Guinness Global Innovators Fund

INVESTMENT COMMENTARY - May 2016

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	£50m
AUM in strategy	£159m
Fund launch date	31.10.14
Strategy launch date	01.05.03
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA

Performance 30.04.16

Cumulative %	1 year	3 years	5 years
Strategy*	-3.1	41.9	79.2
Index	0.5	27.5	52.1
Sector	-2.4	19.7	33.5
Position in sector	**172** /249	**15** /226	**8** /188

Annualised % total return
from strategy inception (GBP)

Strategy*	11.15%
Index	8.59%
Sector	7.93%

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

In April the Guinness Global Innovators fund produced a total return of -3.48% (in GBP) vs the MSCI World Index which was down -0.33%. The fund therefore underperformed the index by 3.15% over the month.

Year-to-date the fund is down -1.98% (in GBP) versus the MSCI World Index which is up 1.85% over the same period.

From the market low for the year in mid-February we saw a very sharp rally into mid-March. This rally then continued, albeit at a more modest pace, into the later stages of April before giving up a large proportion of those gains in the last few days of the month. So, despite the wild gyrations of the market so far in 2016 we have ended up pretty close to where we started.

The parts of the market that drove returns in April were those that had underperformed in the early part of the year. Energy and material companies enjoyed strong returns as commodity prices recovered from lows. Notably the oil price jumped 20% to finish the month at $46 per barrel, well above the $26 per barrel price reached in mid-February. Banks and biotech companies also staged a rally in the month, together accounting for just under half of the positive benchmark return. The fund has a very low exposure to all three of these sectors (with just a single energy service company, Schlumberger) which accounted for the majority of the relative underperformance in the month. Tech hardware and software and services were also two of the weakest industries in the month, a part of the market towards which the fund still has a high weighting.

Perhaps the biggest driver of markets was the US dollar continuing a theme seen since mid-2014. The US dollar index (DXY) weakened by 1.6% in the month, building on the over 4% decline seen in the first quarter of 2016. This marks a sharp reversal as the DXY strengthened by 22% through 2015. Although not necessarily causal, there is a strong correlation between these moves in the dollar and the oil price and asset prices in emerging market countries. All of which have ‘benefited’ from this weakening in the world’s reserve currency.

Perhaps, as ever, it was investor sentiment that that dictated the asset price moves over the short term. And it certainly appeared that investors bid up riskier assets in April as some confidence retuned after the sharp falls seen at the start of the year. Small and mid-cap companies outperformed large cap; 30 year Bunds were down 4% in the month; whereas US high yield bond indices were up 4%.

But do these large gyrations really give accurate information about the intrinsic value of the underlying companies they represent? If you believe that the value of a company should be based upon the stream of cash flows we might receive in the future, which we can see historically have very low volatility, then you might ask whether the actual outlook for these cash flows really changed that dramatically? Consider that markets began the year down 10% in six weeks, then jumped back up 10% in the following six weeks – a 20% round trip in three months. Did the market accurately assess that these businesses worth changed by that magnitude over just one quarter? Because oil prices were higher or lower by $5 per barrel? Or because the US created or lost 20,000 more jobs than expected? Or because a central banker suggested the next interest rate rise could be delayed by three months or be brought forward by three months?

These big moves suggest to us that the market lacks conviction and thus small data points (in terms of how they might indicate long term changes in the economy) can have a greater impact on asset prices than they warrant. Taking a longer term approach and having holding periods of, typically, 3-5 years helps us to avoid chasing these types of market movements and to try to concentrate on what we think really drives returns over time: the cash flows the company can generate in the future, the opportunities available to reinvest those cash flows, and how much we have to pay to own that business.

Attempting to predict macro events, then the timing of those events, and finally how the market will react to those events creates a highly complex calculation that we do not believe we can consistently get right. The number of variables is just too great. And the problem is that you need to get them all (event, timing, investor reaction) correct to be able to profit. Two out of three is not enough. The last few years have shown numerous examples where investor reaction has been the opposite of what would classically be ‘expected’, making an accurate call of an event and timing largely worthless, or worse, costly. If markets continue to move as rapidly as we have seen over the last few months then those missteps will ultimately prove more costly than ever.

Thank you for your continued support.

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

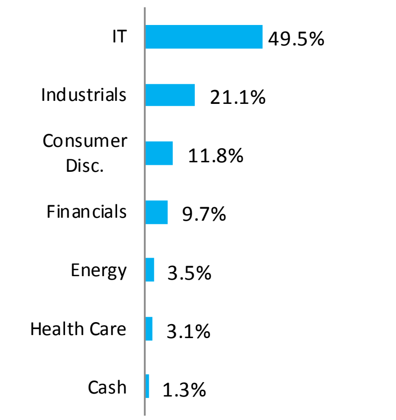
PORTFOLIO

30/04/2016

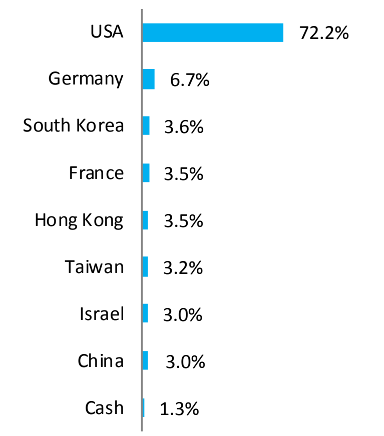
Fund top 10 holdings

Verifone Systems	3.8%
Boeing	3.7%
Samsung Electronics GDR	3.6%
Eaton	3.6%
State Street	3.6%
Nvidia Corp	3.5%
Schneider Electric	3.5%
Schlumberger	3.5%
Danaher Corp	3.5%
Siemens	3.5%
% of Fund in top 10	36.0%
Total number of stocks in Fund	30

Sector analysis



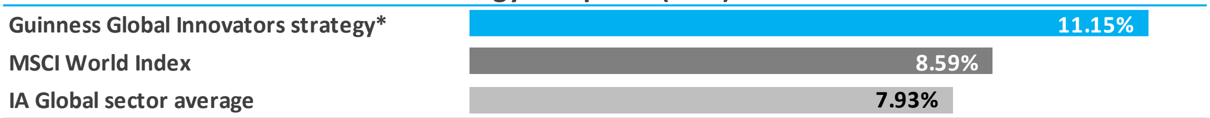
Geographic allocation



PERFORMANCE *(composite simulation - see below)*

30/04/2016

Annualised % total return from strategy inception (GBP)



Discrete years % total return (GBP)	Apr '12	Apr '13	Apr '14	Apr '15	Apr '16
Guinness Global Innovators strategy*	0.9	25.1	20.7	21.3	-3.1
MSCI World Index	-2.0	21.8	7.5	18.0	0.5
IA Global sector average	-4.7	17.1	6.2	15.5	-2.4

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years
Guinness Global Innovators strategy*	-3.5	-2.0	-3.1	41.9	79.2
MSCI World Index	-0.3	1.9	0.5	27.5	52.1
IA Global sector average	0.3	1.6	-2.4	19.7	33.5

RISK ANALYSIS

30/04/2016

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	-0.89	2.48
Beta	1	0.81	1.12
Information ratio	0	-0.39	0.52
Maximum drawdown	-18.26	-17.61	-22.39
R squared	1	0.79	0.88
Sharpe ratio	0.38	0.21	0.53
Tracking error	0	6.39	6.15
Volatility	14.02	12.78	16.81

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.**
Source: Financial Express, bid to bid, total return, in GBP.

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.

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. 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.

Telephone calls may be recorded and monitored.