Guinness Asian Equity Income Fund

INVESTMENT COMMENTARY – October 2017

Launch date	**19.12.13**
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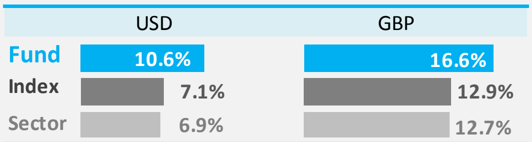
Aim

The Guinness Asian Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Asia Pacific region. The Fund aims to provide long-term capital appreciation and a source of income that has the potential to grow over time.

	2014		2015		2016	
	USD	GBP	USD	GBP	USD	GBP
Fund	10.7	17.6	-4.4	1.2	7.5	28.2
Index	1.8	8.1	-9.4	-4.1	7.8	28.6
Sector	3.1	9.5	-8.6	-3.4	5.3	25.7

	YTD		1 year		From launch	
	USD	GBP	USD	GBP	USD	GBP
Fund	26.7	16.6	19.5	15.6	46.6	78.6
Index	27.5	17.4	21.7	17.8	29.6	58.1
Sector	26.8	16.8	19.5	15.7	28.7	56.9

Annualised % total return from launch



Risk analysis (annualised, weekly, from launch)

	Index		Sector		Fund	
	USD	GBP	USD	GBP	USD	GBP
Alpha	0	0.0	0.7	1.4	5.0	5.3
Beta	1	1.0	0.9	0.9	0.8	0.9
Info ratio	0	0.0	-0.1	-0.1	0.6	0.6
Max drwdn	-29.1	-26.2	-26.7	-24.5	-24.3	-20.6
Tracking err	0	0.0	3.8	3.8	5.7	5.7
Volatility	14.5	15.3	13.0	13.6	12.3	14.1
Sharpe ratio	0.2	0.6	0.3	0.7	0.6	0.9

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, gross total return.

Outlook

We believe the Asian markets have further to go following the rally this year based on faster growth than developed markets and strong upward revisions to profit estimates. The consensus estimates the MSCI AC Pacific ex. Japan Index to trade on a Price/Earnings (P/E) multiple of 12.5 times 2018 earnings, which are expected grow 15%. The estimates for 2018 earnings have been revised upwards by 11% this year.

We think that China's economic rebound has sufficient breadth and momentum to continue and is likely to be stronger for this year than the 6.7% GDP growth last year. This growth, combined with closer regulatory supervision of the banking sector and the progress made toward deleveraging, makes China an 'anchor' for Asian and emerging markets' performance rather than a source of instability.

Asian currencies are 4% stronger against the dollar this year (by our calculations, on a weighted average basis) but fell back following an unexpectedly hawkish statement from the Federal Reserve. We believe, however, that aggressive rises in US interest rates are not likely in the near term.

We expect the Chinese yuan to remain stable at current levels following the weakness in 2016 and subsequent rally this year. Central bank intervention appears to have reduced now that capital outflows have moderated, and China's reserves of foreign exchange are rising once again. Chinese companies are more willing to hold RMB now that China's domestic prospects have improved and the dollar has weakened.

The main risks to Asia stem from the US. Aggressive interest rate moves, changes to trade taxes or protectionism would, we think, cause the US to slow and would be felt more severely in Asia. We do not expect any of these to occur in our base case. North Korea remains a wildcard, but since we expect considerable efforts to be made to avoid a missile launch against the US it is also not in our base case(!).

Past performance should not be taken as an indicator of future performance. The value of investments and any income arising from them can fall as well as rise as a result of market and currency fluctuations.

Fund & Market Review

- In the year to date the Fund has captured 92% of the upside in Asia as measured by MSCI AC Pacific ex Japan Index. The Fund was 0.28% (in USD) behind the index in the third quarter, having lagged 1.5% in July, outperformed by 3.1% in August and lagged 1.9% in September.

