Guinness Global Innovators Fund

INVESTMENT COMMENTARY - July 2015

About the Fund

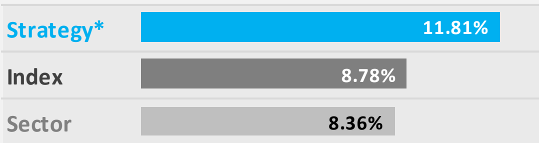
The Fund is a large cap. growth fund designed to provide exposure to companies benefiting from innovations in technology, communication, globalisation or innovative management strategies. The Fund holds a concentrated portfolio of large and medium-sized companies in any industry and in any region.

Fund size	£33m
AUM in strategy	£167m
Fund launch date	31.10.14
Strategy launch date	01.05.03
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA

Performance — 30.06.15

Cumulative %	1 year	3 years	5 years
Strategy*	9.7	75.7	125.0
Index	10.3	48.8	76.0
Sector	8.4	43.4	58.0
Position in sector	**127** /262	**8** /236	**3** /207

Annualised % total return
from strategy inception (GBP)



Strategy	Guinness Global Innovators*
Index	MSCI World Index
Sector	IA Global

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.
***Composite simulation of performance. Guinness Global Innovators Fund (UCITS) launched on 31.10.14. Performance data prior to this date is based on the actual returns of a US mutual fund managed by the same team using the same investment process as applied to the UCITS version.** Source: Financial Express, bid to bid, total return, in GBP.

Monthly update

In June the fund generated a total return of –6.42% (in GBP) compared to its benchmark MSCI World Index which had a total return of -5.10%, thereby underperforming by 1.32%.

The sharp sell-off in equity markets was premised by two main factors; (i) the renewed potential of 'Grexit' as Eurozone leaders failed to reach a consensus on a new bailout package for Greece, and (ii) the huge pull back in the Chinese stock market. The former brought to focus the long term future of the European region, how any fall out of Greek exit, in whatever form, would affect the Euro and thus future economic growth prospects. The latter highlighted how quickly equity bubbles can form when the right mix of monetary easing and investor leverage is combined with a myopic view of momentum rather than fundamentals. The subsequent reversal of the local Shanghai market which began in earnest on June 12th also served to show how quickly these bubbles can dissipate when everyone heads for the exits. We must wait and see where the margin financing debts created during the rout land, but the consensus today is that it will be with the retail investors. These wild swings in Chinese equity markets come on top of the gradual adjustment investors have been making to a world where China is not necessarily going to be the driver of economic growth as it has been over the past two decades – a fact which has been most keenly felt in the commodities and raw materials markets. The interventionist policies enacted by the Chinese government in July to try and stem the tide of falling prices also highlighted that the opening up of capital and foreign exchange markets is still only part way through.

Unsurprisingly the worst performing regions over the month were Europe and Asia, but the US was only marginally better. The US was down 4.7% (in GBP) versus Europe down 5.8% and Asia down 5.6%.

Within sectors utilities, materials, and information technology were weakest over the month, down 8.1%, 7.0%, and 6.9% (in GBP) respectively. Utilities continued to give up the gains made through 2014 as rate rises loom on the horizon, and materials companies moved in lock-step with weakening commodity prices. Within the portfolio we continue to own no utilities or materials companies, as generally they do not have the return on capital profiles we seek and today they do not appear to have the potential for profitable growth over the short or medium term. The fund does hold just over 40% in the IT sector, however, and this represents an approximately 20% overweight versus the benchmark MSCI World Index. This overweight accounted for almost all of the underperformance of the fund in the month.

Within the information technology sector it is useful to split out the underlying industry groups as there is a diverse group of companies within each. The Global Industry Classification Standard (GICS) has three sub industries within the wider information technology sector; semiconductors and semiconductor equipment, software and services, and technology hardware and equipment. Over the month these fell 11.4%, 5.3%, and 7.6% (in GBP), respectively, which highlights that the more cyclical companies in the sector drove the underperformance versus the broad market. Indeed, the second worst performing company held in the portfolio over the month was Intel, which is arguably the 'bellwether' stock for the semiconductor industry. Within the portfolio our 40% exposure is split relatively evenly between the three industry groups of the IT sector; 12% semiconductors, 16% software, and 12% technology hardware.

Intel fell quickly at the start of the month, falling almost 8% through the first five trading days of the month. On June 1st the company confirmed the deal with Altera that had been first reported by the Wall Street Journal on March 27th. Intel agreed to pay $54 per share for Altera valuing the company at $16.7bn, or around $14.3bn taking into account Altera's net cash position. This represented a 50%+ premium to the Altera share price before any reports of a deal were published at the end of March. This deal continues the increased mergers and acquisition activity in the semiconductor sector (and the market at a whole) we have seen this year. Intel has a healthy balance sheet with almost $14bn in cash and short term investments and only $12bn in long term debt so the deal does not appear to bring any stress to the financing position of Intel, even if a decent proportion of it is financed by debt – the mix of debt and cash to finance the deal was not disclosed. The valuation of the deal appears rich, however, and despite stating that the deal would be accretive to earnings in 2016 and generate additional free cash flow we would conservatively estimate any expected 'synergies'. The deal does give Intel a much improved presence in growing markets such as wireless communications infrastructure and could also help bolster its faster growing server processor group (by incorporating Altera technology) in the future. So, the deal should help Intel maintain its market share in a segment that has been driving revenue growth in recent years and could provide useful avenues to grow in new markets. The company trades today at 12.5X 2015 expected earnings, which is at the low end of it historic trading range, and market expectations are for a steep decline in return on capital over the next three years to its cost of capital. We think this is too pessimistic for a company that have maintained its return on capital well above its cost of capital for the last decade. We can see a scenario where long term growth is better than the market has baked in and could result in a re-rating of the multiple alongside.

