Guinness European Equity Income Fund

INVESTMENT COMMENTARY – July 2019

Launch date	**19.12.2013**
Team	**Ian Mortimer Matthew Page Nick Edwards**

Aim

The Guinness European Equity Income Fund is designed to provide investors with exposure to high quality dividend-paying companies in the Europe ex UK region. The Fund aims to provide long-term capital appreciation and a source of income that has the potential to grow over time.

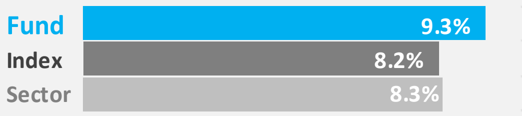
Performance

30.06.2019

Fund	European Equity Income
Index	MSCI Europe ex UK
Sector	IA Europe ex UK

	1 year	3 years	From launch
Fund	12.2	41.9	63.3
Index	7.3	39.8	54.6
Sector	3.3	37.5	55.3

Annualised % total return from launch (GBP)



Risk analysis (annualised, weekly, from launch)

	Index	Sector	Fund
Alpha	0.0	1.0	2.0
Beta	1.0	0.9	0.9
Info ratio	0.0	0.0	0.3
Max drwdn	-18.0	-15.0	-16.5
Tracking err	0	5	5
Volatility	13.6	12.9	12.9
Sharpe ratio	0.3	0.4	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, Z class 0.74%, bid to bid, total return.

Summary performance

At the end of Q2 2019, your fund had returned +10.7% (in GBP) over the quarter, which was 2.4% ahead of the MSCI Europe ex UK Net Return Index, which rose +8.3% over the quarter.

	Q2	YTD	1 Yr	3 Yr	5 Yr	Since Launch
Fund	10.7%	20.0%	12.2%	41.9%	56.1%	63.3%
Index	8.3%	17.0%	7.3%	39.8%	47.8%	54.6%
Sector	8.1%	16.7%	3.3%	37.5%	49.6%	55.3%
Fund performance vs Sector	+2.4%	+3.3%	+9.9%	+4.4%	+6.5%	+8.1%

Figure 1 source: Financial Express 0.74% OCF. Cumulative Total Return in GBP as of 30.06.2019

European equities, a significant underweight in most global portfolios, outperformed all main global regions over the quarter, helped by promises of additional stimulus together with some sense that the region could benefit at the margin from the US-China trade war.

The two leading sectors over the quarter were Consumer Discretionary and IT, to which your fund has 4.1% and 0.7% underweight exposure. However, our large 11.2% overweight in Industrials did well along with C&C Group, a new position initiated in the quarter.

Your fund has outperformed its benchmark, the MSCI Europe ex UK Net Return Index, over one year, five years and since inception, whilst at the same time delivering on its mandate to provide rising dividends to investors.

Quarter in review

The recent run of poor European manufacturing and trade-related data continued in Q2 2019. Manufacturing PMIs across Germany, France and Italy ended the quarter by coming in below expectations yet again, and German factory orders fell -8.6% YoY, causing concern that trade friction might start to spread to the domestic economy. Eurozone government bond yields continued to dip further into negative territory and commentators highlighted increased concerns over slowing growth, lower inflation expectations and the overall Japanification of Europe. Asset prices of bond proxies and quality growth responded favourably once again to lower discount rates and the prospect of renewed monetary stimulus. However, high asset prices and the prospect of deflation are uneasy bedfellows. While the ECB threatens more asset purchases, it very much feels as if QE has reached the limits of its effectiveness (while hurting savers, banks and increasing inequality). Where next, with government bond yields close to -0.5%? What reason, if any, for investors to hang around in Europe, a politically troubled region in which investors have been burned once too often?

Our contention is that there are many signs that the forces of deflation are rather weaker than bond market prices portend. Service data has persistently surprised to the upside, and there is good evidence that inflationary effects of policy take far longer to permeate a service-led economy than a manufacturing economy. Liquidity and lending data are robust, while wage inflation in Europe and the US has continued to rise, coming in at five-year highs of near 3% YoY growth in both markets. Since when did the Federal Reserve or any other European government start a new rate cutting cycle with interest rates running well below the level of wage inflation? And let’s not forget that the recent bout of weakness stems largely from Trumpian trade policy, which can be turned on or off at will.

Since the financial crisis, policymakers have had a choice between reflation or deflation and default. Following the poor manufacturing data seen in Q2, we don’t think the overall policy response towards reflation is about to end any time soon, alhough at this juncture there is a very clear need for a different prescription. Keen watchers of events at the European Commission might have noticed that out of the June chaos emerged a largely Francophone, female and federalist trio to take the top spots. Christine Lagarde (former head of the IMF and one-time French finance minister) looks set to be the next president of the ECB. Ursula von der Leyen, the German defence minister will, assuming her position is ratified, become the EC President, and seems likely to play a supportive role promoting European defence cooperation. Charles Michel, the Belgian PM, also a committed federalist, has been assigned to replace Donald Tusk as head of the European Council. Most important of these appointments in our view is Christine Lagarde, who looks a likely champion of Mario Draghi’s departing wish for individual governments to act on fiscal policy, along with Emmanuel Macron’s call for capital markets union and creation of a single safe asset.

