

**GUINNESS**

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ASSET MANAGEMENT LTD

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**TB GUINNESS INVESTMENT FUNDS**

ANNUAL REPORT &  
AUDITED FINANCIAL STATEMENTS

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For the year ended 31 December 2018



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*Note: The Authorised Corporate Director’s Report consists of ‘Authorised Status’, ‘Structure of the Company’ and ‘Investment Objective and Policy’ on page 2, ‘Investment Review’ as provided by the Investment Manager, on pages 10 to 12 and ‘Directory’ on page 39.*



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## THE AUTHORISED CORPORATE DIRECTOR AND INVESTMENT MANAGER

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The Authorised Corporate Director (the 'ACD') of TB Guinness Investment Funds (the 'Company') is T. Bailey Fund Services Limited ('TBFS'). Guinness Asset Management Limited is the Investment Manager (the 'Investment Manager') of the Company.

Guinness Asset Management Limited and T. Bailey Fund Services Limited are authorised and regulated by the Financial Conduct Authority. Further information about Guinness Asset Management Limited and the funds which it manages can be found at [www.guinnessfunds.com](http://www.guinnessfunds.com).

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## YOUR INVESTMENTS

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You can buy or sell shares in the Company through your Financial Advisor. Alternatively, you can telephone the dealing line; 0115 988 8285, during normal office hours. Application forms can be requested in writing from the ACD or by calling the Client Services Team on the dealing line. They can also be downloaded from [www.tbaileyfs.co.uk/funds/tb-guinness-investment-funds](http://www.tbaileyfs.co.uk/funds/tb-guinness-investment-funds).

The Company is eligible for ISA investments/transfers and the shares are available as part of a regular savers scheme.

Prices are published each normal business day on [www.tbaileyfs.co.uk/funds/tb-guinness-investment-funds](http://www.tbaileyfs.co.uk/funds/tb-guinness-investment-funds) and also on [www.fundlistings.com](http://www.fundlistings.com).

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## RISK PROFILE

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As the Fund will invest predominantly in UK listed shares, the Fund will have a greater exposure to UK market, political and economic risks than a fund which diversifies across a number of countries.

The value of investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested.

There is no guarantee that the Fund will meet its stated objectives.

A limited number of investments may be held which has the potential to increase the volatility of performance.

The movements of exchange rates may lead to further changes in the value of investments and the income from them.

There is a risk that any company providing services such as safe keeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

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## SYNTHETIC RISK AND REWARD INDICATOR

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The Synthetic Risk and Reward Indicator demonstrates in a standard format where the Fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category 5 because it invests in shares, an asset class which has seen large rises and falls in recent years.

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## **AUTHORISED STATUS**

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TB Guinness Investment Funds is an investment company with variable capital incorporated in Great Britain, and having its head office in England, under registered number IC001078 and authorised and regulated by the Financial Conduct Authority ("FCA") with effect from 12 December 2016.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after they have paid the price on purchase of the Shares.

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## **STRUCTURE OF THE COMPANY**

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The Company is a UCITS scheme and is structured as an umbrella company so that different sub-funds may be established from time to time by the ACD with the approval of the FCA and the agreement of the Depositary. On the introduction of any new sub-fund, or share class, a revised prospectus will be prepared and issued.

The Company is compliant with the Protected Cell Regime for OEICs. Under the Protected Cell Regime, each sub-fund represents a segregated portfolio of assets and accordingly, the assets of the sub-fund belong exclusively to that sub-fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including any other sub-fund and shall not be available for any such purpose.

Currently, there is one sub-fund; TB Guinness UK Equity Income Fund.

The base currency of the Company is Pounds Sterling.

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## **INVESTMENT OBJECTIVE AND POLICY**

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The investment objective of TB Guinness UK Equity Income is to provide income together with capital growth.

The policy of the Fund is to invest predominantly in the shares of UK companies (those which are domiciled in, incorporated in or conducting a significant percentage of their business in the UK) which pay dividends. The Fund may also invest from time to time in other companies anywhere in the world. The portfolio will typically be concentrated.

In addition, the Fund may invest in other transferable securities, money market instruments, collective investment schemes, cash, near cash and deposits. Derivatives may also from time to time be used for the purposes of efficient portfolio management only (e.g. to reduce risk in certain market conditions).

