Guinness Global Money Managers Fund

A high conviction equity fund managed by Will Riley and Tim Guinness investing in quoted companies in the money management sector.

INVESTMENT COMMENTARY - June 2013

Aim

We aim to capture the strong returns that successful money management companies can deliver to shareholders.

The Fund aims to deliver long-term capital growth through investment in listed money management companies.

Investment case

High returns on capital

Successful money management companies can grow using relatively little capital. Overall shareholder returns can therefore be very high.

Growing global sector

Conventional assets under management globally have grown much faster over the last 20 years than world equity returns, supporting growing revenues in the sector.

Low balance sheet risk

Money management companies tend to have very low gearing versus other financial sectors (especially banks), reducing balance sheet risk.

Above average dividend yield

The sector typically exhibits high free cashflow, which translates into higher dividend yields on average than the broad equity market.

Higher beta

The sector has the potential to outperform the market (capture higher beta) during periods of market strength, particularly in equities.

Performance

The strong global equity rally we have seen since the start of the year continued in May, albeit with markets giving up in the final week some of the gains seen earlier in the month. The Fund generated a total return of +7.3% (in GBP) in May, compared to its MSCI World Index benchmark return of +2.7% and MSCI World Financials Index return of 2.1%. The Fund has returned +32.9% year-to-date versus the World Index return of +19.5% and World Financials Index return of 21.3%.

The year so far

The first five months of 2013 have seen strong returns for the money management sector and the Fund. A combination of undemanding valuations at the start of the year, coupled with rising assets under management ("AuM") driven by positive equity markets and improved inflows into the sector, has resulted in impressive share price appreciation for many companies in the Fund. Asset managers exposed to equities have fared particularly well, but the rally has been broad based, with stock exchanges, wealth managers and custody banks all performing well too.

Here we take the opportunity to explore the stories of a couple of the better performing stocks in the portfolio. We think they provide good examples of one of the main rationales behind the Fund – that successful money management businesses with good performance can grow very rapidly, particularly in rising markets.

Polar Capital

Polar Capital has provided a total return to the Fund in 2013 (to the end of May) of 92.4%.

Over the past few years, Polar has scaled its business impressively, improving operating margins handsomely in the process. The company, a sector-specialist investment firm, has expanded from five sector teams in 2009 to twelve sector teams in 2012, adding two or three teams each year over that period.

Accompanying this growth in its investment product range, Polar has successfully expanded its AuM. Recent growth has been particularly impressive, with AuM expanding from $5.3bn at the end of September 2012, to $7.2bn at the end of March 2013. Part of this growth came from rising markets but the lion's share was provided by net inflows – c. $1.6bn for the 12 months to March 2013, much of which came in the second half of the year.

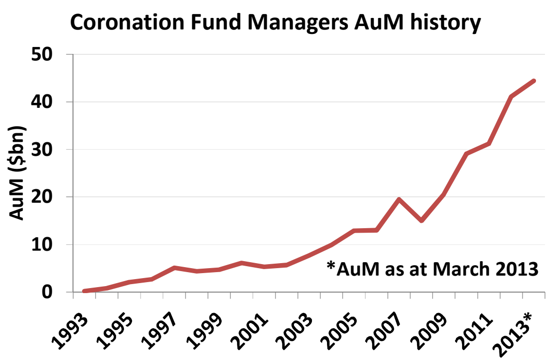
One of the most attractive features of the asset management industry is the ability of participants to scale their businesses using relatively small injections of capital. Polar has demonstrated this by growing operating margins along with AuM. Operating margins were 25% in 2012, up from 16% in 2011 and are expected to grow further as AuM rises.

Polar's core philosophy is "to focus on investment performance over and above the gathering of assets". When this approach works, the assets tend to follow.

Coronation Fund Managers

Coronation Fund Managers has provided a total return to the Fund this year of 41.9% (to end of May).