If, as we suspect, fiscal policy does comes to the fore and the tone shifts in a more reflationary direction, the implication for markets is a pivot towards value over growth (at a time when the valuation differential is as wide as it has ever been). Amid all the noise and growing pains that characterise European politics, Europe’s long and rich history as a collection of competing city states and resultant world class intellectual property often get forgotten. The opportunity set in Europe is a wide choice (nearly twice the number of

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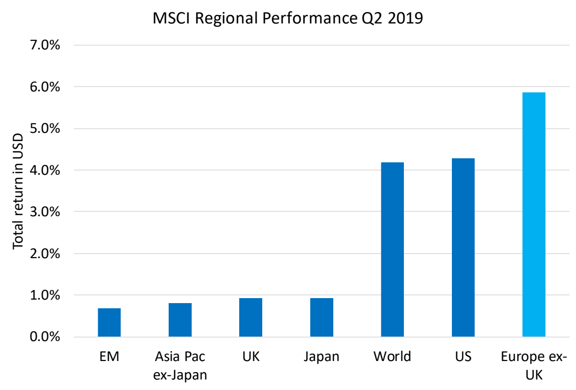
listed companies in the US) of companies characterised by high levels of self-determination, many of which are on offer at attractive valuations. Much European industrial IP is held within incumbents such as Siemens, ABB and Deutsche Post that have struggled in an era of free money and high associated competition. Normalising monetary policy would benefit such companies by squeezing out weaker competition and right sizing the capital pecking order. Our other large overweight, in Financials, should also benefit from higher interest income and rising returns, were the environment to turn more inflationary.

Performance Drivers



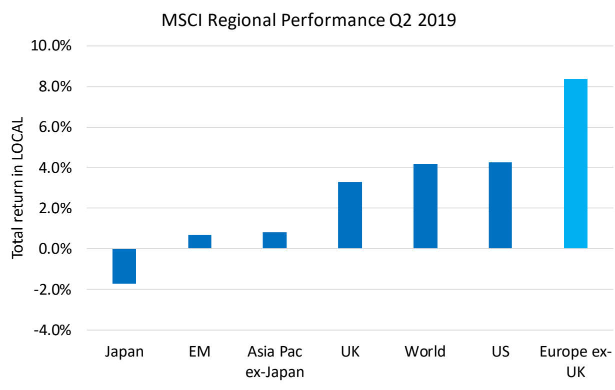


Figure 2: MSCI World Index geographic total return breakdown for Q2 2019, in USD (left) and Local currency (right). Europe in light blue. Source: Bloomberg data

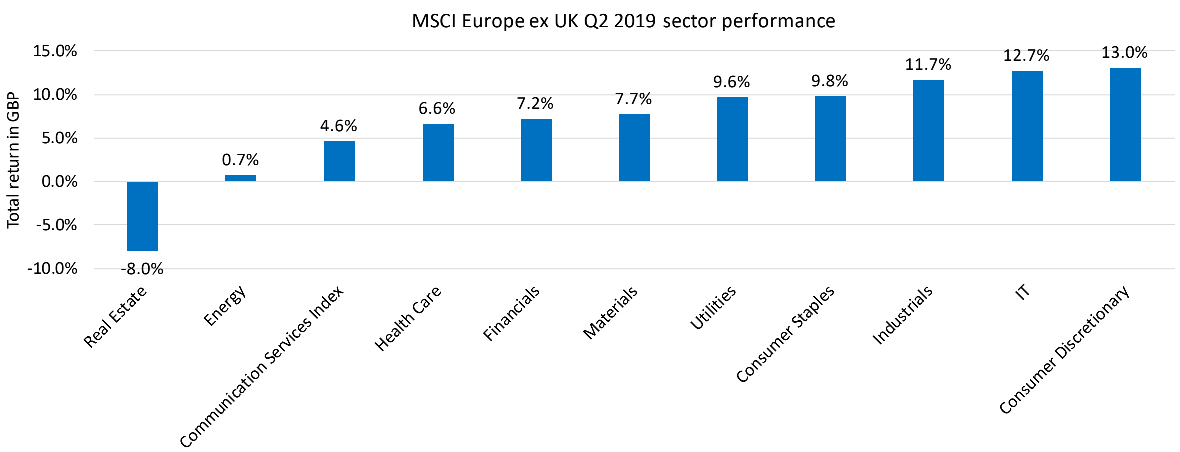


Figure 3: MSCI Europe ex UK Index sector return breakdown for Q2 2019, in GBP. Source: Bloomberg

The regular ebb and flow of sector performance between defensive and trade-exposed industrials continued in Q2. Trade-related concerns in May gave way to relief in June. Gains were compounded by Mario Draghi's reiteration of "whatever it takes" and his suggestion that the ECB could introduce new easing measures or even restart QE. These comments followed a more dovish Fed reacting to weakness ultimately stemming from Trumpian trade policy. As discussed above, if rates are cut, it will be the first time in memory that a rate cutting cycle has started with interest rates running below the level of wage

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inflation. If Trump's trade policy were to soften into the US elections in 2020, the stage looks set for overshoot.

