Guinness Global Equity Income Fund

INVESTMENT COMMENTARY – April 2020

About the Fund

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

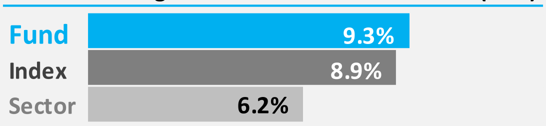
The Fund is managed for income and capital growth and invests in profitable companies that have generated persistently high return on capital over the last decade, and that are well placed to pay a sustainable dividend into the future.

Fund size	£908m
Launch date	31.12.10
Historic OCF (Y Class)	0.88%
Current OCF (at fund size)	0.86%
Managers	Dr. Ian Mortimer, CFA Matthew Page, CFA
Analysts	Sagar Thanki Joseph Stephens

Performance — 31.03.20

	1 year	3 years	From launch
Fund	-3.5	11.5	127.2
Index	-5.8	6.8	120.4
Sector	-9.8	-3.5	74.8

Annualised % gross 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. Y Class 0.88% OCF. Please refer to 'Performance data notes' for full details

Summary performance

In March the Fund was down -7.62% (in GBP) versus the MSCI World Index benchmark which was down -10.62% (in GBP).

- The Fund therefore outperformed the Index by 3.00% over the month.

In the first quarter of 2020 the Fund was down -13.12% (in GBP) versus the MSCI World Index benchmark which was down -15.65% (in GBP).

- The Fund therefore outperformed the Index by 2.53% over the quarter.

In the drawdown from the peak of the market on 19th February to the end of the quarter, the Fund was down -19.56% (in GBP), versus the MSCI World Index benchmark, down -23.45% (in GBP).

- The Fund therefore outperformed the Index by 3.89% over this period.

It is pleasing to see that the Fund has outperformed the MSCI World Index, the MSCI All-Country World Index, and the IA Global Equity Income Sector over both the short term and all the longer-term periods below.

	YTD	1yr	3yr	5yr	Since Launch*
Fund	-13.1%	-3.5%	11.5%	43.0%	127.2%
MSCI World Index	-15.7%	-5.8%	6.8%	40.5%	120.4%
IA sector average	-17.9%	-9.8%	-3.5%	18.8%	74.8%
Rank vs peers	11/56	13/54	5/49	5/41	1/18
Quartile	1st	1st	1st	1st	1st

Source: Financial Express. Cumulative Total Return in GBP as of 31st March 2020. *Launch 31st December 2010

Since the launch of the Fund at the end of 2010, it has outperformed the MSCI World Index by 6.8% (in GBP). This places the Fund 1st out of 18 funds in the IA Global Equity Income Sector over this period.

Recent outperformance comes as a result of our Fund's investment approach which focuses primarily on investing in **consistently profitable companies**. This means we entered the quarter with no exposure to banks, travel companies, hotels, airlines, luxury goods, restaurants, and so on – areas of the market that have been hit hardest. These industries tend to show up less in our universe due to their cyclicality or heavy regulation, which prevent them from achieving the persistently high returns on equity that we seek.

- The average Return on Equity of the portfolio is 24%, which is double that of the benchmark at 12%. Companies we own such as Unilever, Diageo and Roche have far higher returns on equity.

Further, our portfolio is built of companies with **strong balance sheets**. We do not believe that any of our companies will require government bail-outs or support (and we do not own any banks, which are influenced heavily by regulators' demands). We therefore believe the dividends of our companies are broadly safe. Some management teams may decide to suspend or delay dividends, but we would likely see far less of this in our Fund compared to the broader market.

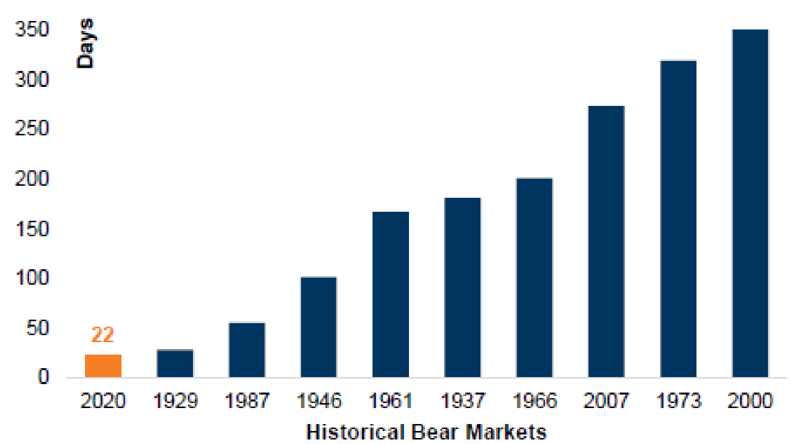
- The average total debt to equity of the companies in the portfolio is 49% compared to the benchmark with around 80%. Companies we own such as Microsoft, Novo Nordisk and Anta Sports even have more cash than debt, making them particularly robust.

- At the quarter end we have not had any portfolio companies suspend or delay their dividend payments.

Quarter Review

Covid-19 has so far infected more than one million people worldwide, four months after it emerged in Wuhan. More than 52,000 people have died and some 210,000 have recovered in the pandemic that has forced nearly a third of the world's population into lockdown. Under such unprecedented circumstances US jobless claims smashed a new record as three million people registered in one week, more than four times the previous high in 1967. The S&P 500 Index also broke a record, ending the longest bull run in US history in the fastest time – the Index fell 20% in just 22 days.

Number of days from peak to reach -20% (and meet the commonly accepted definition of a bear market)



Source: Bloomberg, Goldman Sachs Research

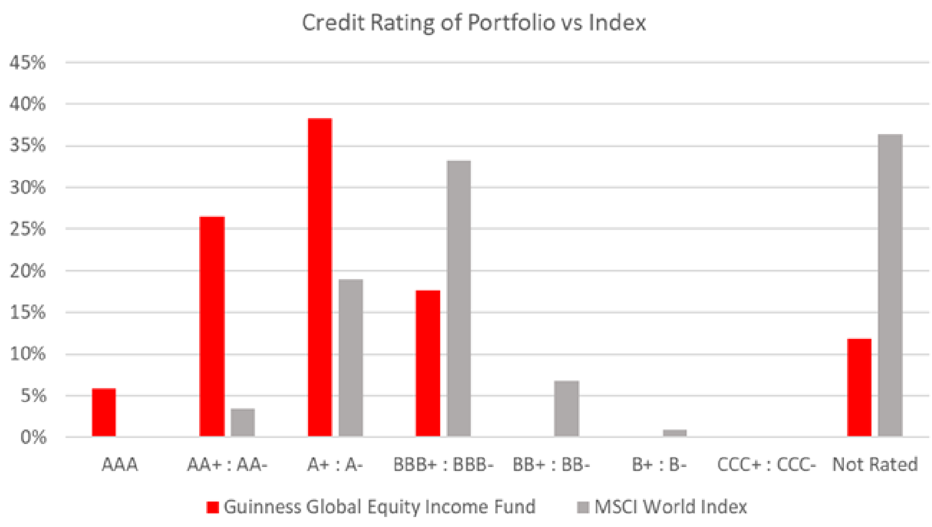
Against this backdrop, central banks around the world have taken aggressive action to support local markets as well as the global economy as world-wide recession is almost certain. The US Federal Reserve slashed interest rates close to zero, while the Senate passed a $2 trillion coronavirus aid bill – the largest economic stimulus in US history. Separately, in an emergency meeting, the European Central Bank announced €750bn in asset purchases in a new emergency programme.

