including North America and the Netherlands, were stronger. Longer-term, Randstad aims for mid-single-digit growth and its integrated-technology focus is a key advantage versus rivals. Stronger performance in February can be attributed to a positive earnings surprise and a 22% increase in its dividend. Dividend yield, based on the latest announcement annualised, currently stands at 4.9%.



After being the best performer last month, **BAE Systems** was in fact one of the worst performers over February (-8.0% in USD). The company provides some of the world's most advanced defence, aerospace and security solutions, and the recent share price fall has largely been



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due to fears surrounding its future financial prospects. In its recent update it highlighted the potential threat to its business from the geopolitical risks which surround Saudi Arabia. Since the kingdom is one of its key customers, further negative news flow or trade sanctions could lead to additional volatility for the company's share price.

Looking longer-term, however, our conviction in the company's prospects remains strong. The wider defence industry is expected to deliver an improving growth rate in future years as continued geopolitical risks across a variety of regions mean that defence spending is forecast to increase at a faster pace. The US has already increased its defence budget, while other NATO members are expected to do likewise as they seek to meet their responsibilities and achieve the required military spending of 2% of GDP. This could act as a tailwind for defence-related companies and boost BAE's financial performance.

Vodacom (-9.1% in USD) was the worst performer in February, though a large proportion of the dollar performance is due to an unfavourable currency headwind. Sharp depreciation of the South African Rand over the month (+6.3%) has meant that fewer dollars are required to buy one share of Vodacom. This adds to the company's woes – which fell 3.7% in local terms (ZAr). Sub-Saharan Africa's largest telecom carrier has been battling headwinds facing the entire industry, specifically in the form of price reductions driven by competition and regulation.



Nonetheless, the company has been able to take advantage of its large market share (c.60% in South Africa) and expand its active subscriber base year over year. Initiatives to cut the cost of mobile data have increased smartphone penetration and led to both customer growth and increased mobile usage. Gross margins have remarkably been increasing year on year for a decade, and the company has been able to generate a consistent cashflow return on investment of above 14% for the past 18 years. The Group has a strong balance sheet and attractive dividend yield of 6.7%.

We made no changes to the portfolio in the month.

We thank you for your continued support.

Portfolio Managers

Matthew Page, CFA
Dr Ian Mortimer, CFA

Analysts

Joseph Stephens
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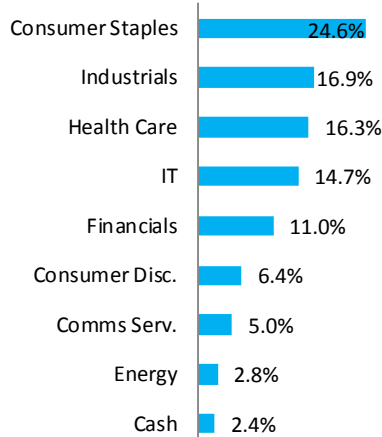
PORTFOLIO

28/02/2019

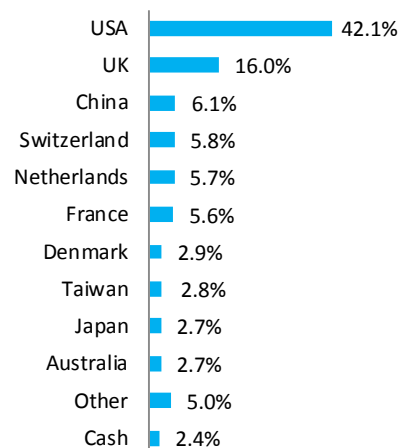
Fund top 10 holdings

Anta Sports Products	3.5%
Broadcom	3.1%
Paychex Inc	3.1%
Randstad	3.0%
Roche Holding	3.0%
VF Corp	2.9%
Cisco Systems	2.9%
Aflac	2.9%
Imperial Brands	2.9%
Novo Nordisk	2.9%
% of Fund in top 10	30.2%
Total number of stocks	35

Sector analysis



Geographic allocation



PERFORMANCE

28/02/2019

Annualised % total return from launch (GBP)

Fund (Y class, 0.99% OCF)	10.4%
MSCI World Index	10.5%
IA Global Equity Income sector average	8.1%

Discrete years % total return (GBP)

	Feb '15	Feb '16	Feb '17	Feb '18	Feb '19
Fund (Y class, 0.99% OCF)	17.4	1.3	26.1	5.3	5.3
MSCI World Index	17.6	-0.7	36.6	6.6	4.6
IA Global Equity Income sector average	11.5	-2.3	26.6	4.5	1.7

Cumulative % total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.99% OCF)	2.2	0.7	5.3	39.8	66.3	124.6
MSCI World Index	1.9	-3.0	4.0	49.7	72.9	126.3
IA Global Equity Income sector average	1.7	-5.8	1.7	34.6	46.6	89.6

RISK ANALYSIS

28/02/2019

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.27	1.37
Beta	1	0.76	0.86
Information ratio	0	-0.35	-0.02
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.80	0.89
Sharpe ratio	1	0.42	0.58
Tracking error	0	6.11	4.56
Volatility	13.83	11.45	12.30

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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.

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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 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'Île, 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

GUINNESS

ASSET MANAGEMENT

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

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