Coronation is another example of how strong investment performance can translate into excellent shareholder returns. The South African asset manager has recently benefitted from significant net inflows to its funds, and has grown AuM significantly over the past few years, as the following chart shows:



Similar to Polar, Coronation's strong performing fund range has been central to their success. Their largest product, the 'Balanced Plus' fund, has outperformed its composite benchmark by 2% per year (annualised) over the past 5 years, with recent performance against the benchmark even better. The fund has grown well and attracted $3.4bn of assets. We expect further net inflows for the rest of 2013.

In common with many other companies in the sector, Coronation pays a healthy dividend, currently exceeding 5%. The company's pay-out ratio over the past three years has averaged 100%, a demonstration that Coronation's growth has been achieved without great capital intensity.

Coronation pays most of its staff remuneration as profit-based bonuses, lending reasonable flexibility to the company's cost base. Staff bonuses for Coronation are based on 30% of gross profits, and represented 22% of revenue in 2012.

The company is expected to benefit from further secular growth in future. In particular, we think it has the potential to take market share from South African life insurance firms, who have a high market share in the country.

Fund valuation

The Fund's P/E ratio at 31 May 2013 versus the S&P 500 Index at 1,631 is set out in the table below (based on S&P 500 'operating' earnings per share estimates of $96.4 for 2011, $96.8 for 2012 and $110.2 for 2013):

	2011	2012	2013
Fund P/E ratio	*18.6*	17.0	14.3
S&P 500 P/E ratio	16.9	16.8	14.8
Premium (+) / Discount (-)	*10%*	*1%*	*-3%*

Source: S&P; Guinness Asset Management Ltd

Overall the Fund aims to give investors an opportunity to capitalise on the increasing value of successful companies in the money management industry.

Will Riley & Tim Guinness

Co-managers,
Guinness Global Money Managers Fund

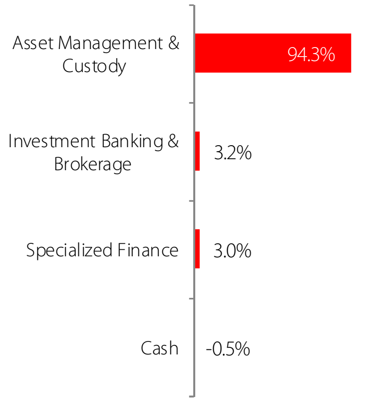
June 2013

PORTFOLIO (31.5.13)

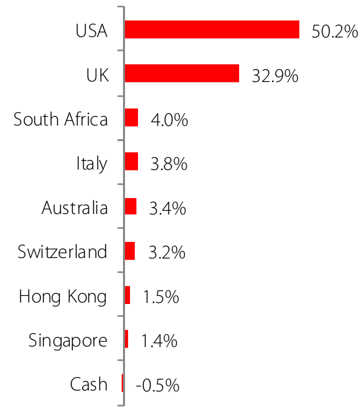
Fund top 10 holdings

Polar Capital	4.3%
Aberdeen Asset Management	4.1%
Coronation Fund Managers	4.0%
Invesco	3.9%
Ameriprise Financial	3.9%
State Street	3.8%
Och-Ziff Capital Management	3.8%
Azimut Holding	3.8%
Federated Investors	3.7%
Brewin Dolphin	3.7%
% of Fund in top 10	39.0%
Total number of stocks in Fund	35

Sector analysis



Geographic allocation



PERFORMANCE

Cumulative % total return (E Class, in GBP)

31/05/2013	1 month	3 months	6 months	1 year	From launch
Guinness Global Money Managers Fund	7.3	10.0	37.5	59.1	36.3
MSCI World Index	2.7	5.7	19.7	29.7	25.6
MSCI World Financials Index	2.1	6.4	24.6	45.7	22.9

Annualised % total return from launch (E Class, in GBP)

	31/05/2013
Guinness Global Money Managers Fund	**13.7%**
MSCI World Index	**10.6%**
MSCI World Financials Index	**9.5%**

Risk analysis (E Class, in GBP)

Annualised, weekly, from launch on 31.12.10, realtive to the MSCI World Index	MSCI World	MSCI World Financials	Fund
Alpha	0	-2.54	**0.69**
Beta	1	1.20	**1.24**
Information ratio	0	-0.15	**0.32**
Maximum drawdown	-18.21	-28.57	**-28.30**
R squared	1	0.89	**0.88**
Sharpe ratio	0.45	0.29	**0.47**
Tracking error	0	7.06	**7.87**
Volatility	15.23	19.38	**20.17**

