

# Dividend Builder Fund

Review of the 3rd Quarter 2016



For registered investment professional use only



## **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

- **Global equity income fund focussing on companies with persistent high return on capital businesses**

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

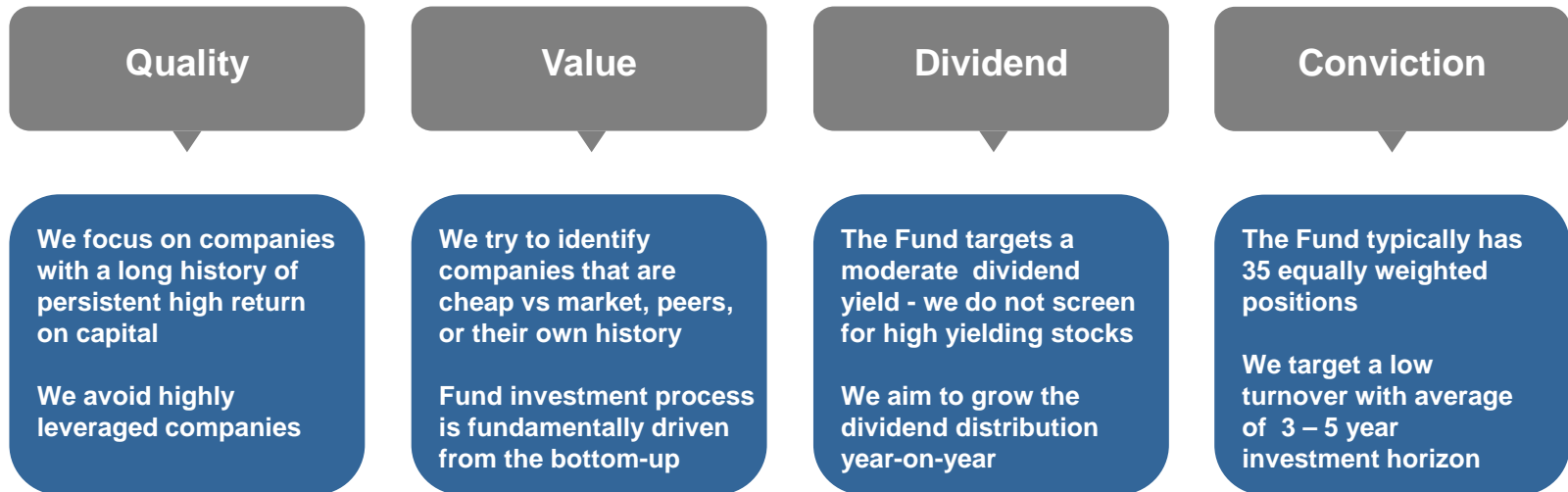
<b>Benchmark</b>	MSCI World
<b>Number of positions</b>	35
<b>Position size</b>	3%
<b>Market cap. range</b>	> \$1bn
<b>Av. holding period</b>	3-5 years
<b>Cash range</b>	1-3%

<b>Dividend yield (LTM)</b>	2.68%
<b>Distributions</b>	Quarterly

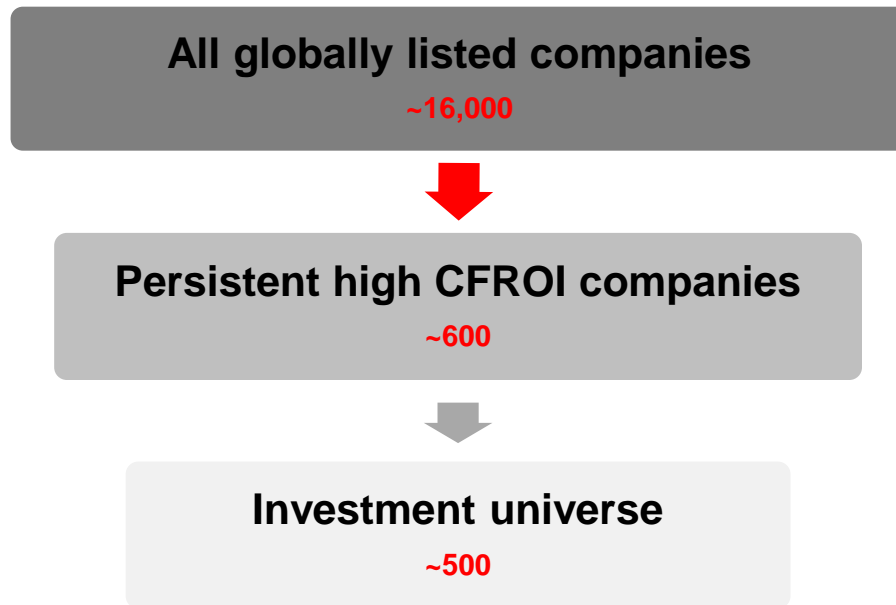
Objective: The Fund seeks a moderate level of current income and consistent dividend growth at a rate that exceeds inflation.

- |                                  |  |
|----------------------------------|--|
| • AUM in strategy: \$254M        | • Fund ticker: GAINX                         |
| • Strategy inception: 12.31.2010 | • Fund inception: 3.30.2012                  |
|                                  | • Expense ratio*: 0.68% (net), 1.77% (gross) |

\* See slide 7 for the expense waiver disclosure



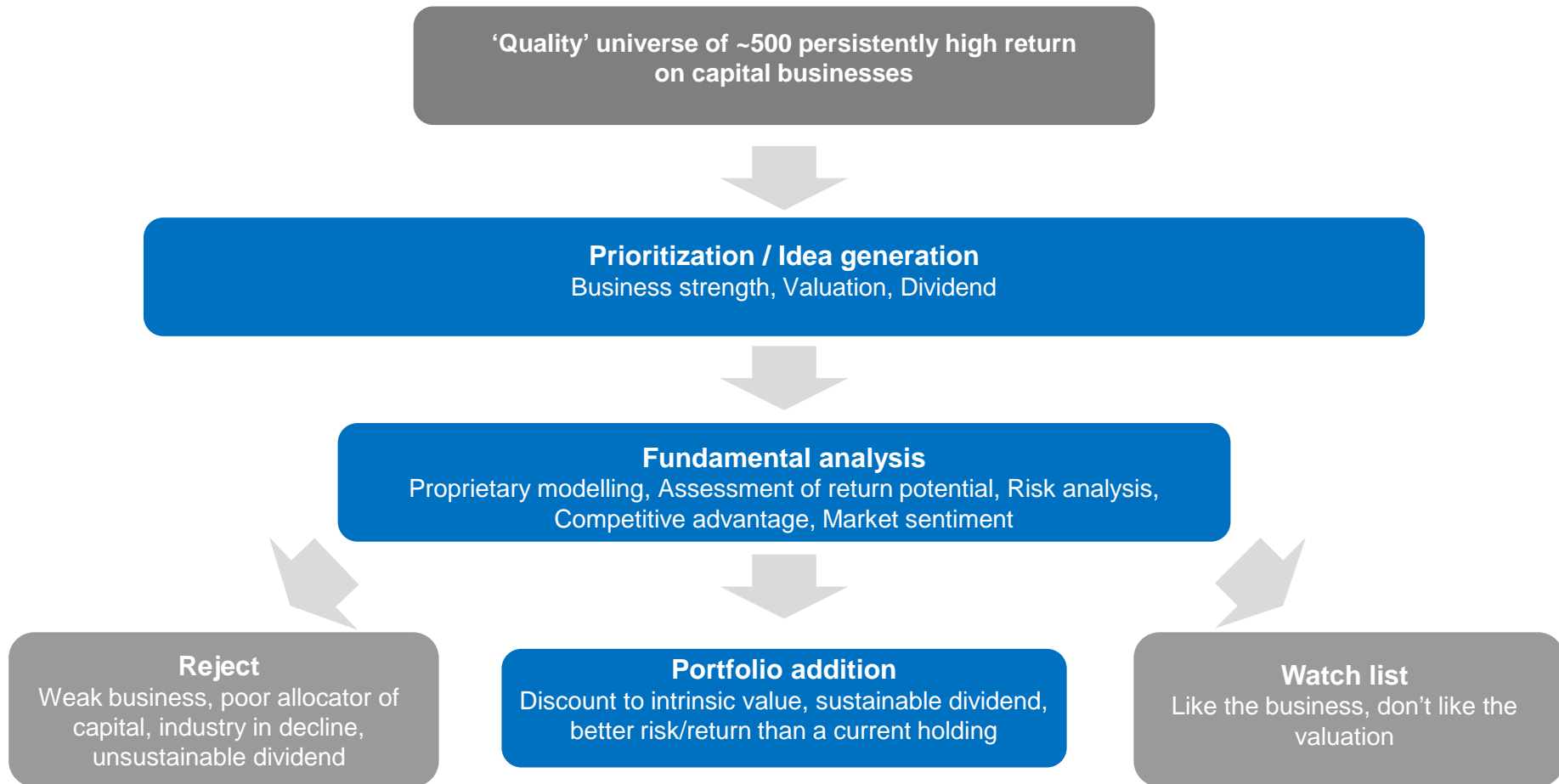
**The Fund seeks concentrated portfolio of good quality companies, at attractive valuations, with a moderate dividend yield and good potential for dividend growth**