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## **ONGOING CHARGES FIGURE**

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The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a Collective Investment Scheme. The OCF consists principally of the Annual Management Charge, but also includes the costs for other services paid in respect of Depositary, custody, FCA and audit fees. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performance tables on pages 17 to 22.

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## **OTHER INFORMATION**

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Full details of TB Guinness Investment Funds are set out in the Prospectus. This document provides investors with extensive information about the Company including risks and expenses. A copy of the Prospectus is available on request from the ACD, or can be downloaded from [www.tbaileys.co.uk/funds/tb-guinness-investment-funds](http://www.tbaileys.co.uk/funds/tb-guinness-investment-funds). The Key Investor Information document and Supplementary Information document are also available from [www.tbaileys.co.uk/funds/tb-guinness-investment-funds](http://www.tbaileys.co.uk/funds/tb-guinness-investment-funds).

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## REMUNERATION POLICY OF THE AUTHORISED CORPORATE DIRECTOR

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### Remuneration policy of the ACD

TBFS and the holding company of TBFS, T. Bailey Holdings Limited ('TBH'), have the following policies and practices for those staff whose professional activities have a material impact on the risk profile of the activities of the ACD. Based on FCA guidance the ACD is considered as Proportionality Level 3 under the Remuneration Code as total assets under administration are less than £15bn. TBFS is a UCITS firm and is therefore subject to the UCITS V Directive Remuneration Code.

The Remuneration Policy of the ACD:

- (i) Is consistent with and promotes sound and effective risk management;
- (ii) Does not encourage risk taking that exceeds the level of tolerated risk of the relevant UCITS managed by TBFS;
- (iii) Encourages behaviour that delivers results which are aligned to the interests of the UCITS managed by TBFS;
- (iv) Aligns the interests of Code Staff with the long-term interests of TBFS, the funds it manages and its investors;
- (v) Recognises that remuneration should be competitive and reflect both financial and personal performance. Accordingly, Remuneration for Code Staff is made up of fixed pay (salary and benefits, including pension) and variable (performance-related) pay;
- (vi) Recognises that fixed and variable components should be appropriately balanced and that the variable component should be flexible enough so that in some circumstances no variable component may be paid at all. Variable pay is made up of short-term awards typically based on short-term financial and strategic measures for the area of the business in which the member of Code Staff works;

There is no remuneration committee. The Board of TBH oversees the setting and review of remuneration levels performed by the operating Board of TBFS. From an overall group perspective and operating company level, remuneration is set within the context of a 5-year plan which ensures any threats to capital adequacy, liquidity and solvency caused by excessive remuneration would be identified. The bonus arrangements including the staff bonus pool are set annually as part of the annual operating plan and any changes to the pool require approval by the CEO of TBFS and also the Board of TBH.

The main shareholders are represented on the Board of TBH which ratifies the annual operating plans. The annual operating plan includes the level of remuneration for all staff including Code Staff.

To assist with the above process, a benchmarking exercise was conducted in 2017 which incorporated information from external consultants in connection with remuneration.

The staff bonus scheme is operated so as to allow for meaningful rewards to be paid to staff whose performance during the year merits recognition but within the context of an annual operating plan. The TBH Board bears in mind the projected performance of the companies when making any adjustments to the scheme. Payment of scheme bonus to individuals is linked to their performance against agreed objectives from staff appraisals.

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**REMUNERATION POLICY OF THE AUTHORISED CORPORATE DIRECTOR (CONTINUED)**

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**Total remuneration paid by the ACD for the year ended 30 September 2018**

<b>Total Number of Staff</b>	<b>37</b>
	<b>£'000</b>
Fixed	1,334
Variable	57
<b>Total Remuneration Paid</b>	<b>1,391</b>

**Total remuneration paid by the ACD to Remuneration Code Staff for the year ended 30 September 2018**

	<b>Senior Management</b>	<b>Staff with Material Impact</b>
<b>Total Number of Staff</b>	<b>8</b>	<b>1</b>
	<b>£'000</b>	<b>£'000</b>
Fixed	680	42
Variable	35	2
<b>Total Remuneration Paid</b>	<b>715</b>	<b>44</b>

Please note that there were no remuneration payments made directly from TB Guinness Investment Funds or its sub-fund.

