

GUINNESS

Global Money Managers Fund

A high conviction equity fund managed by Tim Guinness and Will Riley investing in the growth potential of asset managers.

Annual review

2014

GUINNESS

ASSET MANAGEMENT LTD

Launch date 31.12.10

Managers Tim Guinness
Will Riley

Aim

The Guinness Global Money Managers Fund gives investors exposure to the growth potential of companies in the asset management sector. The Fund is managed for capital growth and invests in companies engaged in money management services (primarily asset management, but also wealth management, stock exchanges, custodian and trustee services and other specialist service providers).

Performance (in USD) 31.12.14

Fund	Guinness Global Money Managers (E)		
Index	MSCI World Index		
Financials	MSCI World Financials Index		
Offshore fds	Offshore Financials funds in FE*		
IA sector	IA Global sector		

	2012	2013	2014
Fund	30.9	54.8	3.6
Index	16.5	27.4	5.5
Financials	30.1	28.0	3.7

	1 year	2 years	3 years
Fund	3.6	60.4	109.8
Index	5.5	34.4	56.6
Financials	3.7	32.7	72.6

Risk analysis (annualised, weekly, from launch)

	Fund	Index	Financials
Alpha	0.8	0	-3.0
Beta	1.3	1	1.2
Info ratio	0.4	0	-0.2
Max drwn	-31.0	-20.2	-31.8
Tracking err	7.5	0	5.9
Volatility	19.9	14.8	18.5
Sharpe ratio	0.5	0.5	0.3

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 in USD.

*Peer group of offshore financials funds as defined on Financial Express.



BEST FUND OVER 3 YEARS
EQUITY SECTOR BANKS & OTHER FINANCIALS

Annual review

The Guinness Global Money Managers Fund, launched at the end of 2010, is managed for capital growth and gives investors exposure to the growth potential of companies in the asset management sector. Primarily the Fund invests in asset management companies, and can also invest in wealth management, stock exchanges, custodian and trustee services and other specialist service providers.

Managed by Will Riley and Tim Guinness, the Fund is a long-only equity portfolio of around 30 equally-weighted positions. 80% of the Fund is normally invested in companies with a market capitalisation over \$500 million.

We believe that, over the long term, asset management companies can grow their earnings faster than general equity markets. Successful asset management businesses can grow very rapidly, particularly in rising markets. Their risk-return characteristics are especially attractive from a shareholder's point of view, since they tend to require relatively little capital to grow compared with many other industries.

Asset management is also a growing global sector: the pool of assets managed by the industry is rising faster than underlying equity markets.

We believe a fund that gives diversified exposure to asset management companies can play a useful role as part of a wider portfolio of funds, particularly in times of equity market strength.

A review of 2014

The Fund produced a total return (in USD – class E) of 3.6% in 2014, a result we view as positive since it was ahead of the wider asset management sector. The performance of the Fund and the sector was behind the broad equity market (the MSCI World returned 5.5%), which we do not find particularly surprising given (a) the strength of the sector and the Fund in the previous year, and (b) the slight underperformance of the financial sector in general in 2014 (the MSCI World Financials Index returned +3.7%).

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Guinness Global Money Managers Fund

We are pleased to note that the 2014 performance placed the Fund in the top quartile versus its global financials peers.

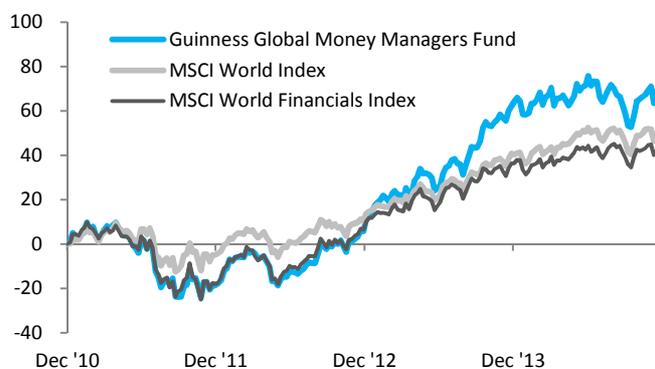
December 31st 2014 marked the four year anniversary of the Fund's launch, and over this period the Fund has produced a total return of 70.7% compared to the MSCI World Index return of 48.7% and the MSCI World Financials Index of 41.4%, thus outperforming the Index by 22.0% and the Financials sector by 29.2%.

