Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – November 2019

About the Fund

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

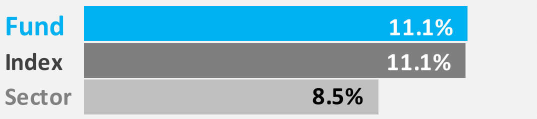
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£840m
Launch date	31.12.10
Historic OCF (Y Class)	0.98%
Current OCF (at fund size)	0.87%
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens

Performance **30.10.19**

	1 year	3 years	From launch
Fund	15.0	29.3	153.9
Index	11.3	32.1	152.7
Sector	9.8	21.0	106.4

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 0.98% OCF. Please refer to 'Performance data notes' for full details

Summary performance

In October, the Guinness Global Equity Income Fund produced a total return of -2.08% (in GBP) versus the MSCI World Index return of -2.34%. The Fund therefore outperformed by 0.26%.

In USD, global equity markets rose 2.54% in October due to several positive catalysts including a US interest rate cut, positive news flow around US-China trade negotiations, and a raft of upbeat corporate earnings results. Strong stock selection particularly within our Industrials exposure was the key driver aiding the Fund's outperformance in the month. In USD terms the Fund produced a total return of 2.83%; the large difference versus the Fund's GBP return is due to the sharp strengthening of Sterling in the month.

It is pleasing to see that both the short and long-term performance of the Fund's strategy remains strong versus IA Global Equity Income sector peers.

	YTD	1yr	3yr	5yr	Since Launch*
Fund	17.6%	15.0%	29.3%	70.8%	153.9%
Index	18.7%	11.3%	32.1%	78.2%	152.7%
IA sector average	15.0%	9.8%	21.0%	52.2%	106.4%
Rank vs peers	20/54	12/53	9/47	10/40	2/18
Quartile	**2nd**	**1st**	**1st**	**1st**	**1st**

Source: Financial Express. Cumulative Total Return in GBP as of 31st October 2019

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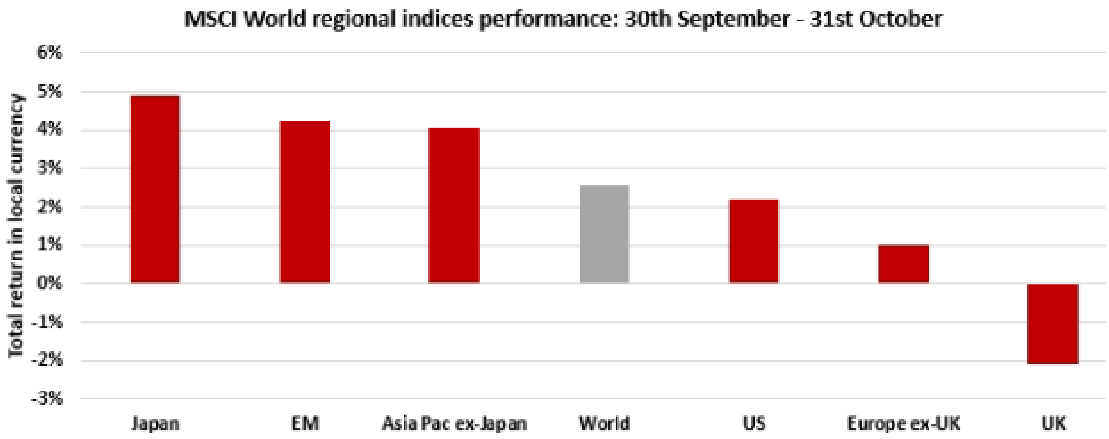
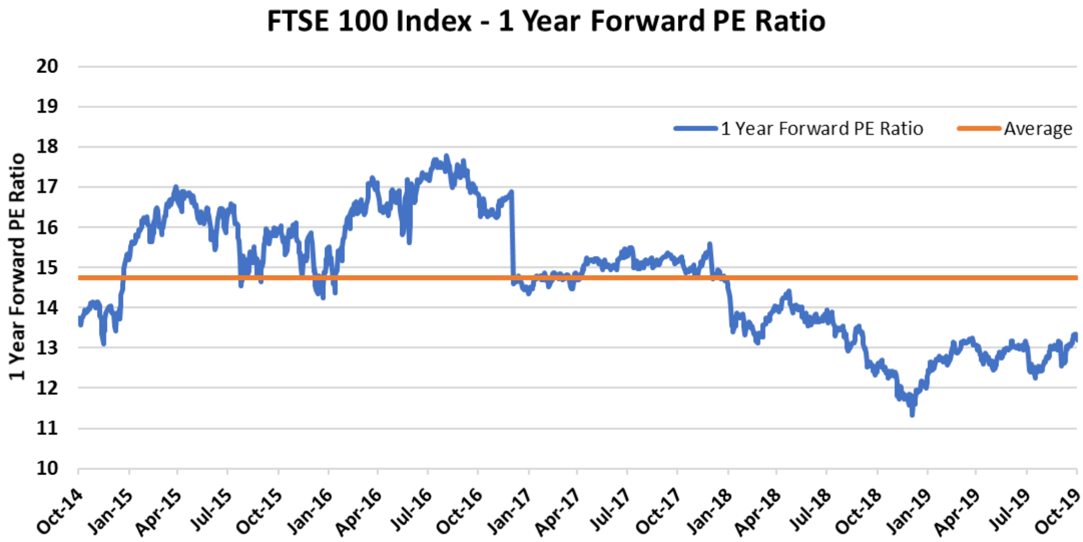
October in Review