Amid the unprecedented levels of fiscal and monetary stimulus, there has been a surge in borrowing, and the longer the lockdown lasts, the more debt will be built up by businesses. Not surprisingly, therefore, in the shorter term the most striking theme to have emerged from the current crisis is the widespread effort to **conserve cash**. Cash is what is used to pay salaries, buy inventory, service debt and fund expansion via R&D. In 'normal' times it comes in two forms: internally generated cash (the portion of profit which ends up as cash on the balance sheet at the end of the year) and borrowing.

With sales in certain industries collapsing as economies around the world move into lockdown, internal sources of cash are drying up for some companies, leaving them reliant on borrowing to meet expenses. Companies with no turnover need cash desperately and must rapidly rein in expenditures to ensure survival. Removing dividends and stopping share buybacks is something the most exposed businesses have already had to do.

This highlights the importance of balance sheet strength and we therefore think it is important to monitor the credit rating of the companies we own. The chart below shows that we currently have strong credit ratings vs the MSCI World Index benchmark, giving us some confidence that our companies not only have relatively better prospects of survival but are better positioned to continue rewarding shareholders through dividends.

71% of our portfolio has a credit rating of at least A+:A- compared to only 23% in the MSCI World Index.



Source: Bloomberg, S&P Credit Ratings

Further, although there is no perfect parallel with the current situation, it can be useful to look at how the portfolio would have behaved in the last period of major market stress, which was the Global Financial Crisis of 2007-2009.

The US market peaked on 9th October 2007 and troughed on 9th March 2009; over this period the share prices of our current holdings fell 47% (USD) on average. By contrast the MSCI World Index fell 57% (USD).

As we know, share prices then recovered: from the trough on 9th March 2009 to 31st December 2010 these companies produced a total return of 107% (USD) vs the MSCI World Index of 96% (USD).

Combining these two time periods we find that our current holdings on average produced a total return of +4% (USD) vs the MSCI World Index -16%.

However, it is perhaps more interesting to look at the dividend growth over this period. On average our current holdings in the portfolio grew their dividends by 51% from 2007 to 2010, while the MSCI World Index saw dividends fall by 17%.

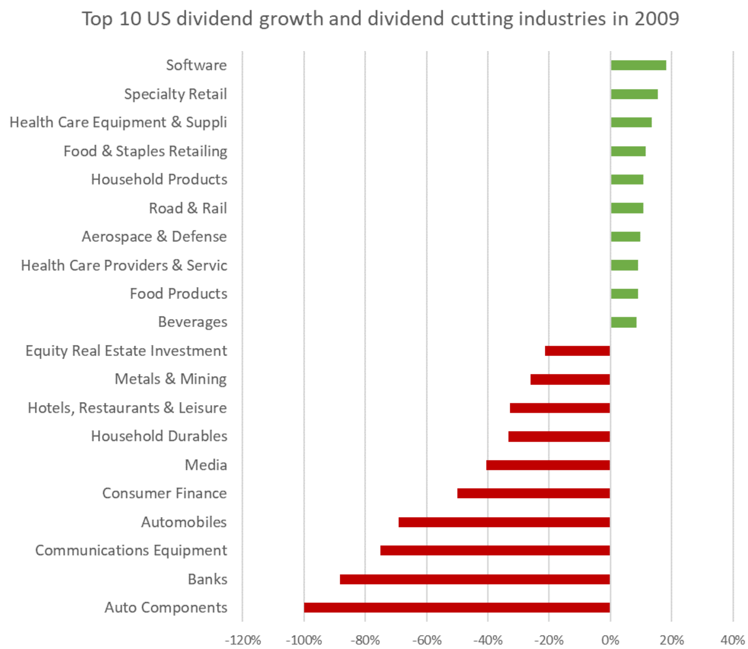
Between 2007 and 2010, we also find that out of the 34 companies currently held in our portfolio:

- Only one company, Schneider Electric, cut its dividend through this period.
- Six companies did not grow their dividend in 2009.
    - The rest* did grow their dividends in 2009 and on average did so by 14%.

(*Abbvie did not exist in 2007, having been part of Abbot Labs and later spun off. Broadcom and Cisco did not start paying dividends until 2011.)

So, despite all the volatility in share prices over this period, our high-quality companies with strong balance sheets not only outperformed the benchmark but also provided very attractive dividend growth.

Looking at which sectors cut or grew their dividends in 2009, there is a noticeable pattern that the less cyclical Consumer Staple and Healthcare industries generally fared better compared to the more market-sensitive segments (Autos, Banks, Consumer Discretionary, Real Estate):

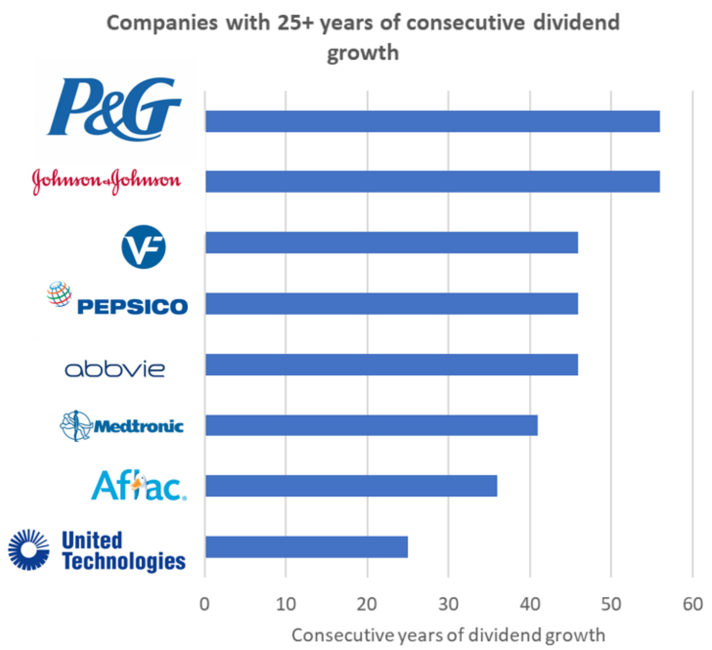


Source: Bloomberg, Guinness Asset Managements

This coincides with today and where we have already seen dividend cuts and cancellations.

