Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – May 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.

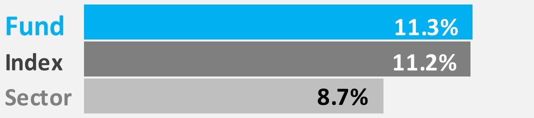
Fund size	£622m
Launch date	31.12.10
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens

Performance

30.04.19

	1 year	3 years	From launch
Fund	14.6	51.5	143.1
Index	12.5	55.3	142.3
Sector	7.8	38.5	99.9

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

Summary performance

In April, the Guinness Global Equity Income Fund produced a total return of 3.2% (in GBP) versus the MSCI World Index return of 3.5%. The Fund therefore underperformed by 0.3%.

The IA Global Equity Income Sector produced an average total return of 3.1%. The Fund therefore outperformed versus its peer group by 0.1%.

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

	YTD	1yr	3yr	5yr	Since Launch*
Fund	12.6%	14.6%	51.5%	76.2%	143.1%
Index	13.8%	12.5%	55.3%	84.3%	142.3%
IA sector average	11.4%	7.8%	38.5%	52.5%	99.9%
Rank vs peers	22/56	8/54	3/46	7/40	2/18
Quartile	2nd	1st	1st	1st	1st

Source: Financial Express. Cumulative Total Return in GBP as of 30th April 2019

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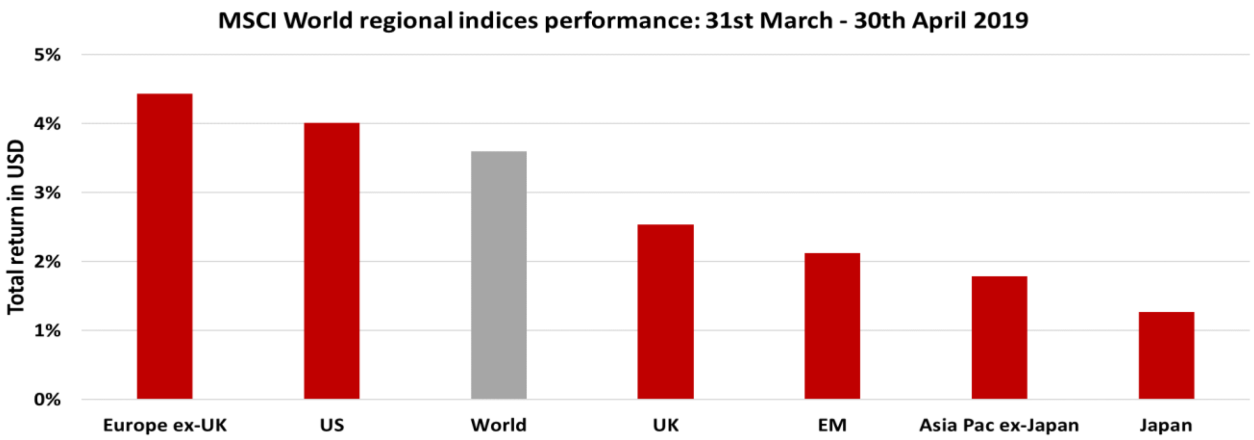
April in Review

Global equity markets were broadly worried by four risks in 2018: overly aggressive US monetary tightening; escalation of the US-China trade conflict; soaring oil prices; and another Euro crisis, triggered by the unprecedented left-right populist coalition that emerged from Italy's election. By the end of the year, however, all of these risks had subsided: the Fed executed a dovish U-turn, the US-China trade war moved towards a ceasefire, oil prices fell, and Italy resolved its fiscal clash with the European Commission with a fairly innocuous truce.

In 2019 – as investors have descended the wall of worry – there has been a surge in global equities, and April marked the fourth consecutive month for the broad-based rally. Given the defensive nature of the Guinness Global Equity Income Fund, some underperformance year-to-date is unsurprising. It is, however, pleasing how well the Fund has kept up in this rally, especially considering the strong outperformance in Q4 2018 when markets fell significantly.

Encouraging macroeconomic data, on-going dovishness from major central banks and a better first corporate earnings season than expected in the US led to gains in all regions, with Europe and the US leading.



Source: Bloomberg. As of 30th April 2019

In the US, market sentiment was boosted by stronger-than-expected US economic growth for the first quarter of 2019. GDP growth came in at 3.2% annualised, which impressively beat expectations of 2.5% and the Q4 2018 reading of 2.2%. This was particularly impressive given the prolonged government shutdown, trade tensions and global economic uncertainty looming over the first quarter. The labour market also showed renewed robustness; after an unexpectedly weak February where only 20,000 new jobs were initially reported, the US added 196,000 new jobs in March and the unemployment rate was unchanged at 3.8%.