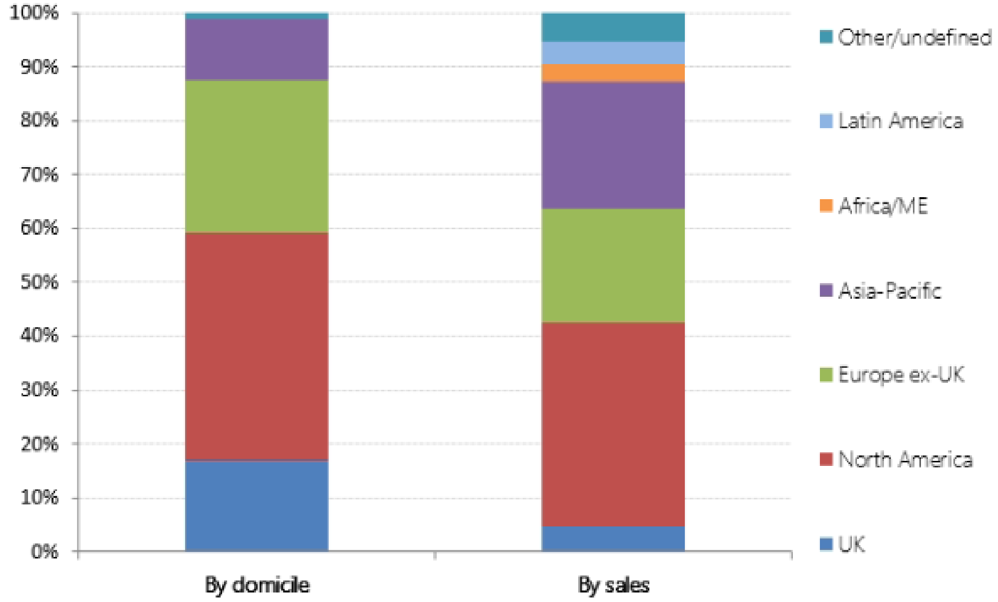
Source: Bloomberg, as of 31st October 2019

In October, equity markets rose across all regions bar the UK. The FTSE 100 Index fell sharply at the beginning of the month, posting its worst single-day return in more than three years. New GDP figures showed the UK economy contracted in August by 0.1% compared to July. Services PMI data also fell short of expectations as a reading of 49.5 signalled contraction.

