

GUINNESS

Global Equity Income Fund

Managed in accordance with our
intelligent investment process
identifying companies that achieve
persistent high returns on capital
throughout the business cycle.

"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."

Dr. Ian Mortimer & Matthew Page, CFA, the Fund's co-managers

GUINNESS
— FUNDS —

guinnessfunds.com

Investment process

We have developed a unique quantitative approach to screen the universe of global equities. The process delivers an investment universe of high quality companies from which to build a portfolio of stocks with a sustainable and growing dividend stream.

Although the Fund is designed to invest in dividend-paying companies, our starting point in identifying our investment universe is sustainability of Cash Flow Returns on Investment (CFROI). Those companies that have delivered CFROI greater than 10% for ten consecutive years are eligible for inclusion in the portfolio.

Our analysis shows that a focus on persistence of high CFROI identifies companies that are highly likely to earn high CFROI in the future, and thereby continue to create shareholder value.

How do we identify the stable cash generative companies in our investment universe?

10% return on capital every year for ten years

10%... On average, only one quarter of companies achieve a CFROI greater than 10% in any year. A 10% return, at almost twice the average real cost of capital, represents significant creation of shareholder value.

every year... Consistency in each discrete year excludes highly cyclical companies or those with historically high but declining or volatile earnings.

for ten years... Business cycles have historically lasted less than ten years. Our ten year measure highlights companies able to weather the fluctuations of the global economy over an entire business cycle.

Sustainable quality

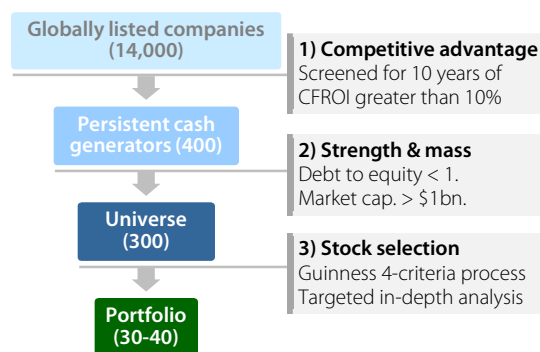
On average, only 3% of globally listed companies achieve 10% CFROI in every discrete year over ten years – around 400 companies out of c. 14,000.

Balance sheet strength and critical mass

To highlight stable cash generators and avoid those using excessive leverage to achieve high but unsustainable returns, we then exclude companies with a debt to equity ratio greater than 1.

Finally, we only select companies with a market capitalisation greater than \$1 billion as we want to avoid higher risk, smaller companies.

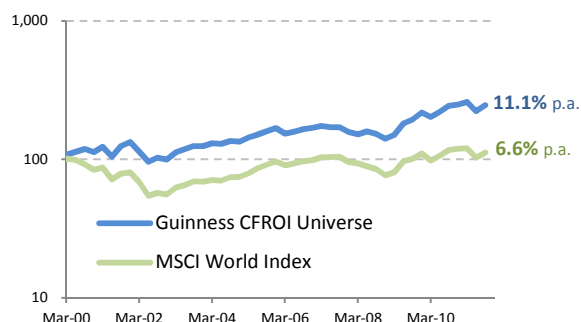
After applying these additional thresholds of balance sheet strength and critical mass, we are left with a pool of c. 300 companies from which to build our portfolio.



How have these high quality stocks performed?

We have applied these screens to the full range of globally listed companies each year back to 2000 to deliver an annual index of persistent cash generators (our investment universe). The graph overleaf shows the performance of a simple strategy of buying all companies that qualify for the index each year. The performance is based on an equally weighted portfolio, total return with quarterly rebalancing, and does not include the costs of dealing.

Process



Source: Bloomberg and Guinness Asset Management, total return in GBP, 31.3.00 to 31.12.11, logged scale. The performance of the Guinness CFROI Index 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.

The Guinness Global Equity Income Fund invests in 30-40 companies from this select annual index of c. 300 persistent cash generators. A 10% CFROI every year for ten years is a high threshold to set for our investment universe. Companies that qualify – that have demonstrated a sustainable competitive advantage in generating such consistent cash flow returns – have clearly outperformed in the past. We believe they will continue to do so in the future.

“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.”

Dr. Ian Mortimer & Matthew Page, Fund co-managers

What are the characteristics of our investment universe?

To ensure the ability to build a sensible 30-40 stock portfolio from this high quality universe of 300, we have analysed the evolution of our investment universe over its eleven year history, and have noted the following trends and characteristics:

1. Size of the universe

The number of companies that qualify steadily increased from 105 in 2000, up to 231 in 2008; after

declining in 2009 to 218, the number has risen since, up to 326 in 2011, treble the initial universe in 2000.

2. Turnover

The process identifies persistent cash generators, so the universe’s turnover is correspondingly low. Excluding the impact of new entrants in a growing universe, the average fall out rate is just 13% per annum. In fact, over 95% of companies that have delivered 10% CFROI every year for ten years go on to do so again in the eleventh.

3. Sectors

Sector weights in the universe have been reasonably constant. Sectors that are more cyclical (such as energy and commodities) tend to have a lower weighting, as do sectors that lack pricing power, such as utilities.

