

# Guinness Global Innovators Fund

## INVESTMENT COMMENTARY – May 2017

### About the Fund

The Fund is a global 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	£73m
AUM in strategy	£213m
Fund launch date	31.10.14
Strategy launch date	01.05.03
Managers	Dr Ian Mortimer, CFA Matthew Page, CFA

### Performance 30.04.17

Cumulative % gross total return (GBP)	1 year	3 years	5 years	10 years
Strategy*	39.4	63.9	147.5	243.7
Index	30.6	56.7	107.4	140.2
Sector	26.8	43.0	77.8	89.7
Position in sector	7 /264	19 /231	3 /199	2 /131

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

Strategy*	12.96%
Index	10.58%
Sector	9.18%

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, gross total return, in GBP.

### Summary performance

In April, the Guinness Global Innovators Fund produced a total return of -0.8% (in GBP) versus the MSCI World Index return of -1.9%. The Fund therefore outperformed the index by 1.0% in the month.

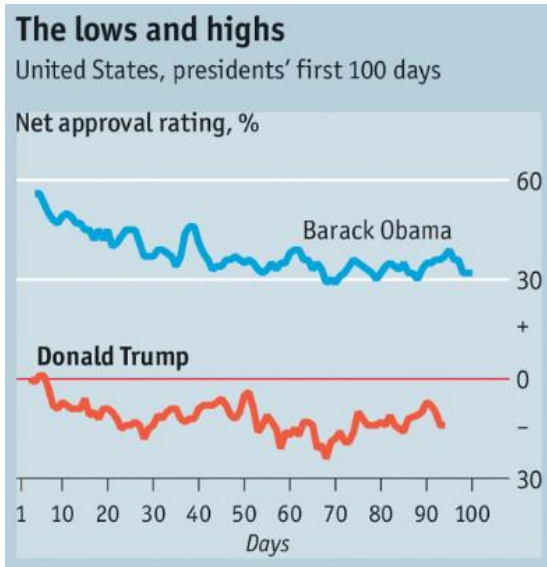
Year-to-date the Fund is now up 6.8%, outperforming the MSCI World Index, up 3.3%. Over a one-year period to the end of April the Fund is ahead of the benchmark, up 39.4% (in GBP) versus the MSCI World Index return of 30.6%.

### April in Review

April was another month in which markets reacted to the uncertainty of political foray and follies from the US, Europe and Asia.

President Trump has come to the end of his first 100 days in office. Of the goals laid out in his ambitious “100-day action plan” last October, some have been achieved and some have not. He has withdrawn America from the Trans-Pacific Partnership, a trade pact, appointed a conservative Supreme Court justice and authorised the building of the Keystone oil pipeline. The wall between the US and Mexico has yet to be paid for by Mexico but Trump still seems intent on its completion. Trump has not labelled China a currency manipulator, his ban on travellers from several Muslim-majority countries has twice been stopped by the courts and he was forced to pull his healthcare bill from a vote in Congress. An incoming President’s approval ratings usually start high and decrease over time, whereas President Trump’s approval ratings have arguably begun low. This however does not tell the full story, as his approval rating among Republicans is 85% (Source: Gallup), indicating a strong divide among party lines.

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Source: Gallup, The Economist

In Europe, the French went to the polls for the first round of voting in their 2017 presidential elections. Emmanuel Macron achieved 23.8% of the vote while Marine Le Pen came second with 21.4%. Macron and Le Pen duly proceeded to the final round on Sunday 7<sup>th</sup> May. The markets responded positively to the results of the first round, although the prospect of political upheaval will accompany the French legislative elections in June. A degree of uncertainty continues to surround the German federal election in September, the snap election called by the UK Prime Minister Theresa May and the on-going process of Brexit.

Asian markets were dominated by rhetoric from North Korea and the US, with China caught in between. Frictions have worsened due to North Korea's nuclear programme and the US installation of a missile shield. At several points in April, the simmering animosity between the US and North Korea seemed in danger of escalating, although by the end of the month Trump said he would be "honoured" to meet the North Korean supreme leader, Kim Jong Un, under the right circumstances.

## Market Movements

Early April saw cyclical stocks suffer relatively weak performance versus defensive stocks, before largely recovering by the end of the month. The

sectors with the strongest performance this month were Industrials, Consumer Discretionary and Information Technology.

