

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 – October 2018

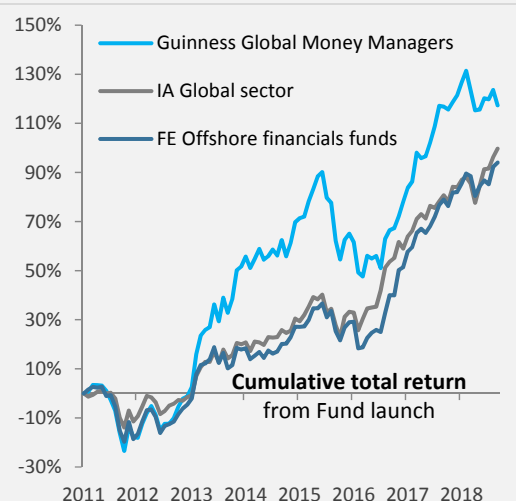
Aim

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.

Performance

30.09.2018



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 (X class, 1.24% OCF), bid to bid, total return.



2015: BEST FUND OVER 3 YEARS
EQUITY SECTOR BANKS & OTHER FINANCIALS

Money management sector

In this month's update, we review the asset management sector and our Fund performance over the third quarter of 2018. We consider fund flows by asset class, and what these trends mean for the positioning of the Fund.

Third quarter performance

World equities posted a gain over the quarter, with the MSCI World Index (the benchmark for the fund) rising by 5.1%. Global financials underperformed, with the MSCI World Financials Index rising by 2.8% over the period. The fund fell by 4.4% over the quarter, with the asset management sector underperforming other financial subsectors.

The third quarter generally saw mid and smaller cap asset managers faring better than the large caps. Among the best performers were:

- **Blackstone (+20.3%).** Conditions for US private equity companies have been good. For Blackstone, the company has enjoyed the reflected light of KKR's switch to becoming a C-Corp, which was well received by investors earlier in the year. Blackstone's management say they are watching the reaction to KKR's conversion with interest. In their capital markets day in September, the company also discussed their expectation for accelerated earnings growth, supported by the most active fund raising pipeline in Blackstone's history.
- **Ameriprise Financial (+6.2%).** Ameriprise announced retail client assets at 30 June 2018 to have risen to \$566bn, up by 10% over twelve months. Total assets under management administration also rose, consolidating the company's position as one of the US's largest wealth management and financial planning houses. We expect Ameriprise to continue to improve the average productivity of its advisors, which should help earnings growth.
- **Alliancebernstein (+9.0%).** A number of factors have worked in Alliancebernstein's favour this year. Fund performance has been strong, and the company's bias towards fixed income has proved a better place to be than

active equities. Versus its peers, Alliancebernstein is also demonstrating a greater focus on operating margin improvement, with the aim to exceed 30% by 2020, vs 27% currently. The company's research arm has, year-to-date, also performed better than expected, with revenues down only 1% despite the introduction of MiFID2 in Europe.

Weaker performers over the quarter included:

