

Guinness Global Equity Income Fund

INVESTMENT COMMENTARY - October 2014

About the Fund

Guinness Global Equity Income Fund is designed to provide investors with global exposure to dividend-paying companies.

The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size £62.7m

Launch date 31.12.10

Managers Dr. Ian Mortimer, CFA
Matthew Page, CFA

Performance 30.09.14

	1 year	3 years	From launch
Fund	10.5	52.1	44.8
Index	12.1	57.6	39.1
Sector	8.8	47.4	34.9

Annualised % total return from launch (GBP)

Fund	10.4%
Index	9.2%
Sector	8.3%

Benchmark index MSCI World Index

IMA sector Global Equity Income

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.

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

Monthly update

"Sell in May and go away [until the start of November]" is an often repeated pearl of market wisdom that has been dished out for centuries but is widely derided by most academics, and especially by those enamoured with the efficient market hypothesis. It certainly didn't hold true in 2013, however, with the S&P500 up 8.60% (total return in USD) between the end of May and Halloween! It does feel prescient this year, though, with markets having traced a downward trajectory from their highs in early summer to today. For what it's worth, our personal view has always been that any attempt to time the market – however simplistic, or indeed convoluted for that matter – is fraught with uncertainty and therefore risk. Successful attempts at such endeavours simply give rise to overconfidence and the illusion of knowledge – which usually sow the seeds for much larger losses in the future.

In the month of September itself the MSCI World Index was down 0.24%, while our Fund was down 0.34% (total return in GBP). This leaves the Fund up 5.75% year-to-date, slightly behind the index which is up 6.14%.

The reason for this recent sell off has been extensively debated in both the mainstream press and by financial journalists. Broadly it seems there is a growing concern that global growth is weaker than expected, and is maybe even reversing in some instances, combined with fears that the extraordinary asset purchases enacted through quantitative easing have failed to spur inflation sufficiently, meaning the risk of deflation has become front of mind. The woeful response of western governments to target quickly the Ebola outbreak in West Africa, and IS militants fighting near the border of Turkey, have further added to investor anxiety – and also increased the potential threat of a dramatic exogenous shock that could take the markets by surprise.

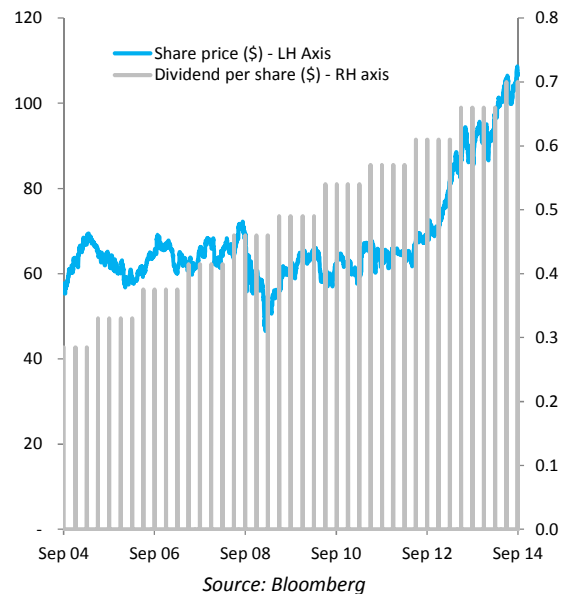


Guinness Global Equity Income
BEST FUND OVER 3 YEARS
EQUITY GLOBAL INCOME

Deflation is a particular worry for markets as the ability to cut interest rates further from today's low rates means reducing them below zero – a not insignificant task, but one the ECB has effectively put in place recently. The spectre of Japanese-style deflation looms large in the collective psyche and has shown how hard it becomes to encourage people to spend when they have an expectation of lower prices in the near future. Whether a continuation of quantitative easing by the Fed or a softening of rhetoric to such market interventions in Europe from Germany comes to pass is as yet unknown, but it certainly feels like this is what the market is hoping for as it appears investors have not, for now at least, been weaned off such measures.

This may all seem very gloomy but it is always important to note that such sell offs provide opportunities to purchase shares of good companies at better prices than we could have done in the recent past. This becomes especially true when the selling becomes indiscriminate – which usually coincides with capitulation and panic – as the intrinsic value of companies based on their ability to generate cash flows in the future gets thrown out of the window. We don't think we are particularly close to such a market panic today, and it is useful to put any sell off into context; since March 2009 there have been sixteen 4%+ pullbacks in the S&P500. Instead we recognise that any correction can provide a useful fillip to an investor who re-invests the dividend stream of the companies they own without a thought to market timing. Not only does it mean that the buyer can potentially improve their capital return by buying more shares at a lower price, but it also has the effect of the buyer owning a greater proportion of the company for their new investment today than yesterday. This then has the effect of the investor owning a greater proportion of the dividend stream of the company in the future. If the company can grow its dividend in the future then this compounding effect can be extremely powerful to long run returns. The below example illustrates this point by looking at the prices an

investor would achieve who mechanically re-invested their dividend for Johnson & Johnson over the last 10 years.