Energy was the worst performing sector. This was largely due to oil prices, which fell because of concerns over increasing US output potentially offsetting efforts by OPEC and other states to eliminate a global surplus. Our current overweight to Energy benefitted performance. Our overweight to Information Technology and Industrials was also a positive for the Fund.

Europe significantly outperformed North America and Asia Pacific, as responded well to the likelihood of Emmanuel Macron winning the French Presidential run-off. Small and mid-caps rallied, doing better than large-caps.

In April, we saw the trade-weighted GBP up +3.2% and EUR up +2.3%. The USD was marginally up +0.2%. CAD fell the most last month, with -2.5%.

## Portfolio update

Individual stock performance in the month largely followed the market movements above, although we highlight key idiosyncratic stock movements below.

AAC Technologies (+25.5% total return in USD), the Chinese acoustic component manufacturer for smartphones, gained as Apple prepared to launch the iPhone's next iteration later this year. PayPal (+10.9%) reported quarterly earnings that beat analysts' estimates and raised its annual forecast, boosted by partnership deals that are delivering growth. Alphabet (+9.1%) beat expectations with its Q1 2017 earnings. Schneider Electric (+7.6%) has seen strong Q1 organic growth throughout geographic regions and in most of its business areas with the market expectation that this is set to continue for the rest of 2017. The performance of WisdomTree (-8.0%), an ETF provider, was lacklustre because of the expectation of weaker net flows in Q2 2017. Schlumberger (-7.1% total return in USD) has seen negative revisions to earnings per share estimates for Q2 and for full-year 2017 and 2018, weighing adversely on shares. Qualcomm (-6.3% total return in USD) cut its

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## Guinness Global Innovators Fund

earnings forecast after Apple withheld royalty payments amid an on-going legal dispute.

We made no changes to the portfolio in April.

Thank you for your continued support.

### **Portfolio Managers**

Dr Ian Mortimer, CFA

Matthew Page, CFA

### **Analysts**

Joshua Cole

Sagar Thanki

## Guinness Global Innovators Fund

### PORTFOLIO

30/04/2017

Fund top 10 holdings	Sector analysis	Geographic allocation
AAC Technologies 3.8%	IT 51.1%	USA 60.4%
Applied Materials 3.7%	Industrials 19.3%	Germany 9.8%
New Oriental Education & Tech 3.7%	Consumer Disc. 10.2%	China 8.4%
Samsung Electronics GDR 3.5%	Health Care 9.2%	South Korea 3.6%
Check Point Software 3.5%	Financials 5.7%	Israel 3.4%
Boeing 3.4%	Energy 3.0%	Taiwan 3.4%
Nvidia Corp 3.4%	Cash 1.4%	UK 3.3%
Catcher Technology 3.4%		
Infinion Technologies 3.4%		
SAP AG 3.3%		
% of Fund in top 10 35.1%		
Total number of stocks in Fund 30		

30/04/2017

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

Guinness Global Innovators strategy*	12.96%
MSCI World Index	10.58%
IA Global sector average	9.18%

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

	Apr '13	Apr '14	Apr '15	Apr '16	Apr '17
Guinness Global Innovators strategy*	25.1	20.7	21.3	-3.1	39.4
MSCI World Index	22.5	8.1	18.7	1.1	30.6
IA Global sector average	17.1	6.2	15.5	-2.4	26.8

### Cumulative % gross total return (GBP)

	1 month	Year- to-date	1 year	3 years	5 years	10 years
Guinness Global Innovators strategy*	-0.8	6.8	39.4	63.9	147.5	243.7
MSCI World Index	-1.9	3.3	30.6	56.7	107.4	140.2
IA Global sector average	-1.0	4.5	26.8	43.0	77.8	89.7

### RISK ANALYSIS

30/04/2017

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	0.06	3.15
Beta	1	0.81	1.10
Information ratio	0	-0.46	0.78
Maximum drawdown	-14.03	-17.08	-17.14
R squared	1	0.79	0.86
Sharpe ratio	0.96	0.78	1.15
Tracking error	0	5.78	5.64
Volatility	12.45	11.35	14.76

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Source: Financial Express, bid to bid, gross total return, in GBP

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## 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.

### **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** may be recorded and monitored.

**GUINNESS**

**ASSET MANAGEMENT LTD**

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