

Guinness Asian Equity Income Fund

INVESTMENT COMMENTARY – November 2015

Launch date	19.12.13		
Team	Edmund Harriss (manager) Mark Hammonds (analyst)		
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.		
Performance (in GBP)	31/10/2015		
Fund	Guinness Asian Equity Income (X)		
Index	MSCI AC Pacific ex Japan Index		
Sector	IA Asia Pacific ex Japan		
	2012	2013	2014
Fund	-	-	17.6
Index	16.7	2.0	7.8
Sector	15.9	1.9	9.5
	YTD	1 year	From launch
Fund	1.0	3.7	19.3
Index	-6.7	-7.5	1.6
Sector	-5.0	-5.3	5.1
Annualised % total return from launch (GBP)			
Fund	9.9%		
Index	0.8%		
Sector	2.7%		
Risk analysis (annualised, weekly, from launch)			
	Index	Sector	Fund
Alpha	0	1.8	9.3
Beta	1	0.9	0.8
Info ratio	0	0.5	1.5
Max drwn	-25.6	-23.2	-19.9
Tracking err	0	3.6	6.1
Volatility	13.9	12.3	12.4
Sharpe ratio	0.0	0.0	0.5
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, total return in GBP.			

Markets

Following a hard third quarter, global equity markets bounced in October. China's growth appeared to stabilise (third quarter GDP growth was reported at 6.9%, better than expected), worries about a US interest rate rise appeared to recede, and better economic data from Europe all helped to reduce the extreme bearishness of the summer months. In Asia all equity markets and sectors rose. This was probably due to a reduction of short positions, which was particularly evident amongst Asian currencies.

Indonesia was the leading market in US dollar terms, assisted by a 7% strengthening in the currency as the government announced more stimulus packages. However, the currency is still 9% down this year against the dollar and government fiscal policies only seem able to be enacted in face of extreme financial pressure. More positively, Korean equities rose on the back of stronger domestic demand and a 3.9% rise in the Korean won. We are encouraged to see increasing focus on shareholder returns and capital management following Samsung Electronics' announcement of significant share buybacks and the introduction of quarterly dividends from next year.

News from China, where we have argued consistently that the negatives are overplayed, was encouraging. In addition to stronger economic growth there have been positive earnings revisions, another interest rate cut and a reduction in the required reserves ratio injecting further liquidity, additional government fiscal spending and some recovery in car sales. Real estate sales

growth has been sustained, with rises in both prices and units sold in the leading cities and more moderate increases in lower-tier cities. The combination of lower funding costs and falling inventory of unsold property is increasing liquidity and reducing risk in the sector.

The Fund

As we would expect for a value portfolio, the Fund lagged the region in October, but only by 1.5% (in USD and GBP terms). The Fund remains 7.1% ahead of the benchmark for the year to-date.

Our Chinese bank positions moved up in line with China's 9% rise. We are looking carefully at their results data, particularly at credit quality and non-performing loans. Our focus is especially on the formation of 'Special Mention Loans' (which are not yet treated as non-performing), which have been rising. Set against that we see interest rates on both corporate bonds and benchmark lending rates coming down; so we enter a period where the debt burden for corporations is easing and where banks are more actively recognising problem loans.

The market, in our view, is pricing in a more severe credit cycle into bank stocks than is warranted. We believe this will be a longer process where, amidst fundamental financial

sector and capital markets reform, banks will be able to mitigate some of their exposures and see reasonable recovery rates where loans have gone bad. On the back of a still-strong growth rate, they'll earn their way through. Diehard China bears have little time for such a scenario.