- Underperformance in September was due to weakness in some of our technology names related to the iPhone, namely Catcher Technology, AAC Technologies and Hon Hai Precision, and in some of our Chinese stocks including the banks and Yangzijiang Shipbuilding (following a share placement). Over the quarter however, except for Catcher and Hon Hai, these stocks including Chinese banks, have been outperformers.

- In September the MSCI AC Pacific ex Japan Index moved -3.9% in GBP terms/0.0% in EUR and for the quarter +3.0% in GBP/+2.6% in EUR.

- Leading sectors in September were Healthcare, Consumer Discretionary and Information Technology while Materials, Telecoms and Financials were laggards. Thailand, the Philippines and South Korea (despite the tensions) did the best while Taiwan, Singapore and Australian were the weakest. In the quarter, Information Technology, Real Estate, Energy and Materials were runaway winners while on a country basis only China and Thailand outperformed.

Why do we own Chinese banks?

Many of our peers in the sector adopt a position on the 'high ground' by saying that they do not and would not invest in Chinese banks, regarding them and the Chinese economy as too risky. Now that market sentiment, economic data and earnings data are coming around, we expect to see some backtracking. We initiated positions in 2013, when the consensus was firmly against us, and we have maintained them since then. We expected, and received, some resistance to this exposure. Here we take the opportunity to review how the stocks have done since we bought them and the decision process behind the purchases. We will also look at China's current debt position in light of the recent downgrade of China's credit rating by Standard & Poor's.

In 2013 we bought four Chinese bank positions: China Construction Bank, Industrial & Commercial Bank of China, China Merchants Bank and China Minsheng Banking. The first two are state owned and among the so-called Big-Four, while the latter are privately owned institutions. The table below shows the stocks' performance by calendar year and over the holding period in US dollars (including dividends) compared to the market as measured by MSCI AC Pacific ex Japan Index in both absolute and relative terms:

	2014		2015		2016		9M 2017		Full Period	
	Absolute	Relative	Absolute	Relative	Absolute	Relative	Absolute	Relative	Absolute	Relative
China Construction Bank Corp	16.2%	14.0%	-12.4%	-3.4%	19.7%	11.6%	13.3%	-14.5%	38.1%	9.8%
China Merchants Bank Co Ltd	23.9%	21.7%	-2.6%	6.4%	4.1%	-4.0%	55.5%	27.7%	95.4%	67.1%
China Minsheng Banking Corp Ltd	45.6%	43.5%	-23.7%	-14.7%	14.0%	6.0%	-10.4%	-38.2%	13.6%	-14.7%
Industrial & Commercial Bank of China Ltd	15.2%	13.1%	-12.9%	-3.9%	5.7%	-2.4%	30.4%	2.7%	38.3%	10.0%
Index	2.2%		-9.0%		8.1%		27.8%		28.3%	

As the table shows, they did not all contribute all the time, but over the period only one of them has detracted from overall performance. China Minsheng's relative weakness has largely come this year, as central bank efforts to limit banks' risk appetite and leverage are deemed to fall particularly heavily on it, causing its valuation to decline.

Our analysis at the time of purchase (and continuously since) took us through net interest income (the spread between interest income and interest expense), non-interest income, costs, provisioning charges against bad loans, loan growth, asset quality, provision reserves, funding/liability structure and capital adequacy. We considered off-balance sheet exposures such as Wealth Management Products (WMP) and shadow banking activity when making assumptions for asset quality, provisioning requirements, capital adequacy, etc. When we value these banks, we look at the current and forecast price to book and back out the levels of non-performing loans (NPLs) we think are implied in the share price.

Our macro analysis considers the importance of banks to the Chinese economy as a whole; non-financial corporate debt servicing capacity based on reported profitability and cash flows; regulatory scrutiny of bank operations with respect to direction of lending, access to and pricing of wholesale funding, on-going stress testing; and requirements to set aside capital against non-standard assets (WMP).

