

# Guinness Global Innovators Fund

Innovation | Quality | Growth | Conviction

## INVESTMENT COMMENTARY – June 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	£78m
AUM in strategy	£225m
Fund launch date	31.10.14
Strategy launch date	01.05.03
Managers	Dr Ian Mortimer, CFA Matthew Page, CFA

### Performance 31.05.17

Cumulative % gross total return (GBP)	1 year	3 years	5 years	10 years
Strategy*	40.1	63.1	163.6	229.3
Index	32.0	56.2	120.1	136.6
Sector	30.4	43.6	92.7	90.0
Position in sector	15 /265	21 /232	5 /198	4 /130

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

Strategy*	13.15%
Index	10.71%
Sector	9.35%

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 May, the Guinness Global Innovators Fund produced a total return of 3.4% (in GBP), versus the MSCI World Index return of 2.4%. The Fund therefore outperformed the index by 1.0% in the month.

Year-to-date the Fund is now up 10.4%, outperforming the MSCI World Index, up 5.8%.

Over a one-year period to the end of May the Fund is ahead of the benchmark, up 40.1% (in GBP) versus the MSCI World Index return of 32.0%.

### May in Review

May was far from a quiet month. There were elections, cyber-attacks, terrorist attacks and a deepening crisis relating to allegations of Russian interference in the election of Donald Trump. The worldwide financial markets, throughout all of this, largely stayed buoyant.

In Europe, May began with a decisive victory by Emmanuel Macron, over Marine Le Pen, to become the youngest leader of France since Napoleon. This was expected by pollsters, financial markets and the betting markets alike. Political uncertainty has largely receded since the beginning of the year, hastened by a surprise win by Chancellor Angela Merkel's conservatives in a regional election in Germany's most populous region. This was received as a significant vote of confidence ahead of Germany's national elections in September.

President Trump fired FBI Director James Comey, which caused worries over political pressure on the criminal investigation into whether Trump's advisors colluded with the Russian government to influence the 2016 election. Speculation was fuelled further by the hosting of the Russian Foreign Minister the same week. To exacerbate the situation further, Trump was accused of revealing highly classified intelligence to Russia,

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straining a crucial intelligence-sharing relationship with the ally who had provided it. A special counsel has been appointed to investigate links between his presidential campaign aides and Russian officials.

The so-called Trump trade, which has dominated the US markets since the election, has arguably turned into the Trump fade. The US dollar has given up all the gains made after the election as hopes that Trump would rapidly introduce policies that would benefit the US economy have diminished. At the end of May, Trump withdrew the US from the Paris climate accord, despite the pleas of allied nations. This occurred one week after Mr Trump faced intense pressure at the G7 summit in Italy to remain a signatory. The US joins a limited club of three nations not part of the agreement.

China and the US agreed to a 10-point trade package designed to refresh trade relationships between the two countries. US credit rating agencies and credit card companies will be allowed access to the Chinese market, along with the revival of US beef imports. China's President Xi Jinping also hosted to 29 national leaders for the "New Silk Road" summit, which Chinese officials insist is focused on mutual economic development rather than enhancing Beijing's geopolitical power. Some of China's neighbours have voiced concerns that this scheme will undermine other regional integration initiatives.

## Market Movements

In May defensive stocks outperformed cyclical stocks on average. The sectors with the strongest performance were Utilities, Consumer Staples and Information Technology. Energy was again the worst performing sector in the month. The Global Innovators Fund's current underweight to Energy and Financials benefitted performance. Its overweight to Information Technology was also positive.

Europe started the month strongly, while Asia Pacific rallied throughout and outperformed both Europe and North America. Large and mid-caps rallied, doing better than small-caps.

In May, the trade-weighted EUR was up +3.2% and CAD up +1.1%. The GBP was down 0.5%. USD fell the most last month with -1.5%.

## Portfolio update

Individual stock performance in the month largely followed these market movements. Key idiosyncratic stock movements are highlighted below.