- Companies where demand has dried up and the company needs to hold on to cash:
    - Airlines, travel and leisure → Boeing, Delta Airlines, Marriott
    - Retail → Macy's, Nordstrom, M&S, H&M
    - Energy → Oxy, Apache, Wood
    - Autos → Ford
    - Housebuilders → Persimmon, Barratt Developments, Taylor Wimpey
- Companies where the regulator has pre-emptively enforced dividend cancellations, i.e. banks:
    - Major UK banks have cancelled 2019's outstanding dividends and all those for 2020 at the regulator's request → HSBC, Standard Chartered, Lloyds, Barclays, RBS
    - European Central Bank has asked banks not to pay dividends until at least October 2020 → Unicredit, Abn-Amro, ING
    - Some US banks have not cancelled 2019 dividends still to be paid but have cancelled share buybacks → Bank of America, Citigroup

While such analysis of the Global Financial Crisis is backward-looking, and this time is of course different, the principles on which we run the portfolio are as relevant and important today. Most of the companies we hold have a history of consistent dividend growth and eight of our holdings are classed as 'Dividend Aristocrats', i.e. they have increased their dividend consecutively for 25 years or more:



Source: Bloomberg, Guinness Asset Managements

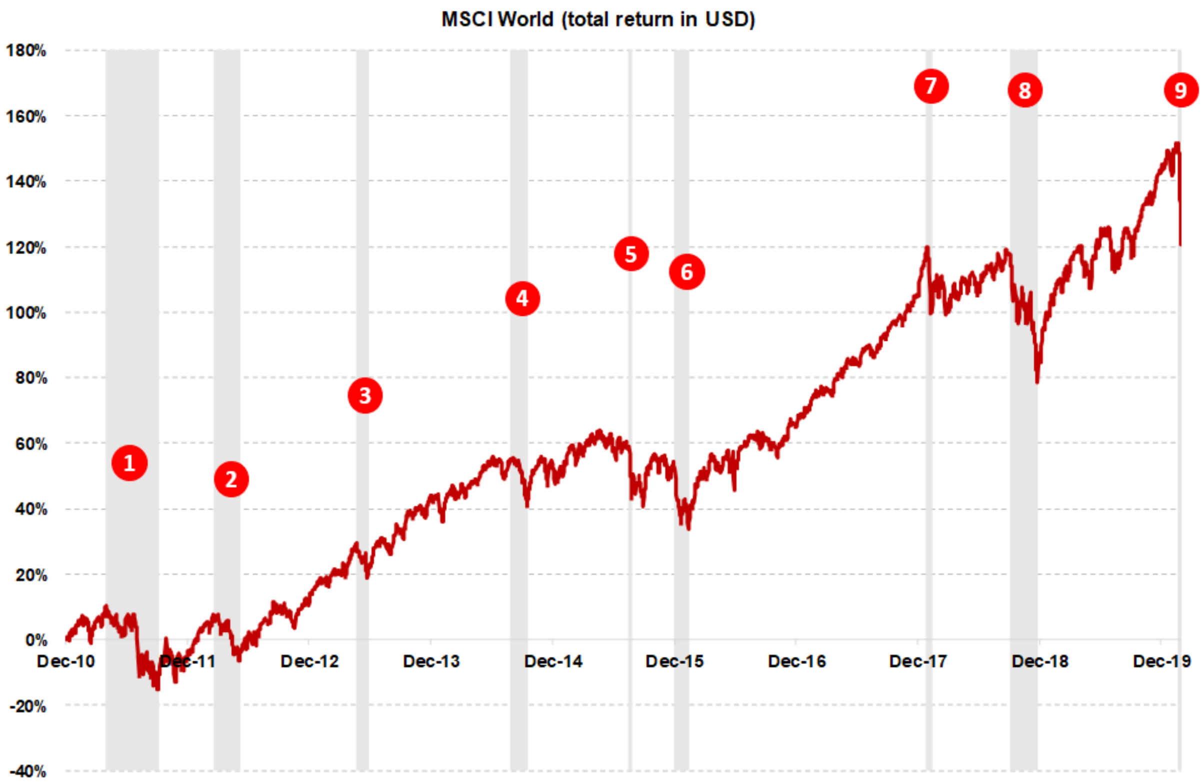
We currently have 50% of the portfolio in Consumer Staples and Healthcare companies (vs 21% in MSCI World Index). These are sectors that tend to be more defensive and so dividends and earnings are less sensitive to the economy.

Using examples of the companies we own in the Fund, we believe that dividends are likely to be maintained for firms exhibiting:

- Robust demand (e.g. Nestlé)
- Asset-light business models (e.g. Microsoft)
- No near-term refinancing needs (e.g. Novo Nordisk)
- Significant family ownership (e.g. Roche)
- Strong credit ratings (e.g. Johnson & Johnson)

Although there may well be more dividend cuts in the next few months, and the rebound might take longer this time round (or indeed it might be quicker), we continue to believe that over the longer term the Fund's focus on quality – i.e. companies with strong balance sheets which have consistently generated high levels of profitability – positions it well to weather various economic conditions.

This has been shown in the past by the fact that the Fund has outperformed in each of the largest drawdowns seen in the last nine years, i.e. since the launch of the Fund in 2010:



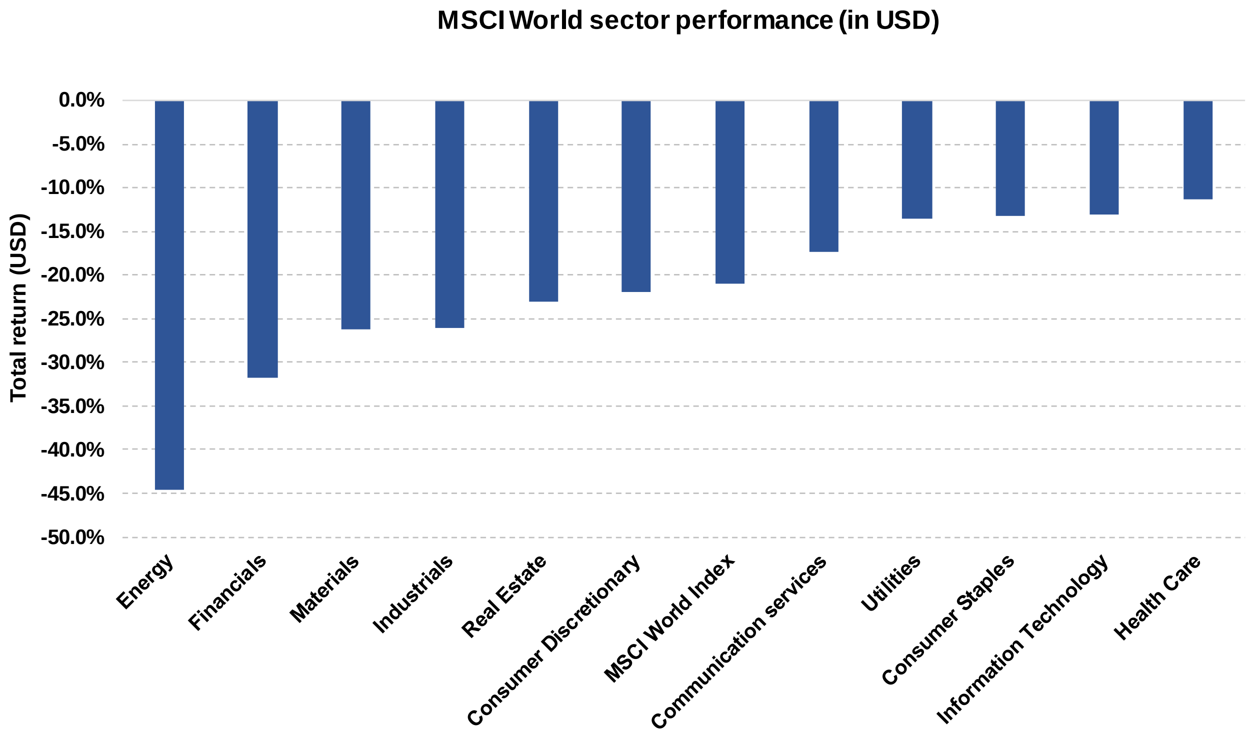
Largest drawdowns in global equity markets since fund launch (31st Dec 2010). Source: Bloomberg