4. Geography

The geographic split of the universe has been suitably diverse to build a sensible portfolio that can also capitalise on emerging growth regions. While the number of qualifying companies from the UK, Europe and North America has grown, qualifying Asian and other emerging market companies have increased in number much faster. So the proportional make-up of the universe has shifted; while North American companies made up 76% in 2000, they comprise 54% today.

5. Market capitalisation

As well as a good range of large and mega cap. stocks, a healthy number of mid-sized companies deliver the consistency required. The majority of qualifiers have a market cap. less than \$10 billion, and at least 90% are less than \$50 billion. (The universe has a minimum \$1 billion market cap. threshold.)

Given the high, persistent CFROI threshold to qualify for our universe and its historic stability and diversity, we expect these broad universe traits to endure. Above all, the emergence of more, high quality emerging market companies is a trend we expect to continue. An expanding and historically diverse universe gives us confidence in being able to build a sensible portfolio for years to come.

Process

Tactical portfolio allocation

To manage the portfolio's yield and dividend growth, we can invest up to 20% of the portfolio outside of our core investment universe.

Companies in which we invest tend to be large caps, offering exceptional value (or on unusually high yields) or companies with potential for high dividend growth.

We currently hold four companies from outside of our core investment universe, which comprise 10.9% of the portfolio. (31.12.11)

Companies selected from outside our investment universe are selected based on the same four fundamental metrics as the stocks from within the universe to qualify for inclusion in our final portfolio.

How do we select stocks from our investment universe?

Having identified the c. 300 quality companies in our investment universe, we then seek to identify which of them are a) undervalued, and b) have the potential to reverse that undervaluation in the near future. Companies with the best combination of characteristics will be subjected to further research for potential inclusion in our 30-40 stock portfolio. We use the same methodology to identify overvalued stocks within the portfolio that should be sold.

Proprietary stock metrics

We generate stock ideas from within our universe using our Guinness Asset Management quantitative screening process, analysing our universe on four fundamental criteria that encapsulate both long-term and short-term drivers of share prices.

1. Quality

Measured by reference to a company's past and projected returns on investment (ROI). The higher the average ROI, the better the company.

2. Value

Measured by comparing the current market valuation with a valuation derived from a discounted cash flow from existing and future investments.

3. Earnings trends

Analysed over the short term to gauge changes in market attitude about a given company's prospects.

4. Price momentum

Measures relative market performance over 3, 6 and 12 months. Different from strict technical analysis, price momentum can indicate market sentiment and helps time purchases and sales.

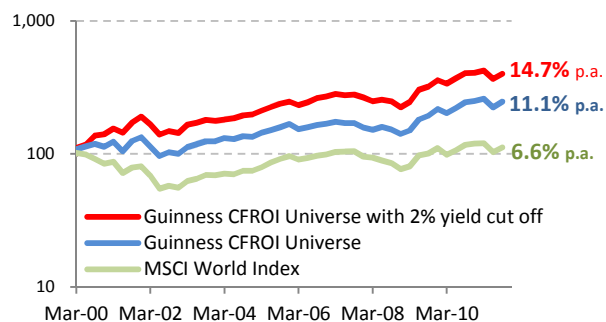
This approach is employed company-wide for all Guinness equity portfolios. By ranking companies using these four criteria, we can sift through the data to prioritise candidates for extended due diligence, testing and research. The process is unbiased, repeatable and scalable; and by narrowing and defining the list of candidates for potential purchase or sale, we can focus our detailed stock research where it is most warranted.

Yield

The aim of the Guinness Global Equity Income Fund is to provide investors with both long-term capital growth and a reasonable and growing income stream. Our process deliberately ignores yield in selecting our investment universe; however, our screening for persistent cash generators identifies an abundance of high yielding companies. Approximately 50% of qualifying companies in 2011 yield over 2%.

Taking a simple example of selecting only companies from our universe with a yield over 2% delivers a significant enhancement to the performance of the universe, as illustrated in the graph overleaf.

Process



Source: Bloomberg and Guinness Asset Management, total return in GBP, 31.3.00 to 31.12.11, logged scale. The performance of the Guinness CFROI Index 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.

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

Fundamental analysis

All our ideas for identifying candidates for further due diligence are generated in-house using the process outlined above. We use brokers for information, data and company access but we are not influenced by their Buy and Sell ratings. We run our metrics weekly to identify companies that warrant further due diligence and analysis.

Having identified candidates for further due diligence, we subject all potential investments to detailed fundamental analysis. Above all, we want to understand what competitive advantages or barriers to entry are sustaining a company's return on investment in order to determine whether the returns will persist. By modelling companies we seek to identify the assumptions that lead to consensus earnings estimates and then consider if they are realistic in light of the margins and growth necessary to achieve them. We pay particular attention to historical sources and uses of cash. We want to understand a company's dividend policy and be comfortable with the sustainability of its dividend and its dividend growth rate. We want to understand its capital budgeting policy and see evidence of its execution.