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## STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

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The Authorised Corporate Director (the "ACD") of TB Guinness Investment Funds (the "Company") is responsible for preparing the Report and the Financial Statements in accordance with the Open-Ended Investment Companies Regulations 2001 ("the OEIC Regulations"), the Financial Conduct Authority's Collective Investment Schemes' Sourcebook ("COLL") and the Company's Instrument of Incorporation.

The OEIC Regulations and COLL require the ACD to prepare financial statements for each accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association ("IA SORP") in May 2014; and
- give a true and fair view of the financial position of the Company as at the end of that period and the net revenue and the net capital losses on the property of the Company for that period.

In preparing the financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The ACD is also responsible for the system of internal controls, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## DIRECTOR'S STATEMENT

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In accordance with COLL 4.5.8BR, the Report and the Financial Statements were approved by the board of directors of the ACD of the Company and authorised for issue on 18 April 2019.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Company and its sub-fund consist predominantly of readily realisable securities and accordingly the Company has adequate resources to continue in operational existence for at least the next twelve months from the approval of these financial statements.

**Helen Stevens**  
**Chief Executive Officer**  
**T. Bailey Fund Services Limited**  
**Nottingham, United Kingdom**  
**18 April 2019**

**Richard Taylor**  
**Compliance Director**  
**T. Bailey Fund Services Limited**  
**Nottingham, United Kingdom**  
**18 April 2019**

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## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

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The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Corporate Director ("the ACD") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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## DEPOSITARY'S REPORT TO THE SHAREHOLDERS OF TB GUINNESS INVESTMENT FUNDS

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Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through ACD:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

**NatWest Trustee & Depositary Services Limited**  
**London, United Kingdom**  
**18 April 2019**

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TB GUINNESS INVESTMENT FUNDS**

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### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the financial position of the company as at 31 December 2018 and of the net revenues and the net capital losses on the property of the company for the period ended 31 December 2018; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

We have audited the financial statements of TB Guinness Investment Funds (the 'company') which comprise for each sub-fund:

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the related individual notes 1 to 15; and
- the distribution tables.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the authorised corporate director's (ACD's) use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TB GUINNESS INVESTMENT FUNDS (CONTINUED)**

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**Other information**

The ACD is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of depositary and ACD**

As explained more fully in the depositary's responsibilities statement and the ACD's responsibilities statement, the depositary is responsible for the safeguarding the property of the company and the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TB GUINNESS INVESTMENT FUNDS (CONTINUED)**

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**Report on other legal and regulatory requirements****Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook**

In our opinion:

- proper accounting records for the company have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information given in the ACD's report for the period ended 31 December 2018 is consistent with the financial statements.

**Use of our report**

This report is made solely to the company's shareholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Deloitte LLP**  
**Statutory Auditor**  
**Birmingham, United Kingdom**  
**18 April 2019**

## INVESTMENT REVIEW

### Performance

	Cumulative returns for the periods ended 31 December 2018 (%)		
	1 year	2 years	From launch <sup>1</sup>
O Overseas Accumulation Shares	(18.59)	(12.37)	(12.23)
Y Clean Accumulation Shares	(17.76)	(10.54)	(10.38)
Z Early Investor Accumulation Shares	(17.59)	(10.19)	(10.03)
IA UK Equity Income	(10.54)	(0.41)	0.49
MSCI UK All Cap Index	(9.80)	2.01	3.17

<sup>1</sup>From 22 December 2016.

Source: Financial Express. Total return, bid to bid. Sterling terms.

Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.

### Overview

The Guinness UK Equity Income Fund in 2018 produced a total return of -17.76% (Y Clean Accumulation Shares in GBP). This compares to the return of the MSCI UK All Cap Index of -9.80% (in GBP). The Fund therefore underperformed by -7.96%.

The best and worst performing stocks over the period are outlined below. (All total return in GBP).