The following table and graphs shows the performance of the Guinness Global Money Managers Fund versus its benchmark indices (the MSCI World Index and MSCI World Financials Index) and peers since inception (31 December 2010).

% total returns (in USD)						From launch (31.12.2010)	
	2010	2011	2012	2013	2014	Cumulative	Annualised
Guinness Global Money Managers E	-	-18.7	30.8	54.8	3.6	70.7	14.3
MSCI World Index	12.3	-5.0	16.5	27.4	5.5	48.7	10.4
MSCI World Financials Index	5.1	-18.1	30.0	28.0	3.7	41.4	9.0
Offshore Financials Funds (FE)*	3.6	-17.2	22.7	23.1	1.1	26.6	6.1
IA Global sector	12.4	-9.9	14.5	24.0	0.9	29.2	6.6
Fund's rank in IA Global sector		207 / 215	1 / 234	3 / 249	102 / 259	6 / 215	

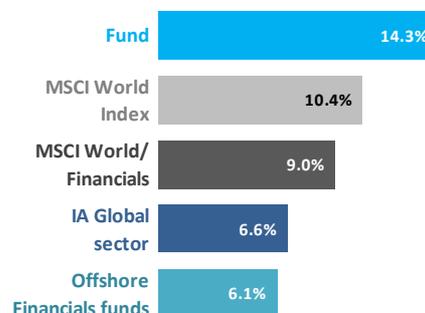
*Peer group of offshore financials funds as defined on Financial Express.

Cumulative return from launch



Source: Bloomberg LP & Financial Express, since launch (31.12.10) to 31.12.14, total return in USD

Annualised return from launch



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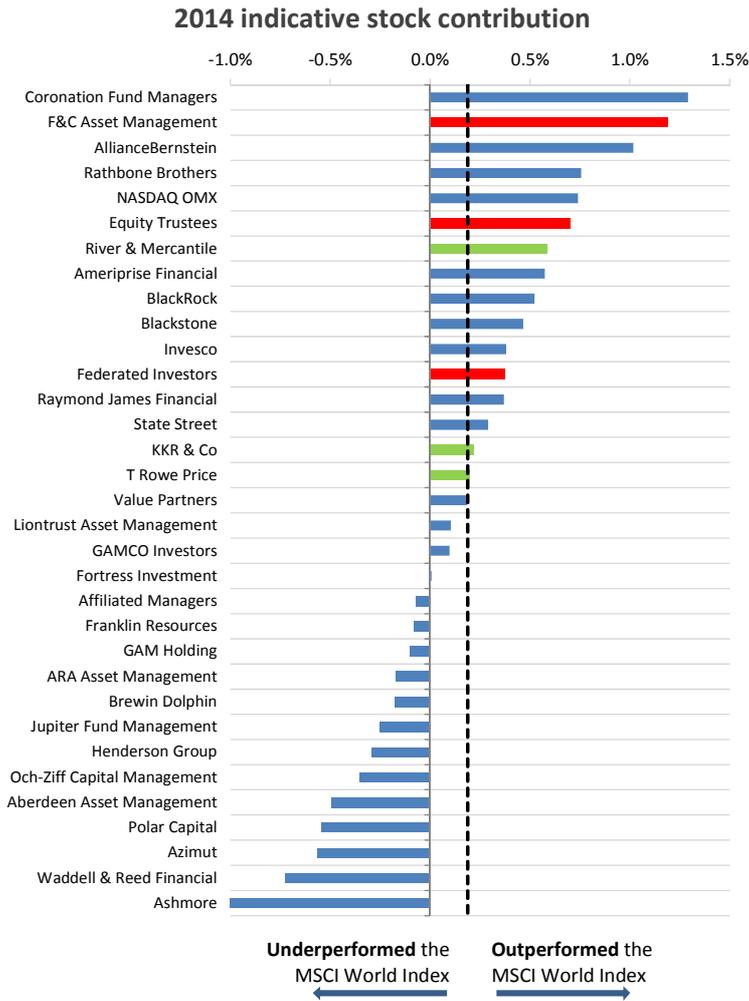
Portfolio review

