

FOR IMMEDIATE RELEASE
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Guinness Global Equity Income Fund

- **Strong performance at its 1 year anniversary**
- **Top quartile in the new IMA Global Equity Income sector**

Highlights:

- The Fund celebrated its first anniversary on 31st December, delivering a positive return of 1.95% against a fall of 4.84% by the MSCI World Index.
- The Fund is included in the new IMA Global Equity Income sector, in which it was the third best performer in 2011 (out of seventeen funds), 4.01% ahead of the sector average.¹
- The Fund's distinctive investment process focuses on quality rather than yield; it identifies companies whose competitive strengths have enabled them to deliver consistently high cash flow returns on investment (over 10% for ten years).
- "It's a rare achievement for a company to meet our investment criteria – 10% cash flow return on investment every year for ten years is a mark of genuine quality. That's where our portfolio starts – persistent cash generation before yield," says co-manager Dr. Ian Mortimer.
- The Fund aims to deliver long-term capital growth and a steady rising dividend stream, balanced with a yield of 3-4%.
- The Fund is managed by Matthew Page and Dr. Ian Mortimer.

Guinness Global Equity Income Fund is celebrating its first anniversary with top quartile returns in the IMA's new Global Equity Income sector. The Fund is the third best performer in the sector, with a return of 1.95%, against a fall of 4.84% by the MSCI World Index.

The Fund has a distinctive investment process. Fund managers Matthew Page and Dr. Ian Mortimer focus on quality rather than yield, which they believe gives their portfolio a different make-up compared to other global income funds.

The process identifies companies whose competitive strengths have enabled them to deliver consistently high cash flow returns on investment ("CFROI"). Each year, around 25% of companies deliver CFROI in excess of 10%. For inclusion in the portfolio, companies must deliver a 10% CFROI every year for ten years.

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¹ Source: Financial Express, bid to bid, total return, GBP.

Past performance should not be taken as an indicator of future performance. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations; you may not get back the amount originally invested.

An investment universe of persistent cash generators

The threshold is set at 10% as that is a reasonable return over the average real cost of capital over the last decade (5-7% in the Holt model). The ten year measure ensures the Fund can only hold companies whose returns have remained consistently high through any recession, avoiding companies with highly cyclical returns on capital. Finally, looking at ten consecutive years rather than an average over ten years avoids companies with declining returns on capital.

On average, only 3% of globally listed companies achieve 10% CFROI in every discrete year over ten years – around 400 companies out of c. 14,000.

“Our ten year measure of high CFROI is a powerful indicator of continuing high returns – there is only a 7% chance that qualifying companies won’t achieve it the following year,” says Page.

Page and Mortimer further refine their universe on measures of scale and financial strength.

“We want to avoid companies using excessive leverage to achieve these high returns, so we exclude companies with a debt to equity ratio greater than 1. And we only select companies with a market cap. greater than \$1 billion as we want to avoid higher risk, smaller companies,” says Page.

This leaves the pair with a pool of around 300 persistent cash generators from which to build their portfolio.

How do they perform?

To demonstrate the power of these companies, Page and Mortimer have calculated their performance, creating a portfolio of qualifying companies on their measure of 10% CFROI for ten years each year back to 2000. A simple policy of buying them all each year in an equally weighted portfolio has delivered a return of 7.3% per annum, compared to 0.2% by the MSCI World Index (total return, GBP, excluding the costs of dealing). Applying a 2% yield hurdle to their universe boosts returns to 11.9% per annum.²

Constructing the portfolio

In fact, Page and Mortimer select just 30-40 companies for their portfolio. Using Guinness Asset Management’s 4-criteria stock screening process, they seek to identify which companies in their CFROI universe offer the best value, and which possess the strongest ability to reverse that undervaluation. The strongest contenders are then subjected to detailed fundamental analysis.

Mortimer explains: “We want to understand what competitive advantages are sustaining a company’s return on investment. Do we think the returns can persist? We also pay particular attention to a company’s dividend policy – we want to be comfortable with its use of cash, the sustainability of its dividend and its dividend growth rate.”

² The performance of the Guinness CFROI Universe is not indicative of the future performance of the Guinness Global Equity Income Fund. The value of investments and the income from them can fall as well as rise. Source: Bloomberg and Guinness Asset Management, total return, GBP, based on an equally weighted portfolio, total return, with quarterly rebalancing, excluding the costs of dealing.

“We’re aiming for both long-term capital growth and a reasonable and growing income stream. We deliberately ignore yield in selecting our investment universe. As it happens our screening for persistent cash generators identifies an abundance of high yielding companies. Approximately 50% of qualifying companies in 2011 yielded over 2%.”

In practice, in selecting stocks for the portfolio, the managers strike a balance between high yielding stocks and stocks paying a reasonable dividend with the potential for dividend growth.

Overall, the Fund is designed to be an equally-weighted, high conviction, low turnover portfolio of high quality, persistent cash generators.

Growing range of global dividend payers

“We believe these proven cash-generative businesses are a particularly suitable investment right now. In low growth or declining markets, dividends become even more important as they often account for an even greater proportion of total returns,” says Page. “For example, in both the 1940s and 1970s – periods of sluggish economic growth, rising inflation and high unemployment – dividends accounted for over 75% of the total return of the S&P500.”