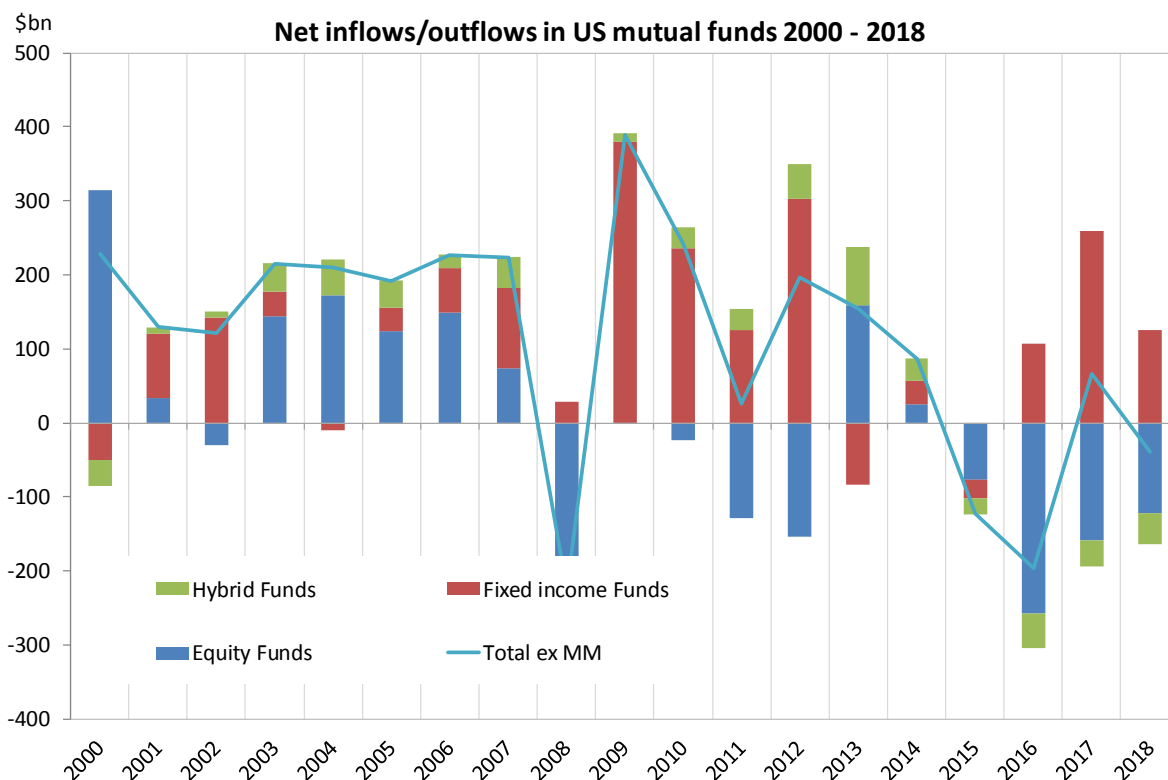
- GAM Holding (-48.3%).** GAM experienced a torrid quarter. In July, the company announced the suspension of key fixed income fund manager, Tim Haywood, after concerns arose around risk management procedures. By August, GAM announced that it was liquidating Haywood's absolute return bond funds (ARBF), involving the return to clients of around CHF11bn which had been in the strategy. This event, and the knock it brings to GAM's wider brand, is a heavy disappointment. Today, we see a stock trading on around 10x 2019 P/E ratio (assuming reasonable further outflows over the next twelve months), with a dividend yield of over 8%. GAM also has become a more obvious candidate for M&A.
- Polar Capital (-16.1%).** Polar, which we have held since the inception of the fund, is enjoying a period of positive expansion, under the direction of new CEO, Gavin Rochussen. The company saw AuM increase to £12bn in the year to 31 March 2018, an increase of 33% versus the previous year. Flows were particularly strong in Polar's Global Technology strategy. However, with a pullback in the technology sector impacting Polar's AuM, and after a particularly strong second quarter, we saw Polar's stock having a weaker quarter. The stock has outperformed its peers so far this year.
- Invesco (-12.8%).** Operating margins at Invesco have been depressed this year thanks to a rise in the company's core expenses, driven by several significant acquisitions (ETF providers Guggenheim & Source, digital platform Gemstep). The company is also suffering regular outflows in its mutual fund range, particularly in its diversified dividend and equity income range. Against this, Invesco is seeing impressive inflows into its S&P 500 equal weight, low volatility and optimum yield ETFs. Overall, we see Invesco's stock trading on a 2018 of 8.5x, which we believe represents attractive value.

Within the asset management sector, data for US mutual fund flows (which we treat as a proxy for global flows) indicated record outflows from equity funds in 2016. Equity outflows have continued in 2017 and 2018, but overall the picture has been less severe than 2016. Against this, the picture for active bond & income funds has been more positive: fixed income funds have reported seven consecutive quarters of inflows. Resulting overall net flows (equity, fixed income and hybrid combined) swung from negative in 2016 to positive in 2017, and now back to a small negative in 2018.

US Mutual Fund flows (Sbn)	Latest Quarter															
	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	
Equity Funds	-68.2	-37.9	-15.2	-70.7	-52.3	-18.8	-17.9	-100.1	-92.1	-60.7	-6.0	-67.2	-28.4	-8.3	26.1	
Bond & Income Funds	41.7	24.4	58.8	58.2	65.9	61.4	74.6	-16.6	65.2	40.5	17.3	-27.7	-51.7	20.5	33.6	
Hybrid Funds	-19.5	-15.9	-8.4	-10.2	-10.0	-7.5	-6.0	-24.9	-6.6	-5.3	-8.9	-19.1	-12.8	1.5	9.1	
Total (Data to May 2018)	-46.0	-29.4	35.2	-22.7	3.6	35.1	50.7	-141.6	-33.5	-25.5	2.4	-114.0	-92.9	13.6	68.9	
Index returns																
MSCI World Index	5.1%	1.9%	-1.1%	5.6%	5.0%	4.2%	6.5%	2.0%	5.0%	1.2%	-0.2%	5.6%	-8.3%	0.5%	2.5%	
MSCI World Financials Index	2.8%	-4.1%	-1.8%	5.8%	5.5%	5.4%	4.9%	14.8%	7.1%	-1.8%	-6.1%	4.4%	-9.3%	1.8%	1.0%	
IBOXX (IBOXIG) Corp Bond Indices	1.1%	-1.4%	-2.9%	1.4%	1.5%	3.0%	1.3%	-3.7%	1.3%	4.1%	4.7%	-0.3%	0.9%	-3.8%	2.6%	