Guinness Global Equity Income Fund

	Start date	End date	MSCI World Index	Guinness Global Equity Income	Fund relative performance	Reason for sell off
1	02/05/2011	04/10/2011	-22.0%	-15.6%	6.4%	European crisis / Greece
2	19/03/2012	04/06/2012	-12.5%	-8.9%	3.5%	US credit rating downgrade
3	21/05/2013	24/06/2013	-7.7%	-5.2%	2.5%	"Taper tantrum"
4	27/08/2014	16/10/2014	-8.8%	-8.3%	0.5%	Oil price sell off
5	17/08/2015	25/08/2015	-9.4%	-8.5%	0.9%	Chinese stock market decline
6	31/12/2015	11/02/2016	-11.5%	-6.1%	5.4%	China growth concerns
7	26/01/2018	08/02/2018	-9.0%	-7.1%	2.0%	Volatility spike / inflation concerns
8	03/10/2018	25/12/2018	-17.5%	-12.0%	5.5%	Tech sell off / US-China trade issues
9	19/02/2020	31/03/2020	-23.5%	-20.3%	3.2%	Coronavirus

Performance of fund vs benchmark in the largest drawdowns since fund launch. Source: Bloomberg

In sector terms, the recent sell-off has been most pronounced in Energy and Financial stocks:



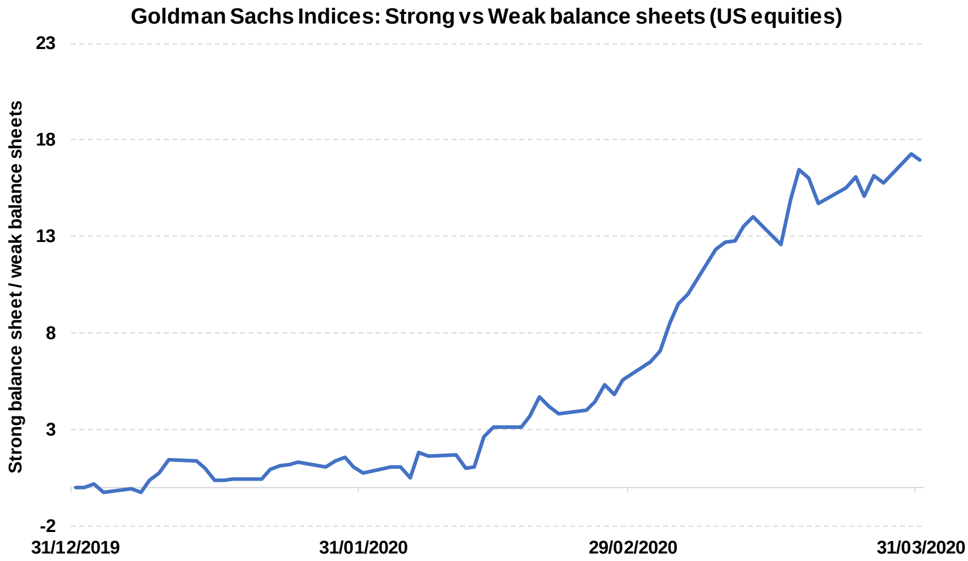
Performance between 31st Dec 2019 and 31st March 2020.
Source: Bloomberg, as of 31st March 2020

Energy was the weakest-performing sector as the price of oil plunged after Saudi Arabia failed to convince Russia to back production cuts. The US oil benchmark, WTI, fell towards $20/barrel, close to its lowest level in 18 years, and down from $60/barrel at the beginning of the year. Aside from increased supply, demand for the commodity collapsed in March as most airlines suspended their flight schedules due to the Covid-19 outbreak. Lower oil prices prompted many US energy producers to cut the number of operating drilling rigs and to lower capital expenditure plans. The Fund holds no Energy stocks after selling its one previous holding (Royal Dutch Shell) earlier in the quarter, prior to the relevant OPEC meeting.

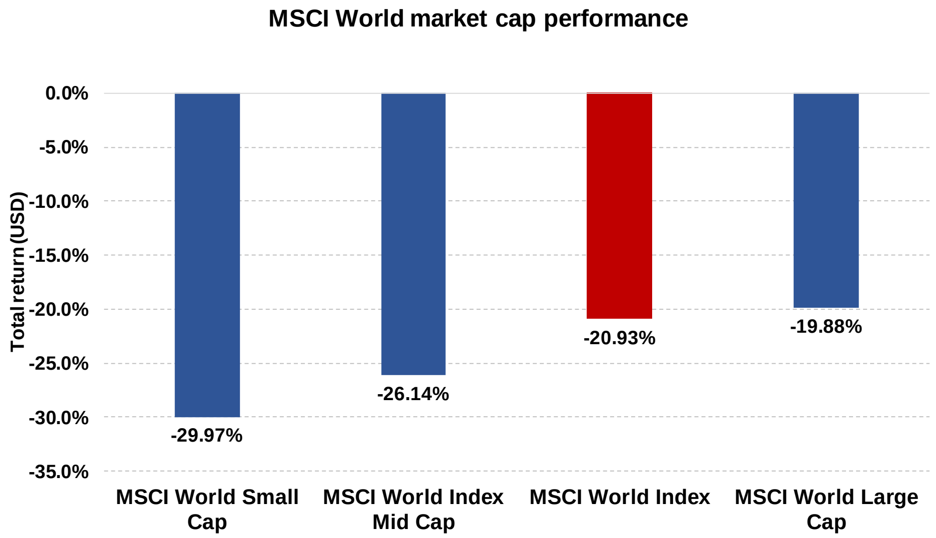
Financials also fared poorly as interest rates were cut by central banks and the market assessed the risk to corporate credit. The Federal Reserve cut interest rates twice in March for the first time since the Global Financial Crisis and announced unlimited quantitative easing. US interest rates now stand at 0-0.25%. The US Senate also passed a $2 trillion stimulus package. The proposed package includes $250 billion-worth of direct payments to households, $500 billion for loans to distressed companies and $350 billion for small business loans. Within the Financials sector, banks led the declines, down 37% in the quarter. While the big US banks voluntarily suspended their multibillion-dollar buyback programmes, investors were also unnerved that European regulators had urged their banks to pause all shareholder pay-outs, including dividends, in order to preserve cash during these uncertain times.

Health Care stocks outperformed over the quarter as defensive characteristics and relevance to the current sell-off came to the fore. Staples and Utilities rounded out ‘risk off’ relative outperformance with the IT sector continuing to perform well as the market rewarded the generally stronger balance sheets and cash positions in the sector, as well as stock-specific opportunities that arose from the unique ‘lock down’ in developed nations.

Overall, those companies with stronger balance sheets significantly outperformed their counterparts; the market punished companies with weak balance sheets due to the demand shock and heightened credit market stress arising from the Covid-19 pandemic. This was exacerbated within small and mid-cap stocks, which have generally taken on more debt in recent years.