**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



As at 9.30.2016 in USD	Q3 2016	YTD	1 year	3 years annualized	Since inception** annualized
<b>Dividend Builder Fund*</b>	4.33%	9.38%	14.05%	5.95%	9.55%
<b>MSCI World Index</b>	4.99%	6.06%	12.04%	6.48%	9.15%

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

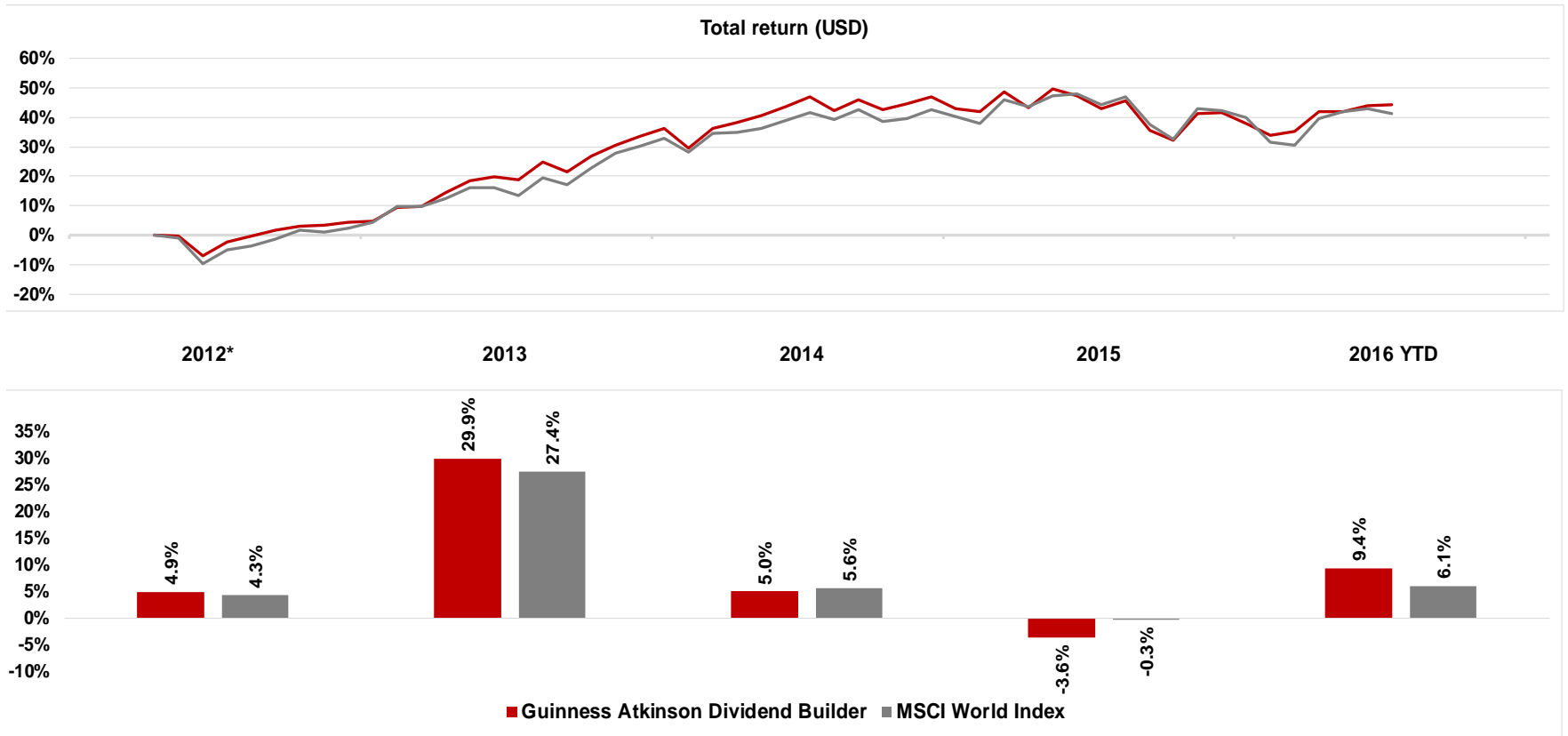
\*\* Inception on 3.30.2012

### 30 Day SEC Yield (at 9.30.2016)

Subsidized	2.65%
Unsubsidized	1.68%

*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. Performance data does not reflect the 2% redemption fee for shares held less than 30 days and if deducted the fee would reduce the performance quoted. For performance current to the most recent month end please visit [www.gafunds.com](http://www.gafunds.com).*

\*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.



\* Fund launched 30 March 2012

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## Top 5 performing stocks

	Total return
Largan Precision	34.4%
Schneider Electric	18.6%
Illinois Tool Works	15.7%
WPP	14.3%
Microsoft	13.3%

## Bottom 5 performing stocks

	Total return
Teva Pharmaceutical	-7.8%
Royal Dutch Shell	-7.2%
Coca-Cola	-5.9%
Deutsche Boerse	-4.8%
Imperial Brands	-3.6%

***No changes made to portfolio in the quarter***

Name	Sector	Mkt. cap	Country of domicile	% NAV	PE	
					16Y	17Y
Li & Fung Ltd	Consumer Discretionary	4.4	HK	2.9%	14.6	13.5
Mattel Inc	Consumer Discretionary	10.3	US	2.6%	22.6	16.9
H&R Block Inc	Consumer Discretionary	4.9	US	2.7%	13.8	13.3
WPP PLC	Consumer Discretionary	29.7	GB	3.0%	16.4	14.8
Danone SA	Consumer Staples	49.0	FR	2.9%	21.6	19.8
Japan Tobacco Inc	Consumer Staples	80.1	JP	2.9%	17.5	17.2
Procter & Gamble Co/The	Consumer Staples	235.8	US	3.0%	24.6	23.1
Unilever PLC	Consumer Staples	140.8	GB	2.8%	22.7	20.9
Coca-Cola Co/The	Consumer Staples	180.6	US	2.7%	22.2	21.1
Wal-Mart Stores Inc	Consumer Staples	221.9	US	2.8%	15.8	16.6
Imperial Brands PLC	Consumer Staples	49.0	GB	2.7%	16.2	14.5
Royal Dutch Shell PLC	Energy	213.4	NL	2.7%	25.3	13.0
TOTAL SA	Energy	120.1	FR	2.9%	14.5	11.2
ICAP PLC	Financials	3.9	GB	2.9%	16.4	17.3
Willis Towers Watson PLC	Financials	18.2	GB	3.2%	17.2	15.5
Deutsche Boerse AG	Financials	15.4	DE	2.9%	14.3	14.6
Aflac Inc	Financials	29.3	US	2.9%	10.5	10.3
Arthur J Gallagher & Co	Financials	8.9	US	2.9%	18.3	16.6
CME Group Inc	Financials	35.2	US	3.0%	23.7	22.0
Johnson & Johnson	Health Care	325.1	US	2.6%	17.6	16.6
AbbVie Inc	Health Care	102.6	US	2.9%	13.1	11.2
Merck & Co Inc	Health Care	172.7	US	3.1%	16.6	16.2
Sonic Healthcare Ltd	Health Care	7.0	AU	2.9%	21.0	20.1
Teva Pharmaceutical Industries Ltd	Health Care	41.4	IL	2.4%	8.7	7.7
BAE Systems PLC	Industrials	21.8	GB	2.7%	13.2	12.2
Eaton Corp PLC	Industrials	29.2	US	2.9%	15.4	14.4
Illinois Tool Works Inc	Industrials	42.3	US	3.0%	21.3	19.5
General Dynamics Corp	Industrials	46.9	US	3.2%	15.9	15.4
Schneider Electric SE	Industrials	40.7	FR	3.2%	16.7	15.7
United Technologies Corp	Industrials	84.9	US	2.7%	15.5	14.8
Largan Precision Co Ltd	Information Technology	16.5	TW	2.7%	21.6	16.2
CA Inc	Information Technology	13.8	US	2.9%	13.7	13.1
Cisco Systems Inc	Information Technology	157.2	US	2.9%	13.6	13.1
Microsoft Corp	Information Technology	445.6	US	2.9%	21.6	19.8
Vodacom Group Ltd	Telecommunication Services	16.4	ZA	2.7%	18.9	16.3

Average mkt. cap 97.2  
Median mkt. cap 41.4

**Total portfolio** 16.6 15.1

**MSCI World Index** 17.4 15.4  
Fund premium / (discount) -4.6% -1.9%

Name	Sector	Mkt. cap	Country of domicile	% NAV	PE	
					16Y	17Y
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Vodacom Group Ltd	Telecommunication Services	16.4	ZA	2.7%	18.9	16.3

Average mkt. cap	97.2	<b>Total portfolio</b>	<b>16.6</b>	<b>15.1</b>
Median mkt. cap	41.4			

<b>MSCI World Index</b>	<b>17.4</b>	<b>15.4</b>
Fund premium / (discount)	-4.6%	-1.9%