Nvidia (+38.5% total return in USD) has seen strong demand from supplying processors to the Nintendo Switch games console. Strong growth continues in its datacentres and auto business segments. WisdomTree (+15.0% total return in USD) an ETF provider, had improved performance over May with strong net flows expected for Q2 2017. Applied Materials (+13.2% total return in USD), the supplier of equipment and services for the manufacture of semiconductor chips, gave a positive earnings announcement and a raise in guidance. Cognizant Technology (+11.4% total return in USD), an American software development company, had growth in revenue and increases in ROE last quarter.

AAC Technologies (-27.8% total return in USD), the Chinese manufacturer of acoustic components for smartphones, was subject to accusations by a short seller of undisclosed related-party transactions. AAC have refuted all allegations, calling the short seller report "groundless, false or misleading" after an internal review conducted by the company and review of findings by an external reviewer. Another research provider, in the defence of AAC Technologies, accused the short seller of being "misleading". The company's shares were suspended from trading on 18<sup>th</sup> May but resumed trading on 7<sup>th</sup> June.

Cisco Systems (-7.5% total return in USD) has seen slowing growth within their core switch and router business. The company is investing in higher-growth segments such as wireless, collaborations, security and analytics, as well as Internet of Things. Gilead Sciences (-5.3% total return in USD) has suffered from faltering revenues within its Hepatitis C franchise. Higher sales growth could be

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## Guinness Global Innovators Fund

achieved from Gilead's HIV combo franchise, although this is dependent on regulatory approval.

We made no changes to the portfolio in May.

Thank you for your continued support.

### **Portfolio Managers**

Dr Ian Mortimer, CFA

Matthew Page, CFA

### **Analysts**

Joshua Cole

Sagar Thanki

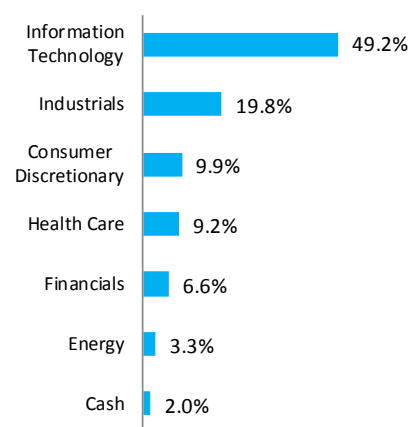
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## Guinness Global Innovators Fund

### PORTFOLIO

31/05/2017

Fund top 10 holdings	Sector analysis	Geographic allocation
Paypal 3.6%		USA 62.4%
Samsung Electronics GDR 3.5%		Germany 9.9%
Check Point Software 3.5%		China 5.5%
Cognizant Tech Solutions 3.5%		South Korea 3.5%
Alphabet 3.4%		Israel 3.5%
Applied Materials 3.4%		Japan 3.3%
Wisdomtree Investments 3.4%		France 3.3%
Siemens 3.3%		Taiwan 3.3%
Boeing 3.3%		UK 3.3%
Comcast Corp 3.3%		Cash 2.0%
% of Fund in top 10 34.0%		
Total number of stocks in Fund 30		

31/05/2017

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

Guinness Global Innovators strategy*	13.15%
MSCI World Index	10.71%
IA Global sector average	9.35%

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

	May '13	May '14	May '15	May '16	May '17
Guinness Global Innovators strategy*	36.8	18.2	19.0	-2.2	40.1
MSCI World Index	30.5	8.0	16.8	1.3	32.0
IA Global sector average	27.8	5.0	14.1	-3.5	30.4

### Cumulative % gross total return (GBP)

	1 month	Year-to-date	1 year	3 years	5 years	10 years
Guinness Global Innovators strategy*	3.4	10.4	40.1	63.1	163.6	229.3
MSCI World Index	2.4	5.8	32.0	56.2	120.1	136.6
IA Global sector average	3.0	7.6	30.4	43.6	92.7	90.0

### RISK ANALYSIS

31/05/2017

Annualised, weekly, 5 years, in GBP	Index	Sector	Strategy*
Alpha	0	0.45	2.98
Beta	1	0.81	1.10
Information ratio	0	-0.45	0.78
Maximum drawdown	-14.03	-17.08	-17.14
R squared	1	0.79	0.86
Sharpe ratio	1.10	0.94	1.27
Tracking error	0	5.71	5.59
Volatility	12.35	11.24	14.64

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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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