Source: ICI/Bloomberg

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Source: Bloomberg; Guinness Asset Management

Outlook

Sentiment towards larger US active asset managers took a knock in September with Fidelity's announcement that they were launching four zero fee index mutual funds. Fidelity's new funds are only available to their own customers, as part of a wider package of services. Nonetheless, the move caught the imagination of the market and led to underperformance from nearly all asset management companies in the US that specialize in listed equities. We see the news from Fidelity as an eye-catching marketing move but also as something of a red herring. The rise of low cost passive funds and ETFs at the expense of expensive, low active-share mutual funds is a well established trend, regardless of Fidelity's announcement. As we have said for some time, weaker traditional asset managers who over-charge for undifferentiated products will continue to see outflows and will underperform.

More relevant, there has been a slowdown in both ETF and mutual fund inflows in recent months, as concerns about the longevity of the equity cycle have grown.

For our fund, we traverse this landscape by focusing our investments on the following participants in the sector, which we believe should outperform:

- **Effective, outperforming, active management.** Managers who can successfully offer products that outperform their benchmarks will continue to be the sector's most attractive revenue opportunity.
- **Cost-efficient beta (ETFs/passives).** There will be significant growth in the use of easily-accessible passive products, notably ETFs. We expect the global ETF market to triple in size over the next five years. Broadly speaking, this divides into low-cost 'beta delivery' operations (e.g. Vanguard, BlackRock iShares) which rely on scale, and innovative beta products for which appetite is high (e.g. Wisdom Tree)

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and Invesco Powershares). Increasingly, the winners in the ETF/passive world will be those who can achieve significant scale, so maximising their operating leverage.

- **Alternative asset managers.** 'Alternative' asset managers, such as private equity and hedge funds, face less threat from passives than large low active-share traditional managers, and therefore sit well placed to continue to grow assets as investors seek differentiated returns. Many alternative managers are seeing record fundraising activity, whilst the conversion of KKR to a C-Corp structure has been well received by the market, leading others likely to follow suit.
- **Ancillary services to the industry (e.g. custody banks; stock exchanges).** Whilst change is occurring to the composition of assets under management, it remains the case that the total level of AuM is growing at a faster pace than the growth in underlying returns. Since 1990, new investable companies and increasing household wealth have helped grow conventional assets under management by around 10x, versus world equity returns of around 4x. We expect this trend to continue. An expanding pool of assets provides an attractive environment for sectors such as stock exchanges and custody banks.

We believe that the most successful money management investments over the coming 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. Combining these themes with our stock selection process, which allows us to identify the equities of managers whose products are succeeding, leads us to the following portfolio positioning (as at 30th Sept 2018):