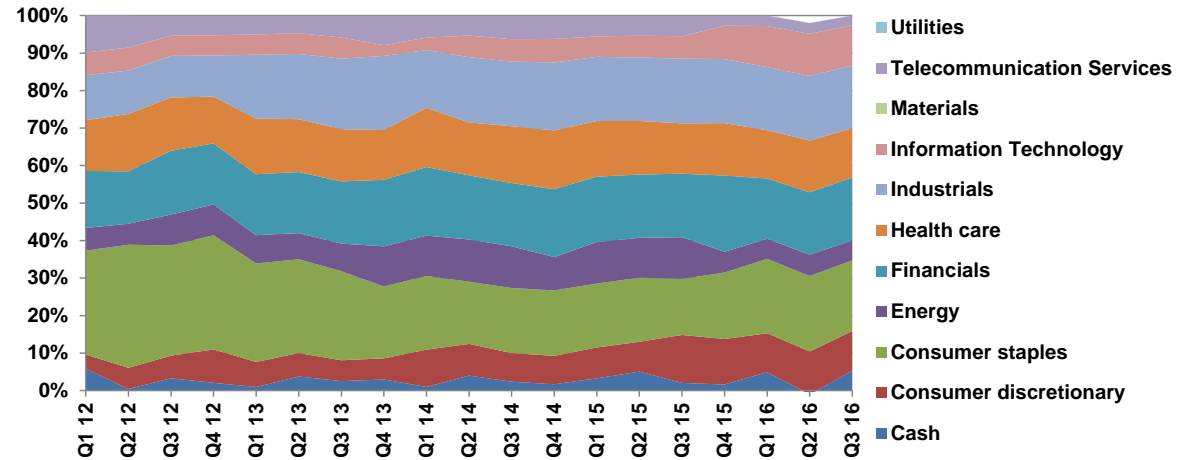
Source: Guinness Atkinson Asset Management, Bloomberg (data as of 9.30.2016)  
 PE = Price to earnings; NAV = Net Asset Value

Sector breakdown	% NAV
Consumer Staples	18.8%
Financials	16.7%
Industrials	16.6%
Health Care	13.1%
Information Technology	10.8%
Consumer Discretionary	10.6%
Energy	5.3%
Telecommunication Services	2.5%
Materials	0.0%
Utilities	0.0%
Real estate	0.0%
Cash	5.6%
	<b>100.0%</b>

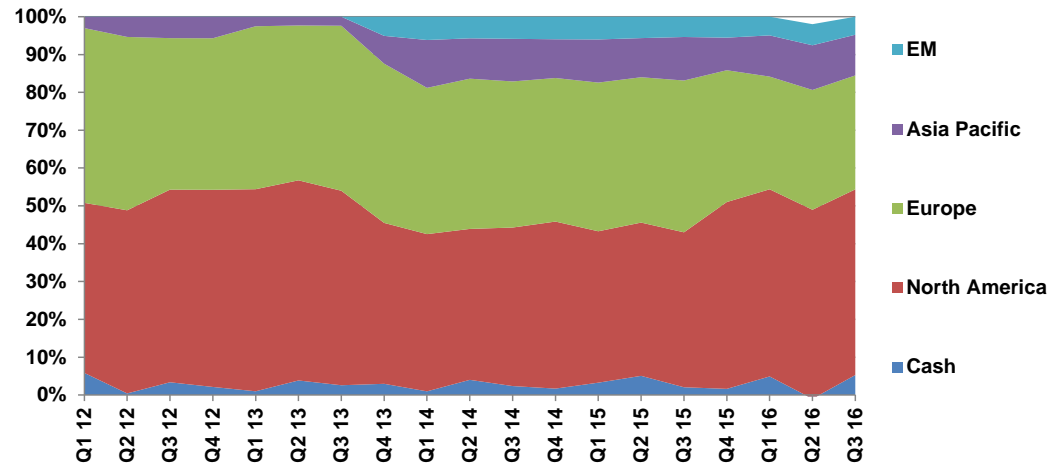
Market cap. (\$bn) breakdown	% NAV
<10	13.5%
10 to 50	46.0%
>50	35.0%
Cash	5.6%
	<b>100.0%</b>

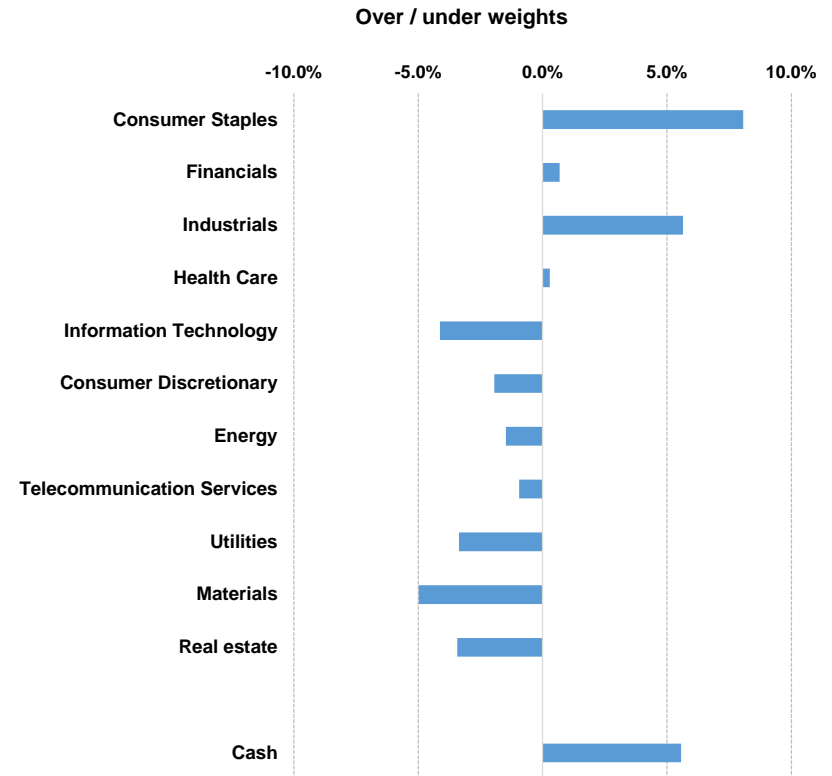
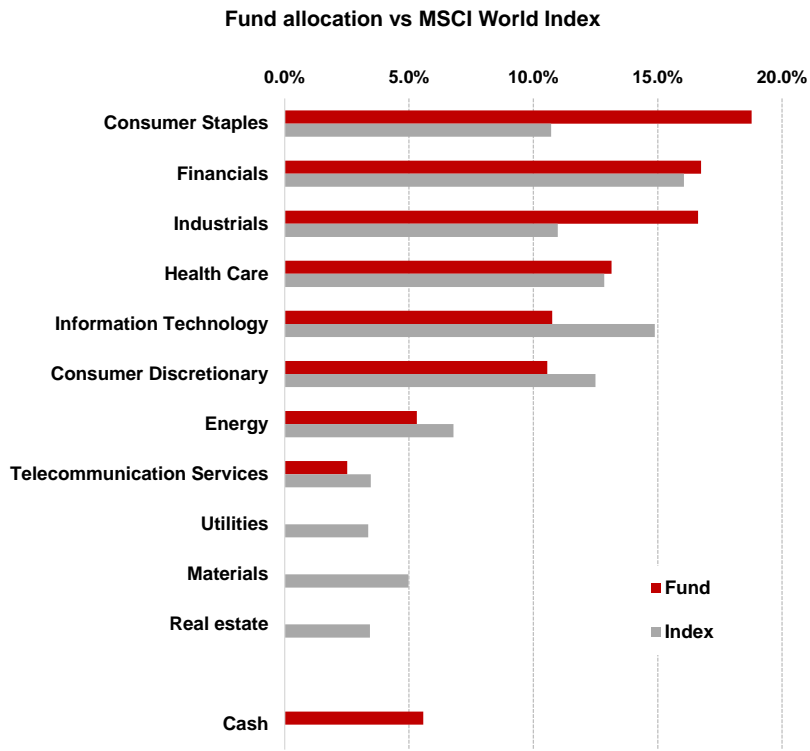
Regional breakdown	% NAV
US	48.9%
Europe	30.0%
Asia (ex Japan)	8.0%
Japan	2.7%
MENA	4.8%
Cash	5.6%
	<b>100.0%</b>