Happily, we had no exposure to Real Estate (or other highly regulated sectors like Utilities or Telecoms), the worst-performing MSCI Europe ex UK sector (-8%) over the quarter, as Berlin's city government suggested imposing a rental freeze from 2020 onwards. Lack of exposure to Energy, which underperformed (+0.7% over the quarter) as demand-side surprises impacted the sector, was also helpful to performance. Meanwhile our Financials, notably the exchanges (Euronext and Deutsche Boerse) performed well as the market reacted to Deutsche Boerse's upbeat investor day and Euronext's earnings-accretive acquisition of Oslo Børs.

Positioning

The Guinness European Equity Income Fund is characterised by a high 82% active share against the MSCI Europe ex UK benchmark. Our focus on companies with good track records that are in charge of their own destiny and have the potential to deliver high and rising returns for a long time to come means the fund has no exposure to cyclical and regulated sectors like Materials, Utilities, Real Estate, Energy and Banks. Meanwhile, sectors such as Consumer Staples, Communication Services and Industrials, in which your fund is overweight, hold many high-quality and scalable companies.

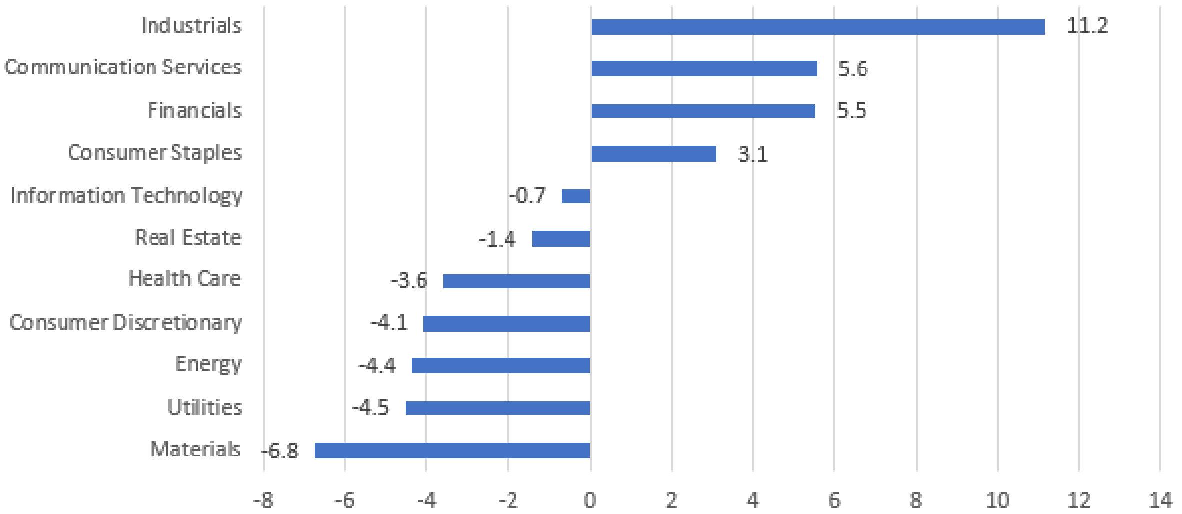
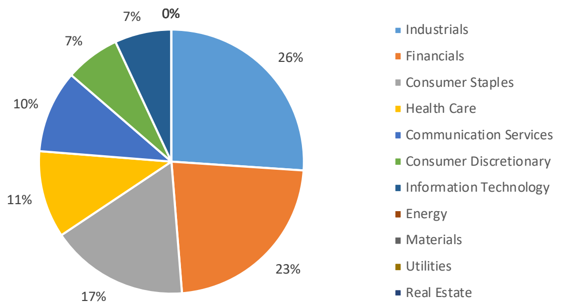


Figure 4: Sector over/underweight % of the fund versus MSCI Europe ex UK Index. Guinness Asset Management, Bloomberg (data as at 30.06.2019).



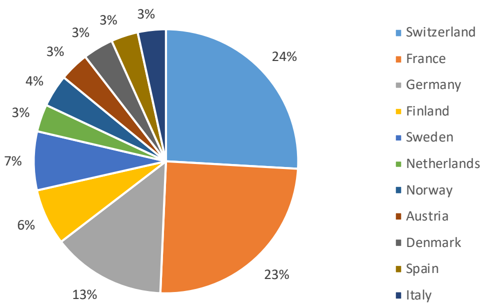


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Figure 5: Sector and regional breakdown of the fund. Guinness Asset Management, Bloomberg (data as at 30.06.2019)

The Guinness European Equity Income Fund's country over- and underweight positions result from a pull between two factors. Naturally France and Germany represent high absolute weights in the Index at 24.6% and 19.1% respectively; but it is also the case that we simply find a greater number of high-quality companies with strong prospects in 'high-IP' markets with good corporate governance such as Switzerland and parts of Scandinavia.