A fundamental difference between Chinese economic management today and the past can be seen in the pressure applied to bank managements. Previously, when China sought to stimulate growth, they eased policy and let the banks operate unconstrained. Risk appetite took off, and when it became necessary to tighten, the sector was left wallowing in bad debt. The solution was to bail them out in 1995 (to the tune of 20% of GDP) and again in 2005. Today, however, the regulators scrutinize all aspects of operations. The combination of close regulatory oversight, improved debt servicing capacity and slowing debt accumulation at the macro level (it actually fell slightly mid-year on a debt/GDP basis) makes these banks look like investment opportunities, at current valuations.

We are aware that the argument has not concluded. In October, a couple of years after Chinese debt concerns really intensified, S&P downgraded China's sovereign credit rating, citing concerns about debt build-up. In the next section we take a closer look.

China's credit rating

China's credit rating was recently downgraded by Standard & Poor's (S&P) from AA- to A+ because of worries over the rapid growth of the country's debt. Not surprisingly, China refuted concerns, with the China Ministry of Finance (MOF) saying that "the downgrade is a result of [S&P's] long-standing mode of thinking, and misreading of the Chinese economy based on developed countries' experience." What S&P ignored, MOF says, is the country's distinctive financing structure, the wealth-creating effect of government spending and its support for growth, as well as sound development fundamentals and growth potential.

We must assess for ourselves the two key components of credit analysis: the willingness and ability to pay off debt.

It is important to note:

- The downgrade focuses on the sovereign default risk when the problem is corporate debt.
- Over 90% of China's debt is domestically funded, meaning there can be no foreign capital flight to precipitate a crisis and no impact on China's future funding costs.

China's total debt at the end of 2016 stood at 257% of GDP. Government debt was 46%, Household was 44% and Non-financial corporate debt was 166%.

Government debt

S&P's downgrade specifically deals with the creditworthiness of Chinese Government Bonds which, at 46% of GDP, equates to approximately $5.25 trillion of debt. The average yield on these bonds is 3.5%, meaning annual interest payments of ~$184 billion. Total fiscal revenue received by the government equated to 28% of GDP in 2016 amounting to $3,200 billion. The government can easily service its debt and so that is not the problem.

Corporate debt

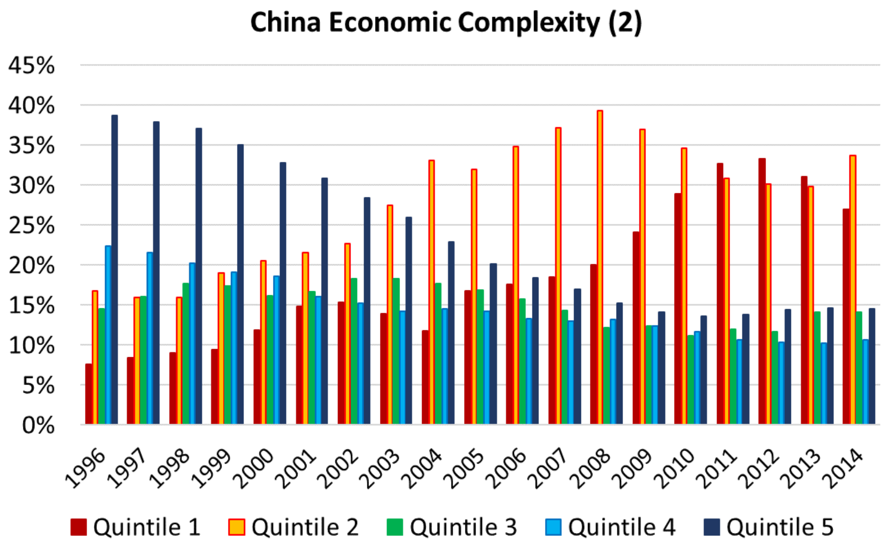
Corporate debt has grown rapidly in recent years and concerns about this are justified. There have been two drivers of this growth: first, the government effort to boost GDP growth between 2008 and 2011; and the subsequent rise in lending by the banking sector, with an excessive risk appetite underpinned by expectations of implicit guarantees which encouraged excessive borrowing.

