Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – October 2016

About the Fund

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

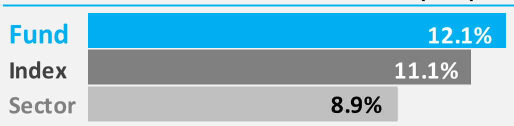
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£188m
Launch date	31.12.10
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA

Performance **30.09.16**

	1 year	3 years	From launch
Fund	33.1	46.3	92.8
Index	29.9	47.8	83.4
Sector	24.7	32.0	63.7

Annualised % total return from launch (GBP)



Benchmark index	MSCI World Index
IA 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.

Guinness Global Equity Income Fund passed its fifth anniversary on 31st December 2015. For our full review of the Fund's history, visit **guinnessfunds.com**

Quarterly review

In the month of September the fund was up 0.90% (in GBP) versus the benchmark MSCI World Index up 1.40%. The fund therefore underperformed the index by 0.50% over the month.

Over the third quarter as a whole the fund was up 7.19% versus the benchmark MSCI World Index up 7.92%. The fund therefore underperformed the index over the quarter by 0.73%.

Looking over the year to date the fund is now up 23.95% versus the MSCI World Index up 19.76%. The fund is therefore ahead of the index by 4.19% for the year.

Despite the small underperformance versus the benchmark in Q3, versus peers in the IA Global Equity Income sector the fund ranked in the second quartile, which follows top quartile performance in both Q1 and Q2 2016. The longer term performance of the strategy also remains strong, with the fund top quartile versus peers over all of YTD, 1yr, 3yr, 5yr periods and since our launch at the end of 2010.

	YTD	1 Year	3 Years	5 Years	Since launch
Fund	24.0%	33.1%	46.3%	102.1%	92.8%
MSCI World	19.8%	29.9%	47.8%	107.9%	83.4%
IA Global Equity Income sector average	16.8%	24.7%	32.0%	78.8%	63.7%
Quartile rank vs peers	**1st**	**1st**	**1st**	**1st**	**1st**

Source: Financial Express, in GBP

We are also pleased to note that the fund is now £191mn in size (as at 10/10/2016).

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Quarter in review

Despite world equity markets finishing almost flat over the period we witnessed significant volatility in share prices over the third quarter of 2016.

In July the market had to digest the surprise vote for Brexit in the UK referendum on EU membership at the end of June. After an initial sell-off, equity markets rallied significantly through the end of the month, with the MSCI World Index closing up over 4% in July.

In August equity markets appeared somewhat subdued with the MSCI World Index up only 0.14% (in USD) over the month. The VIX (or so-called 'fear index') also remained at low levels, suggesting market participants were less concerned with the potential for a big sell-off in US equities. However, as we noted in previous updates, the overall market performance belied quite large divergences in individual sector performances; financials, IT, materials, and industrials led the market and utilities, healthcare, telcos, and consumer staples lagged. This was in stark contrast to the start of the year when the more 'defensive' sectors outperformed as markets worried about the prospects for Chinese growth. In a similar vein, developed markets underperformed emerging markets in August, continuing a trend that had begun to evolve at the end of May.

September followed a similar pattern to August. Developed market equities (MSCI US +0.1%, MSCI UK +0.5%, MSCI Europe +0.6%, in USD) lagged emerging market equities (MSCI EM +1.3%) and Asian equities (MSCI Asia-Pac ex Japan +1.7%, Japan +1.3%) and the sectors that led and lagged the markets in August (as noted above) broadly continued to do so in September.

The performance of the energy and materials sectors, and energy in particular, coincided with better prospects for commodity prices in general and specifically for oil following perceived collaborative action on supply curtailments by OPEC members. The relative underperformance of REITs, telcos, healthcare and staples also coincided with a growing assumption that more accommodative monetary policy from central banks, most notably the Fed and the ECB, may not come to pass – making the high dividends from these types of business less attractive and less necessary to investors in the medium to long term.

The notable exception to the sector leaders from August continuing to outperform in September was the financials sector. Fears surrounding Deutsche Bank, following the record Department of Justice settlement claim for mis-selling residential mortgage-backed securities in the US, and the emergence of a probe into fake customer account openings at Wells Fargo combined to rattle the sector.

Performance drivers

In terms of sector positioning our underweight relative to the benchmark in materials (c.5% underweight on average over the period) and information technology (c.3% underweight) were the largest drags, albeit small ones in absolute terms, representing only c.-0.20% to total fund returns each. Our overweight to consumer staples (c.8.5%) led to a c.-0.40% drag to fund performance.

Positive performance from sector allocation came from our continued zero weight to the utilities sector (representing a c.3.4% underweight versus the benchmark on average).