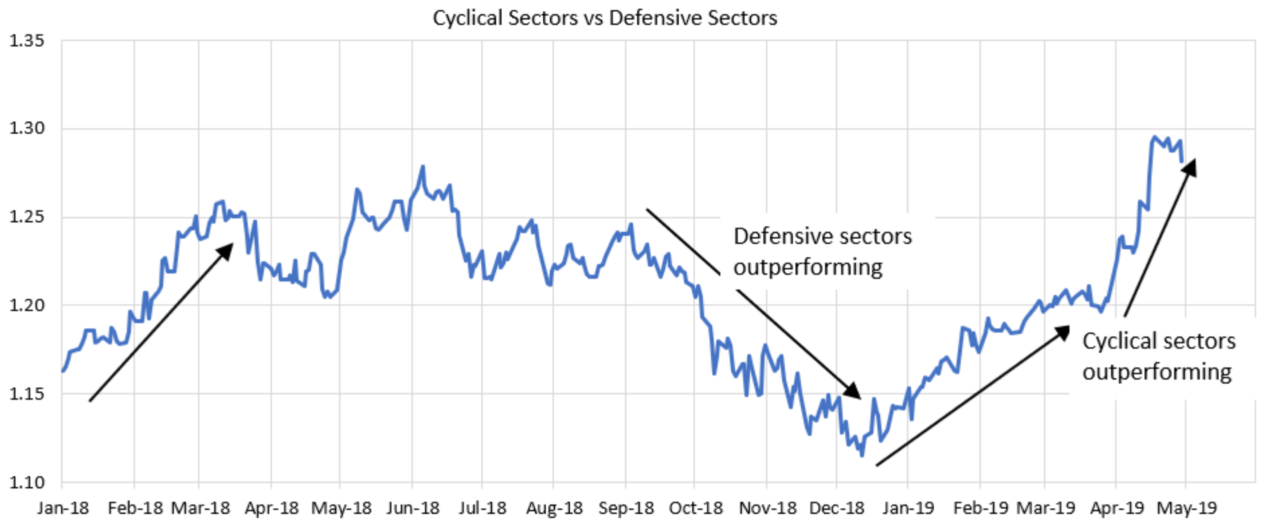
Further, the earnings season supported the macroeconomic strength with 76% of S&P 500 Index companies reporting better earnings results than estimated, and 56% bettering revenue expectations. In the Fund, this was slightly higher, with 78% and 66% of the companies beating earnings and revenue estimates respectively.

In Europe, April continued the strong gains from the first quarter. Data released at the end of the month showed resilient economic growth in the first three months of the year: GDP expanded by 0.4% quarter-on-quarter, compared to just 0.1% growth at the end of 2018. The news came as a relief after downbeat forward-looking surveys such as the purchasing managers' indices. The composite PMI slipped to 51.3 in April from 51.6 in March, with manufacturing still in contraction territory.

The UK was granted a second extension to the Article 50 deadline, until 31st October 2019, averting a 'no deal' Brexit. While the political impasse continued throughout the month, UK economic growth continued to surprise positively with the latest monthly GDP release from the Office for National Statistics revealing that the economy expanded again in February, at 0.2%, albeit at a more subdued rate than the 0.5% recorded for January. A resurgence in manufacturing has aided economic growth in 2019, as reflected in recent readings from Markit's PMI surveys: the manufacturing PMI for March struck 55.1, its highest level in a year, though this may be attributed to possible stockpiling before the original Brexit deadline.

Asia ex Japan equities rose, with most markets in the region recording gains for the month. Singapore was the best performer, helped by a rally in the banking sector, though Taiwanese and Chinese markets also performed well, led by gains in Technology stocks. Positive sentiment regarding China also came from a higher-than-expected GDP growth rate of 6.4% for the first quarter. Other data, including factory output, industrial profits, retail sales and fixed asset investment, also showed strong growth in March. However, gains were pared by concerns that Chinese authorities would scale back fiscal policy support.

