

# Wealth Creation and Growing Dividends

July 2016

**GUINNESS**  
**ATKINSON**

F U N D S

Investing in Human Progress



## **Matthew Page, CFA**

- Portfolio manager of strategy since 2010
- Joined Guinness Atkinson Asset Management in September 2005
- CFA Charterholder
- Previous to Guinness Atkinson, worked for Goldman Sachs as an analyst in Fixed Income Currencies and Commodities (FICC)
- Graduated from University of Oxford, with a Masters degree in Physics in 2004

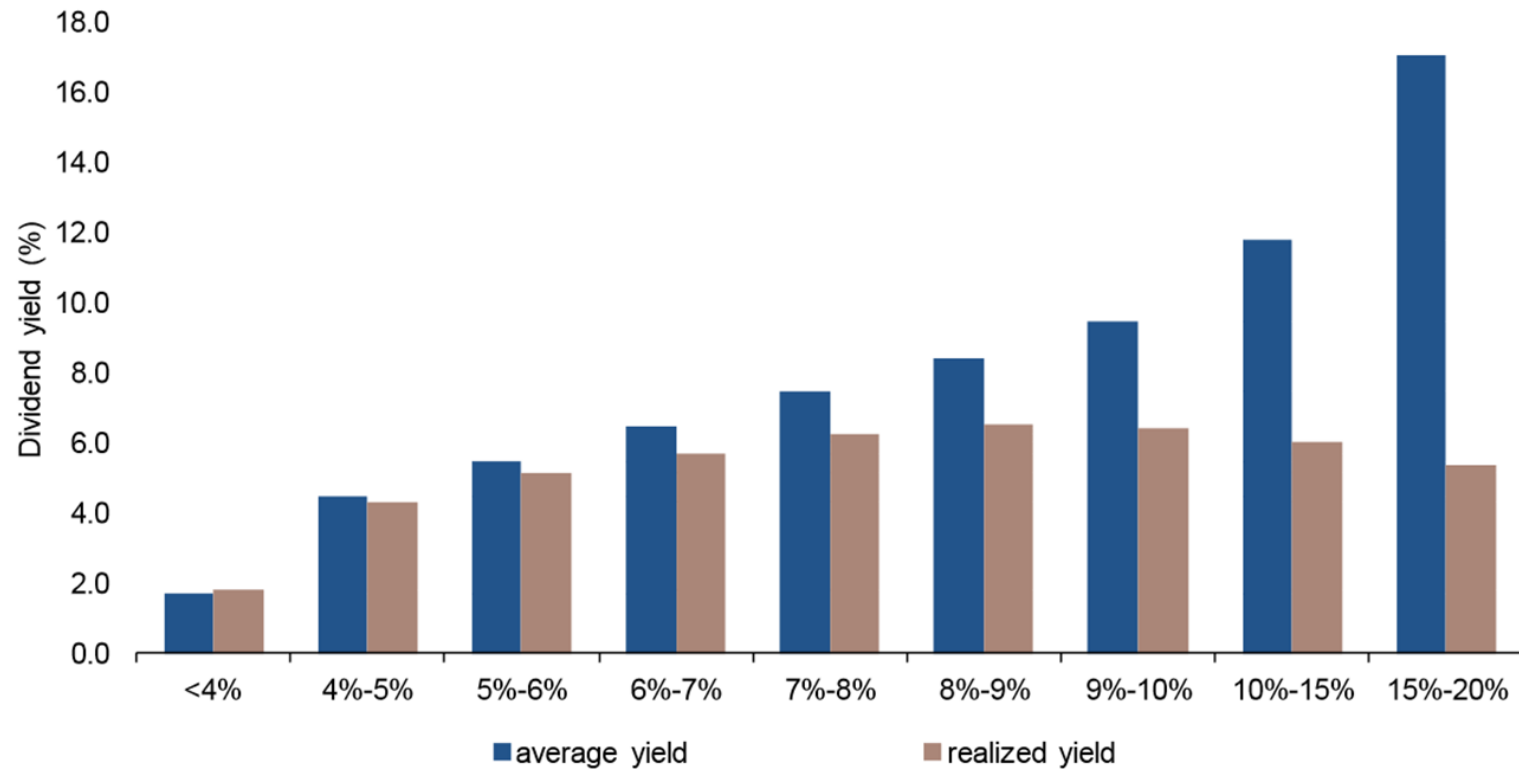


## **Dr Ian Mortimer, CFA**

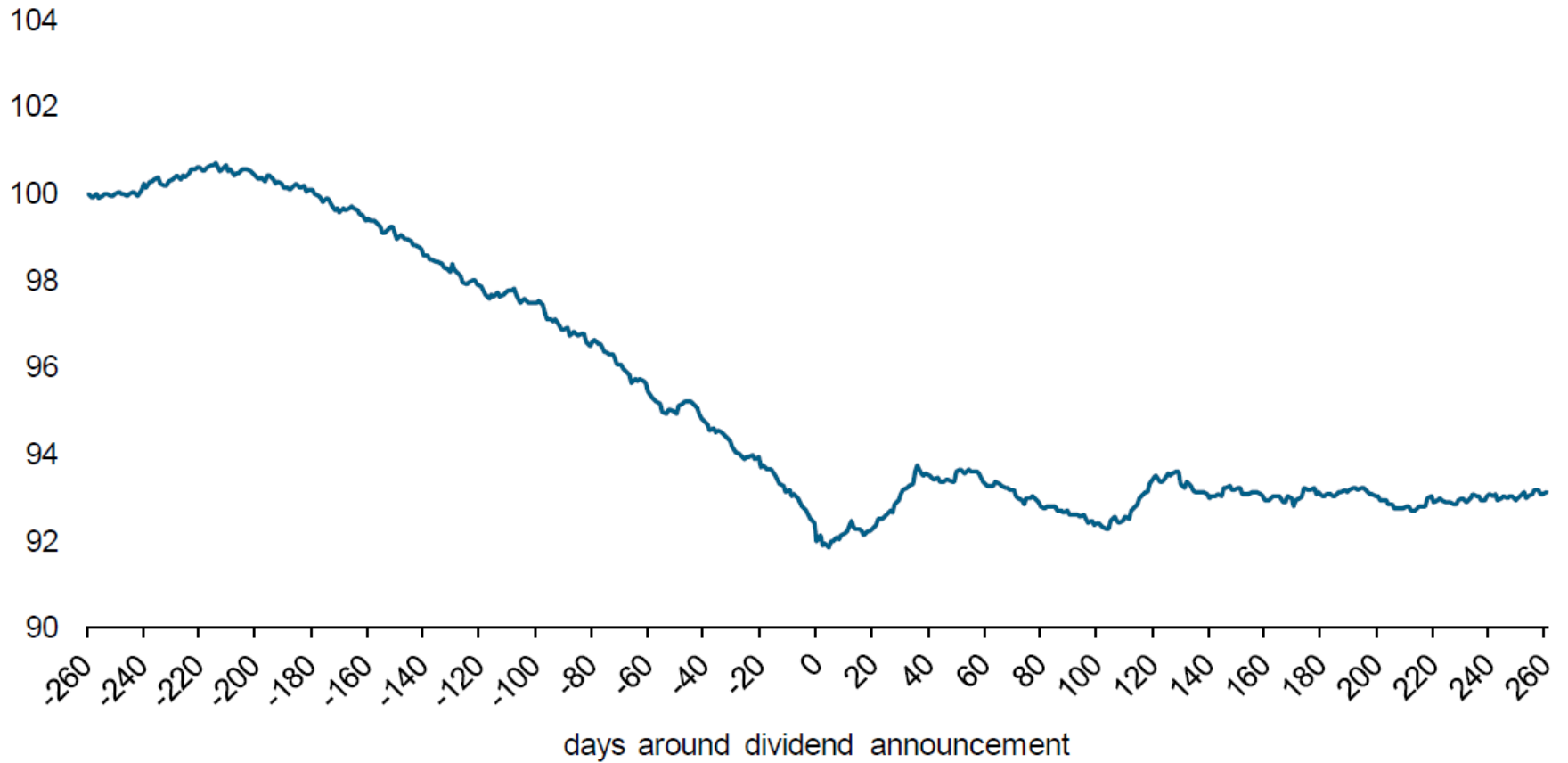