S&P has assumed that the government is on the hook for every dollar of corporate debt, that debt will continue to grow and that China's ability to repay it now comes into question. The counter-arguments are these:

- The government has already identified debts linked to government policy and is swapping those into municipal bonds – i.e. taking sovereign responsibility.
- Debt run-up on private projects by both corporates and local governments are not the central government's responsibility and need to be worked through. We are seeing more bond defaults as a consequence.
- Banks are under intense regulatory pressure to shrink balance sheets and curb risk appetite:
    - Off-balance sheet loans and wealth management products are now included in capital adequacy requirements.
    - Wholesale funding rates have increased through central bank tightening to make this funding source more expensive.
- Excess capacity industries (steel, cement, aluminium and real estate) all have limited access to capital since bank lending to these sectors is restricted by the central bank.

Underlying China's debt story is an economy that has transformed from low to higher-end manufacturing, bringing with it higher wages to match. A programme of investment into infrastructure has created the framework for China's productivity to increase over time. Certainly, there has been waste and there are projects that will not pay for themselves, but at a macro level China is becoming wealthier.

The path of economic transformation can be seen through a measure known as Economic Complexity. The measure combines metrics of the diversity of countries and the ubiquity of products to create measures of the relative complexity of a country's exports. By ranking China's overall output in terms of complexity, and dividing into quintiles (quintile 1 being the most complex and quintile 5 the least) we can see the change:



Source: Observatory of Economic Complexity, Guinness Asset Management

In China, the increase in the value of goods produced, the greater share in the global supply chain, higher wages, higher tax revenues and greater cash flows all combine to make the economy more productive and therefore capable of servicing more debt. Add to this the efforts to reduce excess capacity in the 'old economy' and the visible rise in heavy industrial profitability, and we can see that China's debt servicing ability is rising, not falling. For our investment strategy we need to understand where the risks lie in the corporate sector and where they are and are not improving. Through the A-shares market we have a window on some (10%) of the $116 trillion of corporate debt held. We have looked at 2,800 listed Chinese companies (ex-Financials) to identify where debt is clustered and how much is at risk, i.e. where operating profits, defined as Earnings Before Interest and Tax (EBIT), do not cover the annual interest payment.

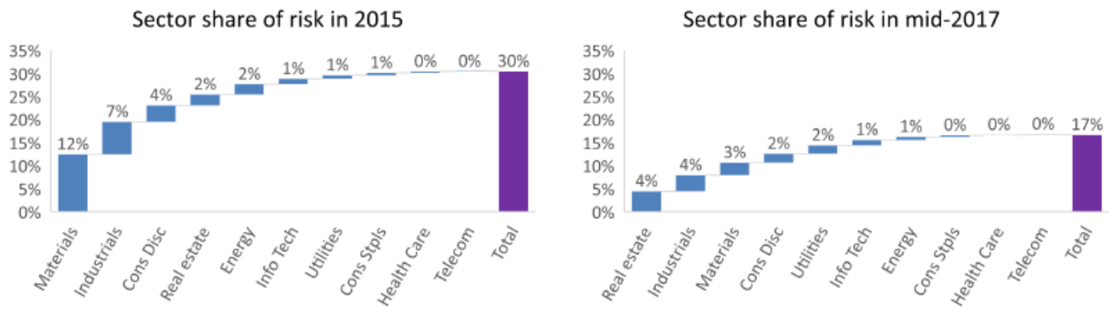
Debt is said to be at risk if a company's EBIT is less than interest expense

	Debt CNY trn		Share of debt		% of debt at risk		Share of risk	
	2015	1H17	2015	1H17	2015	1H17	2015	1H17
Consumer Discretionary	0.99	1.23	10%	11%	37%	19%	4%	2%
Consumer Staples	0.17	0.20	2%	2%	33%	20%	1%	0%
Energy	0.38	0.41	4%	4%	60%	18%	2%	1%
Health Care	0.23	0.30	2%	3%	15%	3%	0%	0%
Industrials	3.11	3.49	31%	30%	23%	12%	7%	4%
Information Technology	0.42	0.59	4%	5%	29%	23%	1%	1%
Materials	1.95	1.93	19%	17%	65%	16%	12%	3%
Real estate	1.62	2.04	16%	18%	15%	25%	2%	4%
Telecommunication Services	0.15	0.17	1%	1%	0%	0%	0%	0%
Utilities	1.14	1.19	11%	10%	7%	18%	1%	2%
Total	10.16	11.55	100%	100%	30%	17%	30%	17%