Source: Guinness Asset Management, Goldman Sachs, Bloomberg. Data as of 31st March 2020



Performance between 31st Dec 2019 and 31st March 2020.
Source: Bloomberg, as of 31st March 2020

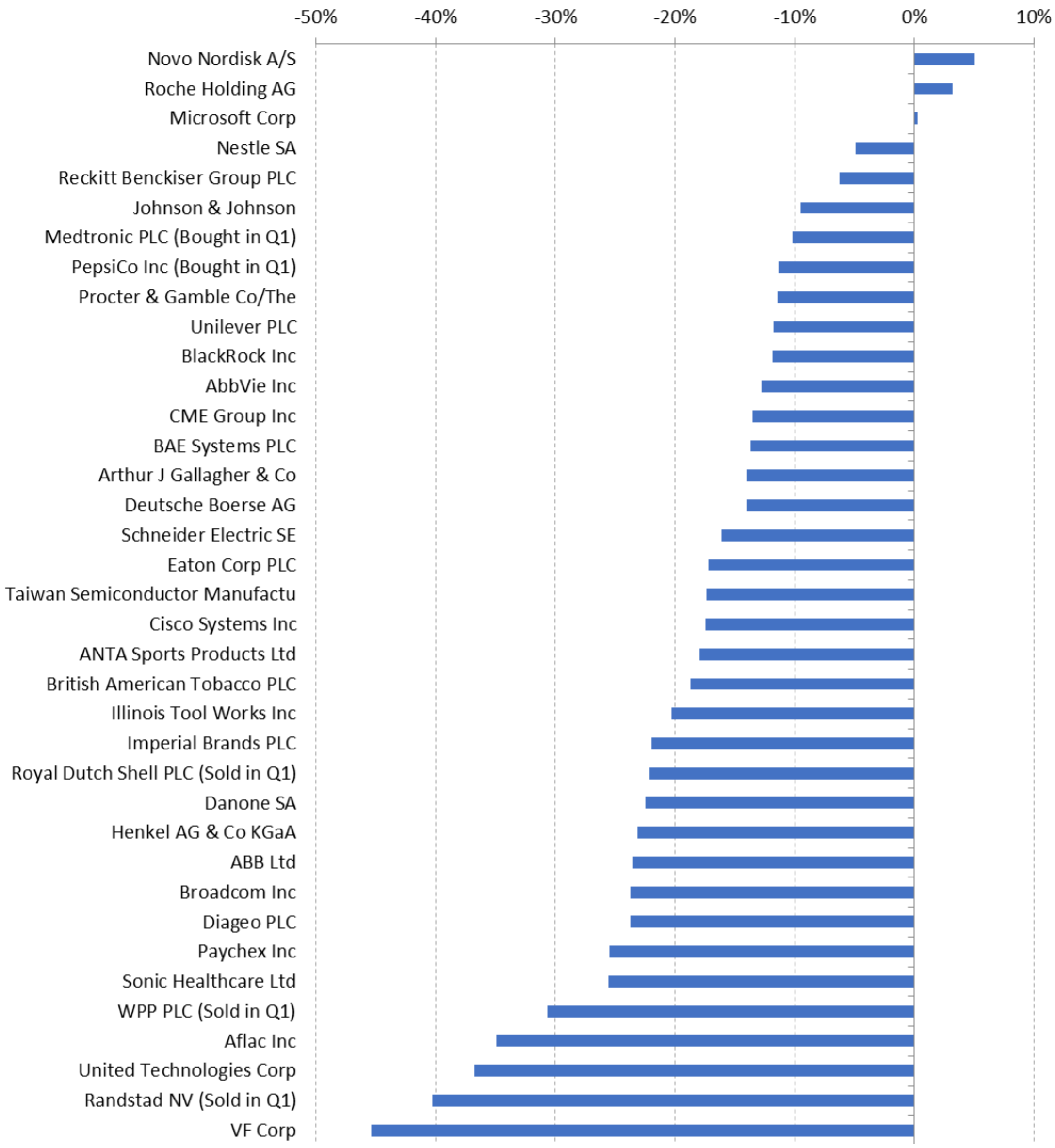
Good stock selection was the main driver of outperformance in the quarter, particularly from our European holdings. Our positions in Novo Nordisk and Roche both provided positive returns and we saw strong relative performance from a number of our global Consumer Staples and Healthcare companies: Nestle, Reckitt Benckiser, Johnson & Johnson, Procter & Gamble, Unilever and AbbVie.

Further, we also saw good relative performance from our Financials: Blackrock, Deutsche Boerse, CME and Arthur Gallagher. Within this sector we have never owned a bank, which helps to dampen the cyclicality of our Financials. Further, our two financial exchange holdings (Deutsche Boerse and CME) often perform well on a relative basis in periods of market volatility as they benefit from higher trading volumes. This has been true on this occasion with Deutsche Boerse down 14.0% and CME down 12.8% (in USD, year-to-date), compared to the MSCI World Index which is down 21.05% (in USD).

The main detractors to performance were in the more cyclical parts of our portfolio such as VF Corp, United Technologies, and Aflac.

Guinness Global Equity Income Fund

Individual stock performance over quarter (total return USD)



Source: Bloomberg. As of 31st March 2020

<u>What are some of our companies telling us in the last month?</u>

Johnson & Johnson

- "Coronavirus uncertainty will make our guidance '100% Precisely Wrong'"

Reckitt Benckiser

- "We have stepped up [Dettol and Lysol] production at Reckitt's factories in Derby, Nottingham and Hull. Reckitt has simplified its ranges to boost volumes of the most popular products."

- Expects a low-double-digit decrease in revenues for the first half of 2020 due to the fallout from Covid-19, but sales are expected to recover in the second half and growth is still expected for the year.

- "We have seen limited impact to date on consumer demand for cigarettes (outside of duty free channel, which is not material)"
- "We maintain our guidance for constant currency adjusted revenue growth of 3-5%, together with an improvement in operating margin, and are confident of another year of high single figure constant currency adjusted diluted EPS growth"

- "Although the economic and social impact of Covid-19 is developing rapidly, there has been no material impact on group performance to date and current trading remains in-line with expectations"

- In the first eleven days of business in March, Webex had 5.5 billion meeting minutes. At peak hours, volume is up 24 times where it would be normally.

<u>We are also encouraged that many of our companies are making a practical contribution to Covid-19 treatment:</u>

BAE Systems, **Microsoft**, and **Unilever** are all part of the Ventilator Challenge UK Consortium

Roche's cobas SARS-CoV-2 Test to detect Covid-19 received FDA Emergency Use Authorization and can be used in other countries as well

Johnson & Johnson has identified a leading Covid-19 vaccine candidate

Medtronic has shared designs of its Puritan Bennet 560 ventilator to allow other manufacturers to explore producing it

Schneider Electric has joined the French consortium to manufacturer ventilators

Changes to the Portfolio

In the quarter, we sold three companies and have so far replaced them with two companies. We sold positions in Royal Dutch Shell, WPP and Randstad; we added positions in Pepsi and Medtronic.

We became concerned about the potential economic impact of the Covid-19 pandemic in mid-February and therefore started to look very closely at the balance sheets of our companies. We became concerned about **Royal Dutch Shell, WPP and Randstad**. We sold Royal Dutch Shell and WPP on the 19th February, which with fortunate timing was before the OPEC meeting. We sold Randstad in March as we became more concerned about the global economy.

We bought two new positions: **Pepscio** and **Medtronic**. Pepsico is a name we have owned in the portfolio previously and Medtronic is a company we had been following on our watch list.

The effect of these changes was to reduce our exposure to the Energy, Consumer Discretionary and Industrial sectors and increase our exposure to Consumer Staples and Healthcare. The changes reduced our exposure to Europe and increased our exposure to the US. We are diversified around the world with 49% in the US, 43% in Europe and 8% in Asia-Pacific.