- Portfolio manager of strategy since 2010
- Joined Guinness Atkinson Asset Management in December 2006
- CFA Charterholder
- Graduated from University of Oxford, with a D.Phil. in Physics in 2006
- Graduated from University College London, University of London, with a First Class Honors Masters degree in Physics in 2003

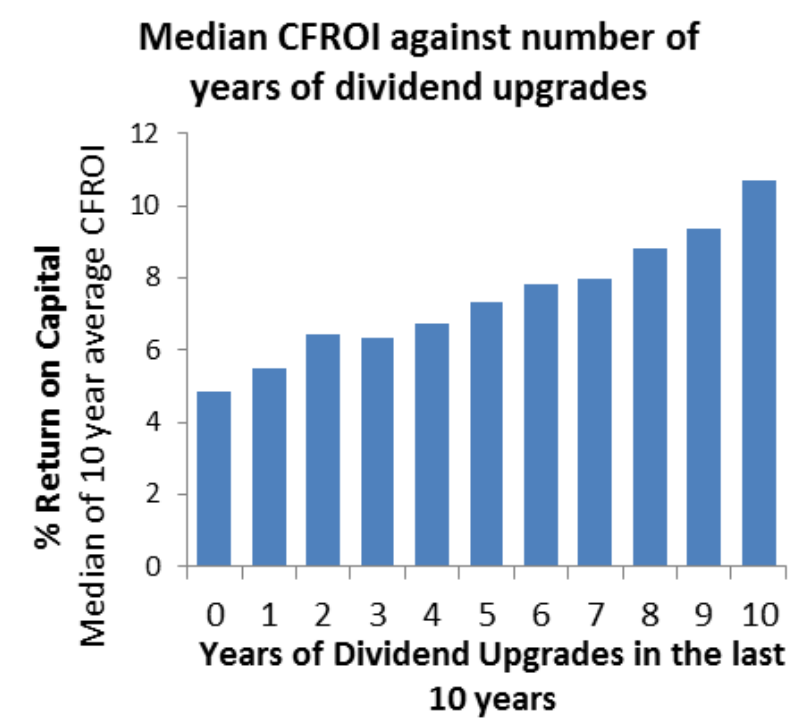
- They are regulated with low growth opportunities
- They are engineered to pay dividends, e.g. MLPs
- The business is low quality: poor return on capital, high leverage, poor growth potential
- High risk of a dividend cut