(source: Bloomberg, Guinness Asset Management)

In 2015, some 30% of debt was at risk. Today that figure is around 17%. So the level of debt at risk has reduced and cash flow generation has improved, allowing debt to be paid back with earnings.

Sector share of debt at risk



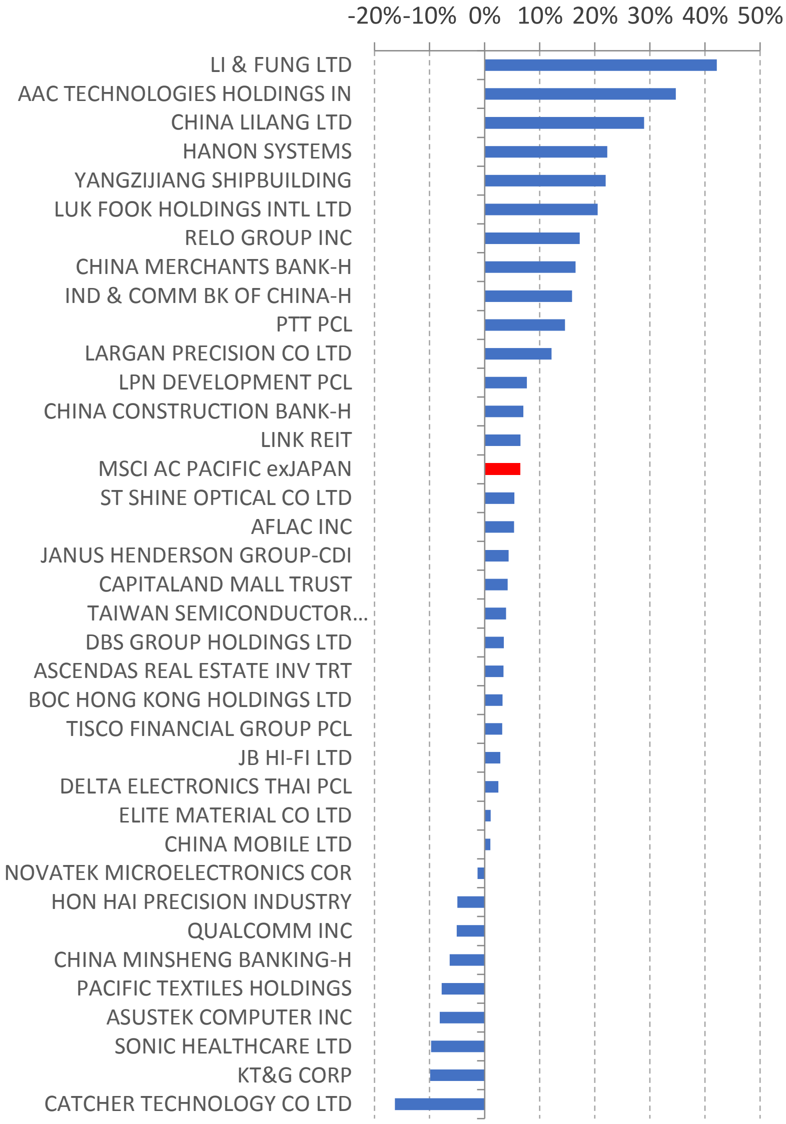
The improvement in the overall level of debt seen at risk this year compared to 2015 helps explain the rally in China seen since mid-2016. We know that the Industrials and Materials sectors remain at risk because they are sensitive to Chinese GDP and commodity prices. Real estate is probably the most important area to focus on. If property prices and property sales continue to be as buoyant as they are now, debt can be worked through. If property and land prices were to drop then this would be significant in two ways. First, construction activity, which is still an important contributor to growth, would fall. Second, land is a major source of collateral for loans and a fall in collateral values means greater pressure on capital requirements for banks. We do note, however, that the government has space to loosen some of the tightening measures it has introduced for the property market in the past year.