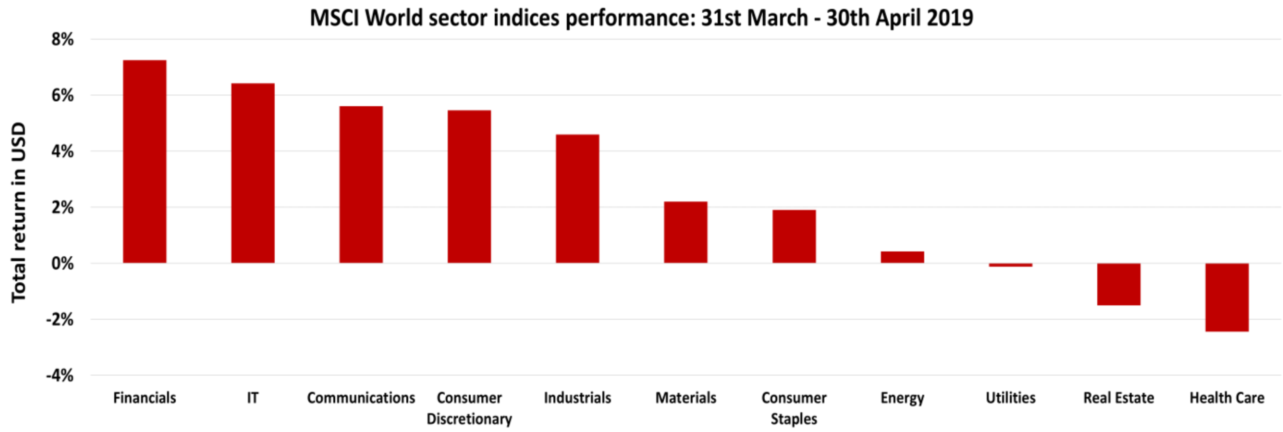
On a sector basis, 2019 has seen continued outperformance of cyclical sectors, with April being no exception.



MSCI USA Cyclical Sectors / MSCI USA Defensive Sectors. Source: Bloomberg. As of 30th April 2019

The MSCI Cyclical Sectors Index has been outperforming the MSCI Defensive Sectors Index since mid-December in the US market.

This can also be seen in individual sector performances across April in a global context.



Source: Bloomberg. As of 30th April 2019

Financials were the strongest performing over April. The sector saw its biggest one-month gain since November 2016 – when Donald Trump's election win spurred hope for deregulation, tax reform and expectations that economic stimulus plans would stoke inflation and drive up interest rates. This time, the rally in bank stocks came specifically after a solid first-quarter earnings season. This was a drag on the Fund's relative performance since we have zero exposure to banks; the effect of the financial crisis and the Euro crisis was generally to take such stocks out of our investment universe since they have not met our criteria of persistently high cashflow returns on investment.

The IT sector also continued to perform well in the month, powered by Microsoft, which became the largest publicly traded company in the world by market capitalisation and the third company to achieve a $1tn valuation alongside Apple and Amazon. The jump in Microsoft's share price followed better-than-expected sales and earnings in the first three months of this year as businesses continued to sign up to its expanding cloud services suite. We have held Microsoft in the Fund since launch, and over that time it has been the best-performing stock, up 455% in USD terms. Azure cloud services, used to store and run customers' applications in Microsoft's data centres, is number two in the cloud sector behind Amazon Web Services, though the market is growing fast enough to lift both companies' revenue. Windows and Office subscribers are likely to give Microsoft an edge as corporate users shift newer workloads to the cloud for greater agility. Margins should also continue to improve – as they have been doing – as cloud-based applications and infrastructure products gain scale.

In the Guinness Global Equity Income Fund we hold five stocks within the IT sector: Cisco, Paychex, Microsoft, Broadcom, and Taiwan Semiconductor. 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 Index).

Over the course of April, the Fund avoided significant exposure to the poorer-performing sectors: we hold no positions in the Real Estate and Utilities sectors and only one stock in the Energy sector. Nonetheless, our overweighting to Consumer Staples and Healthcare proved to be a drag on performance. Healthcare was the worst performing sector as it faces headwinds from on-going concerns over changes to drug pricing legislation. As drug pricing comes under increased scrutiny in the US and is given increased attention ahead of the 2020 presidential election, we decided to lower the Fund's exposure to the sector.

We made one change to the portfolio in April, whereby we sold our holding of Merck and bought a new position in Blackrock.

Merck, the global healthcare company, was the worst performer in the month (-7.7% in USD). This comes after a very strong 2018, when it was the second-best performer (+40.0% in USD in 2018). 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 over the last year came after Merck's lung cancer drug Keytruda won a string of clinical trials, placing it in the top spot for treating lung cancer. Our decision to take profits and sell our holding comes after considering Merck's peak valuation and weakening balance sheet profile. On a price-to-earnings basis, the stock trades at 1.5 standard deviations above its 10-year average and the company has also been accumulating higher levels of debt. Total debt to equity stands at 93% and cashflow returns on invested capital have dipped below 10%, thus removing Merck from our quality-focussed investment universe.