Comparing forecast and realized dividend yields since 1995

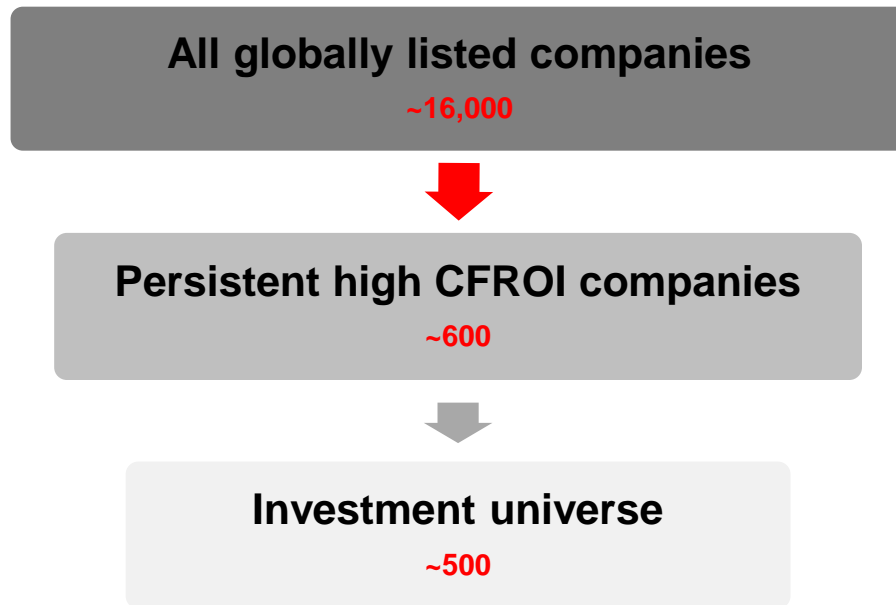


Source: SG Cross Asset Research/Equity Quant, FTSE, I/B/E/S, FactSet





CFROI = Cash Flow Return on Investment



**1 Sustainable competitive advantage**  
Screened for 10 years of CFROI greater than 10%

**2 Strong balance sheet and critical mass**  
Debt to equity < 1 : Market cap > \$1bn

CFROI = Cash flow return on investment

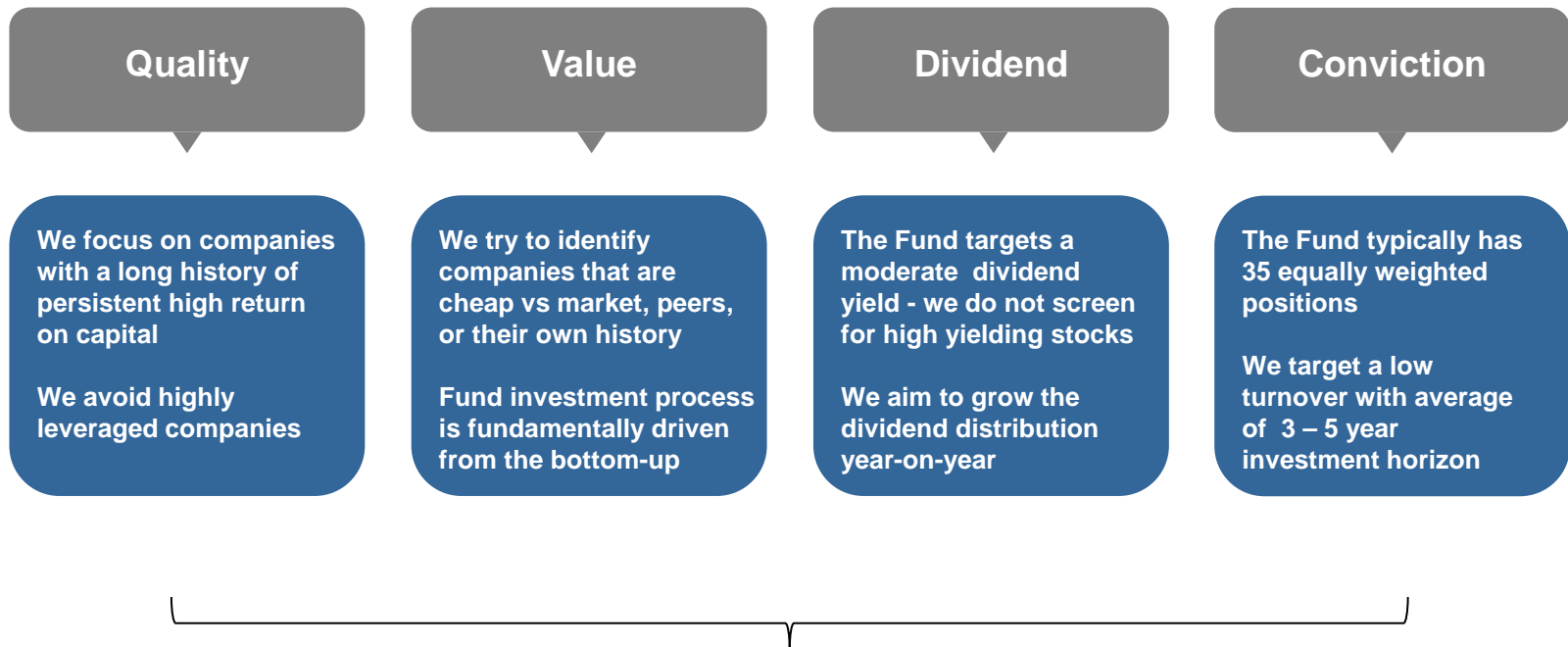
- **Global equity income fund focussing on companies with persistent high return on capital**
- The Fund seeks:
  - Quality companies at attractive valuations
  - Highly disciplined, systematic approach
  - Focussed portfolio of best ideas
  - High active share
  - Mid and large cap.
  - Buy and hold – low turnover
- Dividend growth, not high yield
- Objective: The Fund seeks a moderate level of current income and consistent dividend growth at a rate that exceeds inflation.

<b>Benchmark</b>	MSCI World
<b>Number of positions</b>	35
<b>Position size</b>	3%
<b>Market cap. range</b>	> \$1bn
<b>Av. holding period</b>	3-5 years
<b>Cash range</b>	1-3%
<b>Distributions</b>	Quarterly

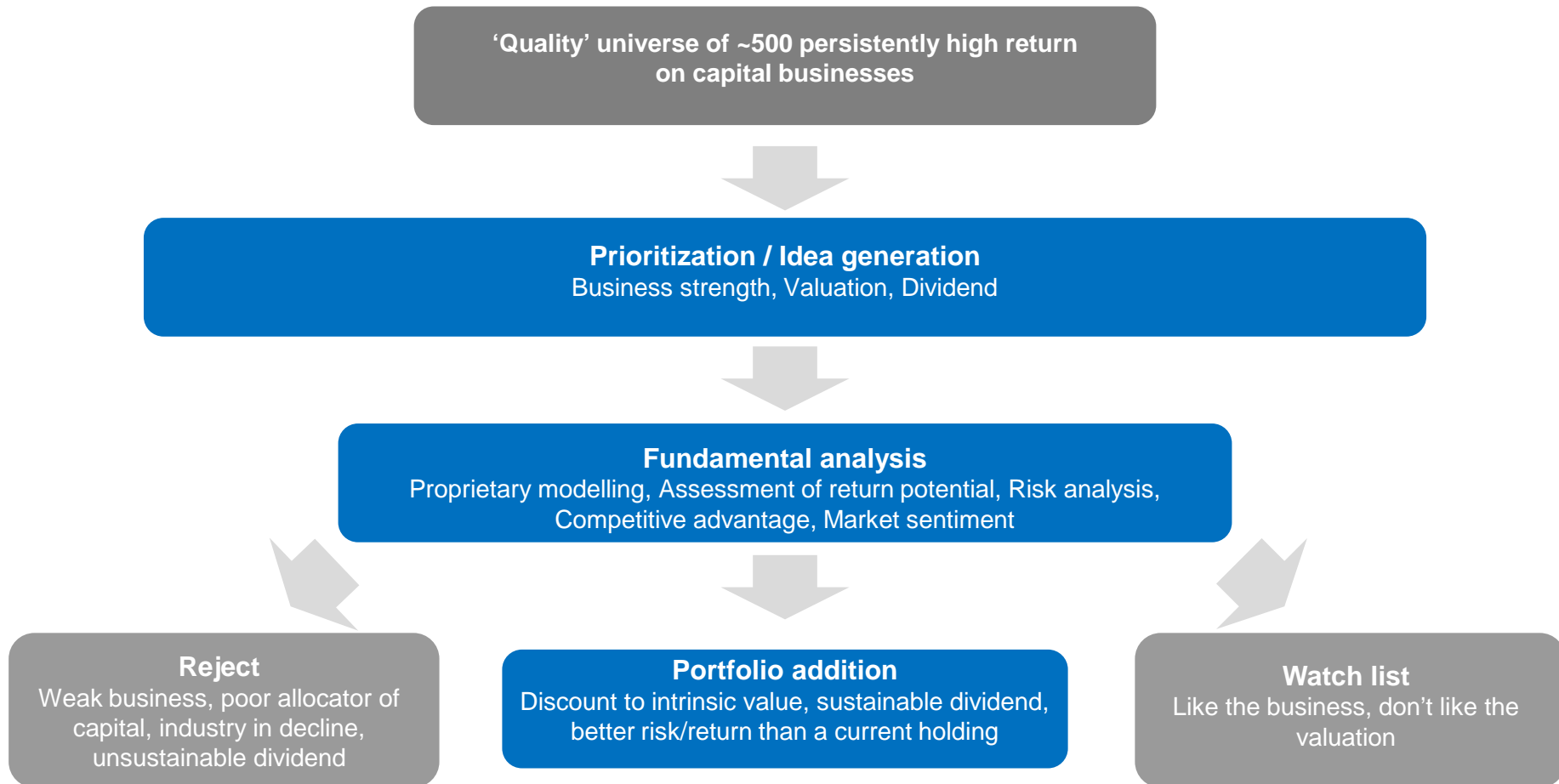
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|--|---|
| <ul style="list-style-type: none"><li>• AUM** in strategy: \$215M</li><li>• Strategy inception: 12.31.2010</li></ul> | <ul style="list-style-type: none"><li>• Fund ticker: GAINX</li><li>• Fund inception: 3.30.2012</li><li>• Expense ratio*: 0.68% (net), 1.77% (gross)</li></ul> |
|--|---|