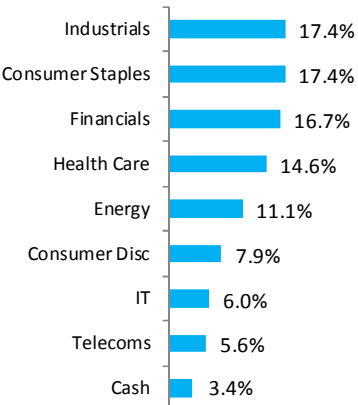
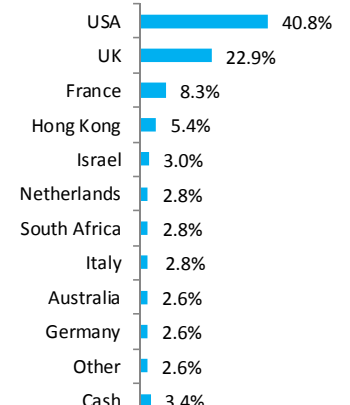
The fly in the ointment for this argument is that it does not work for all companies; if the share price weakness is permanent or the future stream of dividends do not materialise then this will inevitably lead to wasting good money after bad. This is why we focus so much on the quality of the underlying businesses we invest in for the Fund; we want any business we own to have a return on capital above the cost of capital, for the dividend to be well covered with a good chance of dividend growth in the future, and low leverage of the balance sheet – so if we get either of the first two incorrect we will not compound our mistake.

We do not know how the rest of 2014 will work out but instead continue to maintain our investment approach and look to invest over the long term. We thank you once again for your continued support.

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

October 2014

PORTFOLIO (30.09.14)

Fund top 10 holdings	Sector analysis	Geographic allocation
L-3 Communications 3.2% Abbvie 3.1% BAE Systems 3.0% Microsoft 3.0% Coca-Cola 3.0% Teva Pharmaceutical 3.0% General Dynamics 3.0% Johnson & Johnson 3.0% Cisco Systems 3.0% Imperial Tobacco 3.0% % of Fund in top 10 30.3% Total number of stocks in Fund 34		

PERFORMANCE

Discrete years % total return (GBP)

12 months to month end:	Sep '10	Sep '11	Sep '12	Sep '13	Sep '14
Fund C Class (1.5% AMC)	-	-	13.0	20.1	9.7
Fund X class (0.75% AMC)	-	-	13.8	21.0	10.5
MSCI World Index	8.4	-3.2	17.3	19.9	12.1
IMA Global Equity Income sector average	9.9	-0.5	15.5	17.3	8.8

Cumulative % total return (GBP)

30/09/2014	1 month	Year-to-date	1 year	3 years	From launch
Fund X class (0.75% AMC)	-0.2	5.8	10.5	52.1	44.8
MSCI World Index	-0.3	6.1	12.1	57.6	39.1
IMA Global Equity Income sector average	-0.8	4.3	8.8	47.4	34.9

Annualised % total return from launch (GBP) 30/09/2014

Fund X class (0.75% AMC)	10.38%
MSCI World Index	9.19%
IMA Global Equity Income sector average	8.32%

Risk analysis - Annualised, weekly, from launch on 31.12.10, in GBP

30/09/2014	Index	Sector	Fund
Alpha	0	1.05	2.80
Beta	1	0.78	0.79
Information ratio	0	-0.14	0.22
Maximum drawdown	-18.26	-15.50	-16.34
R squared	1	0.81	0.89
Sharpe ratio	0	0.41	0.60
Tracking error	0	5.81	4.60
Volatility	13.41	11.62	11.24

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.

Source: Financial Express, bid to bid, total return. Fund launch date: 31.12.10. **Fund X class:** Simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP. **IMA sector** performance based on highest fee share classes for each fund (C Class (1.5% AMC) for Guinness Global Equity Income). See Notes overleaf.

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Performance data notes

1) The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's X class was launched on 15/02/2012. The performance shown is a simulation for X class performance being based on the actual performance of the Fund's E class, which has the same annual management charge as the X class, and has existed since the Fund's launch. The Fund's E class is denominated in USD but for the purposes of this performance data its performance is calculated in GBP. Hence the Fund's E Share class is used here to illustrate the performance of a GBP-based clean-fee (RDR-compliant) share class since the Fund's launch on 31.12.10.

2) The performance of the IMA Global Equity Income sector is based on the average of the highest fee share class of each constituent fund, e.g. C class for the Guinness Global Equity Income Fund, with an annual management fee of 1.5%.

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 Equity Income 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 Equity Income 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. Shareholders should note that all or part of the fees and expenses will be charged to the capital of the Fund. This will have the effect of lowering the capital value of your investment.

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'Île, 1204 Geneva, Switzerland.

Telephone calls may be recorded and monitored.

GUINNESS
—FUNDS—

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

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