The performance of the portfolio in 2014 was varied, with no particular pattern as to which asset management sub-sector or geography outperformed or underperformed. If we had to identify a bias, large cap (>\$5bn) diversified managers and stock exchanges performed a little better over the year than other sectors.

The following chart illustrates the indicative contribution of each stock to portfolio returns (stocks purchased during the year are in green, stocks sold are in red):

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Guinness Global Money Managers Fund

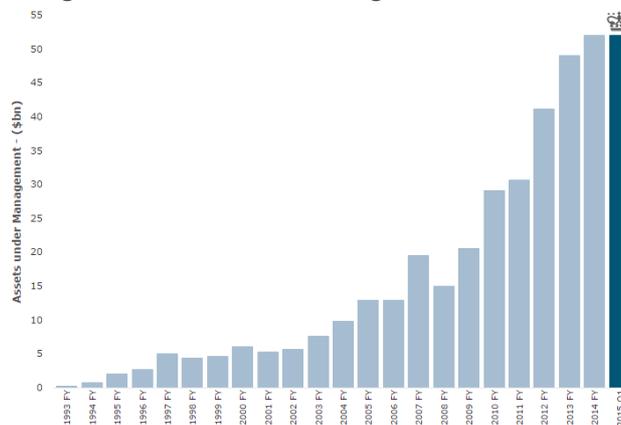


Source: Bloomberg, Guinness Asset Management

Within the portfolio, Coronation Fund Managers was the best performer over the year, contributing 1.3% to the Fund’s performance. We have owned this company since the inception of the Fund, and featured it in our June 2013 brief, where we wrote:

“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.”

Since then, assets under management have continued to grow, as illustrated in their latest report:



Source: Coronation Fund Managers

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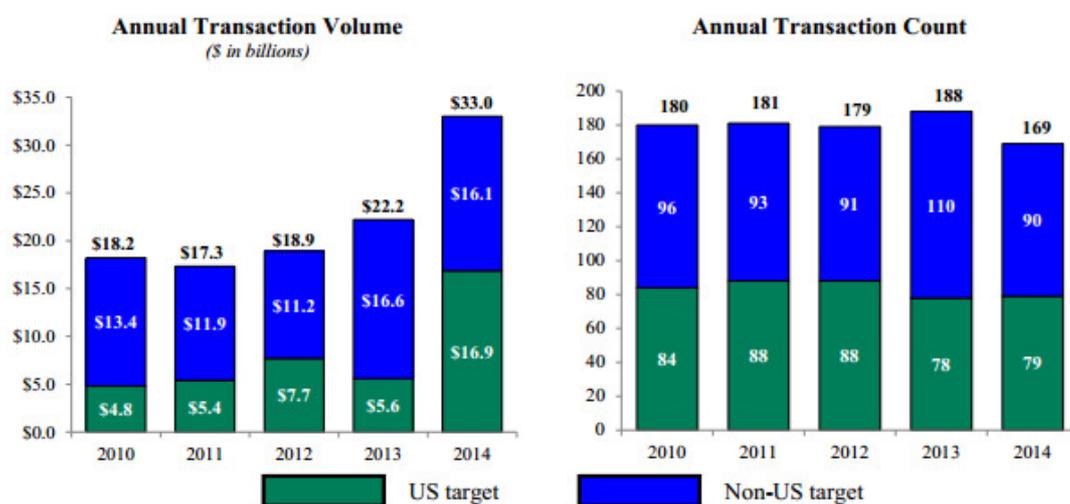
Guinness Global Money Managers Fund

The company's largest fund (by some margin), the 'Balanced Plus' fund, has a strong track record, which has contributed to overall growth in AUM. As at the end of December 2014, the fund had outperformed its composite benchmark on a three year and five year annualised basis by 1.3% and 0.8% respectively.