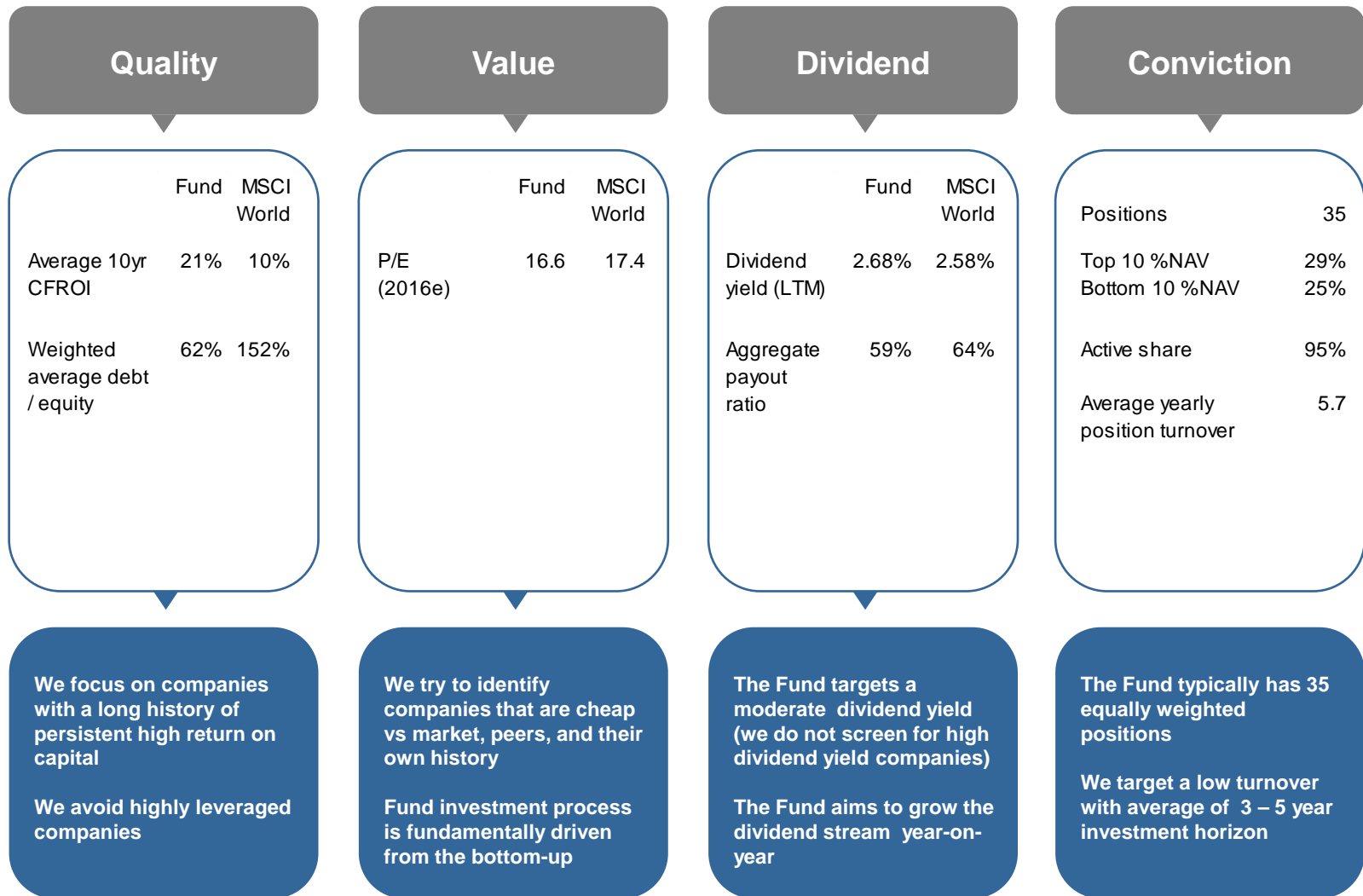
## Sector allocation



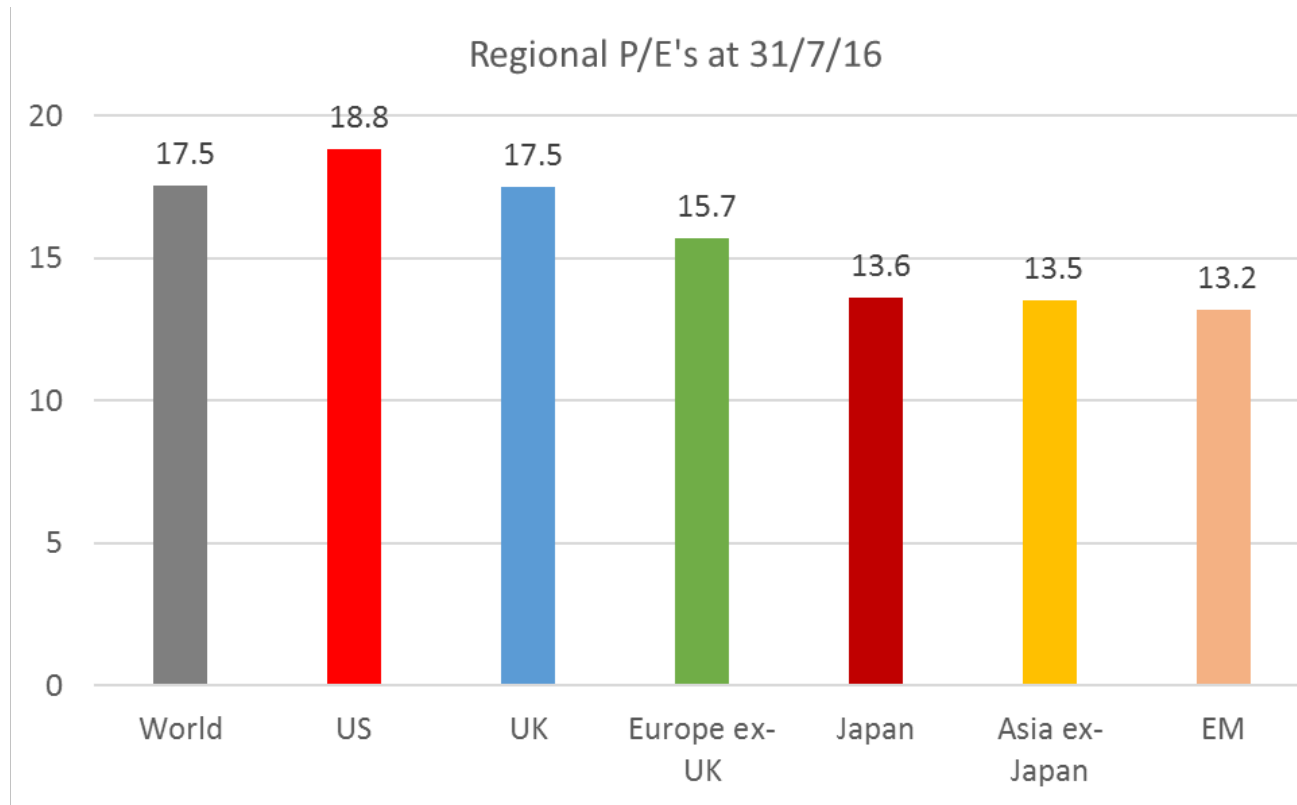
## Geographic allocation

