

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 2016

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.

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.



THOMSON REUTERS
LIPPER FUND AWARDS 2015
SWITZERLAND

2015: BEST FUND OVER 3 YEARS

EQUITY SECTOR BANKS & OTHER FINANCIALS

Asset management sector

In this month's review, we review the asset management sector and our Fund performance over the second quarter of 2016, and over the year to-date.

Performance

The Global Money Managers Fund (class E) in the six months to 30 June 2016 produced a total return of -15.2% (USD). This compares to the return of the MSCI World Index of 1.0% and the MSCI World Financials Index of -7.8%.

The performance of the fund and asset management sector in general was dominated in this period by the outcome of the UK referendum on membership of the EU on 23 June, which was seen as negative for UK based asset and wealth managers, and for global asset managers with a significant presence in the UK. The fund, in USD terms, fell by around 15% in the two trading days following the referendum result, before rebounding a little into the end of the month.

The events of June created a result for the first half of 2016 where most of the weakest performers were UK listed stocks. Amongst our wealth management holdings, Rathbone (-26.8%) and Brewin Dolphin (-26.7%) fared poorly, whilst traditional asset managers Henderson (-36.8%), Polar Capital (-31.7%) and Jupiter (-23.0%) also suffered from very bearish sentiment after the vote. Amongst the larger cap US names held in the fund, the biggest underperformer was Invesco (-22.2%), pulled lower by having the greatest proportion of UK domiciled assets under management (13% of their total AuM) versus peers.

Beyond the effects of Brexit, there was also particular weakness in our one Italian holding,

Azimut (-34.0%), which fell broadly in line with Italian banking shares as fears of a potential banking crisis in the country intensified.

The better performers in the portfolio included ARA Asset Management (+26.1%) and Coronation Fund Managers (+37.9%). ARA is a Singapore-listed manager of REITs and private real estate funds, with the vast majority of its property portfolio in Singapore, China and Malaysia. The company reported first quarter results in early May showing 10% revenue growth year-on-year. Coronation Fund Managers, based in South Africa, benefitted from a rebound in commodity markets and an improvement in sentiment after weaker results in 2015.

We also saw positive returns from two of the largest asset managers in the portfolio, Blackrock (+1.9%) and T Rowe Price (+3.6%). Both companies managed to grow their assets under management during the first half of 2016, with T Rowe Price successfully exploiting the impressive 1, 3 and 5 year performance exhibited by their fund range.

Activity

In January we sold our positions in Aberdeen, Waddell & Reed and Ashmore, after all three companies saw continued weakness in the performance of their fund range. Aberdeen and Ashmore had both suffered from their exposure to emerging markets, but performance relative to peers had also been weak. Accompanying this poor track record, Aberdeen and Waddell &

Reed were also suffering weak earnings revisions. Our replacement purchases were CI Financial and Vontobel. CI Financial is a Canadian-listed, large-cap asset manager with approximately C\$109bn in assets under management and a further C\$34bn in advised assets, making it Canada's second largest asset manager. The company has good diversification in its fund range, with multiple large funds. Overall long term relative performance of its fund range is also strong. Vontobel is a Swiss private bank, with significant wealth and asset management divisions. The business has a long history, having been established in 1936. Vontobel's funds have good long term relative performance, and we acquired the stock on an attractive valuation multiple.

Review & outlook

The first half of 2016 was essentially flat for global equities and positive for fixed income. The MSCI World Index (proxy for global equities) was up by 1.0% and the IBOXX (IBOXIG) Corp Bond Indices (proxy for fixed income) up by 9.0% for the period. Both equities and fixed income benefited from further quantitative easing, as the aftermath of the Brexit vote pushed back the likely timing of US Fed interest rises, in particular.