We believe that the company has further potential to grow over the long term, in part by taking market share from South African life insurance firms.

F&C Asset Management also contributed significantly to portfolio returns in 2014. On 27th January 2014 F&C announced that they had received a takeover bid from BMO Financial Group, part of Bank of Montreal. The announcement led to a 25% jump in the share price on the day, and the deal was subsequently completed in May.

The deal was among several highlighted in a recent report on M&A in the investment management industry by Cambridge International Partners. Deals by transaction value and by number during 2014 are shown in the following charts:



Source: Cambridge International Partners

Much of the increase in 2014 transaction value arose from two large US transactions (totalling \$9.0bn); total value excluding these transactions remains broadly in line with 2013 at \$24.0bn. We take comfort from this analysis of deal activity that the market for asset managers is in good health.

But of course it has not all been plain sailing. Ashmore was the worst performer in 2014, contributing -1.0% to portfolio returns. The company specialises in emerging markets funds, and has a debt focus. Emerging markets have suffered recently following weaker commodity prices and a strengthening of the US dollar. Performance of the funds versus peers over the past twelve months was also weak. However, the longer performance of the funds is encouraging, and we think Ashmore is well placed to benefit from a recovery in emerging markets.

Waddell & Reed also struggled this year. We covered the company in our December 2013 brief, where we wrote:

“Though less well known in Europe, Waddell & Reed is a large, diversified, US-listed manager offering investment services to institutional clients. The company has \$114bn of assets under management (AUM). Despite their considerable size, the company is still growing at a significant rate, with revenue forecast to grow 16% to \$1,360m in 2013 and 15% to \$1,568m in 2014. Growth forecasts for an asset manager are to be taken with a pinch of salt, but the strong recent performance of the company's underlying funds and asset raising momentum gives us some confidence that the forecasts can be achieved.”

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...

While the stock valuation relative to history looks fairly high, we do not think it is too far stretched. The company is targeting decent rates of organic growth and operating margin improvement, and should benefit from its exposure to equity markets.”

In fact, the company did virtually achieve 2013 forecast revenue (the actual figure was \$1,359m), and is currently forecast to achieve \$1,592m in 2014. So what is behind its underperformance? Partly it is due to the excellent performance achieved in 2013, where the stock returned 91.9% in USD terms. Even with the disappointing performance in 2014, the stock has still returned 60.9% since inception. By comparison, the Fund’s benchmark, the MSCI World Index, returned 42.5% over this period.

Following the falls in its share price, the company’s valuation has moderated. At the start of the year, the P/E ratio based on historic earnings was at 22.1x. By the end of the year, the ratio had fallen to 13.4x, and the stock had moved from being fairly highly valued to being undervalued. The medium term relative performance of the company’s funds is still good, so we hope to see this stock recover in 2015.

Buys and sells

We made three stock purchases in 2014, and eight sells, as the following table shows:

	2011	2012	2013	2014
Buys	2	3	2	3
Sells	2	1	5	8
Total holdings	36	38	35	30

While portfolio turnover was high compared with history, five of the eight sells were research holdings, representing smaller positions in the portfolio.

We sold our holding in Equity Trustees in March (having held the company since March 2013), primarily on valuation grounds, after a period of strong outperformance. As a replacement, we initiated a position in T Rowe Price, the large cap US asset manager. T Rowe’s fund range has particularly good five year performance, and we expect the company to capitalise on this.