Another trend seen over the past few years has been activist investors agitating for company managements to 'unlock value' by either (i) increasing shareholder returns via increased buy backs or dividends or (ii) splitting companies up into smaller, more specialist, entities. In the portfolio we have had two instances of the later in the portfolio. Ebay completed its split into an online payment and processing specialist (Paypal) and a purely online marketplace. Ostensibly this resulted in investors getting to choose between a high growth business (Paypal) and a moderate growth business (Ebay). We have maintained our holdings in both companies for now, but are carefully assessing whether the growth expectations of both companies justify their 'new' values.

The second split was that of Gannett into one company with all the publishing assets, such as USA Today, and a second which will focus on broadcast and digital. The publishing asset, when spun off, accounted for approximately 20% of the equity value of our holding. When we purchased Gannett in October 2013 we were drawn to the higher growth broadcasting and digital assets and thought the 'old media' assets were probably undervalued by the market. This separation has allowed us to recognise the value of those assets and we sold our position in the new company (which retained the name Gannett) and used the proceeds to top up to a full position Tegna, the renamed broadcast and digital company.

Thank you for your continued support.

Dr. Ian Mortimer & Matthew Page
Co-managers, Guinness Global Innovators Fund

July 2015

Introductory offer share class

The 0.25% AMC introductory offer share class remains open for this Fund. Having raised £33 million so far there is an additional £17 million available in the share class to early investors in the Fund. Our Guinness Global Equity Income Fund has now passed £100 million, and the 0.25% offer share class for that Fund closed at the end of April 2015.

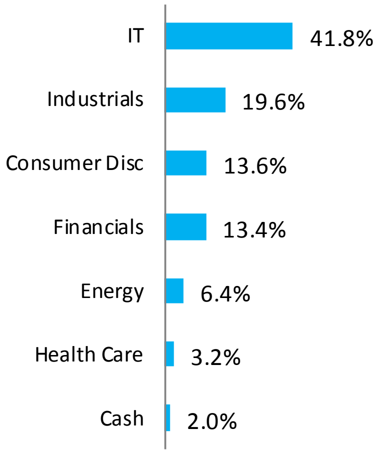
PORTFOLIO

30/06/2015

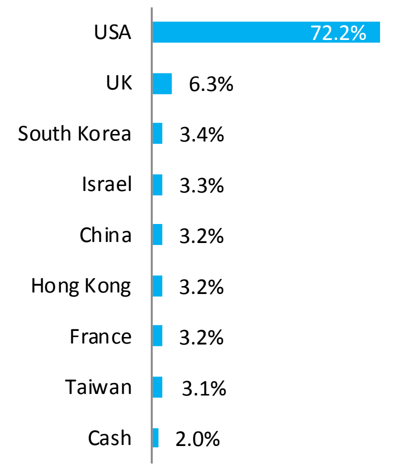
Fund top 10 holdings

Comcast Corp	3.6%
PTC	3.4%
Capital One Financial	3.4%
Samsung Electronics GDI	3.4%
TD Ameritrade	3.3%
Schlumberger	3.3%
Intercontinental Ex.	3.3%
L-3 Communications	3.3%
Check Point Software	3.3%
State Street	3.3%
% of Fund in top 10	33.7%
Total number of stocks	31

Sector analysis



Geographic allocation



PERFORMANCE

30/06/2015

Annualised % total return from strategy inception (GBP)

Guinness Global Innovators strategy*	11.81%
MSCI World Index	8.78%
IA Global sector average	8.36%

Discrete years % total return (GBP)	Jun '11	Jun '12	Jun '13	Jun '14	Jun '15
Guinness Global Innovators strategy*	25.0	2.4	31.8	21.5	9.7
MSCI World Index	21.6	-2.7	22.6	10.0	10.3
IA Global sector average	19.1	-7.4	21.4	9.0	8.4

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years
Guinness Global Innovators strategy*	-6.4	-1.4	9.7	75.7	125.0
MSCI World Index	-5.2	1.8	10.3	48.8	76.0
IA Global sector average	-5.1	2.8	8.4	43.4	58.0

RISK ANALYSIS

30/06/2015

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	-0.06	4.09
Beta	1	0.83	1.09
Information ratio	0	-0.37	0.78
Maximum drawdown	-18.26	-17.61	-25.41
R squared	1	0.80	0.84
Sharpe ratio	0.71	0.57	0.95
Tracking error	0	5.96	6.35
Volatility	13.26	12.26	15.77

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Source: Financial Express, bid to bid, total return, 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 Innovators 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 Innovators 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.

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: Capita Financial Managers (Ireland) Limited, 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. The Fund has been approved by the Financial Conduct Authority for sale in the UK. 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.

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