While UK companies have a long history of paying dividends, today just six companies account for over 40% of all UK dividend payments. High quality companies with long histories of paying dividends can now be found in many developed markets. More and more companies around the world are responding to shareholder pressure to adopt more progressive dividend policies, including those companies in emerging markets. A global approach therefore offers not only geographic diversification but access to a growing and broader range of dividend paying companies.

“We firmly believe in the strength of our investment process. We’re long-only equity investors so we we’re not immune to the direction of the market, but our focus on undervalued, persistent cash generators identifies a basket of stocks that we believe is particularly suited to current difficult markets and can deliver excellent long-term returns. We’re delighted with the Fund’s performance so far, and we look forward to introducing it to new investors in the year ahead.”

Ends

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Notes to editors:

The Fund is managed by Dr. Ian Mortimer and Matthew Page.

Dr. Ian Mortimer joined Guinness Asset Management in December 2006 and is co-manager of the Guinness Global Equity Income Fund and the Guinness Global Energy Fund. Prior to joining Guinness, Ian completed a D.Phil. in experimental physics at Christ Church, University of Oxford, and graduated in 2006. He graduated from University College London with a First Class Honours Master's degree in Physics in 2003. He has completed the IMC and is a level 3 candidate in the CFA programme.

Matthew Page, CFA, joined Guinness Asset Management in 2005 and is the co-manager of the Guinness Global Equity Income Fund and the Guinness Alternative Energy Fund. Prior to starting at Guinness, Matthew joined Goldman Sachs on the graduate scheme in 2004 working in Foreign Exchange and Fixed Income. He graduated from New College, University of Oxford with a Master's Degree in Physics. He has completed the IMC and is a CFA charterholder.

Guinness Asset Management – Long term, long only

Guinness Asset Management is a specialist London-based investment management company offering a range of quality funds that focus on compelling global investment areas and ideas for long-term investors.

Guinness believes that active investment management, when coupled with the discipline and intellectual integrity of an investment process, is the best way to achieve superior returns in its specialist areas. Our portfolios are intelligently constructed to enable investors to benefit from the new structural drivers of growth in today's economy.

Investment approach

Guinness's core investment process applies intelligent screening tools to identify a pool of potential value investments with good growth potential. This enables Guinness's portfolio managers to identify anomalies and value opportunities in the market that other investors haven't yet noticed, while controlling the impact of emotion or sentiment-driven investing in their portfolios. By defining the list of candidates for potential purchase or sale, they can prioritise their fundamental research while screening out the impact of short-term noise, to deliver clear and simple portfolios for superior returns in the long term.

All the funds are run as concentrated portfolios with a value bias, low turnover and strong sell discipline. Guinness seeks to invest with conviction for the long term.

Structure

Guinness is wholly independent, and has a strong, stable management team. The company is 100% owned by employees and management.

Additional information

% total return	2007	2008	2009	2010	2011
Guinness Global Equity Income Fund	-	-	-	-	2.0
MSCI World Index	7.2	-17.9	15.7	15.3	-4.8
IMA Global Income sector average	-	-	-	-	-2.1

Source: Financial Express, bid to bid, total return, GBP. 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. This will be as a result of market, currency and exchange rate fluctuations as well as other factors both directly and indirectly related to the stocks in which it is invested.

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 the Fund's portfolio changes daily and can be affected by changes in currencies, interest rates, general market conditions and other political, social and economic developments, as well as specific matters relating to the companies in whose securities the fund invests. Investment in the Fund carries with it a degree of risk and investors should read the risk factors section in the prospectus before investing.

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The full Fund documentation contains more complete and detailed information of risk, fees, charges and expenses that are to be borne by an investor. The documentation should be read carefully before investing. The full documentation needed to make an investment, including the Prospectus, the Simplified Prospectus and the Application Form are available, free of charge, from the Manager: Capita Financial Managers (Ireland) Limited, Montague House, Adelaide Road, Dublin 2 Ireland or the Promoter and Investment Manager: Guinness Asset Management Ltd, 14 Queen Anne's Gate, London SW1H 9AA. **Documentation is also available from the website guinnessfunds.com.**

This document should not be distributed to Retail Clients who are resident in countries where the Fund is not registered for sale or in any other circumstances where its distribution is not authorised or is unlawful. **THIS INVESTMENT IS NOT FOR SALE TO U.S. PERSONS**

The Guinness Global Equity Income 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. The Fund has been approved by the Financial Services Authority for sale in the UK. The Company and the Fund have been recognised in the UK by the FSA pursuant to section 264 of the FSMA. Guinness Asset Management Ltd is authorised and regulated by the Financial Services Authority.

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.

The prospectus for Switzerland, the simplified prospectus for Switzerland, the articles of association, the annual and semi-annual reports, as well as the list of the buying and selling transactions 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, Fax: + 41 22 705 11 79, www.carnegie-fund-services.ch. The paying agent is Banque Cantonale de Genève, 17 Quai de l'Île, 1204 Geneva, Switzerland

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