The sovereign sits atop an indebted economy, certainly, but one that that is domestically funded and that continues a 20-year trend of becoming more productive and more cash generative. In sum, we think S&P has missed the mark with its downgrade.

Portfolio news

The chart below shows the performance of the stocks in the portfolio at the end of the third quarter, and that of the benchmark.

Stock performance over 3Q 2017 (total return USD)



Outperformers in the quarter

In a quarter when the best performing sectors were Technology, Real Estate, Energy and Materials we find that the best performers in the Fund are, with one exception, all drawn from other sectors.

Li & Fung is a factory agent, serving as an intermediary between factories in the developing world and customers in the US and Europe. The company has been battling cyclical headwinds of slower world trade growth and the structural forces of technological change. However, the company is now turning the corner, controlling costs in the short term and fundamentally developing and augmenting its services in both scope and speed. Stronger-than-expected profitability reported for the first half of this year made this our best performer this quarter.

AAC Technologies has been a strong performer for a while. The company was subject to a series of allegations made by a short-seller that their margins were overstated and benefitted from undisclosed connected transactions. The subsequent stock price drop reversed dramatically following a detailed company report that comprehensively refuted the allegations. AAC is an important supplier of acoustic components and haptics (motion controls) for smartphones, such as the iPhone and others.

China Lilang (which trades under the LILANZ brand) is a designer and retailer of men's clothing. Over the past few years they have made improvements to designs, to the product range, to the quality of fabrics and to the structure of the distribution network. The chief designer has been hired from Armani; new product lines have been added in shoes, underwear and casual clothing; proprietary fabrics make up a bigger proportion of usage and their quality has improved; the distribution channel has shifted away from department stores to shopping malls. The management has proven itself to be both dynamic and adaptable, reflecting rapidly evolving Chinese consumer patterns. Strong results at the interim stage lifted the stock into our top five performers this quarter.

Hanon Systems is a Korean company specialising in automotive climate control systems for both combustion engine and electric vehicles, where temperature control improves fuel efficiency and battery life. The company is well managed, is diversifying its customer base and has moved to paying a quarterly dividend, which is unusual for a Korean company. The stock has had a weak year but the price turned higher in May. Results reported in August were expected to be poor because of a collapse in Korean car sales in China, but internal cost restructuring and improved product mix offset the difficult conditions.

Yangzijiang Shipbuilding is a Chinese shipbuilder specialising in building dry bulk vessels (for carrying industrial materials such coal and iron ore and agricultural commodities such as soy). The shipping sector has had a challenging time following the decline in commodity prices and daily shipping rates have plunged from a peak of $10,000/day in 2008 to less than $300 in 2016. Today, daily rates are around $1,400, in line with longer-run averages. It has meant that shipbuilders have experienced a significant slowdown in new orders from the heady days of the peak in commodity prices, but it is still the case that shipping companies need to replace ageing vessels. For example, Vale, one of the world's largest mining companies, is seeking to replace 30 ageing VLOCs (Very Large Ore Carriers). Yangzijiang has benefitted as one of the largest and most efficient dry bulk builders. Better results than expected for 2016 drove the share price at the start of the year; rising new orders and a pick-up in shipping rates have continued to push the share price higher this quarter.

Underperformers in the quarter

CATCHER KT&G SONIC HEALTHCARE

Catcher Technology saw its share price fall following the launch of the Apple iPhone. The company makes metal casings for smartphones and is making the metal frames for the new glass-backed versions. The stock performed well in anticipation of the launch and expectations were perhaps excessive. With that in mind, we were careful to ensure that we locked in gains by cutting back the position to neutral (in accordance with our equal weight portfolio structure) ahead of the launch. After the decline in September, we added to take the position back to neutral.