As part of our 'one in, one out' process, we bought a position in **BlackRock**, the world's largest asset manager with $6.5 trillion in assets under management (AUM). The company stands out in its industry due to its strong brand loyalty and focus on institutional investors. The firm's moat, arising from its breadth as the largest manager globally by AUM, proprietary Aladdin software, and dominating iShares division, is very strong.

The increase in global wealth and ever-rising interest in ETFs act as the backbone for BlackRock's success. Through its iShares offering, BlackRock is the ultimate ETF leader with assets totalling nearly $1 trillion in AUM. Vanguard is second with $610bn; in third, with $471bn, comes State Street. BlackRock earns nearly 50% of its base fees from equity products, although it has historically had a strong fixed income offering.

BlackRock has been especially profitable due to its focus on institutional investors, who are willing to pay higher fees in order to get the liquidity they require. Actively managed and iShares funds tend to have larger asset bases and trade frequently in the open market, making it easier for big financial institutions to make large orders without the worry of disrupting funds' trading operations.

While profit margins have come under pressure in the short term as passive investments have grown more quickly in AUM and are priced lower than actively managed funds, BlackRock has invested in alternative technologies to expand its capabilities. One of these investments include its Aladdin platform. Short for 'Asset Liability and Debt and Derivative Investment Network', the operating system for investment managers combines sophisticated risk analytics with comprehensive portfolio management, including trading and operations tools, on a single platform.

BlackRock's push to diversify its revenue sources is a positive and lowers the stock price's beta to the wider market. Asset managers have recently performed poorly due to fee pressures, strains on profit margins, and looming worries about the late-cycle stage of the economy. This has meant they have collectively sold off. We believe, however, that Blackrock has become cheaper than its true valuation giving us an attractive entry point into a stock with a solid stream of dividends and good potential for growth. The company has also boosted its dividend, with year-on-year growth (2018 vs 2017) greater than 20%.

We thank you for your continued support.

Portfolio Managers
Matthew Page, CFA
Dr Ian Mortimer, CFA

Analysts
Joseph Stephens
Sagar Thanki

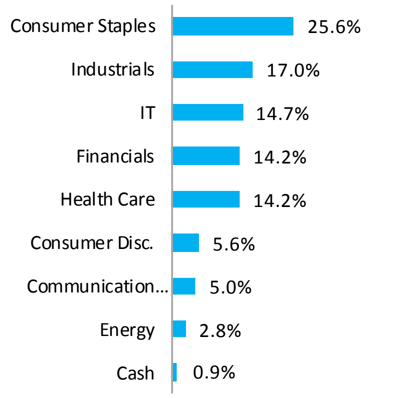
PORTFOLIO

30/04/2019

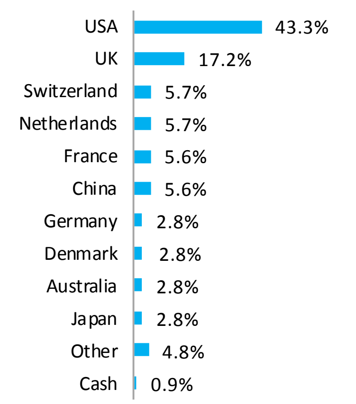
Fund top 10 holdings

Broadcom	3.3%
Paychex Inc	3.0%
WPP	2.9%
Blackrock	2.9%
Unilever	2.9%
Illinois Tool Works	2.9%
Procter & Gamble	2.9%
Imperial Brands	2.9%
Aflac	2.9%
United Technologies	2.9%
% of Fund in top 10	29.4%
Total number of stocks held	35

Sector analysis



Geographic allocation



PERFORMANCE

30/04/2019

Annualised % total return from launch (GBP)

Discrete years % total return (GBP)	Apr '15	Apr '16	Apr '17	Apr '18	Apr '19
Fund (Y class, 0.99% OCF)	16.5	-0.2	24.9	5.9	14.6
MSCI World Index	18.7	1.1	30.6	6.9	13.1
IA Global Equity Income sector average	12.2	-1.8	23.5	4.0	7.8

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.99% OCF)	3.2	12.6	14.6	51.5	76.2	143.1
MSCI World Index	3.5	13.8	12.5	55.3	84.3	142.3
IA Global Equity Income sector average	3.1	11.4	7.8	38.5	52.5	99.9

RISK ANALYSIS

30/04/2019

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.25	1.53
Beta	1	0.75	0.86
Information ratio	0	-0.37	0.00
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.80	0.89
Sharpe ratio	1	0.45	0.63
Tracking error	0	6.11	4.54
Volatility	13.83	11.36	12.23

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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.

Performance data notes

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 as a result of market and currency fluctuations.

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