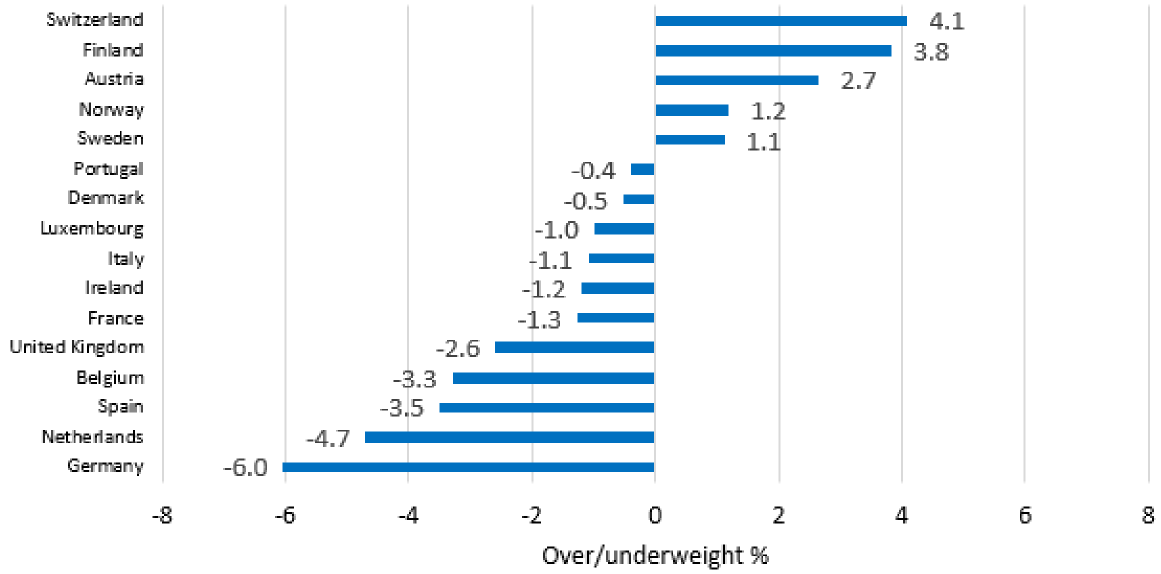

Figure 6: Regional breakdown of the fund versus MSCI Europe ex UK Index. Guinness Asset Management, Bloomberg (data as at 30.06.2019)

