

# Guinness Global Innovators Fund

## INVESTMENT COMMENTARY - November 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	£38m
AUM in strategy	£153m
Fund launch date	31.10.14
Strategy launch date	01.05.03
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA

### Performance 31.10.15

Cumulative %	1 year	3 years	5 years
Strategy*	3.4	77.7	99.3
Index	5.4	45.1	60.4
Sector	4.5	35.2	41.0
Position in sector	186 /259	4 /234	5 /203

### Annualised % total return from strategy inception (GBP)

Strategy*	11.66%
Index	8.57%
Sector	8.00%

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.

### Fund review

The MSCI World Index was up 5.76% (in GBP) in October. Pleasingly the Global Innovators Fund outperformed – its return of 9.29% was 3.53% ahead of the Index.

October saw a strong recovery in global equity markets after the volatility of the summer. A further delay in interest rate rises in the US and the potential for further central bank stimulus in Europe pushed equity markets higher, and by the end of the month the MSCI World Index was almost back to its level at the end of June.

The rally in October was led by the Energy and Materials sector, to which we have only a small exposure through our position in Schlumberger, while the defensive Utilities sector was the worst performing sector, to which we have zero exposure.

We did not make any changes to the portfolio in October. Looking at the changes we made in the third quarter, they had increased our exposure to the Software and Services industry, which as a group performed strongly over the month. We note that many of these companies have very strong balance sheets, high margins, reasonable growth, large cash piles and attractive valuations – all attributes which we believe make for compelling investments.

Looking at the portfolio as a whole, 18 of the companies we hold reported quarterly earnings in October, and 15 of those beat analysts' earnings expectations. All our holdings in the IT sector (that reported) beat expectations.

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.

German software giant SAP, which we had added to the portfolio at the end of August, reported a strong set of quarterly results and produced a total return of 19.17% in GBP over the month.

Alphabet (the newly named parent company of Google), which we had bought in the portfolio shortly before SAP, also reported good numbers; the market particularly liked the announcement of a \$5 billion share buyback. With a cash pile of \$73 billion (which has grown 50% since the fourth quarter of 2012) and continued strong cash generation, we would not be surprised to see further cash distributions to shareholders in the form of further share buybacks or the initiation of a dividend. Alphabet's shares jumped on the back of these results and produced a total return of 13.16% in GBP over the month.

We also saw strong results from our long-term holding Roper Industries, which we have held in the portfolio since November 2010. Admittedly the positive results were driven by margin expansion rather than revenue growth, but that is unsurprising in an environment where a falling oil price has led to falling revenues in their energy systems and controls division and a stronger dollar affects revenues from outside the US.

This strengthening US dollar has been a theme that has affected many US companies this year. With US interest rates set to rise at some point in the near future, it is something we will have to continue to monitor. Having said that, the catalyst for interest rate increases in the US will be a strengthening economy, modest inflation, strong employment and wage growth. It will also depend on a view that an increase in interest rates in the US will not start a feedback loop of negative impact on the global economy in turn causing a slowdown in growth in the US.

When those criteria are met that scenario sounds like a positive environment for companies with large cash piles, small amounts of debt, good growth prospects and attractive valuations.

Thanks for your support

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

**November 2015**

#### **Data sources**

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

Stock performance: *Bloomberg*

## Guinness Global Innovators Fund

### PORTFOLIO

31/10/2015

Fund top 10 holdings	Sector analysis	Geographic allocation
Schneider Electric 3.6%		USA 74.8%
Eaton 3.6%		France 3.6%
Samsung Electronics GDR 3.5%		South Korea 3.5%
Check Point Software 3.5%		Israel 3.5%
Lenovo 3.5%		China 3.5%
Li & Fung 3.5%		Hong Kong 3.5%
PTC 3.5%		Germany 3.4%
H & R Block 3.4%		Taiwan 3.4%
Applied Materials 3.4%		Cash 0.7%
Roper Industries Inc 3.4%		
% of Fund in top 10 35.1%		
Total number of stocks 29		

### PERFORMANCE

31/10/2015

#### Annualised % total return from strategy inception (GBP)

Guinness Global Innovators strategy*	11.66%
MSCI World Index	8.57%
IA Global sector average	8.00%

#### Discrete years % total return (GBP)

	Oct '11	Oct '12	Oct '13	Oct '14	Oct '15
Guinness Global Innovators strategy*	1.9	10.0	43.0	20.2	3.4
MSCI World Index	0.8	9.6	26.1	9.1	5.4
IA Global sector average	0.0	4.3	24.2	4.2	4.5

#### Cumulative % total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years
Guinness Global Innovators strategy*	9.3	0.8	3.4	77.7	99.3
MSCI World Index	5.9	2.4	5.4	45.1	60.4
IA Global sector average	6.7	1.4	4.5	35.2	41.0

### RISK ANALYSIS

31/10/2015

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	-0.81	4.09
Beta	1	0.82	1.10
Information ratio	0	-0.41	0.77
Maximum drawdown	-18.26	-17.61	-25.41
R squared	1	0.79	0.85
Sharpe ratio	0.45	0.27	0.71
Tracking error	0	6.04	6.12
Volatility	13.22	12.13	15.69

**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 investment team using the same investment process as applied to the UCITS version. The past performance of the US mutual fund is not indicative of the future performance of Guinness Global Innovators Fund.

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.

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](http://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. 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](http://www.carnegie-fund-services.ch). The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Geneva, Switzerland.

**Telephone calls** may be recorded and monitored.

**GUINNESS**

ASSET MANAGEMENT LTD

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

Tel: +44 (0) 20 7222 5703

Email: [info@guinnessfunds.com](mailto:info@guinnessfunds.com)

Web: [guinnessfunds.com](http://guinnessfunds.com)