In terms of geographic exposure the largest difference between the fund and the benchmark is our exposure to the US (as measured by country of domicile). The fund over the quarter had on average a c.50%

weighting to North America which compares to the index at c.61% - an 11% underweight position. This made no discernible difference from a performance perspective.

The largest geographic overweight remains Western Europe (including the UK) which was a c.6% larger position than the benchmark over the quarter and added c.+0.30% to the overall performance of the fund.

Small-caps outperformed large-caps, which would generally not be beneficial to the fund as it only invests in mid- to large-cap companies. There was a (small) bias towards value stocks versus growth stocks which helped fund performance, but likely not in any significant way.

Individual companies that performed well over Q3 were Largan Precision (up 34.4% in USD), Schneider Electric (up 18.6%), Illinois Toolworks (up 15.7%), WPP (up 14.3%) and Microsoft (up 13.3%).

Companies that had weaker performance over Q3 were Teva Pharmaceutical (down 7.8% in USD), Royal Dutch Shell (down 7.2%), Coca-Cola (down 5.9%), Deutsche Boerse (down 4.8%) and Imperial Brands (down 3.6%).

Changes to the portfolio

During the quarter we made no changes to the portfolio. We did take the opportunity to rebalance, however, as market volatility led to some significant divergences between individual holdings.

Positioning

The chart below highlights the geographic weighting of the portfolio both in terms of where the companies held are domiciled (as you will see listed in our Factsheets, for example) and where their revenues come from – which can often be more illuminating.

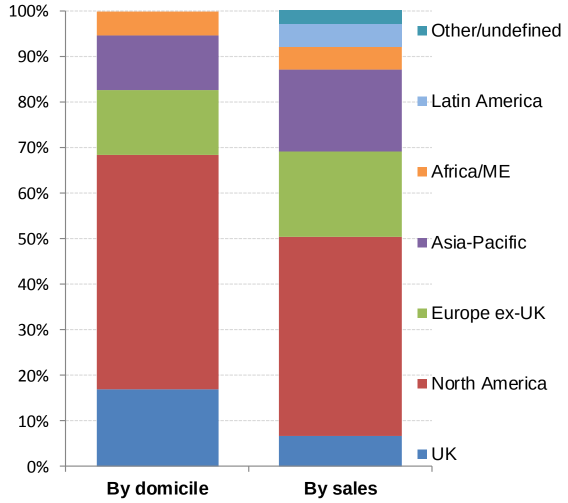

Chart 1: Geographic breakdown of the fund. Guinness Asset Management, Bloomberg (data as at 30.09.2016)

We would note two main points: first, the fund's lower exposure to the UK when considered by revenues (c.6%) versus by domicile (c.17%) – this is because we have favoured UK domiciled companies with a more global exposure (such as Unilever and Imperial Brands); and second, the larger exposure to Asia and emerging markets by revenues (c.28%) than the equivalent statistic as measured by domicile (c.17%).

In terms of sector weightings the fund continues to have a zero weighting to utilities, materials, and the newly created real estate sector (which previously was included in financials but is now split out as a standalone sector by MSCI). The largest overweight positions are to consumer staples and to industrials.

The chart below shows the sector breakdown of the fund in absolute terms and also relative to the benchmark to highlight any over/underweights.

Guinness Global Equity Income Fund

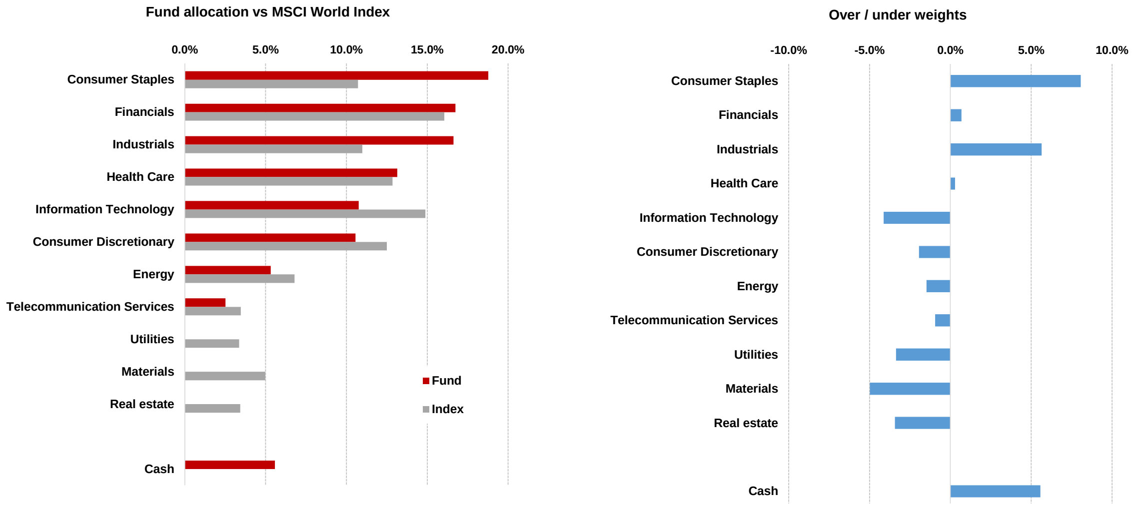

Chart 2: Sector breakdown of the fund versus MSCI World Index. Guinness Asset Management, Bloomberg (data as at 30.09.2016)

To put this data into a historical context (for the fund at least) the two charts below show how the exposure of the fund has evolved since we launched the strategy back in 2010.