\*The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding Acquired Fund Fees and Expenses, interest, taxes, dividends on short positions and extraordinary expenses) in order to limit the Fund's Total Annual Operating Expenses to 0.68% through June 30, 2017.





**We seek a concentrated portfolio of good quality companies, at attractive valuations, with a moderate dividend yield and good potential for dividend growth**



	Q2 2016	Q1 2016	YTD	1 year	3 years annualized	Since inception** annualized
<b>Dividend Builder Fund*</b>	1.40%	3.05%	4.84%	1.06%	6.78%	9.05%
<b>MSCI World Index</b>	0.91%	-0.18%	1.02%	-2.16%	7.58%	8.48%

\* The expense ratio is 1.77% (gross), 0.68% (net)

\*\* Inception on 3.30.2012

### 30 Day SEC Yield

Subsidized 2.96%

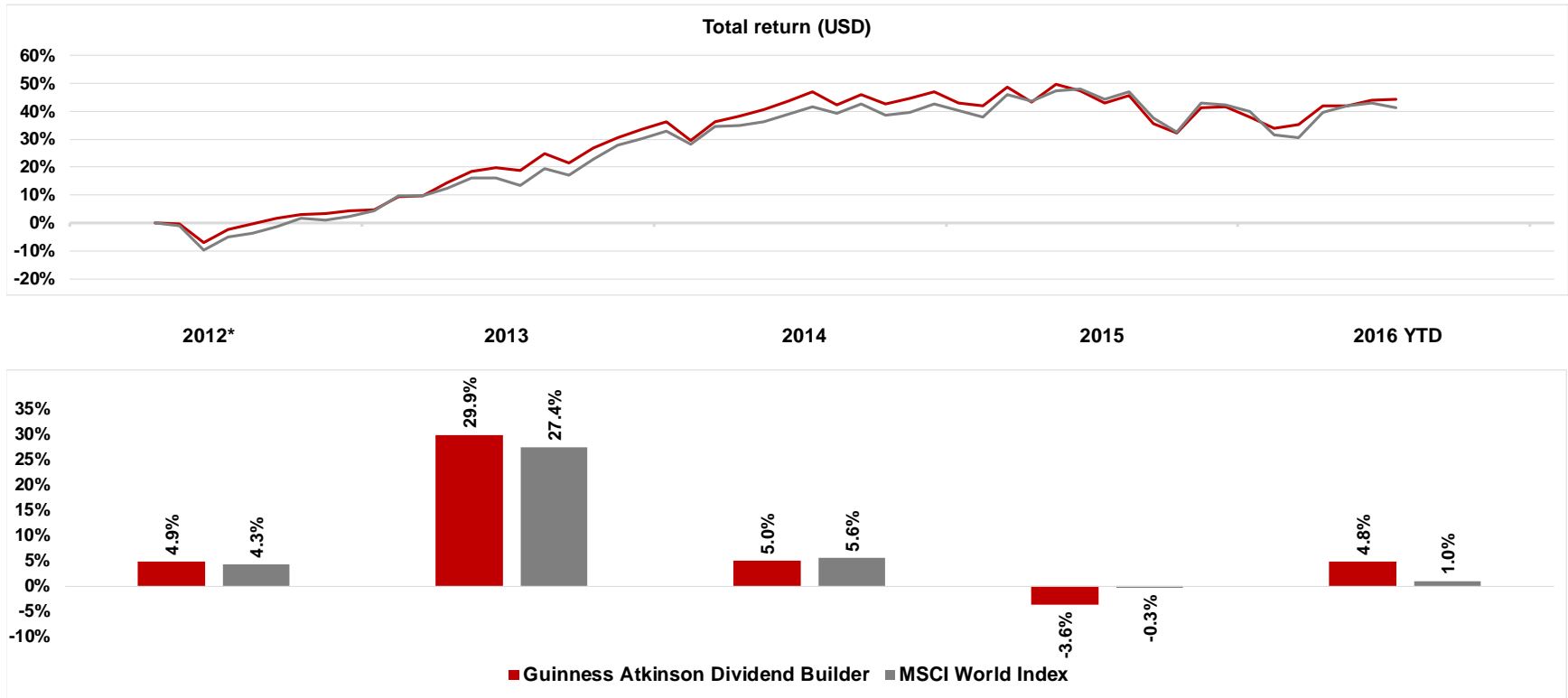
Unsubsidized 2.02%

**Distribution Yield** 3.14%

(The gross dividend yield for the most recent 12 month period. It is calculated using gross dividends divided by last price)

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. For performance current to the most recent month end please visit [www.gafunds.com](http://www.gafunds.com).*