KT&G is Korea's leading tobacco company. In the current market conditions dominated by Technology, Real Estate, Materials and Energy, a Consumer Staple like this would not be expected to perform especially well. The business has increased its share of the domestic market and demonstrated continued pricing power. Gross margins have risen to 68%. Overall Korea market volume has fallen by 4%, but KT&G has only seen a 2% volume decline. Revenues in its cigarette business were 5% higher in the first six months of this year than the same period last year and ginseng product revenues are 9% higher. The business looks fine, but the stock is out of favour at the moment.

Sonic Healthcare is an Australian company providing medical diagnostic services both domestically and elsewhere (UK, US and Germany). The company has recently won contracts for hospitals in the UK which are expected to contribute annual revenues of GBP 12 million. On the downside, however, the report from the US Centre for Medicare and Medicaid Services confirms planned cuts under the Protecting Access to Medicare Act will be effective in 2018 and are greater than the industry expected – close to the maximum 10% per annum allowable reduction compared to earlier indications of around 5.5%. A recent report shows that private rates for tests are some 22% lower than Medicare rates, suggesting that further cuts lie ahead. Only 4% of group revenue comes from this activity, however, so cuts to forecasts are not enormous and there are savings that can be made. There is also the potential to acquire other labs which are more significantly affected, which could offset the lower rates.

Asustek Computer produces notebook PCs, tablets and smartphones that are sold under the ASUS brand. The company's operations are struggling with intensifying competition and rising component prices in the PC segment while the smartphone division is making losses. Asustek is in the process of restructuring operations to fall back on more profitable areas of the PC market and to reboot its smartphone division. We believe this will take at least a year to show up in margins. In the meantime, management has committed to maintain its cash dividend over the next two years. The fundamental nature of Asustek's challenges mean this is a stock we must keep under close review.

Pacific Textiles is a Chinese manufacturer with operations in China and in Vietnam. Uniqlo, the Japanese brand, is one of its major customers. The arrival of Toray (the supply chain manager and close partner of Uniqlo) as the largest shareholder looks very promising and tightens the relationship with a key customer. In a dispute which has been running for much of this year, residents near one of its factories in Vietnam have blockaded the facility over pollution issues. The company has shifted orders to China and deliveries have been delayed but no orders have been withdrawn. We look forward to a resolution with the company establishing pollution safeguards and the resumption of full production.

Outlook

We believe that Asia still offers value after its performance this year based on its earnings prospects and economic growth momentum. We still think that a bottom-up approach – identifying what we believe are good businesses in the first instance, rather than building a shape of the world and looking for investments that fit it – is the right way to go.

There is growing talk of a resumption of inflationary pressure as global growth picks up. There are offsetting factors such as slow wage growth that mean the inflation argument is still wide open. But in the event it becomes a concern, we believe we are well positioned. The companies in which we invest have strong competitive positions, as demonstrated by their sustained profitability, which makes it likely that they have pricing power with customers and bargaining power with suppliers. Their above-average returns on invested capital also mean that an erosion in the value of these returns caused by inflation will probably have a lower impact on the share price than for a less profitable businesses. Furthermore, our requirement that the companies we buy should have low debt levels means that the effect of sharper interest rate rises will also be more manageable, in our opinion.

Edmund Harriss and **Mark Hammonds** (portfolio managers)
Sharukh Malik (analyst)