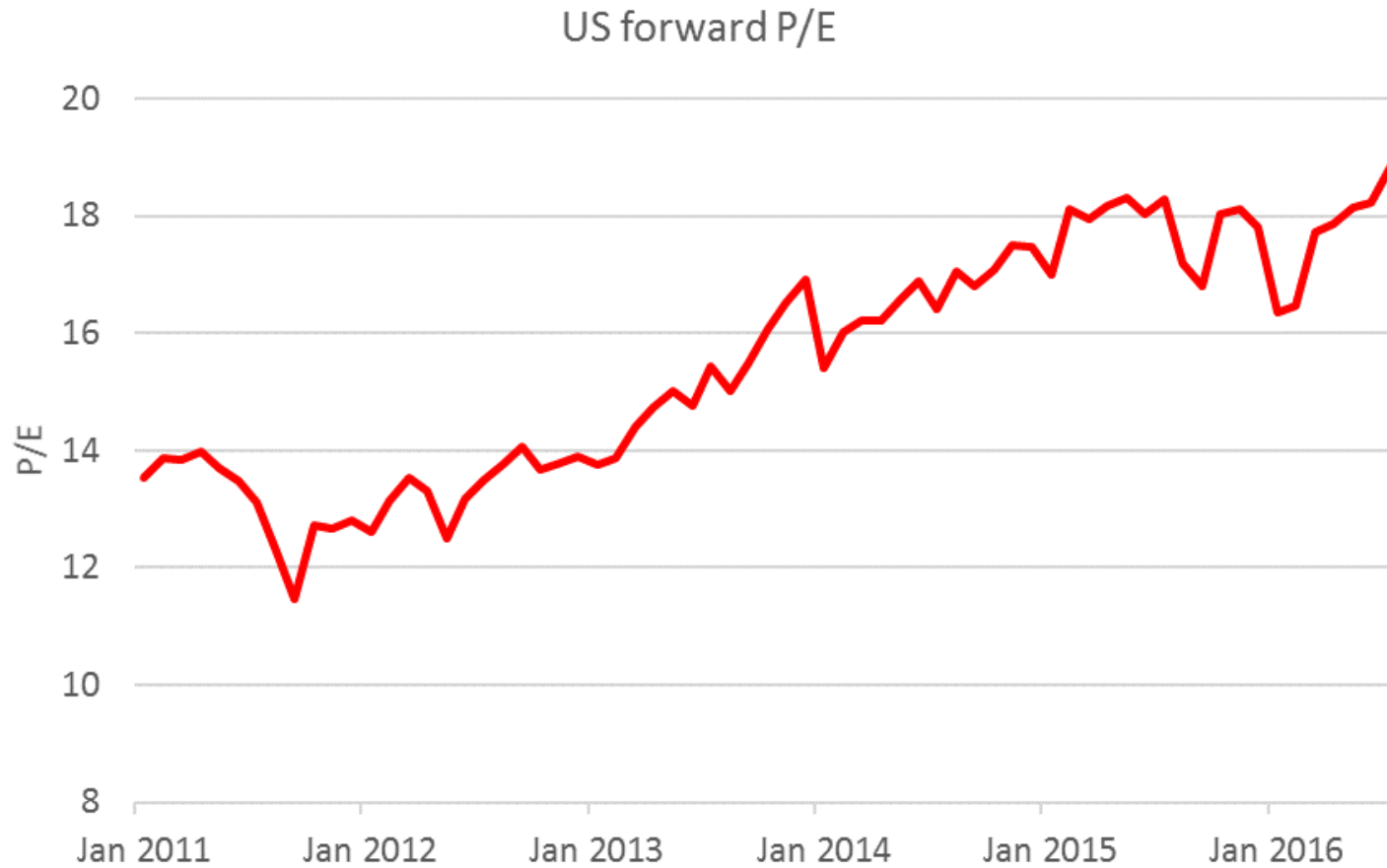


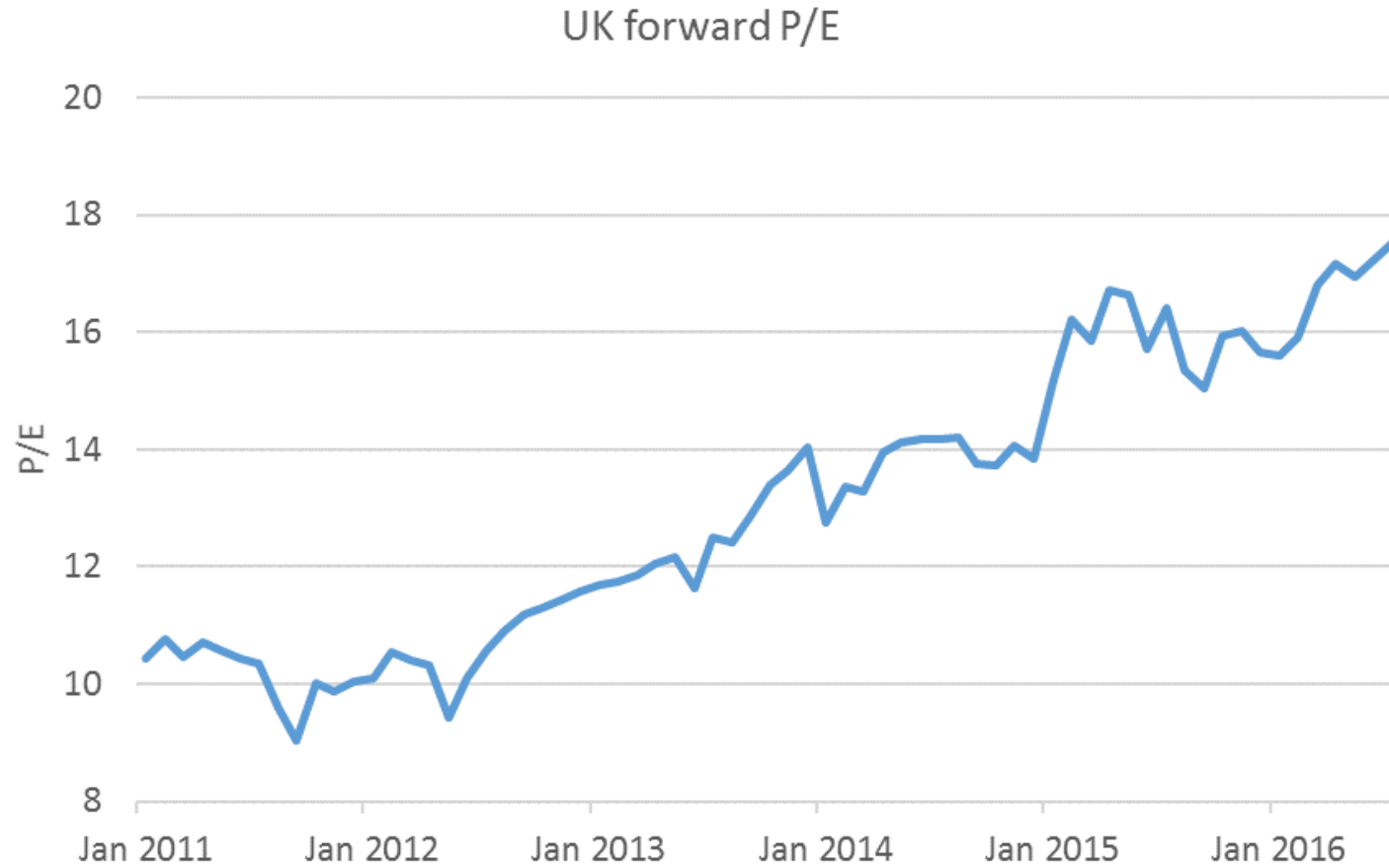


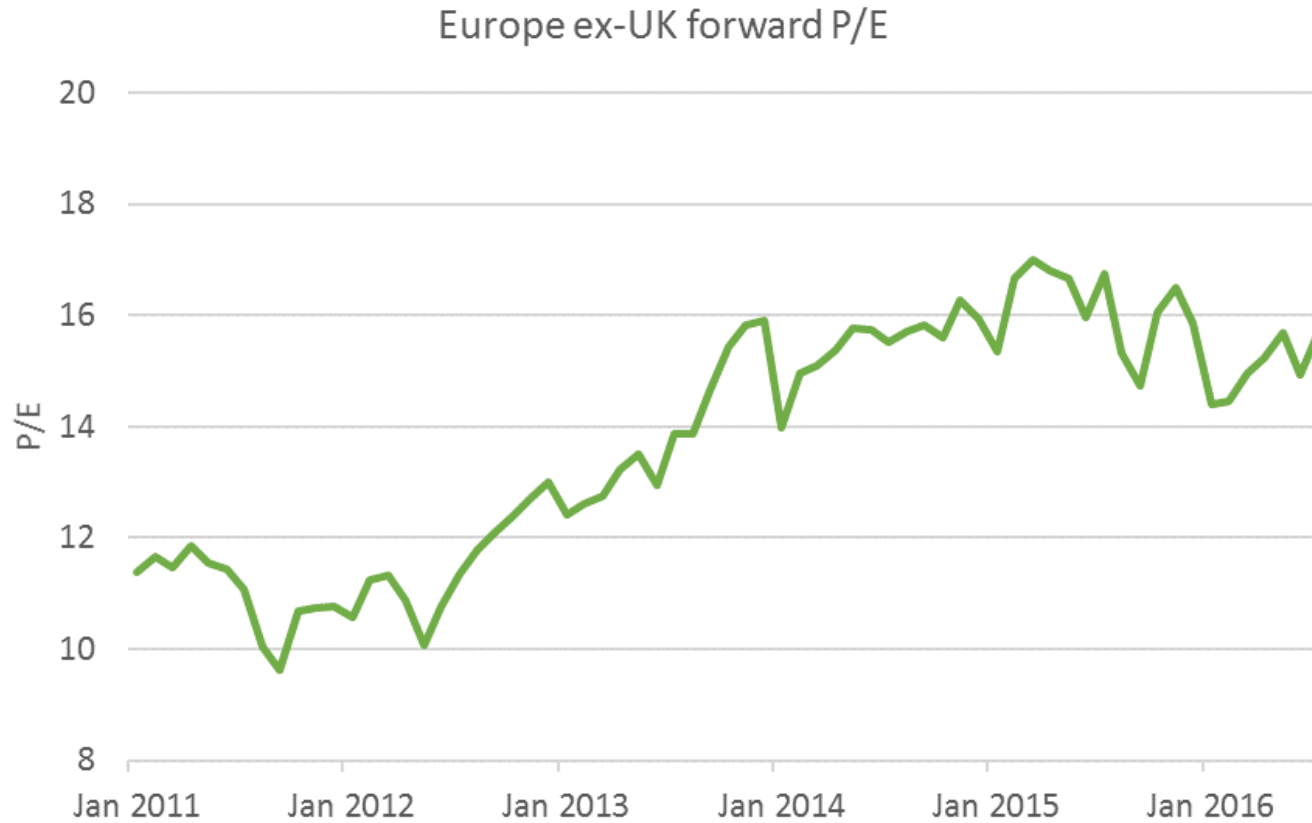


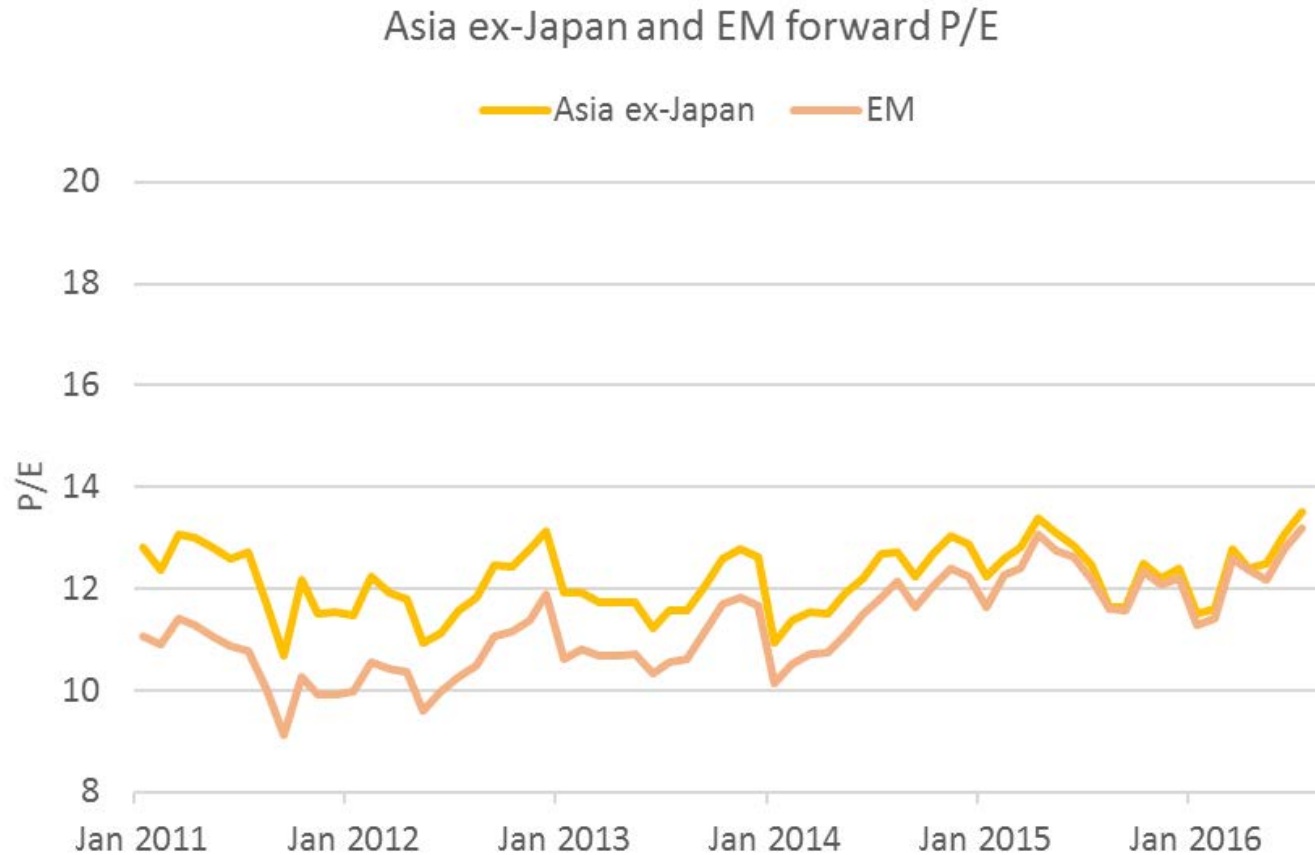