Royal Dutch Shell had been a long-term holding in the Fund. Following the shift in oil prices at the end of 2014 as US shale oil production ramped up and expectations of demand from the BRIC nations tempered, Royal Dutch Shell, along with the other majors, reset its business models to focus again on returns over growth. During this transition the safety of the dividend was questioned along with the sustainability of debt that had accumulated in the previous era of growth. Ultimately Royal Dutch did not cut its dividend, although it did move for a time to scrip payments, as capex and costs were cut, and a significant disposal programme was executed. Recent results raised some questions for the company as the buyback program was reduced and we saw weakness across all areas of the business, including in the downstream, which is usually counter-cyclical. As oil prices fell once again on demand worries in relation to recent events, we saw the potential for lower oil prices for the medium term. This would affect cash flows that are already under pressure, leading to the dividend once again becoming questionable, but now from a position where costs have already been cut. We sold the position in late February prior to the OPEC meeting on 3rd March which led to another significant fall in the oil price.

Since 2017 WPP has faced a number of headwinds. The global advertising agency has faced a fall in revenues as consumer goods companies, a traditionally large customer base. This is an issue that has affected the ad agencies as a group and has led to slower growth for these high-return businesses. The threat of Facebook and Google and programmatic advertising taking market share has also weighed on long-term sentiment. Long-time CEO Martin Sorrell left WPP somewhat under a cloud in April 2018, with new CEO Mark Read taking over shortly after and implementing a strategy to merge businesses within the group and drive growth. Dividend growth was halted, although the dividend itself was not cut, and a decision to sell a stake in the Kantar Group Unit was announced in July 2019 which helped alleviate pressure on the balance sheet, another market concern. Performance was positive in 2019 with the stock price up 34% (in GBP), outperforming the FTSE All Share by 15%. However, the latest results in February were weak and the stock price reacted very negatively, falling 16% on the day (in GBP) as the market fell alongside. Organic growth for the quarter was weaker than expected, but guidance for 2020 was adjusted downwards to zero growth and did not account for any effects of Covid-19, which could be meaningful. This led us to conclude that the planned turnaround could well take longer and may also require further investment – which could weigh on operating margins – in an environment where the economic background is less certain and the long-term competitive headwinds have not yet abated. This uncertainty, coupled with the low probability of a return to dividend growth in the near term (and a higher probability of a reduction in the dividend), led to our decision to sell the position. We sold the position in late February and the company went on to suspend its dividend on 31st March.

Randstad is one of the largest temporary staffing and employment services agencies in the world. It operates primarily in Europe, but also in Asia and the US. With the deepening impact of Covid-19 being felt across the world, we decided that the outlook for Randstad, which relies significantly on shorter-term employment contracts and has exposure to industrial and automotive sectors, would be very negative in the shorter term, with the potential to be negative in the medium term depending on the length and second-order effects of the national shutdowns being implemented. We sold the position in early March and Randstad suspended its dividend on 23rd March.

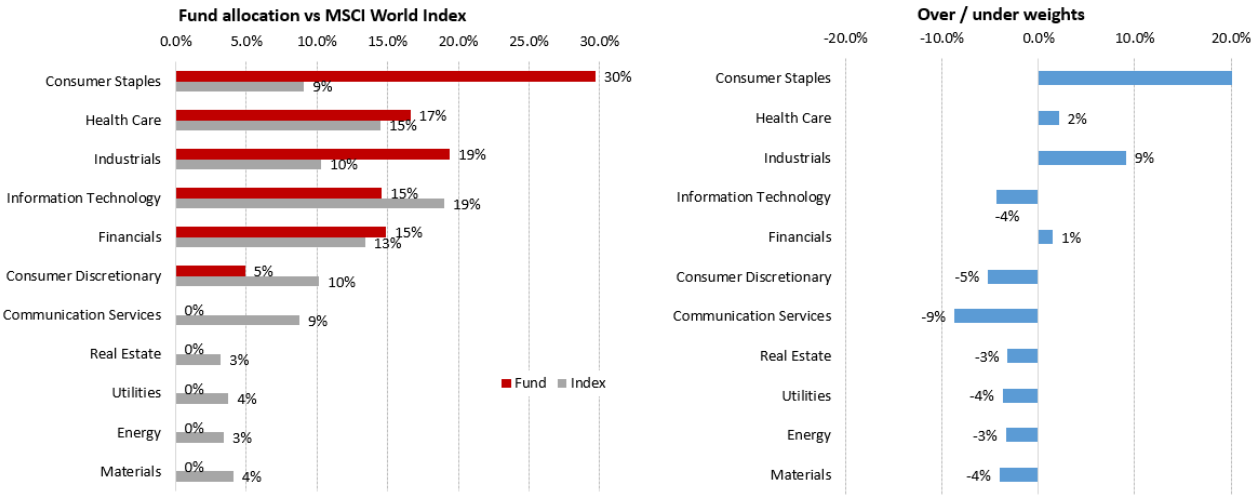
Medtronic is the largest pure-play medical device maker (with current market capitalisation of $130bn) and has a diversified product base covering chronic diseases and numerous acute care cases in hospitals. It typically holds significant market share in its core products such as heart devices. The company has continuously invested into new, innovative areas through research and development which helps to protect from competition and offers new channels for growth in the future rather than purely relying on established products – which is evident from consistently high and stable returns on capital. The balance sheet is strong, and the company has been paying down debt over recent years. More recently the company has focussed on costs, which has driven growing operating margins and led to improved earnings growth. With Medtronic's potential to capitalise on previous investments to further increase revenue growth we see a good runway for steady earnings growth in the medium to long term. The dividend yield is back above 2% following the recent sell-off, the dividend growth has averaged 8% over the past three years, and the forward PE multiple has fallen back to close to the average over the past five years. We see this a good opportunity to buy a consistent and high-quality business at a reasonable price which can provide good earnings growth in a market environment where growth has become more uncertain.

The purchase of Pepsico for the portfolio marks the second time we have owned it – we held the stock at launch in 2010 and subsequently sold in late 2012. The global beverage and snack business often sits #2 to rival Coke in many large markets, but its integrated business model can potentially lead to advantages in an environment of quickly changing tastes and local differences. The company has taken a more data-driven approach to tailor products to customers more specifically, utilising its agile supply chains, leading to improved returns. Like other established, branded consumer goods companies, it has begun to devolve decision making more locally to adapt more quickly and potentially develop new, higher growth products. Operating margin declines in 2019 were affected by higher investments, which should now be behind the company and lead to incremental improvements in 2020 and beyond. The market expects growth of around 8% in earnings per share over the medium term, which may be affected by the virus in the short term, but should be relatively well insulated. The dividend yield is almost 3% and has been growing 8% on average over the last three years. The stock is below its average PE multiple over the past five years but is now expected to grow faster and is at a small discount to peers. The return on capital remains solid and has been improving slightly in recent years. As with Medtronic, we see this as a good entry point for a high-quality business at a reasonable price with a strong, growing dividend.

Portfolio Positioning

We continue to maintain a fairly even balance between quality defensive and quality cyclical/growth companies. We have approximately 50% in quality defensive companies (e.g. Consumer Staples and Healthcare companies) and around 50% in quality cyclical or growth-oriented companies (e.g. Industrials, Financials, Consumer Discretionary, Information Technology, etc.). Within Financials, however, we do not own any banks, which helps to dampen the cyclicality of our Financials.

