Guinness Global Equity Income Fund

A high conviction equity fund managed by Dr. Ian Mortimer and Matthew Page, CFA, in accordance with their intelligent investment process for high quality income portfolios.

INVESTMENT COMMENTARY - March 2012

Fund size (29.2.12) **£11.2m**

Aim

We don't chase yield, we want capital and dividend growth

Our aim is long-term capital growth and a steady rising dividend stream, balanced with a yield of 3-4%.

Process

Quality before yield

We buy companies that have generated at least 10% Cash Flow Return on Investment every year for 10 years.

"It's a rare achievement for a company to meet our investment criteria – 10% cash flow return on investment every year for ten years is a mark of genuine quality. That's where our portfolio starts – persistent cash generation before yield."

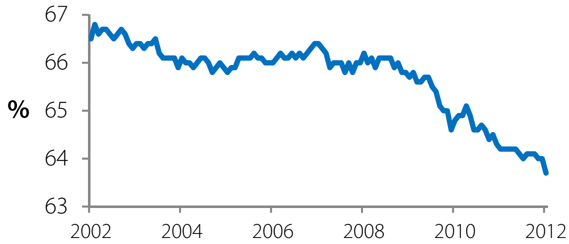
Economic background

US Labour market

Economic data out of the US has been incrementally positive over the last few months. The US January jobs report was seen as particularly positive as the unemployment rate fell to 8.3%. At first glance this certainly appears to be a meaningful improvement from its peak at 10.0% in October 2009. However, this headline unemployment number needs to be considered in the context of a number of other factors.

First, while the unemployment rate has been falling since the end of 2009, so has the "Labour Force Participation Rate", i.e. the proportion of the population that is working or looking for work. Any reduction in the Labour Force Participation Rate also reduces the unemployment rate as the people that previously would have been counted as unemployed, but part of the Labour Force, are moved from the pool of unemployed (but seeking work) to a pool who are deemed to be no longer seeking work and therefore no longer in the Labour Force. In October 2009 the Labour Force Participation Rate was 65.0%, but has fallen to 63.7% today. If the labour force participation rate had remained constant at 65.0% over this period, then the unemployment rate would still be 10% today and essentially would have been flat since the end of 2009.

US Labour Force Participation Rate*

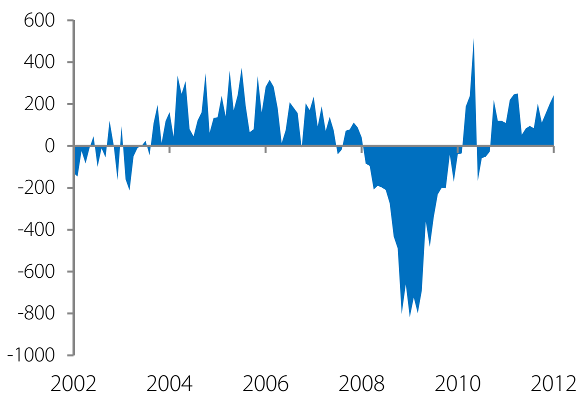


In fact, looking at the non-farm payroll data since 2005 (as shown in the table below), on a net cumulative basis essentially no jobs have been created since 2005.

Non-farm payrolls – net annual change*

2005	2,498,000
2006	2,068,000
2007	1,100,000
2008	(3,603,000)
2009	(5,060,000)
2010	1,027,000
2011	1,820,000
Total	(150,000)

US Monthly non-farm payrolls*



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.

Second, the US population has meanwhile been growing fairly steadily, at a long-term growth rate of around 1%, or currently 3 million people per annum. According to the US Bureau of Labor Statistics, the civilian population has increased by 16.2 million people since 2005. Given the US has essentially created net zero jobs on a cumulative basis since 2005, this 16.2 million population increase means that today 16.2 million more people do not have a job than did in 2005. Indeed, this is backed up by the data which shows that, of this 16.2 million people, 5.2 million are counted as unemployed while 11.1 million are not included in the labour force.

If this Labour Force Participation Rate of 63.7% is to be maintained going forward, that means approximately 1.7 million people (63.7% of 16.2 million /6years) will want to join the labour pool each year. On this basis the US needs to create 130,000 jobs per month just to cover population growth and maintain a constant real unemployment rate.

This puts in context the challenge that the US faces in creating jobs to provide for a rising population, bringing down the real level of unemployment and reducing the burden on the government purse. It was therefore positive to see the non-farm payrolls data for January coming in at 243,000 jobs, especially given this number has now grown for the last the last three months. Whether this can continue remains to be seen. We saw the monthly rate pick up at the start of 2011 only for the level to fall below 100,000 through the spring and summer.

The Fund

The rally in global equities continued in February where it left off in January. The Fund had a total return in GBP for the month of 1.76%, compared to the MSCI World Index return of 3.72%. Our positions in the IT and Consumer Discretionary sectors performed well while our positions in Telecoms and Health Care held us back. We did not make any changes to the portfolio, preferring to maintain our relatively defensive positioning in the current economic environment.