Having considered the above factors we then consider value. We are value biased and we do not like to pay up for uncertain future growth. We like to see companies offering value relative to their sector, to their historic valuations and in absolute terms.

We also spend time understanding macro factors and consider our holdings in light of our macro outlook. While we focus mainly on a bottom-up approach, our macro outlook is an important consideration for our portfolio construction and sector allocation decisions.

How do we construct the portfolio?

The Guinness Global Equity Income Fund is a concentrated portfolio of 30-40 equally weighted stocks, selected from our universe with a minimum market cap. of \$1 billion. This provides a number of useful attributes:

1. It reduces stock-specific risk as we cannot be overweight in a small number of favourite companies.
2. We cannot run a portfolio with a long tail of small holdings which can be a distraction and drag on performance.
3. It instills a strong sell discipline as we must sell a position in order to make way for any new positions; this provides an additional benefit in that we must constantly assess the companies we own in the portfolio in comparison to the rest of the universe available to us.
4. We are truly index independent; we are unconcerned by the weightings of the benchmark index as we cannot adjust the fund weightings beyond the set limits defined by the equal weighting.

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

Opportunity

In an era of low interest rates, suppressed corporate bond yields and rising inflation, savers and investors alike have few places to turn if they want to generate real returns. Even the safe havens of developed countries' sovereign bonds no longer trade as 'risk-free'. Equity income – capturing the dividends paid by companies to their shareholders – can provide an especially appealing investment option in today's difficult markets.

Historically, dividends have been a major contributor to total returns. They contributed over 60% of the total return on the MSCI World Index between 1970 and 2010. In low growth or declining markets, dividends become even more important as they often account for an even greater proportion of total returns. 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. In declining markets, dividends can also provide some protection. Dividend per share growth has historically shown lower volatility than earnings per share growth as companies are often averse to changing long-held capital allocation policies or cutting dividends.

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.

Expertise

The Fund is managed by Dr. Ian Mortimer and Matthew Page using their proprietary investment process for Global Equity Income portfolios.

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, the Fund's Investment Manager, offers a range of specialist, quality funds that focus on compelling global investment areas and ideas for long-term investors.

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

Our investment approach

Our core investment process, applying intelligent use of screening tools to identify a pool of potential value investments with good growth potential, enables us to:

- identify...** anomalies and value opportunities in the market that other investors haven't yet noticed;
- control...** the impact of emotion or sentiment-driven investing in our portfolios;
- prioritise...** our fundamental research by narrowing and defining the list of candidates for potential purchase or sale, while screening out the impact of short-term noise;
- and deliver...** clear and simple portfolios that we believe will achieve superior returns in the long term.

All our funds are run as concentrated portfolios with a value bias, low turnover and strong sell discipline.

We seek to invest with conviction for the long term.

Our structure

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

How to invest

Investments in the Guinness Global Equity Income Fund can be made either via a selection of investment platforms (details available on request) or direct with Guinness Asset Management via the Fund's Manager, Capita Financial Managers (Ireland) Limited.

Further details, the Prospectus and Simplified Prospectus and application forms for direct investments are available here:

Guinness Funds

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Capita Financial Services

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Guinness Global Equity Income Fund

Fund details

Fund managers	Ian Mortimer & Matthew Page	Administrator	Capita Financial Administrators (Ireland) Ltd
Benchmark	MSCI World Index	Custodian	JPMorgan
IMA sector	Global Equity Income	Domicile & structure	Ireland, OEIC
Valuation	Daily, 23.00 (Dublin time)	Dividend payment dates	Semi-annually (January and July)
Dealing cut off	15.00 (Dublin time)	Framework	UCITS
Launch date	31.12.10	Launch price	£10 / \$10 / €10

Share classes	'A' shares	'B' shares	'C' shares	'D' shares	'E' shares	'X' Shares*
Type	Institutional	Retail	Retail	Institutional	Institutional	Retail (RDR)
Currency	USD	USD	GBP	EUR	USD	GBP
Min. investment	\$200,000	\$20,000	£5,000	€100,000	\$10,000,000	£5,000,000*
Annual management fee	1.00%	1.50%	1.50%	1.00%	0.75%	0.75%
Initial charge	0.00%	2.00%	5.00%	0.00%	0.00%	0.00%
Total expense ratio (est.)	1.49%	1.99%	1.99%	1.49%	1.24%	1.249%
Fund Bloomberg ticker	GUGLEIA ID	GUGLEIB ID	GUGLEIC ID	GUGLEID ID	GUGLEIE ID	N/A
Fund ISIN	IE00B3QG6N78	IE00B42XCP33	IE00B3PB1722	IE00B66B5L40	IE00B67PB391	IE00B7LM5753
Fund SEDOL	B3QG6N7	B42XCP3	B3PB172	B66B5L4	B67PB39	B7LM575

Redemption fee (all share classes): 2% within 30 days of purchase

*Guinness Asset Management's minimum investment level in the 'X' share class does not apply to investments through platforms.

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.

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 is not an invitation to make an investment nor does it constitute an offer for sale.

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

Telephone calls to Guinness Asset Management may be recorded.

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.