Leaving the EU has proved far from straightforward for the UK; indeed, joining the EU wasn't simple either. In 1963, General de Gaulle of France famously vetoed UK membership into the European Common Market (the forerunner of today's EU). He did so again in 1967. The UK finally managed to overcome French opposition and join in 1973, only to have a referendum in 1975 on whether membership was indeed favourable – and it was deemed to be so. It took over 10 years, therefore, to join the EU; it may well take that long to leave. If a withdrawal agreement is reached between the UK and EU by the latest deadline (31st January 2019) there will, after that, be a substantial transition period where current EU-UK trading arrangements largely apply. Leaving with no deal is still possible, although the chances appear slimmer. Staying in the EU, following the general election on 12th December or a second referendum, is also not ruled out. It is this uncertainty that has caused equity markets to lag, and the broad-based underperformance of the FTSE 100 has in fact led to lower market valuations versus history on a price-to-earnings (P/E ratio) basis (though we have seen a small re-rating from the lows of late 2018).



The Guinness Global Equity Income Fund is overweight the UK (by c.10%) versus the MSCI World Index. The average 1-year forward P/E ratio of the six UK-domiciled companies we hold is 12.7. This compares to the Fund's 1-year forward P/E of 16.0, and the MSCI World Index equivalent of 17.1. Arguably, a lower valuation is justified for UK companies (the FTSE 100 Index 1-year forward P/E ratio is 13.2) given the investment uncertainty presented by the Brexit saga. However, when we look at the geographic exposure of the Fund by revenue (rather than domicile), we see that our UK-domiciled companies are very global in nature, with a geographically diverse revenue stream:



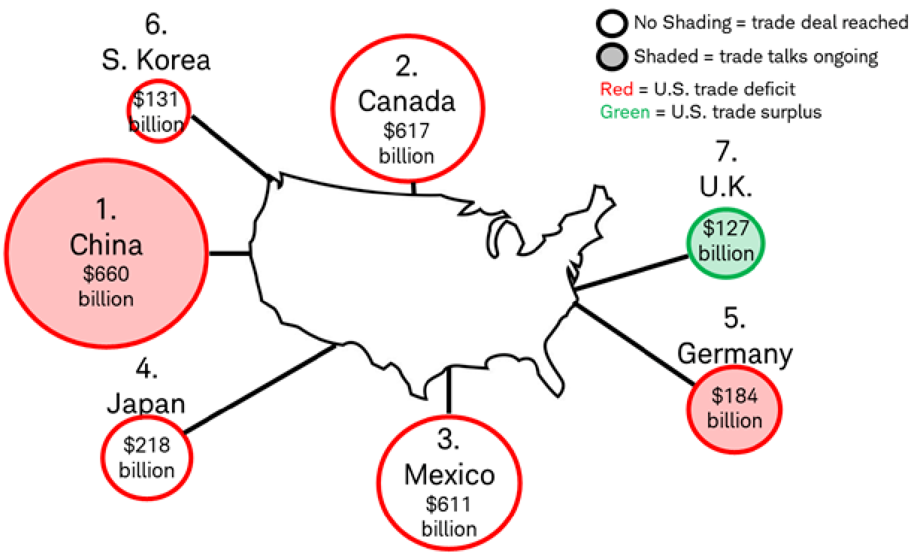
The Fund has a lower exposure to the UK when considered in revenues (c.4%) versus by domicile (c.17%)

In October, the UK equity market was the worst-performing in local currency as the sharp strengthening of the pound, on news that Boris Johnson had negotiated a revised withdrawal agreement with the EU, dragged on the FTSE 100's high proportion of global revenue earners. Nonetheless, this aided the USD performance of the FTSE 100 Index and our UK-domiciled companies.

Japan was the best-performing region in October, after President Trump and Japanese Prime Minister Abe found common ground with regards to tariffs. Japan, the third-largest economy in the world by GDP (behind the US and China), agreed to a trade deal that would allow more agricultural exports from the US and avoid new tariffs on Japanese cars exported to the US.