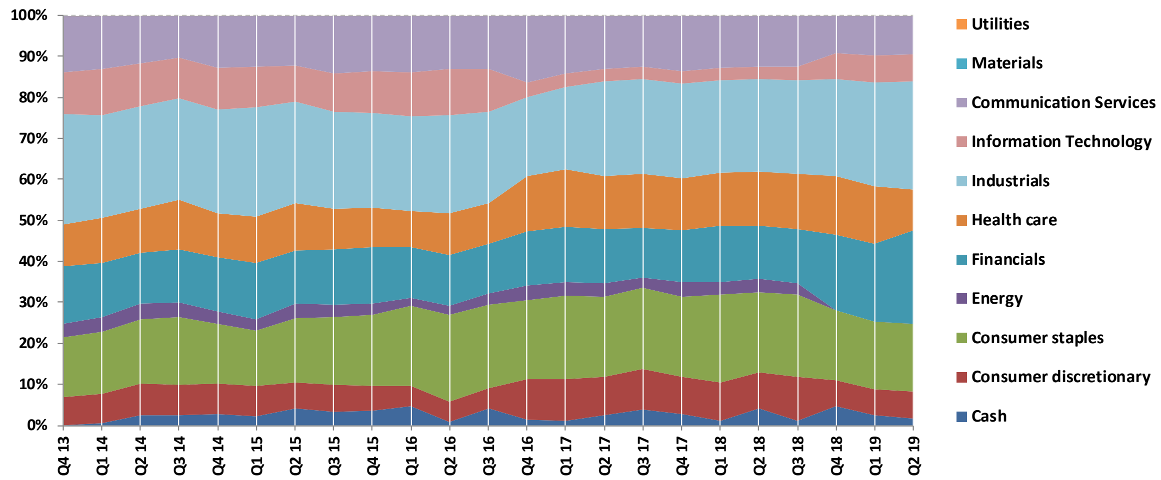

Figure 7: Portfolio sector breakdown at end Q2 2019

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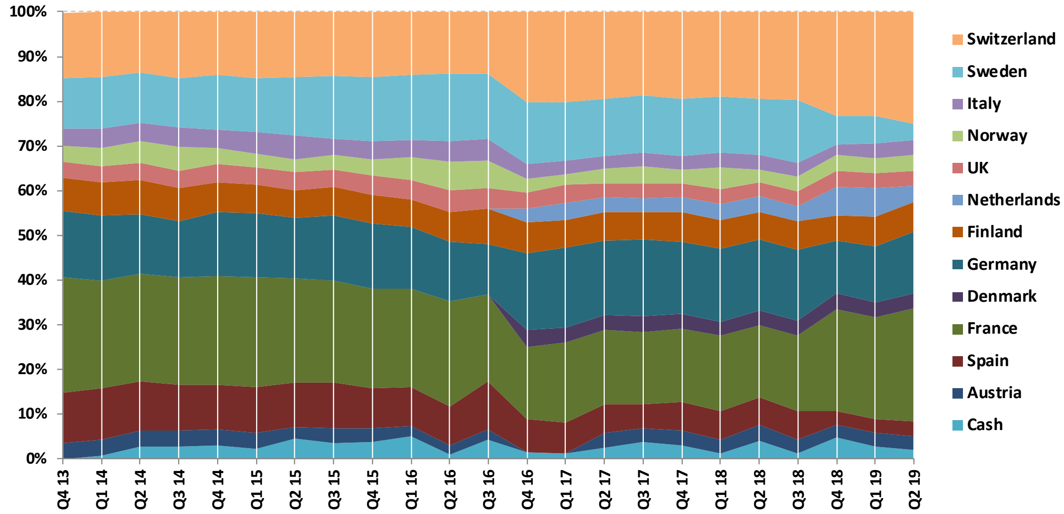

Figure 8: Portfolio geographic breakdown at end Q2 2019

Individual companies that performed well in Q2 were Azimut, Euronext and C&C Group. Companies that detracted from performance in Q2 included Andritz AG and Millicom.

Azimut (+22%) posted another strong quarterly performance, leaving the shares up 94% this year. The company manages over €55bn of assets, of which 72% are managed in Italy and 28% or €15.6bn abroad as part of the international business. Much of this rebound has been driven by falling risk premiums and improving perceptions towards Italy as a source of risk in Europe. We continue to think that the outlook for Italy is somewhat brighter than many commentators suggest. News will continue to alternate between fear and relief, but above all we do not think that the EC wants confrontation with a country the size of Italy. We also think that the argument over the calculation of Italy's output gap is one where Italy looks well placed to win concessions. As highlighted in Martin Sandbu's good FT article "The danger of nonsense output gaps" the Commission's suggestion that the Italian economy is running close to its full potential with an output gap of just 0.1% is hard to believe with unemployment hovering around 10% vs. 6% back in 2007, and differs enormously from the large 4% output gap conservatively estimated by the IMF. The Commission's own policy states that countries suffering output gaps of 4% or below should be "temporarily exempted from making any fiscal effort". Why would the Commission risk a rerun of the Greece debacle and related further pressure on the T2 system when it can so easily give (and arguably should) on this? It seems there could be better news ahead for Italy; not to mention that the pro-business League, run by Salvini (and now up to around 34% of the vote), is now effectively in control as opposed to Five Star, something that remains to be reflected in markets. Azimut continues to see net inflows, generates persistent high cash returns, trades on 10x earnings (along with a 6.7% dividend yield) and offers high exposure to an improving Italian investment outlook.

Euronext (+21%) had a strong quarter following the closure of the **Oslo Børs** acquisition. 2021 earnings estimates were upgraded by nearly 10% over the period as the market started to price in synergy gains relating to the acquisition. The potential is clear given Oslo Børs ebitda

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margins of 46% vs. Euronext's near-59% margins, suggesting good scope for cost savings as the Norwegian exchange is consolidated. Financing rates are currently highly attractive, with Euronext's 6th June 2019 €500m 1.125% issue due 2029 now trading at a premium to par value. Euronext believes it can both maintain its strong investment grade rating while also undertaking further acquisitions. With the Reference Shareholder Agreement now renewed through to the middle of 2021, we don't believe Euronext itself is likely to be a target of exchange M&A, but then again it can always buy its own shares at a c.20% discount to sector multiples generating c.30% returns to equity if it doesn't find other attractive acquisitions. The Oslo Børs acquisition means that Euronext now controls six core European exchanges (Paris, Amsterdam, Brussels, Lisbon, Dublin and now Oslo) on top of its world-class funds and debt listing business and data, settlement and derivatives operations. We continue to expect the group to benefit from regulation bringing business on exchange and rising debt issuance driven by tighter bank regulation. Meanwhile Brexit should continue to see business pushed towards Dublin, Paris and Amsterdam. The rerating since year end 2018 has been meaningful but with potential for further upgrades and conviction in the underlying business we are minded to stick with the shares for the longer term.

C&C Group was up +19.1% since acquisition on 3rd May. We wrote about this recent portfolio addition last month following the capital markets day on 22nd May. The most recent trading update on 4th July reported a solid start to the 2020 year since 1st of March. The update highlighted that following the acquisition of Matthew Clark and Bibendum, the majority of the Group's revenues are now derived from the United Kingdom, and as such the company is seeking inclusion in the FTSE UK Index Series along with cancellation of the listing of its shares on Euronext Dublin. Happily for the fund, Bulmer's apples will continue to be sourced from Ireland's orchards, the company will remain domiciled and tax resident in Ireland and its head office located in Dublin, so we can continue to hold the shares. The acquisition of Matthew Clark is a logical step for C&C Group, which already dominated distribution in Ireland and Scotland. The business is firmly within C&C Group's core competence and gives the company a new channel to funnel its product down to an end market many times the size of its Irish and Scottish operations. In light of this, the high-single-digit eps growth target looks modest. The shares trade on 13x earnings and offer a 4.1% dividend yield, a large discount to international peers such as Heineken on 20x. While the Group's strong focus on sustainability means this is an investment that investors can feel good about owning.