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\* Fund launched 30 March 2012

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## Top 5 performing stocks

	Total return
Largan Precision	18.0%
Aflac	15.0%
Royal Dutch Shell	14.6%
Johnson & Johnson	12.9%
Sonic Healthcare	11.4%

## Bottom 5 performing stocks

	Total return
Li & Fung	-15.6%
Icap	-15.5%
H&R Block	-12.1%
WPP	-10.5%
Microsoft	-6.7%

Name	Sector	Mkt. cap	Country of domicile	% NAV	PE	
					16Y	17Y
Li & Fung Ltd	Consumer Discretionary	4.0	HK	2.8%	11.5	11.0
Mattel Inc	Consumer Discretionary	10.8	US	3.1%	22.8	17.5
H&R Block Inc	Consumer Discretionary	5.1	US	2.8%	13.8	13.0
Danone SA	Consumer Staples	46.0	FR	2.8%	20.8	19.2
Japan Tobacco Inc	Consumer Staples	84.5	JP	3.3%	17.5	16.7
Procter & Gamble Co/The	Consumer Staples	227.2	US	2.8%	23.2	21.3
Unilever PLC	Consumer Staples	140.2	GB	2.9%	22.8	21.2
Coca-Cola Co/The	Consumer Staples	195.2	US	2.8%	23.4	22.1
Wal-Mart Stores Inc	Consumer Staples	230.0	US	2.7%	16.0	17.1
Imperial Brands PLC	Consumer Staples	50.7	GB	3.0%	16.8	15.6
Royal Dutch Shell PLC	Energy	218.4	NL	2.9%	23.7	14.1
TOTAL SA	Energy	115.9	FR	2.9%	15.8	11.5
ICAP PLC	Financials	3.4	GB	2.7%	15.1	15.7
Willis Towers Watson PLC	Financials	17.2	GB	2.9%	15.8	14.3
Deutsche Boerse AG	Financials	15.1	DE	2.8%	15.4	14.7
Aflac Inc	Financials	29.7	US	2.8%	10.8	10.5
Arthur J Gallagher & Co	Financials	8.4	US	2.8%	16.9	15.4
CME Group Inc/IL	Financials	33.1	US	2.7%	22.6	21.0
Johnson & Johnson	Health Care	336.5	US	2.8%	18.4	17.3
AbbVie Inc	Health Care	102.7	US	2.8%	13.0	11.0
Merck & Co Inc	Health Care	162.5	US	2.8%	15.5	15.3
Sonic Healthcare Ltd	Health Care	6.8	AU	2.8%	20.3	19.2
Teva Pharmaceutical Industries Ltd	Health Care	45.5	IL	2.7%	9.6	8.4
BAE Systems PLC	Industrials	21.6	GB	3.2%	13.4	12.7
Eaton Corp PLC	Industrials	26.9	US	2.8%	14.0	13.0
Illinois Tool Works Inc	Industrials	37.4	US	2.8%	18.9	17.4
General Dynamics Corp	Industrials	42.3	US	2.8%	14.6	13.9
Schneider Electric SE	Industrials	32.9	FR	3.1%	14.4	13.5
United Technologies Corp	Industrials	83.7	US	2.8%	15.7	14.7
Largan Precision Co Ltd	Information Technology	11.9	TW	3.0%	17.3	13.1
CA Inc	Information Technology	13.8	US	2.8%	13.6	12.9
Cisco Systems Inc	Information Technology	143.8	US	2.8%	12.3	11.8
Microsoft Corp	Information Technology	401.6	US	2.8%	19.2	17.9
Vodacom Group Ltd	Telecommunication Services	16.8	ZA	2.9%	19.2	16.7
WPP PLC	Consumer Discretionary	26.8	GB	2.8%	14.4	13.3
Average mkt. cap		93.3	<b>Total portfolio</b>		<b>16.0</b>	<b>14.5</b>
Median mkt. cap		37.4				
MSCI World Index					<b>16.8</b>	<b>14.8</b>
Fund premium / (discount)					-4.8%	-1.8%

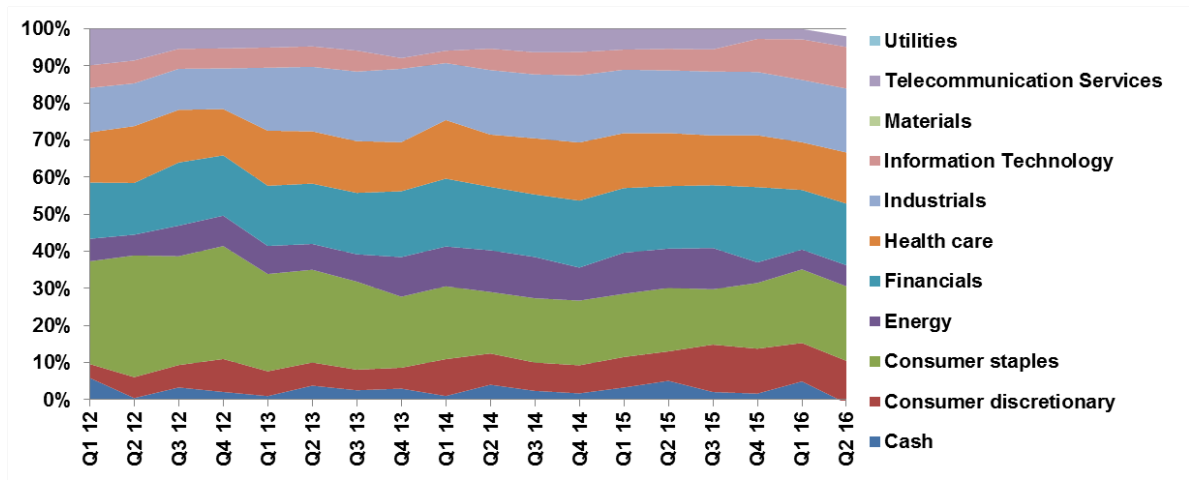
Source: Guinness Atkinson Asset Management, Bloomberg (data as of 6.30.2016)  
 PE = Price to earnings; NAV = Net Asset Value

Sector breakdown	% NAV
Consumer Staples	20.2%
Industrials	17.4%
Financials	16.7%
Health Care	13.9%
Consumer Discretionary	11.5%
Information Technology	11.3%
Energy	5.7%
Telecommunication Services	2.9%
Materials	0.0%
Utilities	0.0%
Cash	0.3%
	<b>100.0%</b>