Guinness Global Money Managers Fund

Guinness Global Money Managers Fund (30 September 2018)											
Stock	Curr.	% of NAV	2010 B'berg mean PER	2011 B'berg mean PER	2012 B'berg mean PER	2013 B'berg mean PER	2014 B'berg mean PER	2015 B'berg mean PER	2016 B'berg mean PER	2017 B'berg mean PER	2018 B'berg mean PER
Large-cap diversified asset managers											
BlackRock Inc	USD	3.79%	45.2	39.9	35.0	29.4	24.5	24.0	24.6	21.0	17.0
Franklin Resources Inc	USD	2.98%	14.2	10.5	10.2	8.9	8.2	8.8	10.8	10.3	10.6
Ameriprise Financial Inc	USD	3.69%	32.3	29.1	27.6	21.1	17.5	16.0	18.0	14.9	10.0
T Rowe Price Group Inc	USD	3.86%	43.6	37.8	32.4	28.2	24.4	24.0	23.8	20.2	14.9
Invesco Ltd	USD	3.04%	17.2	13.7	13.2	10.8	9.1	9.3	10.3	8.6	8.5
Raymond James Financial Inc	USD	4.07%	53.7	40.8	38.7	34.9	28.5	26.4	25.9	18.3	13.9
Affiliated Managers Group Inc	USD	3.65%	22.9	20.7	18.0	14.0	12.0	10.9	10.7	9.4	8.9
Janus Henderson Group PLC	USD	3.06%	45.7	40.4	45.5	25.4	25.1	21.8	27.7	11.3	9.4
CI Financial Corp	CAD	3.02%	13.7	12.2	12.1	11.6	10.8	10.8	10.7	9.1	8.6
Mid-cap diversified asset managers											
Banca Generali SpA	EUR	3.78%	26.6	31.9	17.7	14.9	16.2	13.7	18.0	11.9	12.9
Vontobel Holding AG	CHF	4.40%	27.7	30.2	31.7	26.7	27.4	23.4	20.2	18.3	15.4
Jupiter Fund Management PLC	GBP	3.29%	19.4	17.7	18.2	12.6	13.2	13.3	14.0	10.8	12.5
Azimut Holding SpA	EUR	3.68%	16.5	18.4	10.8	10.8	12.2	8.7	14.7	9.0	13.0
GAM Holding AG	CHF	2.38%	7.0	7.3	7.8	5.1	6.1	7.5	13.8	8.5	8.3
AllianceBernstein Holding LP	USD	4.24%	20.5	24.5	25.2	18.8	17.0	16.6	17.7	14.4	11.6
Coronation Fund Managers Ltd	ZAR	3.25%	22.4	18.4	16.7	9.4	7.6	10.7	11.8	12.0	12.2
Value Partners Group Ltd	HKD	3.84%	22.7	49.8	37.9	24.1	16.2	21.0	56.9	5.8	16.9
Associated Capital Group Inc	USD	1.56%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GAMCO Investors Inc	USD	0.86%	10.1	9.0	6.5	4.8	5.5	7.0	n/a	n/a	n/a
Small-cap diversified asset managers											
Polar Capital Holdings PLC	GBP	4.18%	168.4	58.2	53.4	39.9	16.8	17.9	22.3	30.7	16.8
River & Mercantile Group PLC	GBP	3.44%	n/a	n/a	n/a	10.1	n/a	16.1	29.9	14.9	17.7
Liontrust Asset Management PLC	GBP	4.33%	2073.4	n/a	n/a	87.3	34.1	26.8	25.0	23.4	15.3
Hedge fund/private equity/alternatives											
Blackstone Group LP/The	USD	4.57%	34.4	30.9	23.3	14.9	11.1	20.0	19.3	13.6	12.3
KKR & Co Inc	USD	4.22%	10.7	24.7	10.3	10.0	11.9	19.5	39.2	11.3	16.0
Och-Ziff Capital Management Gr	USD	0.42%	1.4	3.2	1.3	1.0	1.5	2.6	n/a	2.9	4.5
Wealth management											
Rathbone Brothers PLC	GBP	3.56%	32.3	26.7	25.9	22.6	20.4	19.0	22.0	16.9	16.8
Brewin Dolphin Holdings PLC	GBP	3.93%	23.2	23.9	25.3	19.5	17.1	17.2	22.3	17.6	15.6
Other											
State Street Corp	USD	3.79%	24.8	22.4	21.7	18.3	16.8	17.1	16.7	13.4	11.1
Nasdaq Inc	USD	3.40%	44.1	34.2	34.8	33.3	29.8	25.3	23.4	20.5	18.1
Cash		1.72%									
			23.4	24.7	20.3	15.0	14.8	15.3	19.2	13.0	12.9

An important component of returns generated by money management firms is their dividend. Companies in this sector tend to generate significant excess cash, and usually, Boards are willing to return the cash to shareholders in the form of dividends. The portfolio currently shows a gross dividend yield of 4.2% (n.b. this is rolled up in the fund rather than paid out), well ahead of the MSCI World at 2.5%. This leaves the fund's yield today at its greatest premium to the MSCI World in five years.