Andritz (-13%) was the worst performer over the quarter. The shares have now suffered quite a significant derating, falling from 17x next year's earnings at the end of Q3 2018 to 10x today after c.10% downgrades to 2020e earnings. The primary catalyst has been the Metals division's exposure to the downdraft currently blowing through the German auto industry. Added to this, the Hydro division has been suffering a dearth of new orders driven by the greater availability of competing subsidies in the wind industry. With over half of the business going backwards, the market has turned its back on the company. Nevertheless, this business is a global market leader in all three of its key segments (Hydro, Metals and Pulp & Paper equipment) and generates persistent high cash returns. There is clearly a strong case that the downturn in the auto industry is structural, but it is hard to argue that the hydro division is permanently impaired and there is a good chance that the Pulp & Paper division along with the smaller Separation and recycling division will benefit from trends away from plastic and towards increased recycling. It is also the case that digital is widening the moat in many areas as remote monitoring and maintenance results in higher service

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sales and customer tie-in. We have no plans to wave goodbye to Andritz with its founder CEO and largest shareholder Wolfgang Leitner (25.77% shares outstanding). We do however intend to carry on as normal and reweight the position back up to 3.3% of the portfolio.

Millicom (-3.5% since purchase on the 2nd May) is a new position initiated at the beginning of May to replace MTG Group (also listed in Stockholm) which had fallen outside of our universe. Millicom shares were soft after our purchase as the main 40.9% shareholder Kinnevik used an apparent change in investing strategy to try to flush out bids for its share of the business. Back in January 2019 Millicom walked away from interest by John Malone's Liberty Latin America (Lilac) reportedly in the area of SEK715/share vs. SEK550/share today. The current CEO Mauricio Ramos used to work for Malone at Lilac and its Chilean business VTR. There are a few ways this situation can work itself out, but whatever the result we think this is a strong business with a bright future. Millicom has been selling off non-core tower and mobile operations in Africa and reinvesting in its market-leading cable TV, internet, wireless and data business across Central America. A 'Central American Virgin Media' is a good analogy. The runway for subscriber growth at this business is significant, with overall low levels of fixed broadband and 4G penetration across Central America. The upside for pricing and returns (the latter obscured by current capex) are also strong given that starting broadband packages are generally less than 10bmps and cable installation costs a fraction of that in North America. Additional upside optionality comes from ownership of Tigo Money and a large data centre portfolio, both of which could arguably command meaningful standalone valuations. On the latter point we were pleased to see **Millicom** announced a JV with **Schneider Electric** for infrastructure monitoring of its data centres last month. Millicom shares trade at a large EV/EBITDA discount to peer Liberty Latin America and to recent transaction bids by America Movil across the region. The idea might seem a little far away from home, but the growth profile and regulatory backdrop are refreshing compared to those for European telecoms, for whom the only way forward seems to be consolidation.

Key Fund Metrics

The four key tenets to our approach are quality, value, dividend, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will. At the quarter end, we are pleased to report that the portfolio continues to deliver on all four of these measures relative to the benchmark MSCI Europe ex UK Index.

		Fund	MSCI Europe ex UK Index	Delta
Quality	Average 8 year CFROI %	15.7	10.5	5.2
	Weighted average net debt / equity %	35.9	60.4	-24.5
	ROE %	22.1	11.1	11.0
	R&D to Sales	3.0	0.5	2.5
Value	PE (2019e)	13.9	14.9	-1.0
	FCF Yield %	7.0	5.6	1.4
Dividend	Dividend Yield (LTM) %	3.3	3.3	0.0
	Weighted average payout ratio %	62.0	60.0	2.0
Conviction	Number of stocks	30	344	-314
	Active share	82	NA	NA

Figure 9: Portfolio metrics versus index. Guinness Asset Management, Credit Suisse HOLT, Bloomberg (data as at 30.06.2019)

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Outlook

Today's European sector valuations stand in contrast to those at the end of 2018, with shares of high-quality global growth companies trading back towards the upper end of their historic ranges, helped by lower rates and some relief on global trade. Our sense is that at this juncture we should continue to tilt towards the value end of our quality universe. If an increased focus on fiscal policy in Europe joins excess stimulus into an already tight US labour market the rotation away from growth towards value could be meaningful.

Uncertainty over political decision-making and terms of trade looks likely to continue to cloud the European investment landscape. The other side of the coin is that scepticism and underweight allocations create value opportunities, and Europe is a region rich in intellectual property and knowhow. Your fund invests in companies characterised by high levels of self-determination, namely identifiable barriers to entry, strong market positions, widening moats, aligned interests and long runways for growth.

Our high-conviction fund has companies which are better quality at better value versus the index. We will continue to work hard to deliver long-term capital growth and a steady, growing income stream. We have been pleased to see the success of this approach relative to other income-seeking strategies in the IA Europe excluding UK Sector.