Best 5 performing stocks	Total return	Worst 5 performing stocks	Total return
QinetiQ Group PLC	27.1%	Kier Group PLC	-59.0%
Smith & Nephew PLC	16.0%	Jupiter Fund Management PLC	-49.7%
Admiral Group PLC	8.4%	William Hill PLC	-49.3%
Diageo PLC	5.1%	British American Tobacco PLC	-47.2%
Unilever PLC	2.9%	Micro Focus International PLC	-42.5%

2018 was a tale of two halves globally and in Europe and the UK, with improving economic data giving way to softer leading indicators and deteriorating political discourse in H2.

European and UK macroeconomic data softened over the course of 2018. Euro area year-over-year GDP growth started 2018 at 2.7% and ended Q3 at 1.6% according to Eurostat, along with softening inflation expectations. The weakness can be attributed to softer manufacturing activity, as the German auto market adjusted to new environmental standards, and also knock on effects from slowing global trade exacerbated by rising trade tensions between the US and China. UK auto production also fell, while consumer confidence and retail sales softened due to the Brexit overhang along with continued disruption to traditional retail business models. Sterling declined over the year from 1.42 to the USD at the start of the year to 1.31 at the end. However, Eurozone (and UK) unemployment continued to fall gradually over the course of the year from 8.6% (4.2%) at the end of 2017 to 7.9% (4%) at the end of 2018, further reducing labour slack. UK wage growth meanwhile accelerated over the course of the year to end the year +2.8% YoY. The output gap in both the Eurozone and the UK fell over the course of the year, leading the Bank of England to raise rates once to 0.75% from 0.5%.

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## INVESTMENT REVIEW (CONTINUED)

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The combination of soft economic data, the overall low level of interest rates accompanied by declines in Sterling versus the Dollar led to overseas earners and long-duration equities outperforming over the course of the year. Notably, by FTSE 350 sector, industrial metals & mining rose 16.8% followed by Pharmaceuticals +12% and Beverages +2.5% versus a market headline return of -13% or total return of -9.5%. Domestic UK equities underperformed the wider market in 2018 as the risk premium attached to UK equities rose in response to the competitive threats posed by Brexit.

The top five performing companies in the Guinness TB UK Equity Income fund portfolio in 2018, were represented by defensive sectors: Consumer Staples, Health, Insurance and Defense. At the other end of the spectrum, Kier Group and Babcock performed poorly as a stretched UK government applied pressure on government contractor contract terms. While William Hill suffered due to increased government regulation of the gambling sector. BATS, WPP and Jupiter Fund Management underperformed as their moats narrowed due to the respective forces of disruption and regulation.

### Activity

There were no changes to the companies held in the portfolio in 2018. Given the underperformance against the market in 2018, we would like to stress that the lack of activity was driven by our focus on the sustainability of our invested companies' persistent high returns. We take a long-term view and the portfolio has a high active share due to our concentrated and equal weighted approach. Further, the fund is predominantly invested in high quality high return mid cap companies, which means that performance can deviate quite meaningfully from the benchmark, particularly as the top 15 companies by market capitalization account for over half the market cap weight of the FTSE 100. Since the end of the quarter we have reweighted the portfolio taking profits on the winners where valuation had become extended and increasing weighting to underperformers where valuations had reached attractive levels.

The asset allocation at the balance sheet date is shown below:

Sector	Asset allocation as at 31 December 2018 (%)	Asset allocation as at 31 December 2017 (%)
Aerospace & Defence	4.8	3.2
Beverages	4.1	3.3
Chemicals	6.6	6.2
Construction & Materials	1.5	3.2
Consumer Discretionary	7.8	9.6
Consumer Staples	3.3	3.1
Financials	15.5	16.8
Food Producers	2.7	3.3
General Retailers	3.0	3.4
Healthcare	4.5	3.2
Industrials	6.5	6.0
Life Insurance	2.1	3.3
Media	3.5	3.7
Oil Equipment Services	3.1	3.3
Personal Goods	8.2	6.9
Software & Computer Services	5.7	6.5
Support Services	6.2	6.9
Tobacco	5.0	6.5
Cash and Other	5.9	1.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The full list of holdings at the balance sheet date is shown in the Portfolio Statement on pages 13 to 16.