From a sector perspective the largest changes made over the past twelve months have been to increase the exposure of the fund to IT stocks, where we have found some good opportunities for high dividend growth businesses at relatively low valuations, something that is becoming increasingly hard to find. This increased exposure to IT came at the expense of energy, where we began to reduce our exposure towards the end of 2015.

Over the longer term we have been steadily reducing our consumer staples exposure, mainly on valuation grounds – with the exception of our purchase of Walmart earlier this year – and have been increasing our exposure to industrial companies. We think this mix (more 'defensive' staples versus more economically sensitive industrials) is the right balance today, and the fact the portfolio has a reasonably well diversified sector exposure, alongside our bottom-up approach, shows we are not necessarily finding obvious pockets of value in just one sector today.

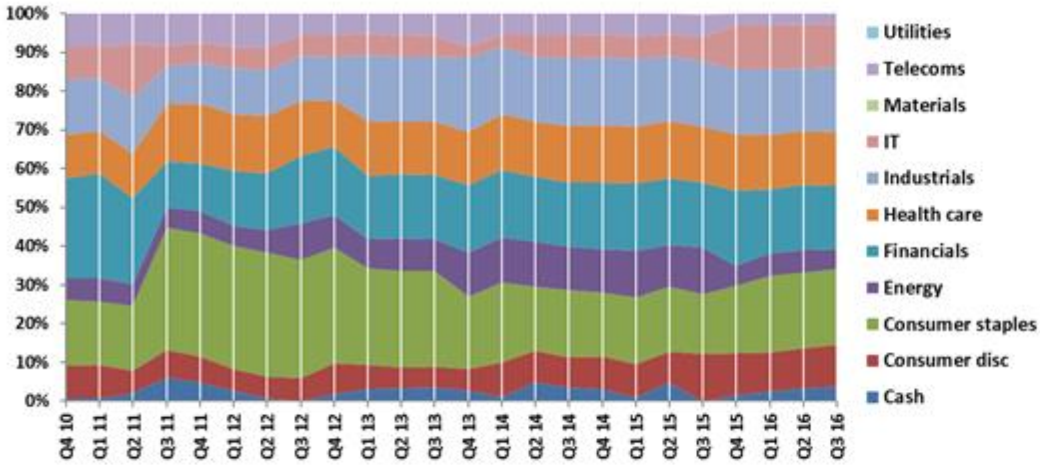

Chart 3: Sector breakdown of the fund since launch. Guinness Asset Management, Bloomberg (data as at 30.09.2016)

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From a geographic point of view we have reduced our UK exposure slightly, with the sale of Aberdeen Asset Management in January. The purchase of Walmart in its place reversed the longer term trend of reducing US exposure – but as noted above this still leaves the portfolio c.11% underweight versus the benchmark

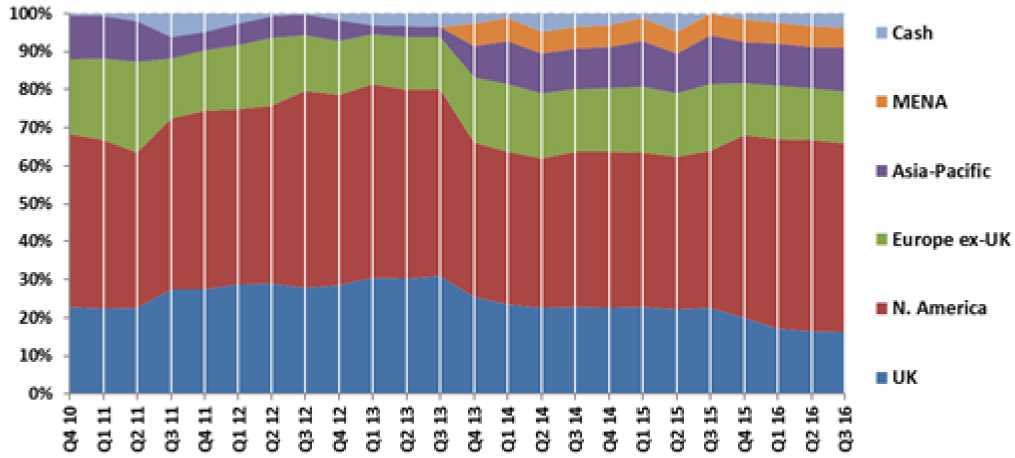


Chart 4: Geographic breakdown of the fund since launch. Guinness Asset Management, Bloomberg (data as at 30.09.2016)

Key fund metrics today

The four key tenets to our approach are quality, value, dividend, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will.