Equities produced a positive total return in February in anticipation of the European Central Bank's (ECB) second three-year Long Term Refinancing Operation (LTRO) at the end of the month. Demand for funds from European banks totalled €530 billion, which exceeded the previous LTRO, at the end of 2011, of €489 billion. These operations have been effective at injecting liquidity into the banking system and preventing a banking crisis in the Eurozone. Consequently confidence has improved and this has driven the relief rally. However, while markets tend to react positively in the short term to these central bank balance sheet expansions, be they through the ECB's LTROs or the US Fed's Quantitative Easing (QE), we must not forget that these responses are the consequences of the Central Bank's fundamentally bearish outlook for growth over the medium term.

Dr. Ian Mortimer & Matthew Page

Co-managers

Guinness Global Equity Income Fund

March 2012

*Source: US Bureau of Labor Statistics

PORTFOLIO

Fund top 10 holdings

Metcash	3.1%
Halma	3.1%
Meggitt	3.0%
General Dynamics	3.0%
Willis Group Holdings	3.0%
Total	3.0%
Procter & Gamble	3.0%
Danone	3.0%
Microsoft	3.0%
ICAP	3.0%
% of fund in top 10	30.3%
Total number of stocks in fund	34

Geographic allocation

United States	46.8%
Great Britain	29.3%
France	9.0%
Australia	3.1%
Hong Kong	3.0%
Spain	3.0%
Netherlands	2.9%
Germany	2.9%
Cash	0.0%
	100.0%

Sector analysis

Consumer Staples	32.3%
Health Care	14.6%
Financials	14.5%
Industrials	11.9%
Telecommunication Services	8.8%
Information Technology	6.1%
Energy	6.0%
Consumer Discretionary	5.8%
Cash	0.0%
	100.0%

PERFORMANCE

Discrete years' % total return

12 months to month end:	Feb '08	Feb '09	Feb '10	Feb '11	Feb '12
Guinness Global Equity Income Fund	-	-	-	-	4.2
MSCI World Index	-2.0	-26.2	44.5	13.9	0.1
IMA Global Equity Income sector average	-0.7	-25.4	36.5	13.3	4.1

Cumulative % total return

29/02/2012	1 month	3 months	6 months	1 year	From launch
Guinness Global Equity Income Fund	1.8	4.0	8.2	4.2	4.5
MSCI World Index	3.6	8.4	10.4	0.1	2.0
IMA Global Equity Income sector average	4.0	10.0	10.0	4.1	3.8

Risk analysis - Annualised, month end, from launch on 31.12.10

29/02/2012	Index	Sector	Fund
Alpha	0	1.76	2.49
Beta	1	0.89	0.74
Information ratio	0	0.27	0.41
Maximum drawdown	-14.06	-10.95	-10.76
R squared	1	0.78	0.82
Tracking error	0	5.63	5.02
Volatility	11.72	11.75	9.49

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, C class shares, GBP. Launch date: 31.12.10.

GLOSSARY

Alpha

Alpha is a measure of a fund's over or underperformance by comparison to its benchmark. It represents the return of the fund when the benchmark is assumed to have a return of zero, and thus indicates the extra value that the manager's activities have contributed.

Beta

Beta is a statistical estimate of a fund's volatility by comparison to that of its benchmark, i.e. how sensitive the fund is to movements in the section of the market that comprises the benchmark. A fund with a Beta close to 1 will move generally in line with the benchmark. Higher than 1 and the fund is more volatile than the benchmark.

Information Ratio

An assessment of the degree to which a manager uses skill and knowledge to enhance returns, this is a versatile and useful risk-adjusted measure of actively-managed fund performance. It is calculated by deducting the returns of the fund's benchmark from the fund's overall returns, then dividing the result by its Tracking Error. In this way, we arrive at the value, per unit of extra risk assumed, that the manager's decisions have added to what the market would have delivered anyway.

Maximum Drawdown

Represents the worst possible return over a period, e.g. buying at the highest price over the period and selling at the lowest.

R-Squared

The R-Squared measure is an indication of how closely correlated a fund is to an index or a benchmark. It can be treated as a percentage, showing what proportion of a fund's movements can be attributed to those of the benchmark. Values for R-Squared range between 0 and 1, with 0 indicating no correlation at all, and 1, rarely, showing a perfect match.

Tracking Error

This statistic measures the standard deviation of a fund's excess returns over the returns of an index or benchmark portfolio. As such, it can be an indication of "riskiness" in the manager's investment style. A Tracking Error below 2 suggests a passive approach, with a close fit between the fund and its benchmark. At 3 and above the correlation is progressively looser: the manager will be deploying a more active investment style, and taking bigger positions away from the benchmark's composition.

Volatility

Standard deviation is a statistical measurement which, when applied to an investment fund, expresses its volatility, or risk. It shows how widely a range of returns varied from the fund's average return over a particular period. Low volatility reduces the risk of buying into an investment in the upper range of its deviation cycle, then seeing its value head towards the lower extreme.

IMPORTANT INFORMATION

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