

Guinness Global Money Managers Fund

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

INVESTMENT COMMENTARY – July 2015

Aim

The Fund aims to deliver long-term capital growth by capturing the strong returns that successful asset management companies can deliver to shareholders.

We expect asset managers to outperform the broad market over the long term, primarily due to the ability of successful managers to grow their earnings more rapidly than the broad market.

Investment case

High returns on capital

Asset managers need little capital to grow. Shareholder returns can therefore be very high.

Growing global sector

Global AUM is growing faster than world equity markets, supporting revenue growth in the sector.

Low balance sheet risk

Asset managers tend to have low gearing vs other financial companies, reducing balance sheet risk.

Above average dividend yield

The sector's high free cash flow translates into higher average dividend yields than broad markets.

Performance

30.06.15

Annualised % total return from launch

Fund	13.92%
Index	9.20%
Financials Index	7.97%

	1 year	3 years	Launch
Fund	13.3	105.2	73.8
Index	10.3	48.8	33.0
Financials Index	10.9	58.4	48.6

Index	MSCI World Index
Financials Index	MSCI World Financials Index
Fund launch	31.12.10

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.



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2015: BEST FUND OVER 3 YEARS

EQUITY SECTOR BANKS & OTHER FINANCIALS

Asset management sector

In this month's review, we take the opportunity to review the asset management sector and our Fund performance over the first half of 2015.

Performance

The Global Money Managers Fund (class X, in GBP) in the six months to 30 June 2015 produced a total return of 4.9%. This compares to the return of the MSCI World Index of 2.0% and the MSCI World Financials Index of 1.8%.

The performance of the Fund was in-line with the wider asset management sector – both of them outperforming the broad equity market after a year of underperformance in 2014. Valuation multiples for the sector fell in 2014 to end the year at a slight discount to broad equities, helping set up the better performance this year.

Within the asset management sector, performance has been strongest amongst the mid cap diversified managers, particularly those listed in the UK and Hong Kong, whilst alternative managers as a group have also produced strong returns. By contrast, larger asset managers (over \$5bn market cap) have been the weakest performers, many producing a negative total return for the period.

The stand-out strongest performer in the fund was Value Partners (+90.8%). Value Partners is a Hong Kong-focused asset manager, and with its performance fee-based model, is effectively a geared play on Hong Kong equities. The company has enjoyed strong inflows over the past 12 months, driven partly by good performance and also by the newly-introduced Hong Kong-Shanghai Stock Connect programme, which has opened up the Hong Kong stock market to mainland Chinese investors.

Amongst the mid-cap asset managers held, Jupiter Fund Management (+30.2%), Henderson Group (+26.0%) and GAM (+19.1%) were the best performers. Jupiter reported record assets under management of £34.8bn in April, thanks to sufficiently good underlying fund performance to attract steady inflows.

The weakest performers in the first half of 2015 were Coronation Fund Managers (-30.0%), GAMCO Investors (-22.6%) and Franklin Resources (-10.9%). Coronation has seen its earnings forecast for 2015 decline as it struggles to generate the level of performance fees reported in 2014, whilst GAMCO's shorter-term underlying fund performance has been patchy, leading to a slight decline in assets under management over the year so far.