In May we received the proceeds from our position in F&C Asset Management, after the acquisition of the company by Bank of Montreal was completed.

In June, we participated in the IPO of River & Mercantile, an asset management and pension advisory business. We believe that the company has the potential to grow by gaining additional advisory business and attracting inflows to its well-performing funds. River & Mercantile trades at a reasonable multiple of estimated earnings and offers an attractive potential dividend yield.

We initiated a position in KKR in October. KKR & Co. LP (formerly Kohlberg Kravis Roberts & Co.) is a large US-based alternative asset manager founded in 1976. The company is well known and has created several barriers to competition, including a prestigious brand, strong long-term performance and extensive geographic reach. KKR invests its own capital alongside outside investors, which is unusual in the sector. This is the first time we have bought KKR’s stock for the Fund, as we were attracted by the current valuation and dividend yield (around 8%).

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Guinness Global Money Managers Fund

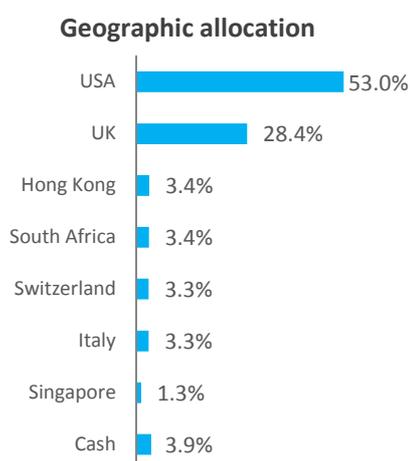
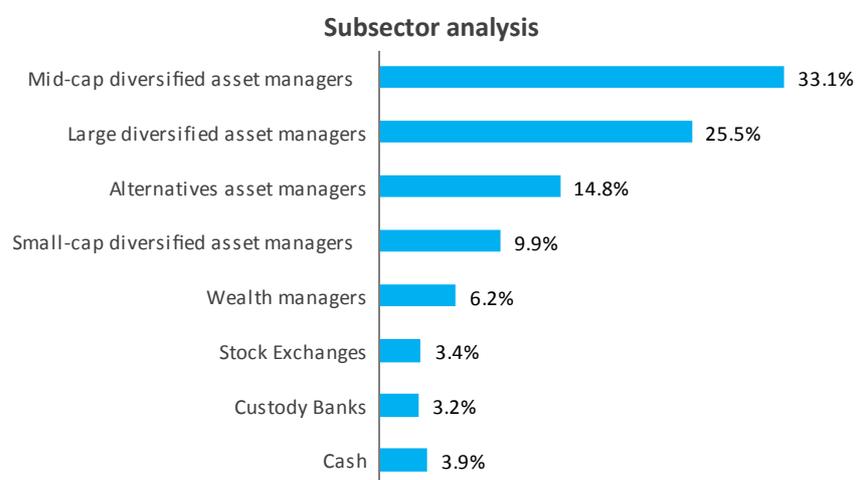
We sold our holding in Federated Investors, after the stock had outperformed. We observed that the company's fund performance was not especially strong, and that its valuation was not particularly attractive.

We topped up our holding in Value Partners to take the stock from a half position to a full position. Value Partners is highly geared to emerging markets, partly because it charges performance fees on most of its funds. As such, we think it is well placed to benefit from a recovery in Asian markets.

The fourth quarter also saw the sale of our research holdings, as mentioned above. We sold our positions in Centuria Capital, Treasury Group, Mattioli Woods, City of London Investment Group and Charlemagne Capital in order to reinvest the capital in our core holdings.

How the portfolio is positioned today

Following the changes we've made over the last twelve months, the portfolio's positioning is summarised below:



The positioning of the Fund across the various sub-sectors available to us is more a function of bottom-up stock picking than top-down allocation. As a reminder of our process, we seek to identify good quality, attractively-valued companies in the sector, with a particular focus on the underlying performance of the investment strategies being operated by each company we own. Where we can identify asset managers with peer-leading investment strategies, it often follows that those managers can accumulate assets

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Guinness Global Money Managers Fund

more successfully, which translates into revenue, earnings growth and ultimately to superior shareholder returns.