The Fund has zero weighting to Energy, Utilities, Materials, and Real Estate. The largest overweight is to Consumer Staples, which benefited the Fund in the last quarter.

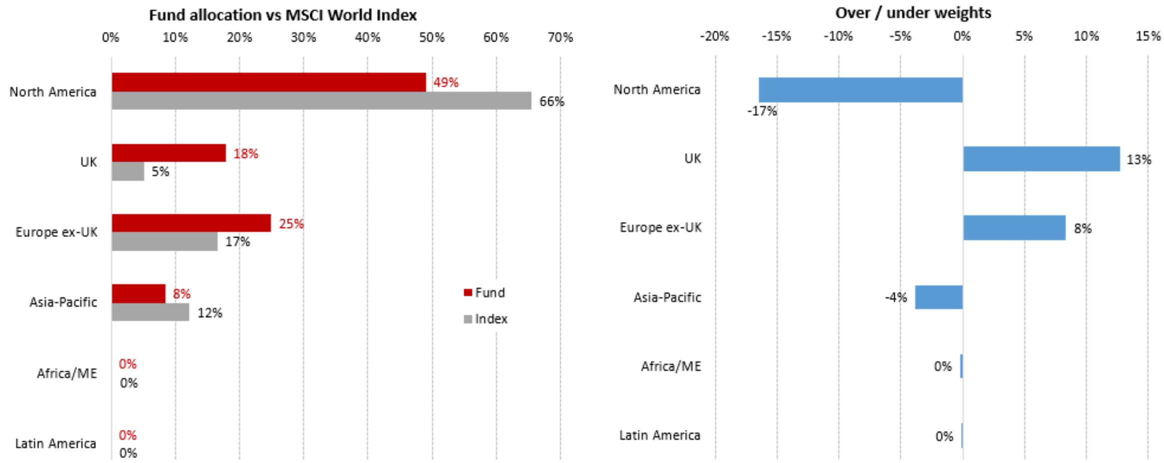


Sector breakdown of the fund versus MSCI World Index. Data as at 31st March 2020
Source: Bloomberg, Guinness Asset Managements

In terms of geographic exposure (chart below), 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 c.49% weighting to North America which compares to the index at c.66%. The largest geographic overweights remain Europe ex-UK and the UK.

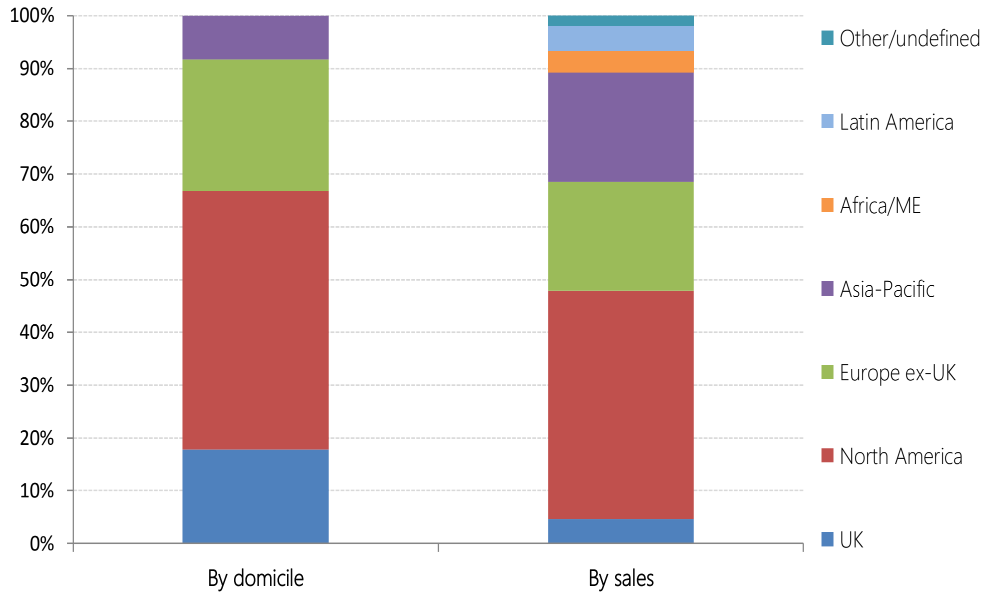
We are diversified around the world with 49% in the US, 43% in Europe and 8% in Asia-Pacific. Within the Asia-Pacific region we have one company listed in Hong Kong (Anta Sports), one company listed in Taiwan (Taiwan Semiconductor) and one company listed in Australia (Sonic Healthcare). Year-to-date, Anta Sports and Taiwan Semiconductor have both beaten the MSCI AC Asia-Pacific ex-Japan Index by c.3% (in USD), and Sonic Healthcare has lagged c.5%.

Guinness Global Equity Income Fund



Regional breakdown of the fund versus MSCI World Index. Data as at 31st March 2020
Source: Bloomberg, Guinness Asset Managements

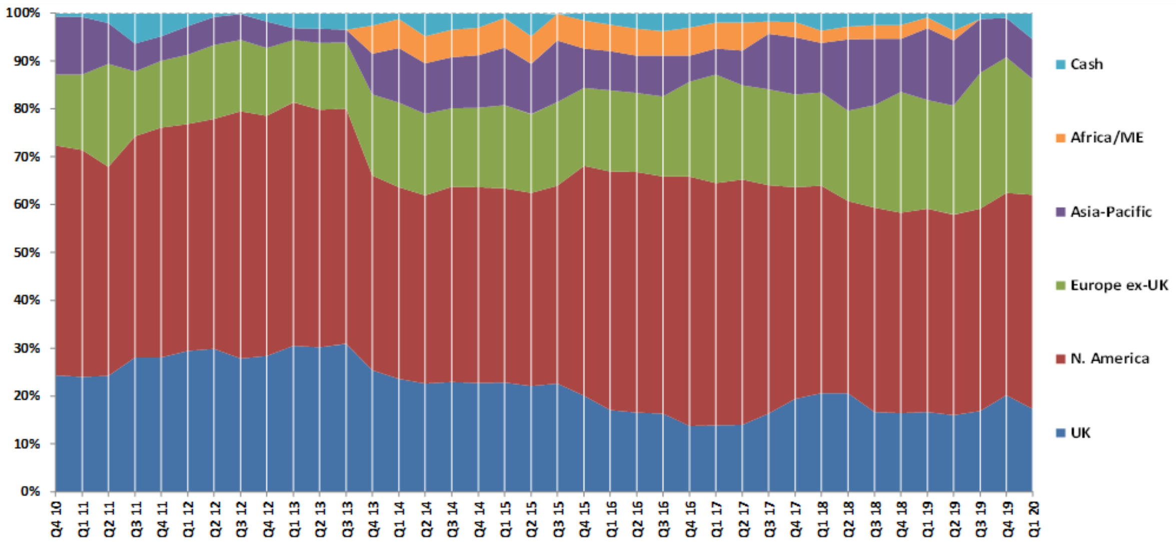
With regards to our UK exposure, we would note referring to the chart below: (i) the Fund has a lower exposure to the UK when considered in revenues (c.4%) versus by domicile (c.18%). This is because we have favoured UK-domiciled companies with a more global exposure (such as Unilever and Imperial Brands); and (ii) there is a larger exposure to Asia-Pacific by revenues (c.20%) than the equivalent statistic as measured by domicile (c.8%).