At the quarter end we are pleased to report that the portfolio still provides a reasonable measure on all four of these relative to the benchmark MSCI Word Index.

		Fund	MSCI World Index
Quality	Average 10 year CFROI	21%	10%
	Weighted average debt / equity	62%	152%
Value	PE (2016e)	16.6	17.4
Dividend	Yield (LTM)	2.90%	2.70%
	Weighted average payout ratio	59%	64%
Conviction	Number of stocks	35	1602
	Active share	95%	-

Chart 5: Portfolio metrics versus index. Guinness Asset Management, Credit Suisse HOLT, Bloomberg (data as at 30.09.2016)

Outlook

Our conclusion of last month very much still holds;

"We do not pretend to know what the future holds and we are well aware of the risks in the market - particularly the overall lack of earnings growth seen over the past few years. But we still believe our approach gives us a good chance of avoiding some of those risks while still generating a stable dividend and potentially some respectable earnings growth as well."

In today's uncertain times we think this remains a good way to gain exposure to the equity market without having to try and second guess what is coming round the corner.

Thank you for your continued support.

Dr. Ian Mortimer & Matthew Page
Co-managers, Guinness Global Equity Income Fund
October 2016

Data sources

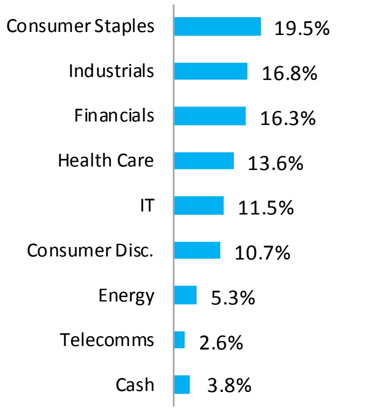
Fund performance: *Financial Express, total return in GBP*

Index and stock data: *Bloomberg*

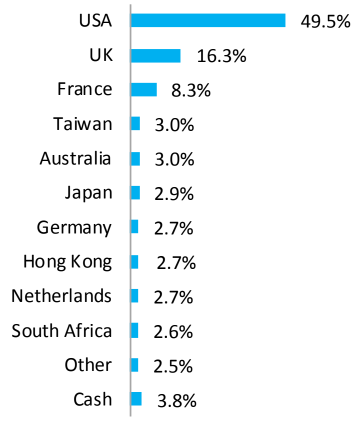
Fund top 10 holdings

Largan Precision	3.0%
Sonic Healthcare	3.0%
Schneider Electric	2.9%
Japan Tobacco	2.9%
Eaton	2.9%
General Dynamics	2.9%
Microsoft	2.8%
Danone	2.8%
Cisco Systems	2.8%
Gallagher, Arthur J	2.8%
% of Fund in top 10	28.8%
Total number of stocks in Fund	35

Sector analysis



Geographic allocation



PERFORMANCE

30/09/2016

Annualised % total return from launch (GBP)

Discrete years % total return (GBP)	Sep '12	Sep '13	Sep '14	Sep '15	Sep '16
Fund (Y class, 0.99% OCF)	14.0	21.2	10.9	-0.9	33.1
MSCI World Index	17.3	19.9	12.1	1.6	29.9
IA Global Equity Income sector average	15.5	17.3	8.8	-2.7	24.7

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.99% OCF)	0.9	24.0	33.1	46.3	102.1	92.8
MSCI World Index	1.4	19.8	29.9	47.8	107.9	83.4
IA Global Equity Income sector average	0.3	16.8	24.7	32.0	78.8	63.7

RISK ANALYSIS

30/09/2016

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	0.44	2.22
Beta	1	0.77	0.87
Information ratio	0	-0.30	0.19
Maximum drawdown	-18.26	-15.50	-16.19
R squared	1	0.80	0.89
Sharpe ratio	1	0.45	0.67
Tracking error	0	6.27	4.50
Volatility	13.81	11.96	12.71

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Source: Financial Express, bid to bid, total return. Fund launch date: 31.12.10. **Fund Y class**: Composite simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP.

Performance data notes

1) The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's Y class was launched on 11.03.15. The performance shown is a composite simulation for Y class performance being based on the actual performance of the Fund's E class, which has an annual management charge 0.75%, 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.

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. 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.