Today, that process leads us to an overweight in the portfolio towards mid-cap (\$1-5bn) traditional asset managers, ranging in size from Value Partners (\$1.5bn market cap) to Waddell & Reed at (\$4.2bn). Beyond that we have reasonable diversification across the sub-sectors, with meaningful exposure to alternatives managers, smaller cap traditional managers, wealth managers and stock exchanges. The portfolio has a heavy tilt in terms of geographic allocation towards US and UK listed stocks, a reflection of the bias that exists in the universe of investible companies.

Finally we turn to the valuation of the portfolio. At the end of 2014 the Fund was trading on 15.3x historic (2014) earnings. At the same point last year, the Fund traded on 16.9x historic (2013) earnings, so it is pleasing to see some moderation in the valuation multiple over the past year, having been somewhat elevated. A 2014 P/E ratio of 15.3x puts the Fund on a 13% discount to the equivalent multiple for the MSCI World Index.

To us that seems reasonably appealing value for the Fund in the short term, and cheap in the long term: the higher growth rate in the sector that we foresee ought to, if we agree with Benjamin Graham's dicta, command a P/E ratio premium.

To summarise our long-term view, we believe the outlook for strong value-creation in the asset management industry is good and there is a reasonable likelihood that investing in this industry will repay investors several fold over the long term. Over that longer-term horizon, we expect asset managers as a sector (and therefore the Fund) to outperform the broad market, due primarily to the ability of successful managers to grow their earnings more rapidly than the broad market.

Will Riley, Tim Guinness and Mark Hammonds
Guinness Global Money Managers Fund

January 2015

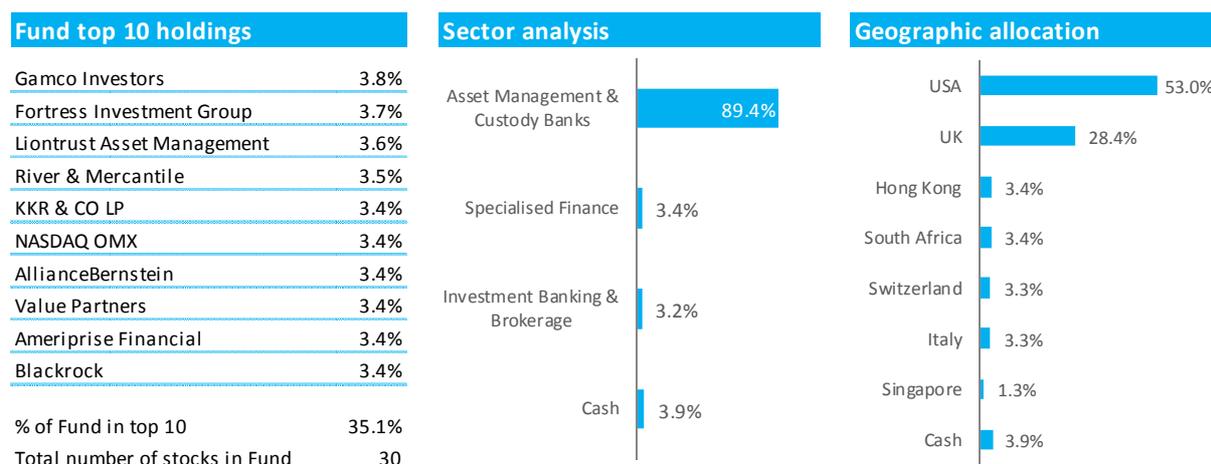
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FULL PORTFOLIO (31.12.14)