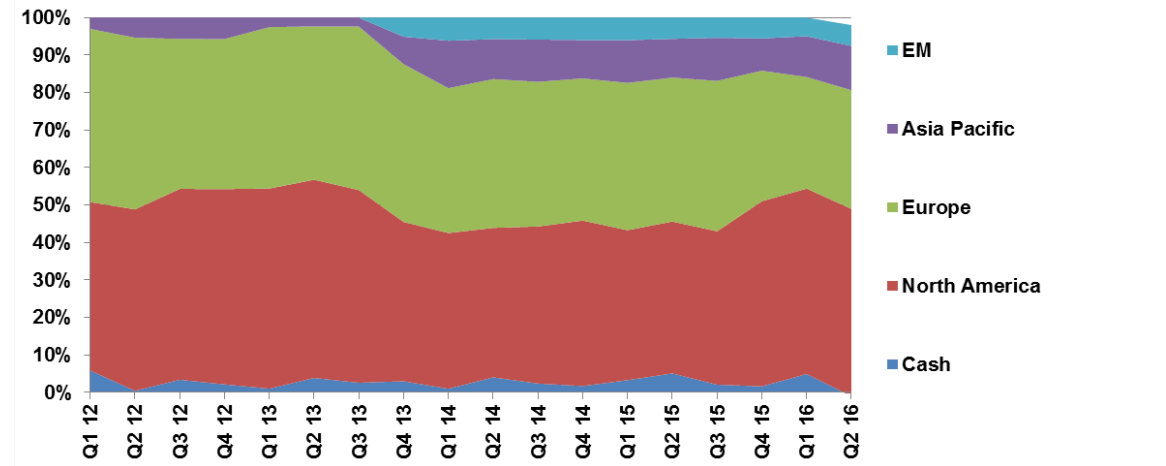
Market cap. (\$bn) breakdown	% NAV
<10	14.0%
10 to 50	45.8%
>50	39.9%
Cash	0.3%
	<b>100.0%</b>

Regional breakdown	% NAV
US	50.3%
Europe	31.9%
Asia (ex Japan)	8.6%
Japan	3.3%
MENA	5.6%
Cash	0.3%
	<b>100.0%</b>