Within the asset management sector, data for US mutual fund flows (which we treat as a proxy for global flows) indicated outflows into equity and inflows into fixed income funds in the first half of 2016, consistent with the relative performance of each sector, as the following table shows:

US Mutual Fund flows (\$bn)	Current Quarter											
	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Equity Funds	-41.7	-6.0	-67.2	-28.4	-8.3	26.1	-21.3	-10.6	3.1	53.7	43.3	31.2
Bond & Income Funds	31.9	17.3	-27.7	-51.7	20.5	33.6	-10.4	-5.5	29.7	17.6	-58.8	-57.8
Hybrid Funds	-1.1	-8.9	-19.1	-12.8	1.5	9.1	-5.1	7.3	12.3	16.1	15.3	17.5
Money Markets	-48.2	1.1	83.7	50.6	-32.8	-80.1	121.2	42.3	-72.1	-85.3	37.4	92.2
Total (Data to May 2016)	-59.2	3.4	-30.2	-42.4	-19.2	-11.2	84.5	33.5	-26.9	2.1	37.2	83.0
Index returns												
MSCI World Index	1.2%	-0.2%	5.6%	-8.3%	0.5%	2.5%	1.1%	-2.0%	5.0%	1.4%	8.1%	8.3%
MSCI World Financials Index	-1.8%	-6.1%	4.4%	-9.3%	1.8%	1.0%	1.6%	-1.6%	3.1%	0.9%	7.9%	8.4%
IBOXX (IBOXIG) Corp Bond Indices	4.1%	4.7%	-0.3%	0.9%	-3.8%	2.6%	2.1%	-0.1%	3.0%	3.4%	1.5%	1.0%

Source: ICI. Bloomberg

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.

Guinness Global Money Managers Fund

Guinness Global Money Managers Fund (30 June 2016)										
Stock	Curr.	% of NAV	2010	2011	2012	2013	2014	2015	2016	2017
			B'berg mean PER	B'berg mean PER	B'berg mean PER	B'berg mean PER	B'berg mean PER	B'berg mean PER	B'berg mean PER	
Large-cap diversified asset managers										
BlackRock Inc	USD	3.60%	32.8	29.0	25.5	21.4	17.8	17.4	17.9	15.4
Franklin Resources Inc	USD	3.41%	15.5	11.5	11.2	9.7	9.0	9.6	12.4	12.3
Ameriprise Financial Inc	USD	3.71%	19.7	17.7	16.8	12.9	10.6	9.8	9.6	8.6
T Rowe Price Group Inc	USD	3.83%	29.2	25.2	21.7	18.9	16.3	16.1	17.1	14.6
Invesco Ltd	USD	3.41%	19.1	15.3	14.7	12.1	10.2	10.3	11.4	9.7
Affiliated Managers Group Inc	USD	3.41%	23.6	21.4	18.6	14.4	12.4	11.2	10.9	9.2
CI Financial Corp	CAD	4.05%	17.9	16.0	15.8	15.2	14.1	14.1	14.0	12.6
Raymond James Financial Inc	USD	3.77%	28.8	21.9	20.7	18.7	15.3	14.1	14.1	12.4
Mid-cap diversified asset managers										
Henderson Group PLC	GBP	2.98%	18.0	15.2	15.4	11.5	13.0	11.7	14.1	12.8
Azimut Holding SpA	EUR	3.04%	17.7	19.8	11.6	11.6	13.1	9.3	13.2	10.9
Jupiter Fund Management PLC	GBP	3.12%	17.9	16.4	16.9	11.6	12.2	12.3	13.2	12.5
Vontobel Holding AG	CHF	4.06%	16.8	18.4	19.3	16.2	16.7	14.3	14.0	12.6
GAM Holding AG	CHF	2.70%	10.5	10.8	11.6	7.6	9.0	11.2	18.3	13.7
AllianceBernstein Holding LP	USD	4.04%	15.7	18.8	19.3	14.4	13.0	12.7	12.8	11.4
Value Partners Group Ltd	HKD	4.04%	26.2	57.3	43.6	27.8	18.7	24.1	32.7	19.5
Coronation Fund Managers Ltd	ZAR	4.19%	26.9	22.1	20.0	11.3	9.1	12.9	13.8	13.1
GAMCO Investors Inc	USD	1.84%	14.1	12.6	9.1	6.7	7.6	9.8	8.6	11.7
Associated Capital Group Inc	USD	1.61%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Small-cap diversified asset managers										
Polar Capital Holdings PLC	GBP	3.37%	89.5	31.0	28.4	21.2	9.0	9.5	11.9	13.6
River & Mercantile Group PLC	GBP	2.97%	n/a	n/a	n/a	6.1	12.1	9.7	16.6	13.7
Liontrust Asset Management PLC	GBP	3.57%	895.7	n/a	n/a	37.7	14.7	11.6	10.8	10.7
Hedge fund/private equity/alternatives										
Blackstone Group LP/The	USD	3.84%	22.1	19.9	15.0	9.6	7.2	12.9	11.5	8.2
KKR & Co LP	USD	3.20%	4.8	11.2	4.7	4.5	5.4	8.8	44.9	5.9
Och-Ziff Capital Management Gr	USD	1.65%	3.6	8.3	3.4	2.5	3.8	6.6	n/a	4.8
Fortress Investment Group LLC	USD	3.66%	8.0	10.1	9.7	5.8	4.8	5.5	5.4	4.5
ARA Asset Management Ltd	SGD	2.19%	20.1	15.5	14.9	14.4	14.2	17.4	16.8	16.3
PJT Partners Inc	USD	0.09%	n/a	n/a	n/a	n/a	n/a	127.8	n/a	n/a
Wealth management										
Rathbone Brothers PLC	GBP	3.30%	24.3	20.1	19.5	17.0	15.3	14.3	15.9	14.3
Brewin Dolphin Holdings PLC	GBP	3.47%	16.7	17.2	18.2	14.1	12.3	12.4	14.8	13.2
Other										
State Street Corp	USD	3.55%	16.0	14.4	14.0	11.8	10.8	11.0	11.3	10.1
Nasdaq Inc	USD	4.19%	33.3	25.8	26.2	25.1	22.4	19.1	17.5	15.5
Cash		0.14%								
			17.7	19.1	15.8	11.5	10.9	11.8	13.7	11.0