Data sources

Fund performance: *Financial Express, gross total return*

Index and stock data: *Bloomberg*

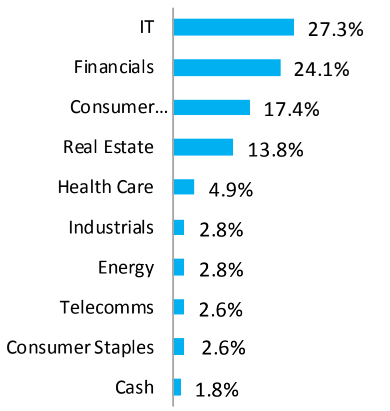
PORTFOLIO

30/09/2017

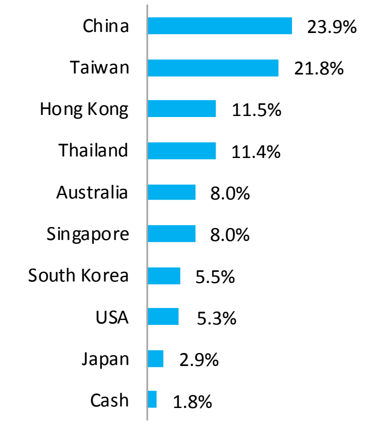
Fund top 10 holdings

Li & Fung	3.1%
LPN Development	3.1%
Luk Fook Holdings	3.0%
China Lilang	3.0%
Largan Precision	2.9%
Hanon Systems	2.9%
Relo Holdings	2.9%
Elite Material	2.8%
Janus Henderson	2.8%
Tisco Financial Foreign	2.8%
% of Fund in top 10	29.3%
Total number of stocks in Fund	36

Sector analysis



Geographic allocation



PERFORMANCE

30/09/2017

Discrete years % total return

	Sep '13		Sep '14		Sep '15		Sep '16		Sep '17	
	USD	GBP	USD	GBP	USD	GBP	USD	GBP	USD	GBP
Fund (Y class, 0.99% OCF)	-	-	-	-	-3.6	3.2	16.1	35.3	19.5	15.6
MSCI AC Pacific ex Japan Index	8.9	8.6	4.4	4.3	-14.9	-8.9	19.5	39.2	21.7	17.8
IA Asia Pacific ex Japan	7.5	7.2	7.0	6.8	-14.0	-7.9	17.3	36.8	19.5	15.7

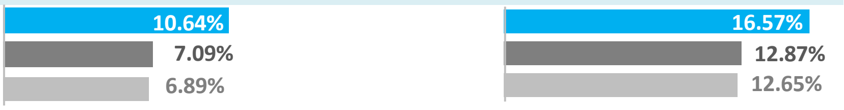
Cumulative % total return

	1 month		Year-to-date		1 year		3 years		From launch	
	USD	GBP	USD	GBP	USD	GBP	USD	GBP	USD	GBP
Fund (Y class, 0.99% OCF)	-1.8	-5.7	26.7	16.6	19.5	15.6	33.7	61.4	46.6	78.6
MSCI AC Pacific ex Japan Index	0.0	-3.9	27.5	17.4	21.7	17.8	23.7	49.5	29.6	58.1
IA Asia Pacific ex Japan	0.2	-3.8	26.8	16.8	19.5	15.7	20.6	45.8	28.7	56.9

Annualised % total return from launch

USD GBP

Fund (Y class, 0.99% OCF)
MSCI AC Pacific ex Japan Index
IA Asia Pacific ex Japan



Risk analysis - Annualised, weekly, from launch on 19.12.2013

30/09/2017	Index		Sector		Fund	
	USD	GBP	USD	GBP	USD	GBP
Alpha	0.0	0.0	0.7	1.4	5.0	5.3
Beta	1.0	1.0	0.9	0.9	0.8	0.9
Information ratio	0.0	0.0	-0.1	-0.1	0.6	0.6
Maximum drawdown	-29.1	-26.2	-26.7	-24.5	-24.3	-20.6
R squared	1.0	1.0	0.9	0.9	0.9	0.9
Sharpe ratio	0.2	0.6	0.3	0.7	0.6	0.9
Tracking error	0.0	0.0	3.8	3.8	5.7	5.7
Volatility	14.5	15.3	13.0	13.6	12.3	14.1

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, gross total return. Fund launch date: 19.12.2013.

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 equities and equity markets invested in by the Guinness Asian 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.

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Risk
The Guinness Asian 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. The Fund invests only in stocks of companies that are traded on Asian stock exchanges or that do at least half of their business in Asia; it is therefore susceptible to the performance of that region, and can be volatile. 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.

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 may be recorded and monitored.