## Sector allocation

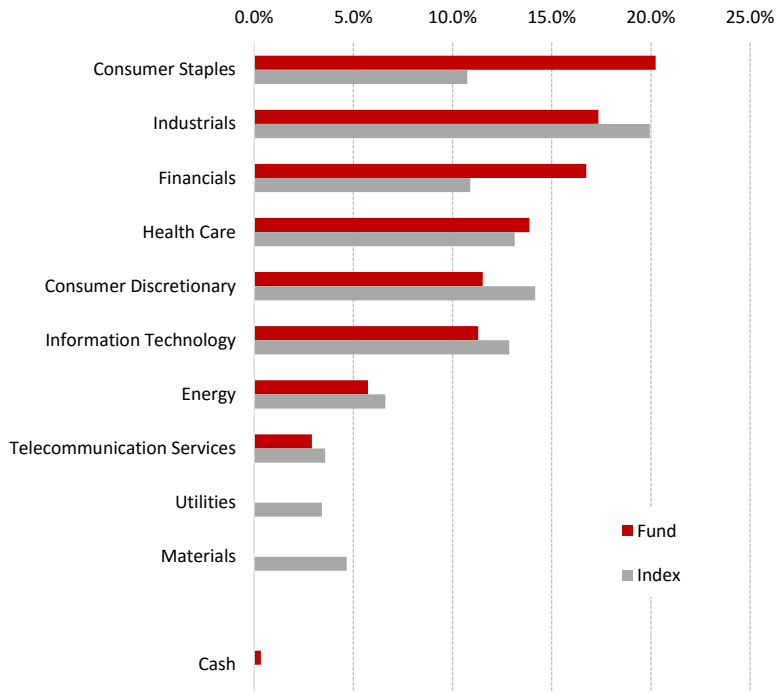


## Geographic allocation

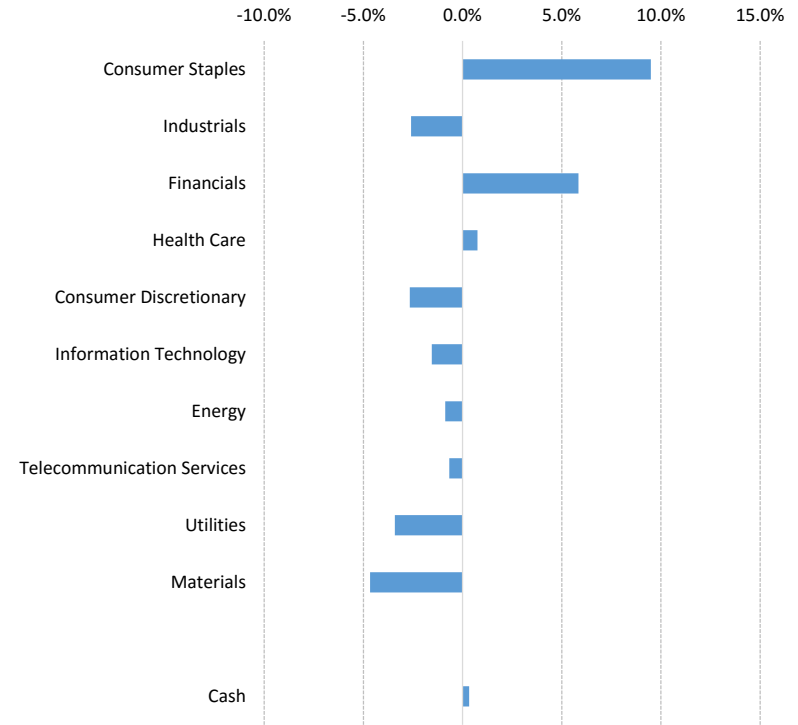




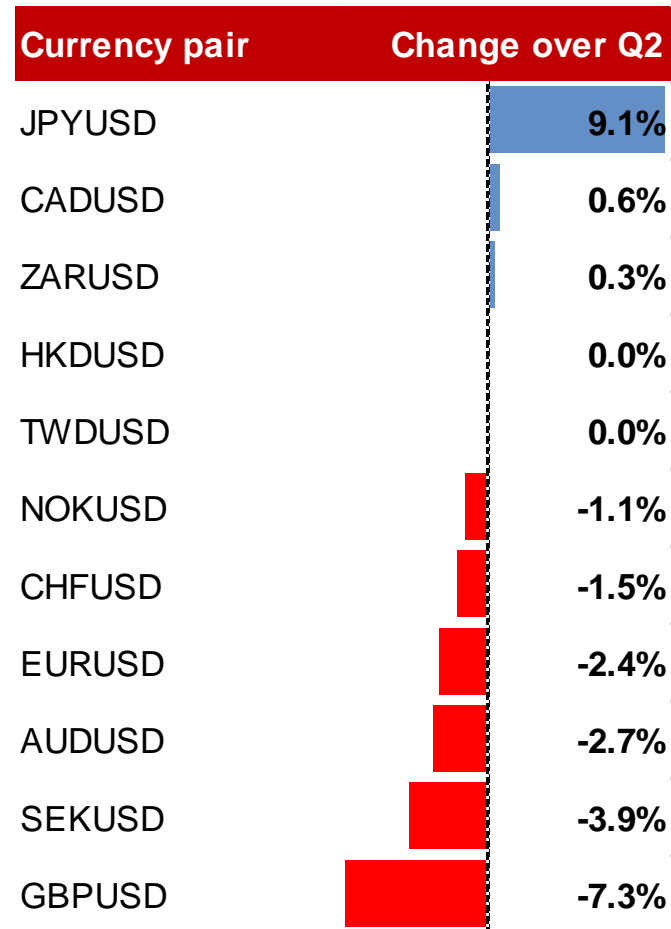
Fund allocation vs MSCI World Index

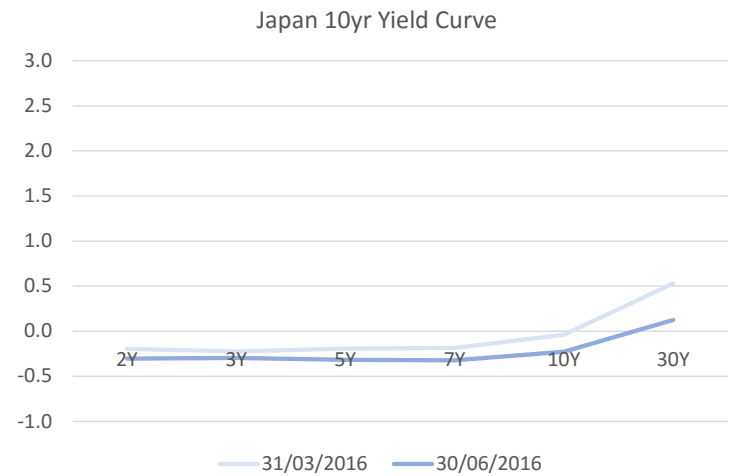
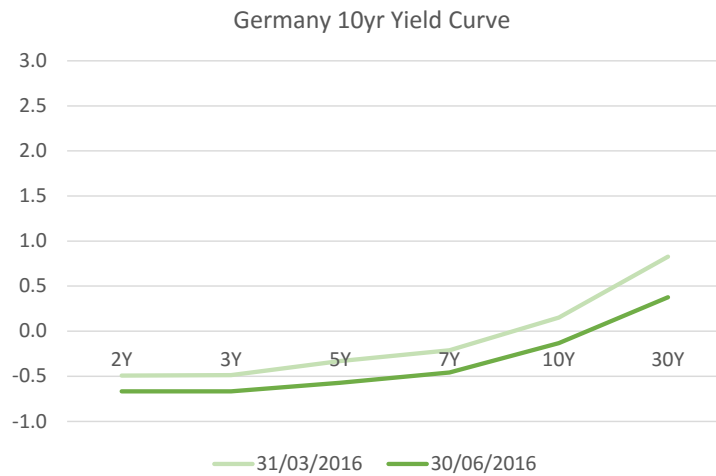
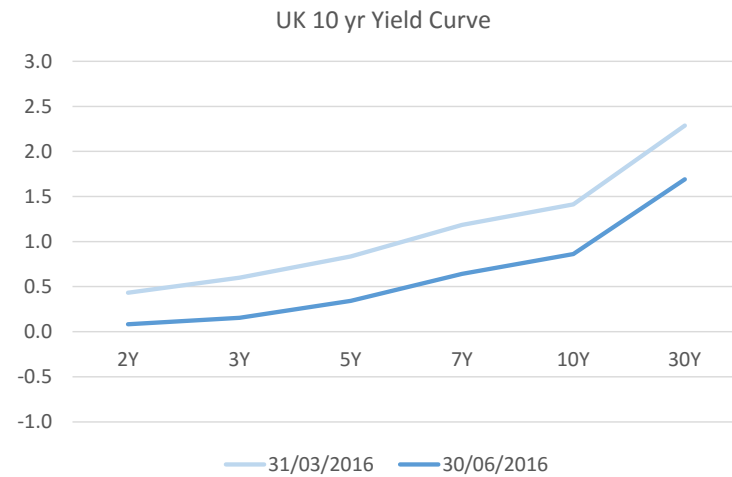
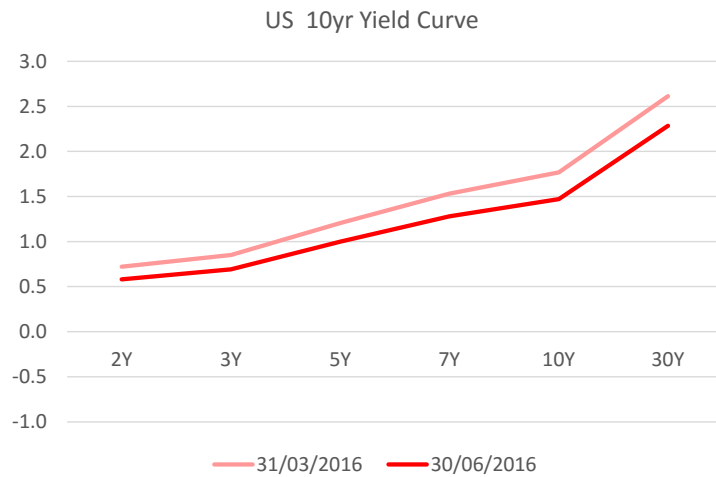