Dividend yield	2013	2014	2015	2016	2017	2018
Guinness Global Money Managers Fund	2.30	2.69	3.24	3.26	2.95	4.15
MSCI World	2.12	2.16	2.45	2.33	2.25	2.51
<i>Premium to MSCI World yield (%)</i>	<i>8%</i>	<i>25%</i>	<i>32%</i>	<i>40%</i>	<i>31%</i>	<i>65%</i>

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Valuation of the Guinness portfolio

At 30 September 2018 the P/E ratio of the Fund was 12.9x 2018 earnings. This sits at a significant discount to the broad market, with the S&P 500 trading on a 2018 P/E ratio of 18.5x earnings.

Fund P/E ratios versus the S&P 500 Index (30.09.18)

	'10	'11	'12	'13	'14	'15	'16	'17	'18
Fund P/E	23.4	24.7	20.3	15.0	14.8	15.3	19.2	13.0	12.9
S&P 500 P/E	34.8	30.2	30.1	27.2	24.7	29.0	27.5	23.4	18.5
Premium (+)/ Discount (-)	-33%	-18%	-33%	-45%	-40%	-47%	-30%	-44%	-30%

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

In the longer term we expect asset managers as a sector (and therefore the Fund) to outperform the broad market, due primarily to the ability of successful asset management companies to grow their earnings more rapidly than the broad market.

The Fund remains positioned to capitalise on the increasing value of successful companies in the sector.

Will Riley, Tim Guinness & Mark Hammonds

October 2018

PORTFOLIO

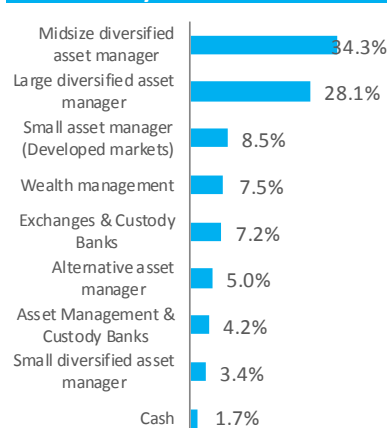
30/09/2018

Fund top 10 holdings

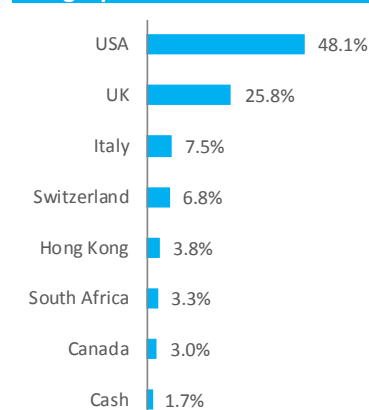
Blackstone Group	4.6%
Vontobel	4.4%
Liontrust Asset Management	4.3%
AllianceBernstein	4.2%
KKR	4.2%
Polar Capital	4.2%
Raymond James Financial	4.1%
Brewin Dolphin	3.9%
T Rowe Price	3.9%
Value Partners	3.8%

% of Fund in top 10	41.7%
Total number of stocks in Fund	29

Sector analysis



Geographic allocation



PERFORMANCE

30/09/2018

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

Guinness Global Money Managers Fund	10.24%
MSCI World Index	12.60%
MSCI World Financials Index	10.90%
Financial Express - Financial Sector average	7.59%

Cumulative % gross total return (X Class, in GBF	1 month	Year-to-date	1 year	3 years	From launch
Guinness Global Money Managers Fund	-2.0	-6.1	-1.3	37.8	112.9
MSCI World Index	0.2	9.4	14.4	70.0	140.2
MSCI World Financials Index	-0.9	0.0	4.8	61.1	113.8
Financial Express - Financial Sector average	-1.2	1.6	5.4	45.3	76.3

Discrete years (X Class, in GBP)	Sep '14	Sep '15	Sep '16	Sep '17	Sep '18
Guinness Global Money Managers Fund	12.6	-0.8	8.3	28.8	-1.3
MSCI World Index	12.1	1.6	29.9	14.4	14.4
MSCI World Financials Index	9.4	0.7	19.3	28.8	4.8
Financial Express - Financial Sector average	7.6	0.7	11.3	23.8	5.4

RISK ANALYSIS

30/09/2018

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	-2.16	-1.79
Beta	1	1.11	1.17
Information ratio	0	-0.20	-0.06
Maximum drawdown	-18.26	-28.87	-29.47
R squared	1	0.85	0.81
Sharpe ratio	0.59	0.40	0.42
Tracking error	0	6.49	7.86
Volatility	13.39	16.16	17.35

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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: Link Fund Manager Solutions (Ireland) Ltd, 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 will be recorded and monitored.

GUINNESS

ASSET MANAGEMENT

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