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## **INVESTMENT REVIEW (CONTINUED)**

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### **Outlook**

As we reflect on 2018 and look forward to 2019 there is still considerable uncertainty in the UK equity market, led primarily by the countdown to the UK's expected departure from the European Union at the end of March 2019. Given the relatively high risk premiums now attached to the UK market (1.55x book vs. 1.45x in March 2009), any resolution of the situation that avoids no deal looks likely to act as a catalyst for domestic UK equities and potentially Sterling. Further the slim output gap suggests that resolution could be accompanied by further rate rises which would be good news for UK financials which languish on low multiples of book value.

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. With continuous geopolitical uncertainty around the globe, our perpetual approach of focusing on the quality of the underlying companies we own should stand us in good stead in over the long run in our search for rising income streams and capital growth. 2018 was a difficult year in which your fund underperformed the benchmark. However, we continue to believe in the potential for ongoing high returns to shine through from our invested companies.

As ever we would like to thank you for your continued support, and we wish you all a prosperous 2019.

**Dr Ian Mortimer**  
**Fund Manager**  
**Guinness Asset Management Limited**  
**London, United Kingdom**  
**18 April 2019**

**Matthew Page**  
**Fund Manager**  
**Guinness Asset Management Limited**  
**London, United Kingdom**  
**18 April 2019**

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**PORTFOLIO STATEMENT**As at 31 December 2018

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<b>Holding or nominal value of positions</b>	<b>Bid market value £</b>	<b>Percentage of total net assets %</b>
<b>Aerospace &amp; Defence</b> <b>(4.8%; 31.12.17 - 3.2%)</b>		
3,086 QinetiQ	8,838	4.8
	<b>8,838</b>	<b>4.8</b>
<b>Beverages</b> <b>(4.1%; 31.12.17 - 3.3%)</b>		
270 Diageo	7,546	4.1
	<b>7,546</b>	<b>4.1</b>
<b>Chemicals</b> <b>(6.6%; 31.12.17 - 6.2%)</b>		
210 Johnson Matthey	5,865	3.2
275 Victrex	6,248	3.4
	<b>12,113</b>	<b>6.6</b>
<b>Construction &amp; Materials</b> <b>(1.5%; 31.12.17 - 3.2%)</b>		
661 Kier	2,690	1.5
	<b>2,690</b>	<b>1.5</b>
<b>Consumer Discretionary</b> <b>(7.8%; 31.12.17 - 9.6%)</b>		
992 Informa	6,250	3.4
2,248 William Hill	3,484	1.9
534 WPP	4,521	2.5
	<b>14,255</b>	<b>7.8</b>
<b>Consumer Staples</b> <b>(3.3%; 31.12.17 - 3.1%)</b>		
99 Reckitt Benckiser	5,951	3.3
	<b>5,951</b>	<b>3.3</b>

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**PORTFOLIO STATEMENT (CONTINUED)**As at 31 December 2018

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<b>Holding or nominal value of positions</b>	<b>Bid market value £</b>	<b>Percentage of total net assets %</b>
<b>Financials</b>		
<b>(15.5%; 31.12.17 - 16.8%)</b>		
372 Admiral	7,578	4.2
1,806 Ashmore	6,581	3.6
1,863 Brewin Dolphin	6,006	3.3
285 Henderson (Janus)	4,633	2.5
1,164 Jupiter Fund Management	3,436	1.9
	<b>28,234</b>	<b>15.5</b>
<b>Food Producers</b>		
<b>(2.7%; 31.12.17 - 3.3%)</b>		
2,147 Domino's Pizza	5,005	2.7
	<b>5,005</b>	<b>2.7</b>
<b>General Retailers</b>		
<b>(3.0%; 31.12.17 - 3.4%)</b>		
321 WHSmith	5,521	3.0
	<b>5,521</b>	<b>3.0</b>
<b>Healthcare</b>		
<b>(4.5%; 31.12.17 - 3.2%)</b>		
560 Smith & Nephew	8,198	4.5
	<b>8,198</b>	<b>4.5</b>
<b>Industrials</b>		
<b>(6.5%; 31.12.17 - 6.0%)</b>		
1,126 BAE Systems	5,171	2.8
1,427 Meggitt	6,711	3.7
	<b>11,882</b>	<b>6.5</b>
<b>Life Insurance</b>		
<b>(2.1%; 31.12.17 - 3.3%)</b>		
1,494 Standard Life Aberdeen	3,833	2.1
	<b>3,833</b>	<b>2.1</b>