Stock	Currency	Market cap. (\$m USD)	% of NAV
Large-cap diversified asset managers			
BlackRock	USD	59,837	3.37%
Franklin Resources	USD	34,461	3.09%
Ameriprise Financial	USD	24,404	3.38%
T Rowe Price	USD	22,271	3.35%
Invesco	USD	17,026	2.94%
Affiliated Managers	USD	11,795	3.12%
Aberdeen Asset Management	GBP	8,967	3.04%
Raymond James Financial	USD	8,148	3.23%
Mid-cap diversified asset managers			
Waddell & Reed Financial	USD	4,166	3.25%
Henderson	GBP	3,795	3.17%
Ashmore	GBP	3,086	3.13%
Azimut	EUR	3,140	3.26%
Coronation Fund Managers	ZAR	3,487	3.36%
GAM	CHF	3,018	3.26%
Jupiter Fund Management	GBP	2,602	2.99%
AllianceBernstein	USD	2,510	3.42%
GAMCO Investors	USD	2,296	3.83%
Value Partners	HKD	1,544	3.42%
Small-cap diversified asset managers			
Polar Capital	GBP	565	2.75%
River & Mercantile	GBP	297	3.46%
Liontrust Asset Management	GBP	193	3.64%
Hedge fund/private equity/alternatives			
Blackstone	USD	38,528	3.21%
KKR & Co	USD	18,822	3.44%
Och-Ziff Capital Management	USD	5,537	3.12%
Fortress Investment	USD	3,488	3.66%
ARA Asset Management	SGD	1,085	1.34%
Wealth management			
Rathbone Brothers	GBP	1,525	3.13%
Brewin Dolphin	GBP	1,293	3.11%
Other			
State Street	USD	32,773	3.18%
NASDAQ OMX	USD	8,041	3.42%
Cash			3.91%

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PORTFOLIO SUMMARY (31.12.14)



PERFORMANCE

Discrete years % total return (USD)

12 months to month end:	Dec '10	Dec '11	Dec '12	Dec '13	Dec '14
Fund (X class, 0.75% AMC)	-	-18.7	30.8	54.8	3.6
MSCI World Index	12.3	-5.0	16.5	27.4	5.5
MSCI World Financials Index	5.1	-18.1	30.0	28.0	3.7

Cumulative % total return (USD)

31/12/2014	1 month	Year-to-date	1 year	3 years	From launch
Fund (X class, 0.75% AMC)	0.5	-	3.6	109.8	70.7
MSCI World Index	-1.6	-	5.5	56.6	48.7
MSCI World Financials Index	-1.4	-	3.7	72.6	41.4

Annualised % total return from launch (USD) 31/12/2014

Fund (X class, 0.75% AMC)	14.28%
MSCI World Index	10.43%
MSCI World Financials Index	9.04%
IA Global sector	6.61%
Offshore Financials Funds (FE)*	6.06%

Risk analysis - Annualised, weekly, from launch on 31.12.10, in USD

31/12/2014	Fund	Index	Financials Index
Alpha	0.79	0	-3.04
Beta	1.27	1	1.20
Information ratio	0.40	0	-0.24
Maximum drawdown	-31.01	-20.20	-31.76
R squared	0.90	1	0.92
Sharpe ratio	0.53	0	0.31
Tracking error	7.45	0	5.88
Volatility	19.86	14.84	18.51

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Source: Financial Express, bid to bid, total return, in USD. Fund launch date: 31.12.2010.

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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 recent developments in the asset management sector invested in by the Guinness Global Money Managers Fund. It may also provide information about the Fund's portfolio, including recent activity and performance. It contains facts relating to investment 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 Money Managers 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 companies involved in asset management and other related industries; it is therefore susceptible to the performance of that one sector, and can be volatile. Details on the risk factors are included in the Fund's documentation, available on our website.

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. The Fund has been approved by the Financial Conduct Authority for sale in the UK. 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'Île, 1204 Geneva, Switzerland.

Telephone calls may be recorded and monitored.

GUINNESS

ASSET MANAGEMENT LTD

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

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