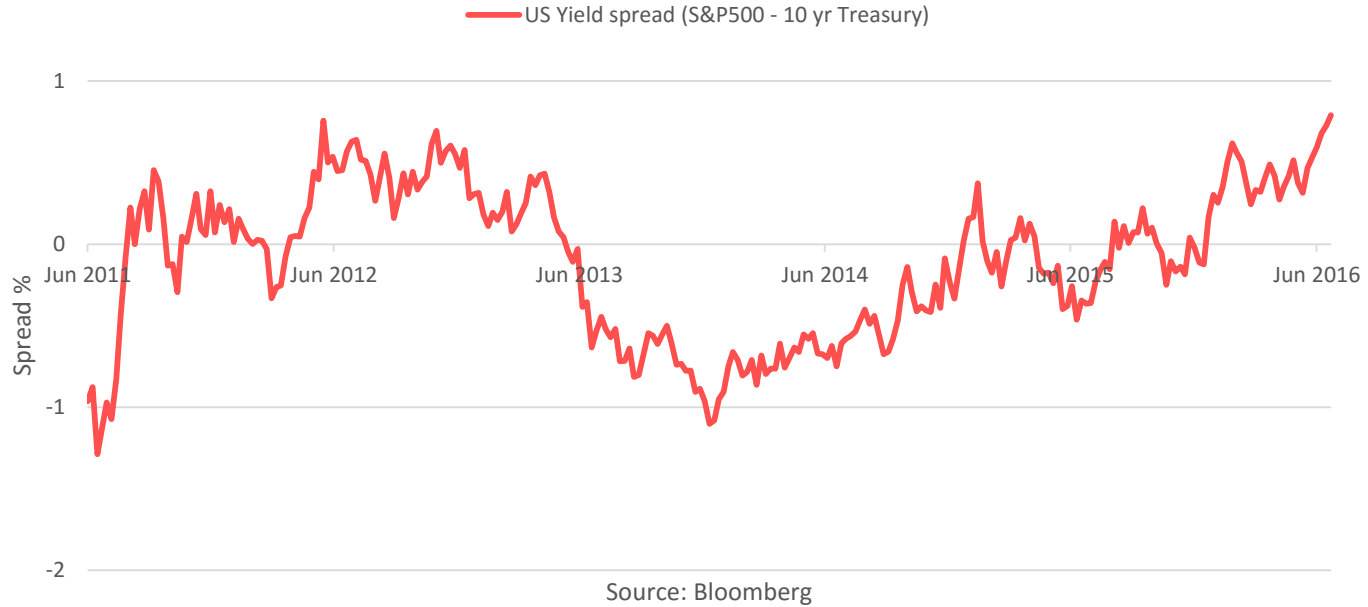
Over / under weights

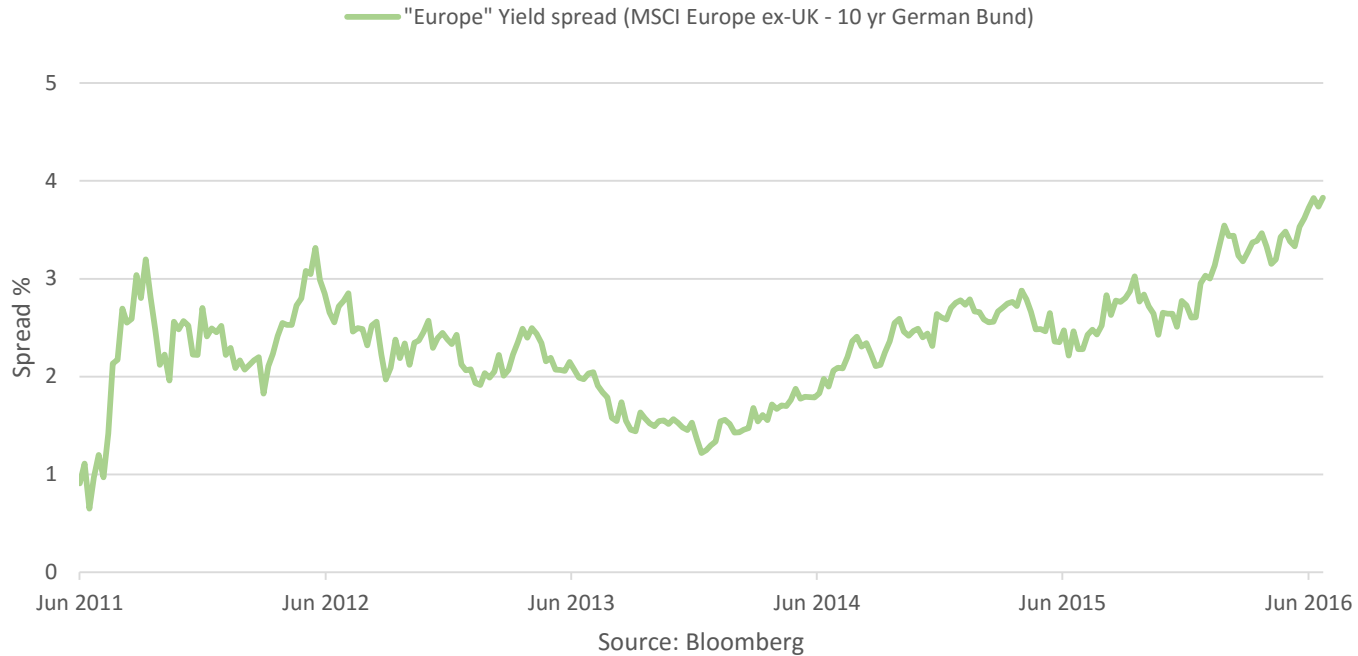


The change in value of each currency vs. the dollar over Q2









*This information is authorized for use when preceded or accompanied by a prospectus for the Guinness Atkinson Funds. The prospectus contains more complete information including investment objectives, risks, fees and expenses related to an ongoing investment in the Fund. Please read it carefully before investing.*

\*The Advisor has contractually agreed to waive fees and reimburse expenses through June 30, 2017.

### **Diversification does not assure a profit or protect against loss in a declining market**

**Mutual fund investing involves risk and loss of principal is possible. Investments in foreign securities involve greater volatility, political, economic and currency risks and differences in accounting methods. The Fund also invests in smaller companies, which will involve additional risks such as limited liquidity and greater volatility. The Fund is non-diversified meaning its assets may be concentrated in fewer individual holdings than diversified funds. Therefore, the Fund is more exposed to individual stock volatility than diversified funds.**

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security

The *MSCI World Index* captures large and mid cap representation across 23 Developed Markets (DM) countries

The S&P MLP Index provides investors with exposure to the leading partnerships that trade on the NYSE and NASDAQ.

Price to Earnings Ratio (P/E) is A valuation ratio of a company's current share price compared to its per-share earnings.

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