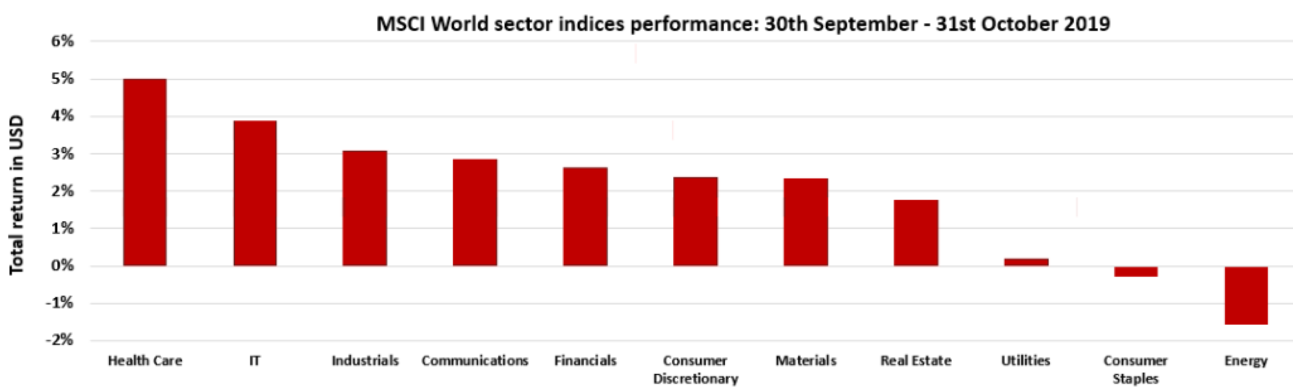
Lost in the escalating trade tensions with China is the fact that the US now has trade deals signed or pending with Japan, South Korea, Canada and Mexico – making up four of the US's top seven trading partners and accounting for a combined 60% of US trade.

U.S. top trading partners



Source: Charles Schwab, US Census Bureau. Total trade data, in USD, for 2018

The US-Japan trade deal highlights a potential bright spot in the trade malaise. In the Fund we currently hold one Japanese stock: Japan Tobacco, which performed better than its industry peers in October. Underexposure to Japan is predominantly because we tend to see fewer Japanese companies in our universe; many are screened out by our quality criteria, which require persistently high cashflow returns on investment.



Source: Bloomberg, as of 31st October 2019

Health Care and IT were the best sector performers as investors were given reasons for optimism. News of the third US interest rate cut saw the US equity market close at a record high on the day. Earlier in the month, the US equity market had reached another record high on rising optimism for a 'Phase One' trade deal with China; the increasingly positive trade rhetoric also lifted equity markets across EM and Asia.

Further, October saw a raft of solid corporate earnings. By the end of the month, of the 383 companies in the S&P 500 Index which had reported earnings, more than 80% beat analyst estimates. This is higher than the historical average.

The Energy sector remained the laggard as the US's shale oil boom slows. While Real Estate, Utilities and Consumer Staples performed well over the summer as concerns around recession mounted, they have since trimmed their gains. Whilst we own no companies within the Real Estate and Utilities sectors, we are overweight Consumer Staples. Good stock selection offset the negative allocation effect, so Staples neither added nor detracted from performance in the month.

The Fund's outperformance in the month was driven by strong stock selection overall, particularly within our Industrials exposure. Fund holdings include Randstad (+12.7% in USD), BAE Systems (+8%), Illinois Tool Works (+7.7%), Schneider Electric (+5.8%), Eaton (+5.6%) and United Technologies (+5.2%).

Randstad, the standout performer in October, has recently benefitted from a positive earnings surprise and slight increase in gross profit year-on-year. Greater profitability has somewhat reassured investors that the company's cost cutting strategy seems to be working, and that they may have been overly pessimistic regarding the macroeconomic concerns over slower economic growth and job creation. The recruitment industry has historically been highly cyclical, and due to the low barriers to entry, it is notably competitive, with firms readily sacrificing margins in order to gain volume. Macroeconomic concerns have also weighed on sentiment regarding Randstad since a slowing global economic environment could naturally be associated with less hiring.

As the second-largest player in the industry, with an estimated market share of 6%, Randstad has benefited greatly from both economies of scale and learned operational efficiencies over the years. This is shown in industry-relevant measures such as revenue per employee and revenue per branch, which have increased by 30% and 80% respectively over the past decade.

Staffing accounts for 52% of revenue and focuses on the recruitment of blue or white-collar candidates. In-House Services make up 22% of revenue and refers to on-site workforce management for skillsets with fluctuating demand; Professionals, 21% of revenue, focuses on middle and senior leadership positions and is an area that Randstad has been focusing on in order to increase profitability and reduce cyclicality.