Source: Bloomberg, Guinness Asset Management

The destination for the active equity fund outflows appears to be equity ETFs, with US mutual fund ETFs taking in around \$35bn in each of the first two quarters of the year.

Meanwhile Morningstar data showed that UK domiciled equity funds in June 2016 suffered their largest monthly redemptions since September 2011, mainly due to the surprise of the Brexit vote. For asset management companies based in the UK, there is a period of uncertainty ahead as the terms of the UK's departure from the EU are determined, and further outflows will follow. That said, many UK

asset managers have already established a Dublin or Luxembourg domiciled UCITS fund range to complement their UK unit trust/OEIC range, so whilst it may be necessary in the future to have a greater number of staff located in these offshore centres, we expect EU investors to remain a core part of their investor base.

The Fund at 30 June traded on a P/E ratio of 11.8x 2015 earnings. This level is a significant discount (that has widened since the first quarter) to the broad market, with the MSCI World Index trading on a P/E ratio of 19.9x 2015 earnings. It is interesting to note the disconnect that has occurred for a number of holdings in

the portfolio between AuM and share price. Invesco, for example, sees its stock down around 22% this year (in USD), against a backdrop of AuM rising by 0.5% (and a low P/E of 10.3x 2015 earnings), suggesting the triumph of negative sentiment in the short term.

Fund P/E ratios

versus the S&P 500 Index (30.06.16)

	'11	'12	'13	'14	'15	'16	'17
Fund P/E	19.1	15.8	11.5	10.9	11.8	13.7	11.0
S&P 500 P/E	21.8	21.7	19.6	18.6	20.9	18.4	16.7
Premium (+)/ Discount (-)	-12%	-27%	-41%	-41%	-44%	-26%	-34%

Source: Standard & Poor's, Guinness Asset Management.

Valuations in the sector in 2015 fell at a significantly faster pace than declines in assets under management or EPS, and the declines have continued in 2016. While high operational leverage in the sector implies that earnings will fall faster than assets under management in periods of market decline, current valuations indicate strong scepticism about the prospects for near-term earnings. In other words, the asset management sector already appears to be pricing in a further decline in broad equities and/or further outflows.