Review & outlook

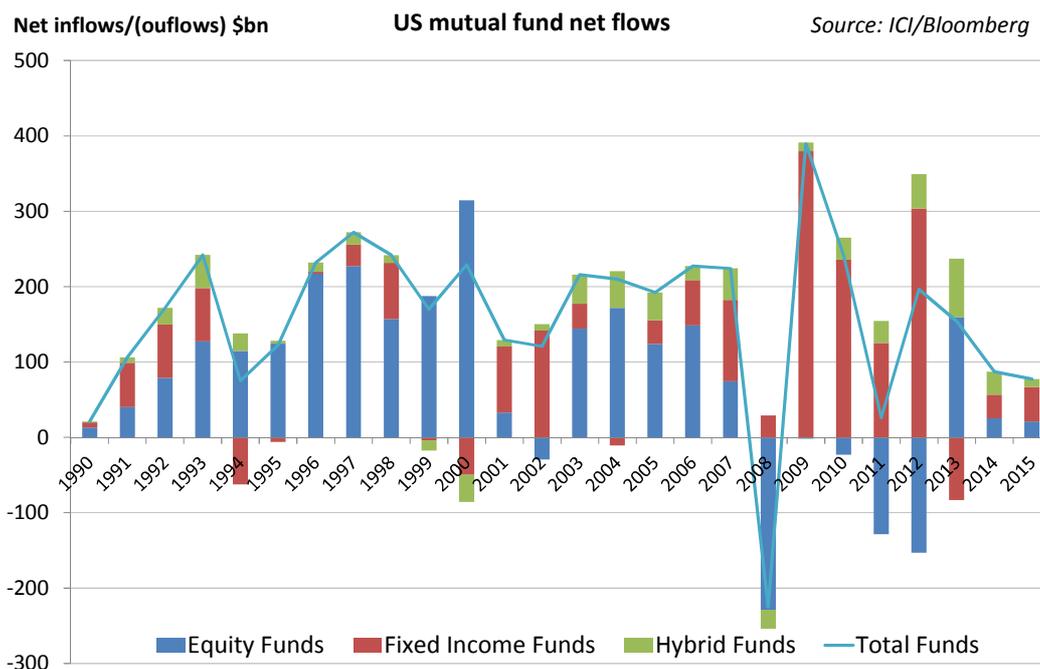
The first half of 2015 was positive for global equities and slightly negative for fixed income. The MSCI World Index (proxy for global equities) was up by 3.0% (USD), and the IBOXX (IBOXIG) Corp Bond Index (proxy for fixed income) down by 1.3% for the period. Equities benefited from further quantitative easing and reasonable global GDP growth, whilst fixed income saw

yields tick higher as expectations for a rise in interest rates grew a little.

Within the asset management sector, data for US mutual fund flows (which we treat as a proxy for global flows) indicated inflows into equity and fixed income funds in the first half of 2015, as the chart below shows.

This has represented a reasonably benign backdrop for asset managers, the majority of whom have a bias towards equities and fixed income as opposed to money market funds, where we have seen significant outflows so far this year.

As we think about the prospects for the sector, we keep an eye on new methods of distribution for asset management products. The first half of the 2015 saw Eaton Vance launch a new form of non-transparent ETF, branded 'NextShares', designed to provide investors with an actively managed ETF at lower administrative cost than a traditional active fund. In addition to providing its own funds under the structure, the company plans to franchise the structure with other firms. The active ETF model is perceived to be a disruptive force to the industry; we see it as a



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useful new method to distribute funds while defending management fees.

Looking ahead into the rest of the year, we continue to see valuations in the asset management sector as reasonably attractive. At this point last year, the forward (i.e. 2014) P/E ratio for the Fund was 15.4x, a 7% discount to the S&P500 which traded on 16.5x. Today the forward (i.e. 2015) P/E ratio has fallen to a more appealing 13.8x, a 23% discount to the S&P500 which trades at 17.9x. As ever, we look to identify asset management companies with strong franchises that are likely to attract assets and grow their earnings more rapidly than their peers.

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

The portfolio

We have rebalanced the portfolio during the first half of 2015, but we have not made any stock switches.

Fund valuation

Valuations remain attractive in the sector, even after the good performance so far this year. The 2013, 2014 and 2015 P/E ratios for the Fund are all at a discount to the broad market, as the following table shows:

Fund PE ratios

versus the S&P 500 Index (30.06.15)

	'10	'11	'12	'13	'14	'15
Fund PE	25.9	26.2	22.1	16.0	15.6	13.8
S&P 500 PE	24.6	21.4	21.3	19.2	18.3	17.9
Premium (+)/ Discount (-)	5%	22%	4%	-17%	-15%	-23%

Source: Standard & Poor's, Guinness Asset Management. (Multiples based on S&P 500 'operating' earnings per share estimates of \$83.8 for 2010, \$96.4 for 2011, \$96.8 for 2012, \$107.3 for 2013, \$113.0 for 2014 and \$115.5 for 2015.)