Structural trends such as the move to more flexible work arrangements have increased the overall demand for temporary workers, as has the shift by governments towards reduced regulation of temporary employment contracts. In particular, for Randstad, the trend for multinational companies to outsource HR functions as their businesses become more complex is a major boon. Given the limited number of recruitment firms with the capabilities to manage contracts on a global basis, Randstad is well placed to capitalise on this opportunity. The stock also boasts a trailing 12-month dividend yield of 6.6%, which includes a second consecutive yearly special dividend. This confirms Randstad's delivery on stellar cash returns and strong balance sheet. In 2017 the company introduced pay-out metrics for its dividends. It aims to maintain a pay-out ratio of 40-50% and will seek to return additional cash to shareholders if net debt-to-ebita falls below 1x.

We made no changes to the portfolio during October.

We thank you for your continued support.

Portfolio Managers
Matthew Page, CFA
Dr Ian Mortimer, CFA

Analysts
Joseph Stephens
Sagar Thanki

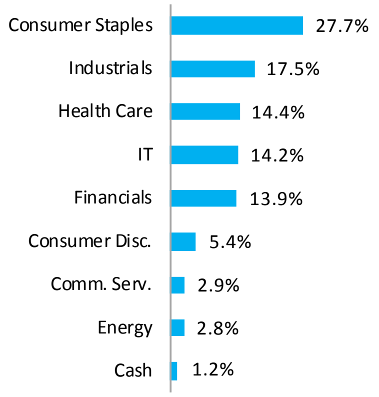
PORTFOLIO

31/10/2019

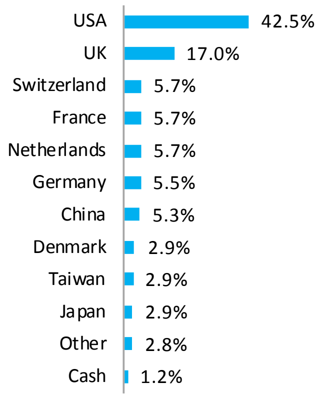
Fund top 10 holdings

BAE Systems	3.0%
Abbvie	3.0%
Anta Sports Products	3.0%
Procter & Gamble	3.0%
WPP	2.9%
Illinois Tool Works	2.9%
Eaton	2.9%
Randstad	2.9%
United Technologies	2.9%
Novo Nordisk	2.9%
% of Fund in top 10	29.3%
Total number of stocks held	35

Sector analysis



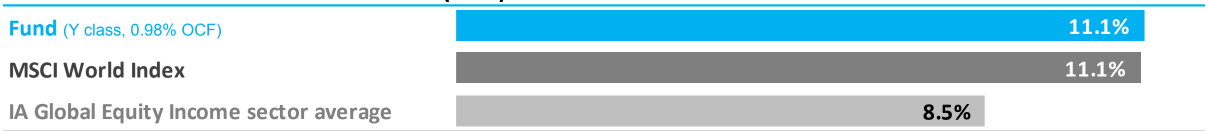
Geographic allocation



PERFORMANCE

31/10/2019

Annualised % total return from launch (GBP)



Discrete years % total return (GBP)	Oct '15	Oct '16	Oct '17	Oct '18	Oct '19
Fund (Y class, 0.98% OCF)	1.6	30.0	6.3	5.8	15.0
MSCI World Index	5.4	28.0	12.9	5.1	11.3
IA Global Equity Income sector average	2.4	22.8	10.3	-0.1	9.8

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.98% OCF)	-2.1	17.6	15.0	29.3	70.8	153.9
MSCI World Index	-2.3	18.7	11.3	32.1	78.2	152.7
IA Global Equity Income sector average	-2.0	15.0	9.8	21.0	52.2	106.4

RISK ANALYSIS

31/10/2019

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.30	1.47
Beta	1	0.75	0.86
Information ratio	0	-0.37	0.00
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.79	0.89
Sharpe ratio	1	0.45	0.62
Tracking error	0	6.12	4.47
Volatility	13.83	11.23	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 (0.98% OCF): Composite simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP. Fund returns are for share classes with a current Ongoing Charges Figure (OCF) stated above; returns for share classes with a different OCF will vary accordingly.

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, 18 Smith Square, London SW1P 3HZ.

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.