	YTD		1 Year		3 Years		5 Years		From Launch
Guinness European Equity Income Z Dis	19.98	Guinness European Equity Income Z Dis	12.19	Montanaro European Income	46.63	Montanaro European Income	75.52	Montanaro European Income	81.75
MSCI Europe ex UK	16.96	Polar Capital European (EX UK) Income I Acc	9.16	Guinness European Equity Income Z Dis	41.87	Guinness European Equity Income Z Dis	56.09	BlackRock Continental European Income D Acc	67.78
Montanaro European Income	16.30	BlackRock Continental European Income D Acc	7.55	**MSCI Europe ex UK**	39.80	BlackRock Continental European Income D Acc	54.30	Guinness European Equity Income Z Dis	63.33
Jupiter European Income I Acc	16.29	**MSCI Europe ex UK**	7.26	Polar Capital European (EX UK) Income I Acc	37.61	**MSCI Europe ex UK**	47.71	Schroder European Alpha Income Z Acc	59.20
BlackRock Continental European Income D Acc	15.54	Lazard Dividendes Min Var D	5.78	KBCAM Equity High Dividend Eurozone	35.61	Jupiter European Income I Acc	45.45	**MSCI Europe ex UK**	54.63
Standard Life Investments European Equity In	13.81	UBS (Lux) Equity SICAV Euro Countries Income	5.78	Jupiter European Income I Acc	35.39	Lazard Dividendes Min Var D	44.37	Lazard Dividendes Min Var D	54.05
GLG European Alpha Income C Professional	13.66	Liontrust European Income I Acc	4.44	CPR Invest Euro High Dividend A Acc	34.98	Schroder European Alpha Income Z Acc	42.69	Jupiter European Income I Acc	49.86
Standard Life Investments Continental Europe	13.64	Montanaro European Income	4.19	Schroder European Alpha Income Z Acc	33.28	Standard Life Investments European Equity In	42.39	Standard Life Investments European Equity In	49.11
KBCAM Equity High Dividend Eurozone	13.58	GLG European Alpha Income C Professional	3.58	UBS (Lux) Equity SICAV Euro Countries Income	33.15	Liontrust European Income I Acc	40.52	Liontrust European Income I Acc	46.86
Quilter Investors Europe (ex UK) Equity Incom	13.23	Liontrust European Enhanced Income I Hedge	2.06	Invesco European Equity Income (UK) Z Acc	32.44	Invesco European Equity Income (UK) Z Acc	36.47	Invesco European Equity Income (UK) Z Acc	46.09
Lazard Dividendes Min Var D	13.16	Jupiter European Income I Acc	1.71	NN (L) Euro Income X Dis EUR	31.98	Standard Life Investments Continental Europe	32.84	Allianz European Equity Income C Inc	42.56
Argonaut FP Argonaut European Income Oppo	13.15	Allianz European Equity Income C Inc	1.57	Allianz European Equity Income C Inc	31.85	Allianz European Equity Income C Inc	31.83	Liontrust European Enhanced Income I Hedge	40.42
Schroder European Alpha Income Z Acc	13.08	Standard Life Investments European Equity In	1.46	BlackRock Continental European Income D Acc	31.82	KBCAM Equity High Dividend Eurozone	29.80	KBCAM Equity High Dividend Eurozone	40.28
L&G European Equity Income I Acc	12.59	KBCAM Equity High Dividend Eurozone	0.61	Standard Life Investments European Equity In	28.99	NN (L) Euro Income X Dis EUR	29.47	Diaman SICAV DPAM Equities L EMU Dividend	36.54
Liontrust European Enhanced Income I Hedge	12.43	NN (L) Euro Income X Dis EUR	0.37	Lazard Dividendes Min Var D	27.30	Liontrust European Enhanced Income I Hedge	28.63	CPR Invest Euro High Dividend A Acc	33.87
UBAM Euro Equity Income AD EUR	12.43	Argonaut FP Argonaut European Income Oppo	0.29	UBAM Euro Equity Income AD EUR	26.92	CPR Invest Euro High Dividend A Acc	27.47	Tocqueville Dividende C	31.03
NN Premium Dividend P	12.07	Standard Life Investments Continental Europe	0.20	Liontrust European Income I Acc	26.30	Diaman SICAV DPAM Equities L EMU Dividend	27.08	NN (L) Euro Income X Dis EUR	29.04
Polar Capital European (EX UK) Income I Acc	11.55	L&G European Equity Income I Acc	0.04	Standard Life Investments Continental Europe	23.78	Tocqueville Dividende C	25.92	Aviva Investors European Equity Income B	28.79
Tocqueville Dividende C	11.46	Invesco European Equity Income (UK) Z Acc	-0.99	Diaman SICAV DPAM Equities L EMU Dividend	21.28	Aviva Investors European Equity Income B	23.29		
Liontrust European Income I Acc	11.41	CPR Invest Euro High Dividend A Acc	-1.48	Liontrust European Enhanced Income I Hedge	20.98				
NN (L) Euro Income X Dis EUR	11.00	UBAM Euro Equity Income AD EUR	-1.51	Tocqueville Dividende C	20.97				
UBS (Lux) Equity SICAV Euro Countries Income	10.72	Diaman SICAV DPAM Equities L EMU Dividend	-1.81	Aviva Investors European Equity Income B	18.24				
Diaman SICAV DPAM Equities L EMU Dividend	10.58	Tocqueville Dividende C	-3.37						
Oyster Continental European Income R D	8.92	Aviva Investors European Equity Income B	-3.72						
Invesco European Equity Income (UK) Z Acc	8.88	Quilter Investors Europe (ex UK) Equity Incom	-5.24						
Aviva Investors European Equity Income B	7.89	Schroder European Alpha Income Z Acc	-5.47						
CPR Invest Euro High Dividend A Acc	7.71	Oyster Continental European Income R D	-7.80						
Indosuez Euro Dividend P EUR	5.34	THEAM Quant Equity Eurozone Income Defens	-10.56						
Allianz European Equity Income C Inc	5.17								
THEAM Quant Equity Eurozone Income Defens	-3.72								