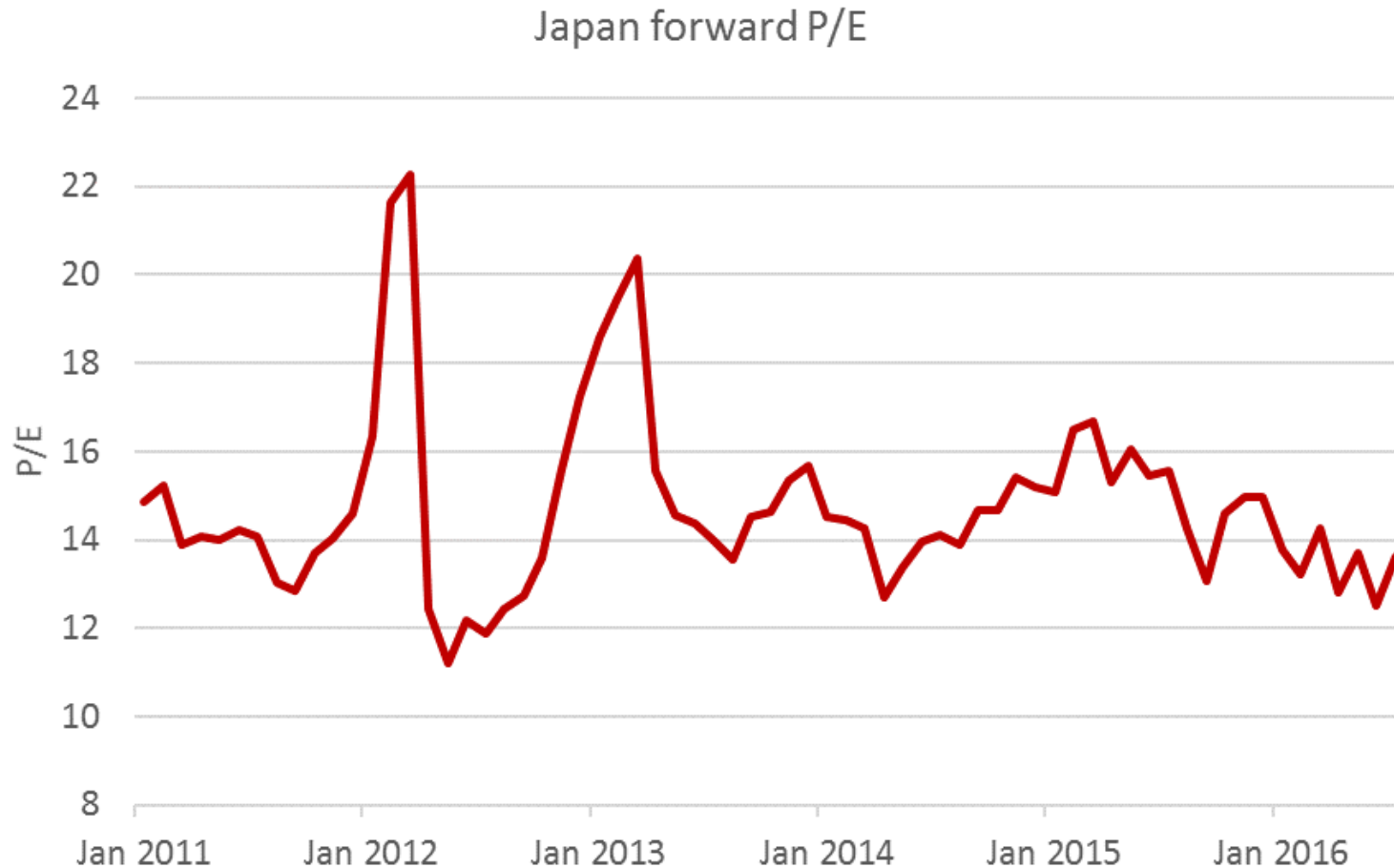












Source: Guinness Atkinson Asset Management, Bloomberg, MSCI (data as of 7.31.2016)