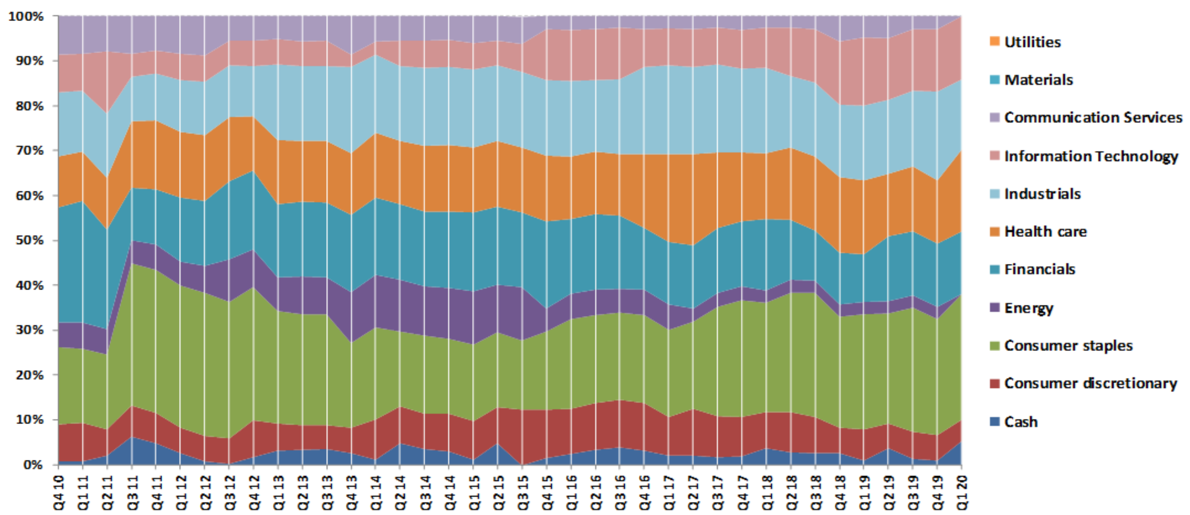
Geographic breakdown of the fund. Source: Guinness Asset Management, Bloomberg (data as at 31st March 2020)

The below two charts show how the exposure of the fund has evolved since we launched the strategy back in 2010.

Guinness Global Equity Income Fund



Geographic breakdown of the fund since launch. Source: Guinness Asset Management, Bloomberg (data as at 31st March 2020)



Sector breakdown of the fund since launch. Source: Guinness Asset Management, Bloomberg (data as at 31st March 2020)

Outlook

The four key tenets to our approach are quality, value, dividend, and conviction. We follow metrics at the portfolio level to make sure we are providing what we say we will. We are pleased to report that the portfolio continues to deliver on all four of these measures relative to the benchmark MSCI World Index.

		Fund	MSCI World Index
Quality	Average 10 year Cashflow Return on Investment	17%	8%
	Weighted average net debt / equity	54%	62%
Value	PE (2019e)	15.1	15.3
	FCF Yield (LTM)	6.5%	5.6%
Dividend	Dividend Yield (LTM)	3.2% (net)	2.9% (gross)
	Weighted average payout ratio	58%	55%
Conviction	Number of stocks	34	1650
	Active share	89%	-

Portfolio metrics versus index. As of 31st March 2020.
Source: Guinness Asset Management, Credit Suisse HOLT, Bloomberg

The Fund at quarter end was trading on 15.1x 2020 expected price to earnings; a discount of 1.1% to the broad market. On a free cashflow basis, the fund trades at a 16% discount to the market.

With so much uncertainty as we look to the next six months, forecasting earnings is very difficult. What we can focus on with a higher level of clarity is the balance sheet strength of our companies and we believe the holdings we have selected in your Fund remain very robust. We believe these companies are well placed to weather whatever happens next and will come out the other side ready for their next stage of growth. As investors in these companies we will receive a share of their profits each year in the form of a dividend and look forward to seeing those dividends grow in the years ahead.

We thank you for your continued support.

Portfolio Managers
Matthew Page, CFA
Dr Ian Mortimer, CFA

Analysts
Joseph Stephens
Sagar Thanki

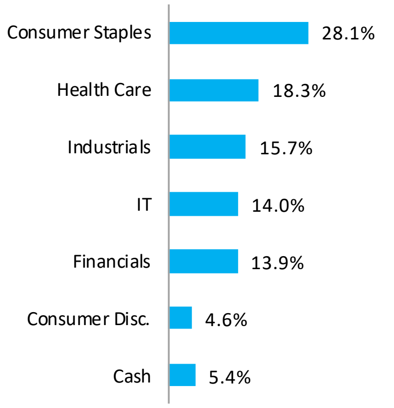
PORTFOLIO

31/03/2020

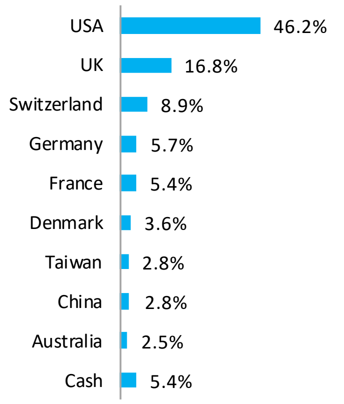
Fund top 10 holdings

Novo Nordisk	3.6%
Roche Holding	3.4%
Microsoft	3.4%
Reckitt Benckiser	3.2%
Nestle	3.1%
Johnson & Johnson	3.1%
Procter & Gamble	3.0%
Unilever	3.0%
Deutsche Boerse	3.0%
Blackrock	3.0%
% of Fund in top 10	31.7%
Total number of stocks held	34

Sector analysis



Geographic allocation



PERFORMANCE (see performance notes overleaf)

31/03/2020

Annualised % total return from launch (GBP)

Discrete years % total return (GBP)	Mar '20	Mar '19	Mar '18	Mar '17	Mar '16
Fund (Y class, 0.88% OCF)	-3.5	13.3	2.0	24.7	2.8
MSCI World Index	-5.8	12.0	1.3	31.9	-0.3
IA Global Equity Income sector average	-9.8	8.5	-1.4	25.4	-1.8

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund (Y class, 0.88% OCF)	-7.6	-13.1	-3.5	11.5	43.0	127.2
MSCI World Index	-10.6	-15.7	-5.8	6.8	40.5	120.4
IA Global Equity Income sector average	-11.7	-17.9	-9.8	-3.5	18.8	74.8

RISK ANALYSIS

31/03/2020

Annualised, weekly, from launch on 31.12.10, in GBP	Index	Sector	Fund
Alpha	0	-0.51	1.33
Beta	1	0.77	0.87
Information ratio	0	-0.37	0.06
Maximum drawdown	-18.26	-22.41	-21.78
R squared	1	0.80	0.90
Sharpe ratio	1	0.21	0.42
Tracking error	0	6.44	4.47
Volatility	13.83	12.24	12.98

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 Y class (0.88% OCF): Composite simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP. Fund returns are for share classes with a current Ongoing Charges Figure (OCF) stated above; returns for share classes with a different OCF will vary accordingly.

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 OCF of 1.24%, 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: Link Fund Administrators (Ireland) Ltd, 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland; or,
- the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

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

This is an advertising document. 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.

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 will be recorded and monitored.