Figure 10: Source: Financial Express. All open Europe ex UK equity income or dividend funds in UK mutual fund universe, total return to 30.06.2019 in GBP (Guinness European Equity Income Class Z, 0.74% OCF)

We thank you for your continued support.

Dr Ian Mortimer, CFA, Matthew Page, CFA and **Nick Edwards**

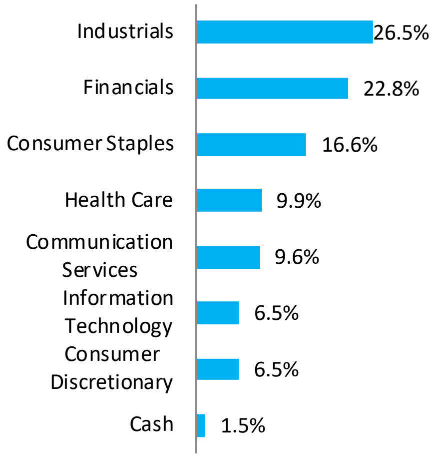
PORTFOLIO

30/06/2019

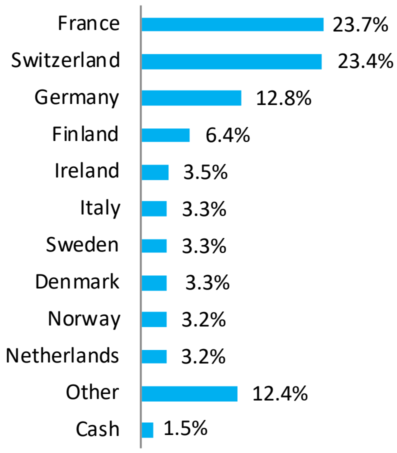
Fund top 10 holdings

Schneider Electric	3.7%
Kering SA	3.5%
ABB	3.5%
C&C Group PLC	3.5%
Helvetia Holding	3.5%
Danone	3.5%
Deutsche Post	3.4%
Novartis	3.3%
Adecco	3.3%
Azimut Holding	3.3%
% of Fund in top 10	34.5%
Total number of stocks	30

Sector analysis



Geographic allocation



PERFORMANCE

30/06/2019

Annualised % total return from launch (GBP)

Discrete years % total return (GBP)	Jun '15	Jun '16	Jun '17	Jun '18	Jun '19
Fund	-2.8	13.2	29.8	-2.6	12.2
MSCI Europe ex UK Index	0.7	4.9	28.0	1.8	7.3
IA Europe ex UK sector average	4.2	4.4	29.2	3.1	3.3

Cumulative % total return (GBP)	1 month	Year-to-date	1 year	3 years	5 years	From launch
Fund	6.32	19.98	12.19	41.87	56.09	63.33
MSCI Europe ex UK Index	6.32	16.96	7.26	39.80	47.71	54.63
IA Europe ex UK sector average	6.40	16.71	3.28	37.54	49.62	55.27

RISK ANALYSIS

30/06/2019

Annualised, weekly, from launch on 19.12.13, in GBP	Index	Sector	Fund
Alpha	0.00	1.04	2.03
Beta	1.00	0.88	0.89
Information ratio	0.00	0.02	0.25
Maximum drawdown	-17.99	-14.98	-16.49
R squared	1.00	0.86	0.88
Sharpe ratio	0.33	0.36	0.45
Tracking error	0.00	5.04	4.62
Volatility	13.60	12.93	12.91

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 (0.74% OCF). Fund launch date: 19.12.2013.

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 European 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 European 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 European 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: 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'Ile, 1204 Geneva, Switzerland.

Singapore

The Fund is not authorised or recognised by the Monetary Authority of Singapore ("MAS") and shares are not allowed to be offered to the retail public. The Fund is registered with the MAS as a Restricted Foreign Scheme. Shares of the Fund may only be offered to institutional and accredited investors (as defined in the Securities and Futures Act (Cap.289)) ('SFA') and this material is limited to the investors in those categories

Telephone calls will be recorded and monitored.