## 1. Index constituents change over time

e.g. S&P500: on average 22 companies added or removed per year since inception

Over 10 years that's 220 companies

Over 20 years that's 440 companies

## 2. Sector weights can change considerably

e.g. S&P500

Energy Sector

15% in **2008**

vs

7% in **2016**

Financials Sector

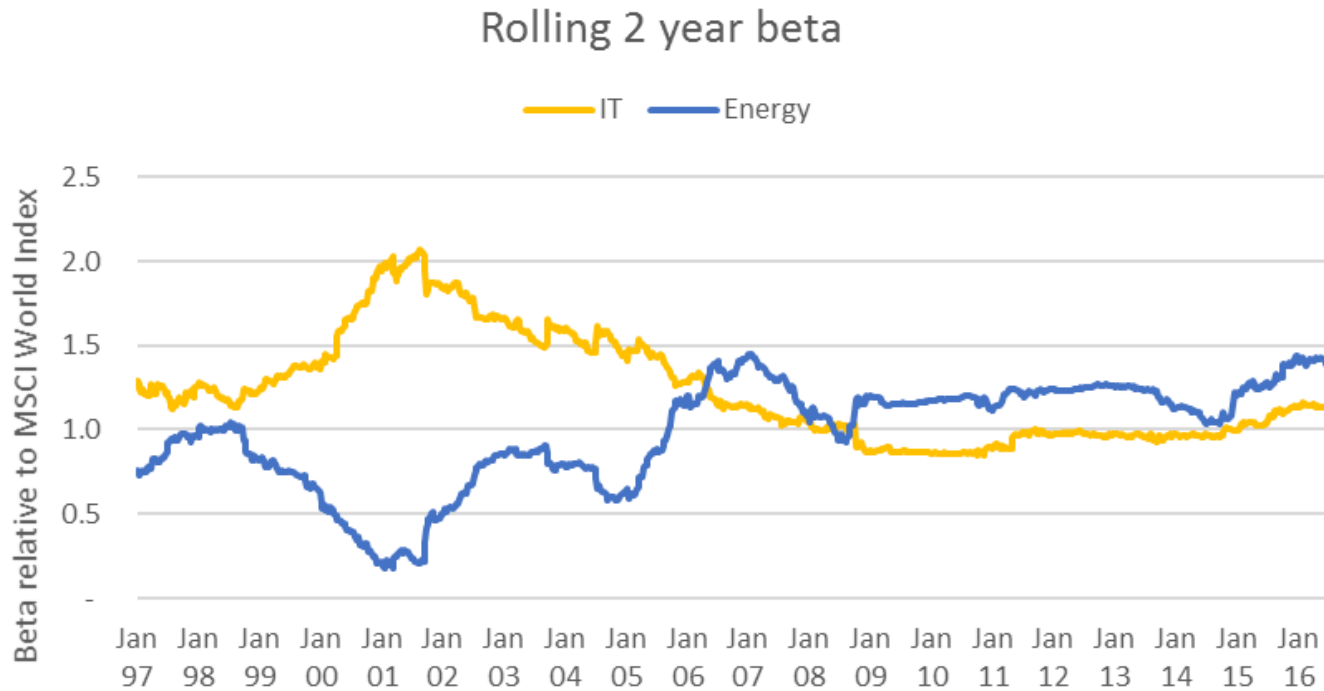
8% in **1990**

vs

22% in **2016**



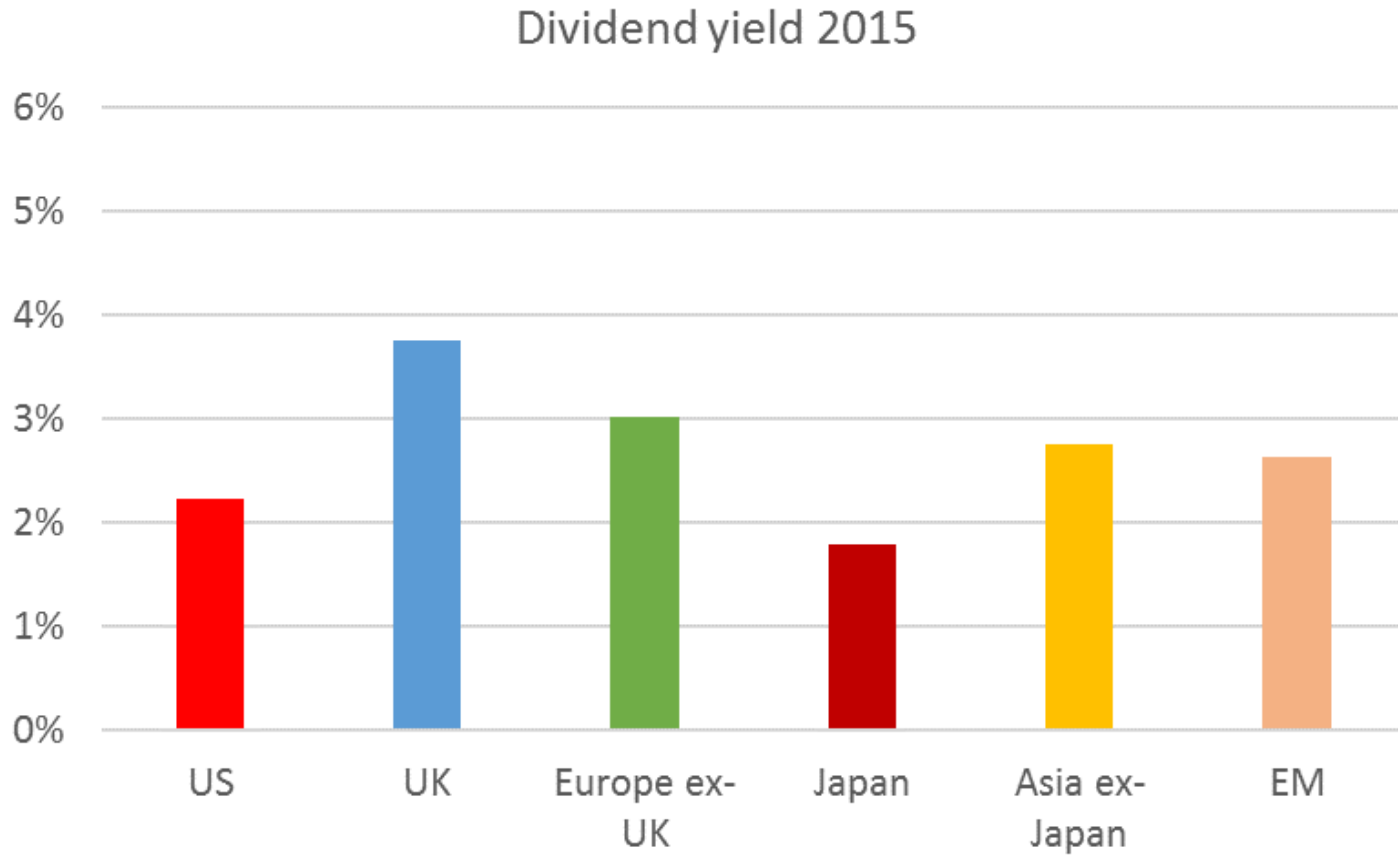
## 3. Betas of sectors can change dramatically