In general, we believe that the most successful money management investments over the next

few years will be companies that deliver investment quality to their clients, whether active traditional management, alternatives or passive; companies that provide helpful asset allocation services; well-run wealth managers; and well-run support services (e.g. custody banks; stock exchanges). Combining these themes with our value-biased stock selection process, which allows us to identify the equities of managers whose products are outperforming their peers, leads us to the portfolio positioning (as at 30 June 2016) shown on the previous page.

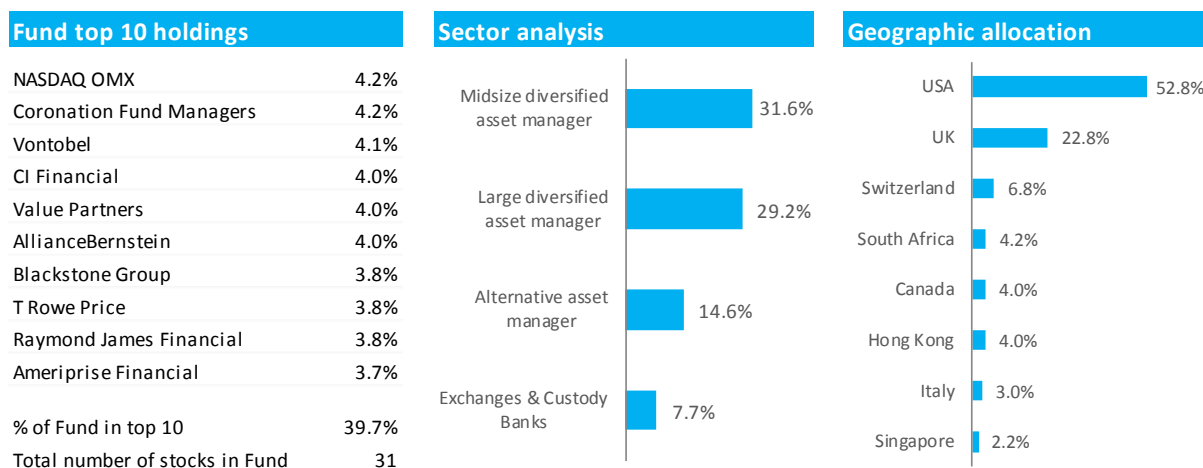
Overall, the Fund aims to give investors an opportunity to capitalise on the increasing value of successful companies in the money management industry.

Will Riley, Tim Guinness & Mark Hammonds

July 2016

PORTFOLIO

30/06/2016



PERFORMANCE

30/06/2016

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

Guinness Global Money Managers Fund	7.78%
MSCI World Index	10.12%
MSCI World Financials Index	6.85%

Cumulative % total return (X Class, in GBP)	1 month	Year-to-date	1 year	3 years	From launch
Guinness Global Money Managers Fund	-3.2	-6.5	-16.0	16.7	51.0
MSCI World Index	7.7	11.0	14.4	38.8	70.0
MSCI World Financials Index	2.4	1.3	2.0	21.1	43.9

Discrete years (X Class, in GBP)	Jun '12	Jun '13	Jun '14	Jun '15	Jun '16
Guinness Global Money Managers Fund	-10.0	47.7	22.6	13.3	-16.0
MSCI World Index	-2.7	22.6	10.0	10.3	14.4
MSCI World Financials Index	-10.2	33.4	7.1	10.9	2.0

RISK ANALYSIS

30/06/2016

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	-3.69	-3.26
Beta	1	1.13	1.24
Information ratio	0	-0.48	-0.22
Maximum drawdown	-18.26	-28.87	-29.47
R squared	1	0.88	0.85
Sharpe ratio	0.41	0.15	0.20
Tracking error	0	5.92	7.85
Volatility	13.74	16.55	18.44

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: 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.**

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.

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. 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

Tel: +44 (0) 20 7222 5703

Email: info@guinnessfunds.com

Web: guinnessfunds.com