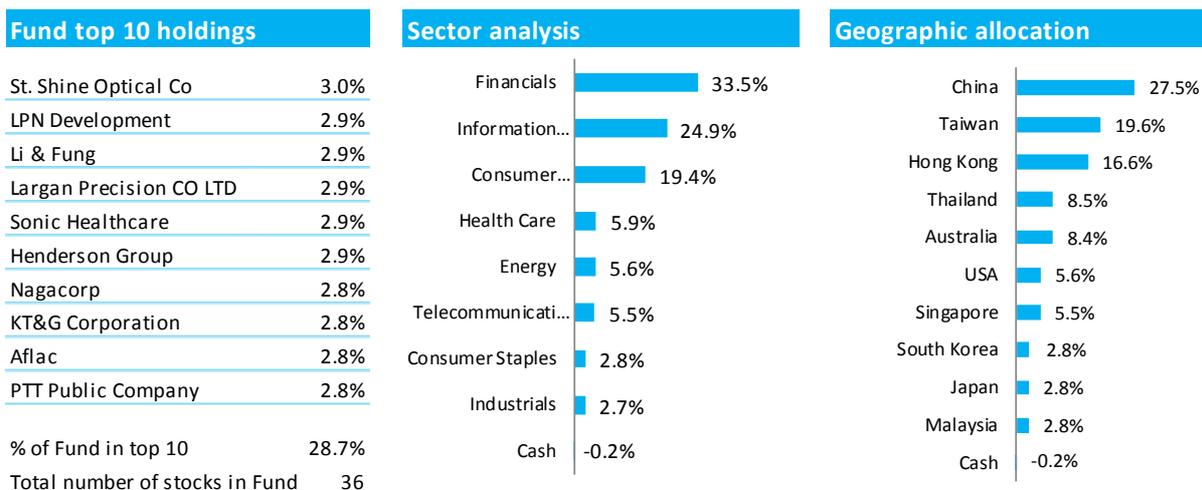
Elsewhere in the portfolio we were glad to see a recovery in St Shine Optical in Taiwan. We have held this position since launch (December 2013) and have been adding (through the course of rebalancing) ever since as the stock price weakened on sluggish sales. These were the result of intense competition in the Japanese market. Sales growth has now resumed, a quarter later than we anticipated, and the stock price rose 22% over the month. Our technology positions rose only marginally in the month, between 1% and 3%, but these have been outperformers this year and held up well in the third quarter. Stock leaders for the Fund were oil and gas stocks CNOOC and PTT, Chinese banks and Qualcomm.

Edmund Harriss
Mark Hammonds

November 2015

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31/10/2015



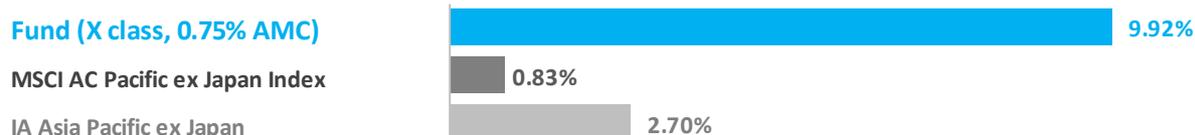
PERFORMANCE

31/10/2015

Discrete years % total return (GBP)	Oct '11	Oct '12	Oct '13	Oct '14	Oct '15
Fund (X class, 0.75% AMC)	-	-	-	-	3.7
MSCI AC Pacific ex Japan Index	-3.6	7.9	12.7	2.9	-7.5
IA Asia Pacific ex Japan	-6.1	5.6	11.8	4.6	-5.3

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	From launch
Fund (X class, 0.75% AMC)	4.5	1.0	3.7	-	19.3
MSCI AC Pacific ex Japan Index	6.0	-6.7	-7.5	7.3	1.6
IA Asia Pacific ex Japan	6.0	-5.0	-5.3	10.8	5.1

Annualised % total return from launch (GBP)



Risk analysis - Annualised, weekly, from launch on 19.12.2013, in GBP

31/10/2015	Index	Sector	Fund
Alpha	0	1.78	9.26
Beta	1	0.80	0.80
Information ratio	0	0.48	1.48
Maximum drawdown	-25.55	-23.20	-19.85
R squared	1	0.94	0.81
Sharpe ratio	0.00	0.00	0.53
Tracking error	0	3.60	6.10
Volatility	13.88	12.26	12.40

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. Fund launch date: 19.12.2013.

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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 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.

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 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'Île, 1204 Geneva, Switzerland.

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