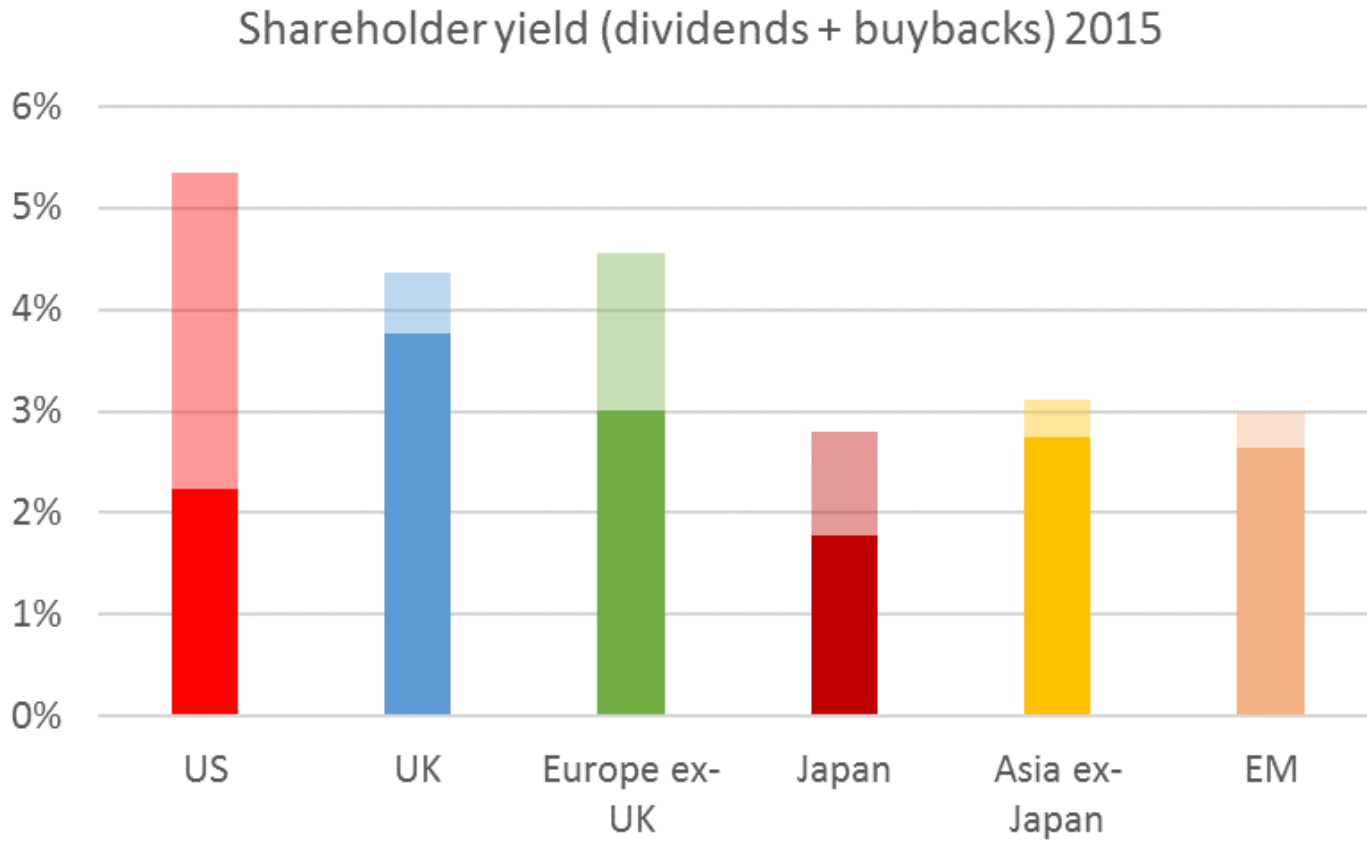


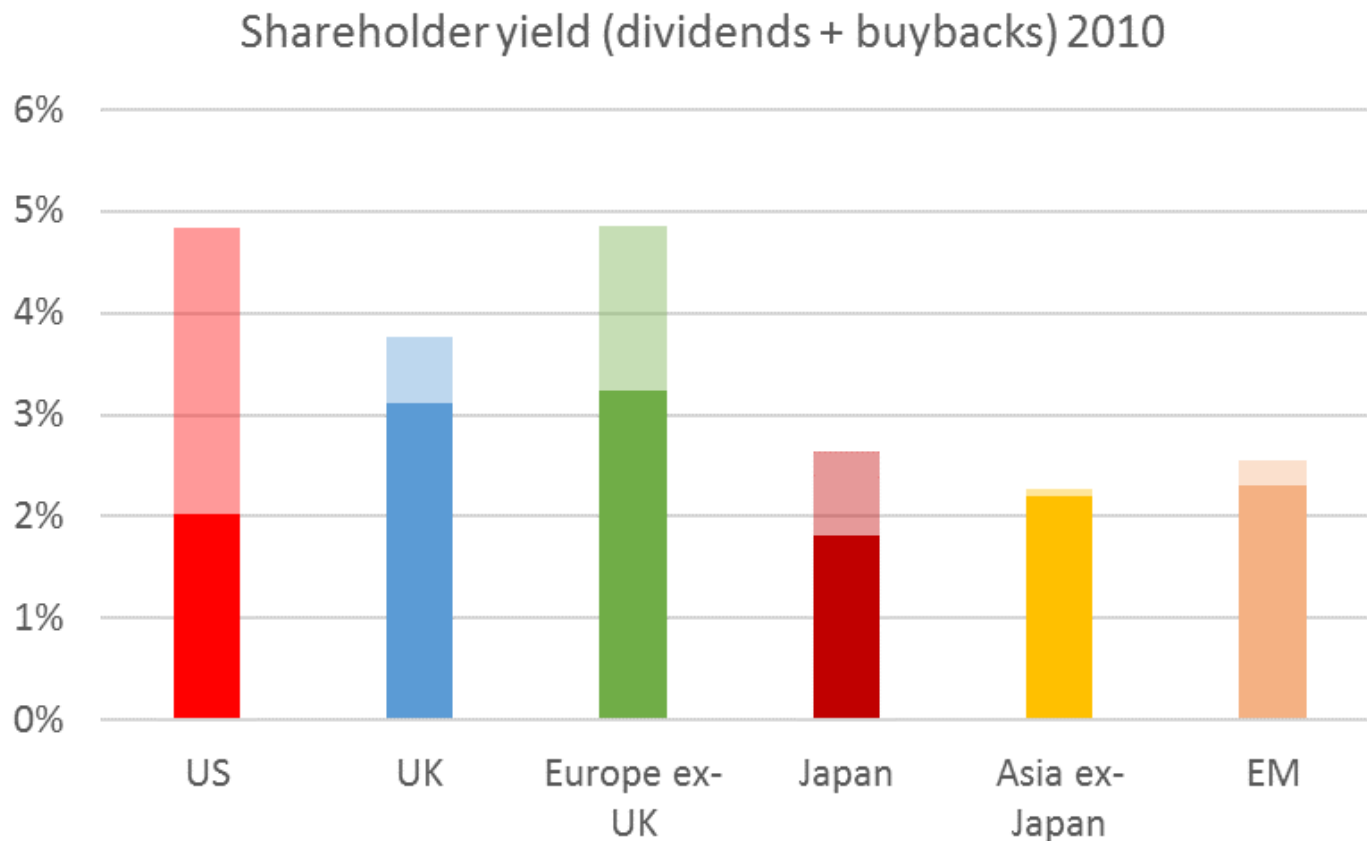
	World	US	UK	Europe ex-UK	Japan	Asia ex-Japan	EM
Index	17.5	18.8	17.5	15.7	13.6	13.5	13.2
Energy	52.0	109.3	24.9	20.2	10.4	17.8	10.7
Materials	19.5	18.4	24.0	18.2	14.4	14.4	14.6
Industrials	17.3	18.7	16.8	16.6	14.0	14.1	15.3
Cons Disc	16.9	19.3	14.5	13.5	13.1	14.3	16.2
Cons Staples	21.9	21.8	21.1	22.5	22.9	23.3	23.8
Healthcare	17.5	17.2	17.0	17.9	25.3	27.7	26.1
Financials	13.1	14.8	12.1	10.9	9.9	9.8	9.2
IT	18.3	18.1	35.6	20.5	17.5	16.2	16.3
Telecomms	15.6	15.8	23.2	16.0	11.3	17.5	16.6
Utilities	17.3	18.9	16.5	14.7	11.1	11.6	10.0

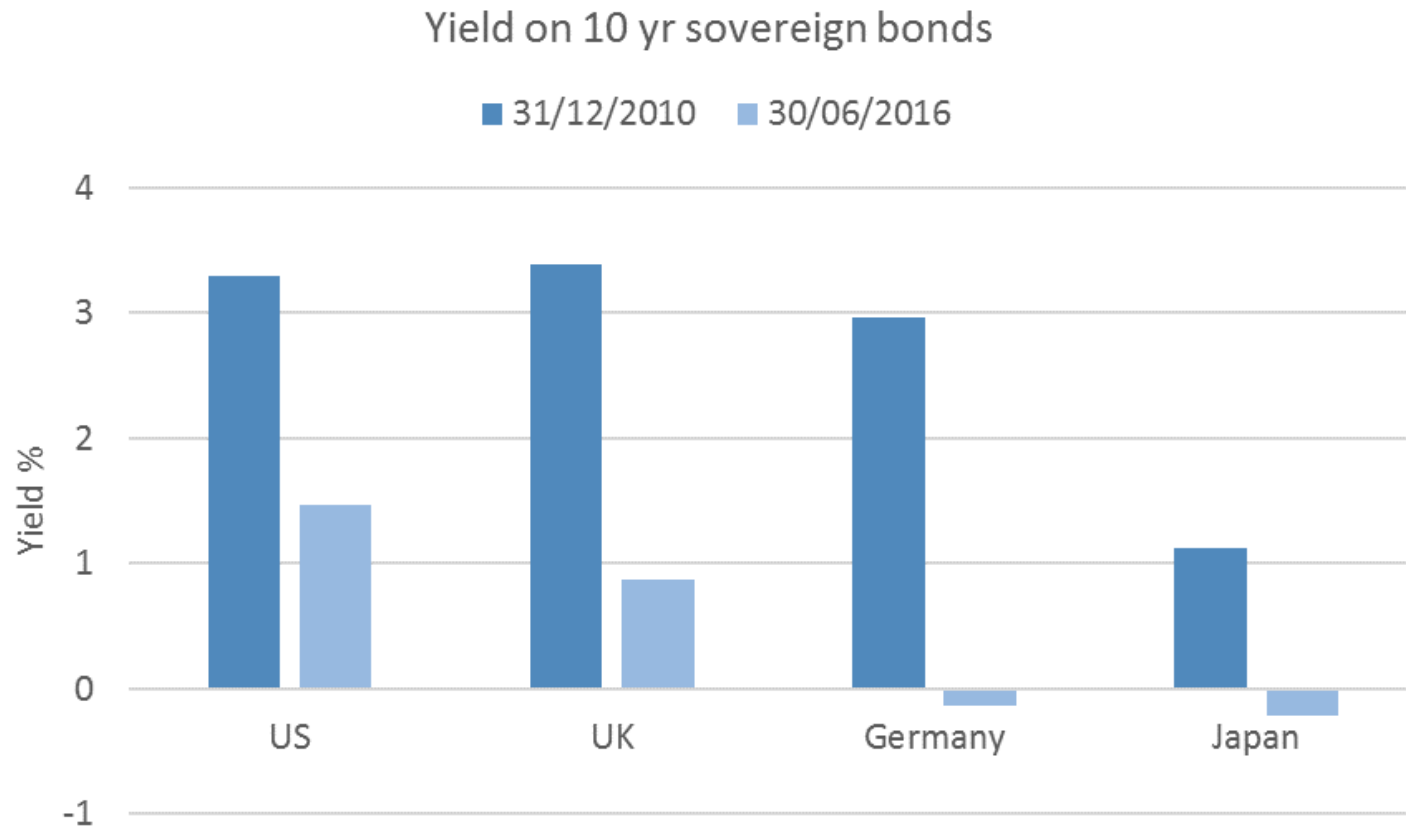
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Cons Disc	16.9	19.3	14.5	13.5	13.1	14.3	16.2
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Healthcare	17.5	17.2	17.0	17.9	25.3	27.7	26.1
Financials	13.1	14.8	12.1	10.9	9.9	9.8	9.2
IT	18.3	18.1	35.6	20.5	17.5	16.2	16.3
Telecomms	15.6	15.8	23.2	16.0	11.3	17.5	16.6
Utilities	17.3	18.9	16.5	14.7	11.1	11.6	10.0

Most expensive consumer staples sector is in EM









*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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