31/05/2013

Discrete years (C Class, in GBP)

12 months to month end:	May '09	May '10	May '11	May '12	May '13
Guinness Global Money Managers Fund	-	-	-	-16.5	59.1
MSCI World Index	-20.1	26.1	13.1	-4.9	29.7
MSCI World Financials Index	-32.2	22.7	4.9	-14.9	45.7

The Fund's 'E' share class, with an Annual Management Charge (AMC) of 0.75%, represents "clean fee" RDR share class performance. The Fund's 'C' share class has an AMC of 1.5%.

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, net total return. Fund launch date: 31.12.10.

IMPORTANT INFORMATION

This report is primarily designed to inform you about the Guinness Global Money Managers Fund, including recent activity and performance. For regulatory purposes it falls within the legal definition of a financial promotion. Please therefore note the risk warnings below and the following statements: it contains facts relating to equity markets and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report. It is 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 content of the document should not therefore be relied upon. It should not be taken as a recommendation to buy or sell individual securities.

The Guinness Global Money Managers 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. Shareholders should note that all or part of the fees and expenses can be charged to the capital of the Fund, which will have the effect of lowering the capital value of your investment.

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 KIID and the Application Form are available, 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. **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 Conduct 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 Conduct Authority.

Telephone calls to Guinness Asset Management may be recorded.

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'Ile, 1204 Geneva, Switzerland.

GLOSSARY

Alpha
Alpha is a measure of a fund's over or underperformance by comparison to its benchmark. It represents the return of the fund when the benchmark is assumed to have a return of zero, and thus indicates the extra value that the manager's activities have contributed.

Beta
Beta is a statistical estimate of a fund's volatility by comparison to that of its benchmark, i.e. how sensitive the fund is to movements in the section of the market that comprises the benchmark. A fund with a Beta close to 1 will move generally in line with the benchmark. Higher than 1 and the fund is more volatile than the benchmark.

Information Ratio
An assessment of the degree to which a manager uses skill and knowledge to enhance returns, this is a versatile and useful risk-adjusted measure of actively-managed fund performance. It is calculated by deducting the returns of the fund's benchmark from the fund's overall returns, then dividing the result by its Tracking Error. In this way, we arrive at the value, per unit of extra risk assumed, that the manager's decisions have added to what the market would have delivered anyway.

Maximum Drawdown
Represents the worst possible return over a period, e.g. buying at the highest price over the period and selling at the lowest.

R-Squared
The R-Squared measure is an indication of how closely correlated a fund is to an index or a benchmark. It can be treated as a percentage, showing what proportion of a fund's movements can be attributed to those of the benchmark. Values for R-Squared range between 0 and 1, with 0 indicating no correlation at all, and 1, rarely, showing a perfect match.

Sharpe Ratio
This is a commonly-used measure which calculates the level of a fund's return over and above the return of a notional risk-free investment, such as cash or Government bonds. The difference in returns is then divided by the fund's standard deviation - its volatility, or risk measurement. The resulting ratio is an indication of the amount of excess return generated per unit of risk.

Tracking Error
This statistic measures the standard deviation of a fund's excess returns over the returns of an index or benchmark portfolio. As such, it can be an indication of "riskiness" in the manager's investment style. A Tracking Error below 2 suggests a passive approach, with a close fit between the fund and its benchmark. At 3 and above the correlation is progressively looser: the manager will be deploying a more active investment style, and taking bigger positions away from the benchmark's composition.

Volatility
Standard deviation is a statistical measurement which, when applied to an investment fund, expresses its volatility, or risk. It shows how widely a range of returns varied from the fund's average return over a particular period. Low volatility reduces the risk of buying into an investment in the upper range of its deviation cycle, then seeing its value head towards the lower extreme.

GUINNESS FUNDS

Guinness Asset Management Ltd is authorised and regulated by the Financial Conduct Authority

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