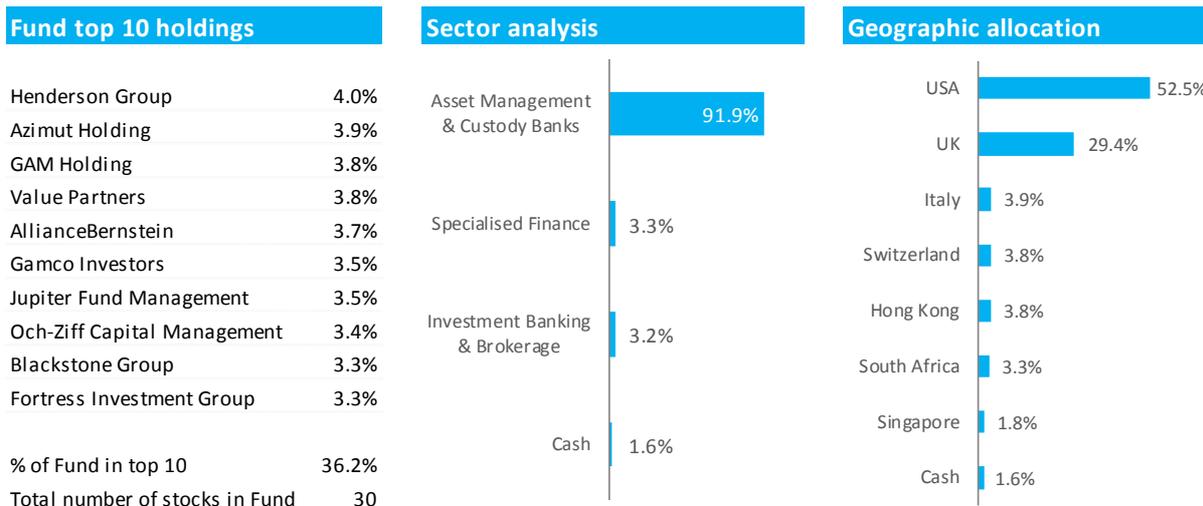
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Will Riley, Tim Guinness & Mark Hammonds

July 2015

PORTFOLIO

30/06/2015



PERFORMANCE

30/06/2015

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

Guinness Global Money Managers Fund	13.92%
MSCI World Index	9.20%
MSCI World Financials Index	7.97%

	1 month	Year-to-date	1 year	3 years	From launch
Cumulative % total return (X Class, in GBP)					
Guinness Global Money Managers Fund	-5.5	4.9	13.3	105.2	73.8
MSCI World Index	-5.2	1.8	10.3	48.8	33.0
MSCI World Financials Index	-4.2	1.5	10.9	58.4	48.6

Discrete years (X Class, in GBP)	Jun '11	Jun '12	Jun '13	Jun '14	Jun '15
Guinness Global Money Managers Fund	-	-10.0	47.7	22.6	13.3
MSCI World Index	21.6	-2.7	22.6	10.0	10.3
MSCI World Financials Index	12.5	-10.2	33.4	7.1	10.9

RISK ANALYSIS

30/06/2015

X Class, in GBP, annualised, weekly, from launch on 31.12.10, relative to the MSCI World Index	MSCI World	MSCI World Financials	Fund
Alpha	0	-2.22	2.47
Beta	1	1.15	1.24
Information ratio	0	-0.20	0.59
Maximum drawdown	-18.26	-28.87	-28.30
R squared	1	0.89	0.87
Sharpe ratio	0.46	0.30	0.61
Tracking error	0	5.76	7.21
Volatility	13.25	16.19	17.65

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Source: Financial Express, bid to bid, total return. Fund launch date: 31.12.10. **Fund X class:** Simulated performance based on actual returns of E share class (available from Fund launch), calculated in GBP. **See Note overleaf.**

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Performance data note

The performance numbers displayed on the previous page are calculated in GBP (Sterling). Please note: The Fund's X class was launched on 15/02/2012. The performance shown is a simulation for X class performance being based on the actual performance of the Fund's E class, which has the same annual management charge as the X class, and has existed since the Fund's launch. The Fund's E class is denominated in USD but for the purposes of this performance data its performance is calculated in GBP. Hence the Fund's E Share class is used here to illustrate the performance of a GBP-based clean-fee (RDR-compliant) share class since the Fund's launch on 31.12.10.

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

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