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**PORTFOLIO STATEMENT (CONTINUED)**As at 31 December 2018

---

<b>Holding or nominal value of positions</b>	<b>Bid market value £</b>	<b>Percentage of total net assets %</b>
<b>Media</b> <b>(3.5%; 31.12.17 - 3.7%)</b>		
2,311 Moneysupermarket.com	6,367	3.5
	<b>6,367</b>	<b>3.5</b>
<b>Oil Equipment Services</b> <b>(3.1%; 31.12.17 - 3.3%)</b>		
1,123 Wood Group (J)	5,685	3.1
	<b>5,685</b>	<b>3.1</b>
<b>Personal Goods</b> <b>(8.2%; 31.12.17 - 6.9%)</b>		
454 Burberry	7,854	4.3
175 Unilever	7,190	3.9
	<b>15,044</b>	<b>8.2</b>
<b>Software &amp; Computer Services</b> <b>(5.7%; 31.12.17 - 6.5%)</b>		
710 Emis	6,454	3.5
290 Micro Focus International	4,008	2.2
	<b>10,462</b>	<b>5.7</b>
<b>Support Services</b> <b>(6.2%; 31.12.17 - 6.9%)</b>		
1,022 Babcock International	5,001	2.8
4,464 Hays	6,250	3.4
	<b>11,251</b>	<b>6.2</b>

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**PORTFOLIO STATEMENT (CONTINUED)**As at 31 December 2018

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<b>Holding or nominal value of positions</b>	<b>Bid market value £</b>	<b>Percentage of total net assets %</b>
<b>Tobacco (5.0%; 31.12.17 - 6.5%)</b>		
143 British American Tobacco	3,575	2.0
229 Imperial Brands	5,443	3.0
	<hr/> <b>9,018</b> <hr/>	<hr/> <b>5.0</b> <hr/>
<b>Portfolio of investments</b>	<b>171,893</b>	<b>94.1</b>
<b>Net other assets</b>	<b>10,746</b>	<b>5.9</b>
<b>Total net assets</b>	<hr/> <b>182,639</b> <hr/>	<hr/> <b>100.0</b> <hr/>

*All holdings are equities quoted on official stock exchanges.*

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**SUMMARY OF FUND PERFORMANCE**

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<b>O Overseas Income</b>	<b>1 January 2018 31 December 2018 (pence per share)</b>	<b>22 December 2016 to 31 December 2017 (pence per share)</b>
<b>Change in net assets per share</b>		
Opening net asset value per share	104.30	100.00
Return before operating charges*	(17.51)	9.75
Operating charges	(1.72)	(1.85)
Return after operating charges*	(19.23)	7.90
Distributions on income shares	(3.77)	(3.60)
Closing net asset value per share	81.30	104.30
* after direct transaction costs of:	0.00	0.61
<b>Performance</b>		
Return after charges	(18.44)%	7.90%
<b>Other information</b>		
Closing net asset value	£813	£1,043
Closing number of shares	1,000	1,000
Operating charges (p.a.)	1.70%	1.70%
Direct transaction costs (p.a.)	0.00%	0.59%
<b>Prices</b>		
Highest published share price	104.63	108.93
Lowest published share price	81.50	98.72

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**SUMMARY OF FUND PERFORMANCE (CONTINUED)**

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<b>Y Clean Income</b>	<b>1 January 2018 31 December 2018 (pence per share)</b>	<b>22 December 2016 to 31 December 2017 (pence per share)</b>
<b>Change in net assets per share</b>		
Opening net asset value per share	105.46	100.00
Return before operating charges*	(17.93)	9.82
Operating charges	(0.68)	(0.75)
Return after operating charges*	(18.61)	9.07
Distributions on income shares	(3.81)	(3.61)
Closing net asset value per share	83.04	105.46
* after direct transaction costs of:	0.00	0.62
<b>Performance</b>		
Return after charges	(17.65)%	9.07%
<b>Other information</b>		
Closing net asset value	£8,965	£11,370
Closing number of shares	10,796	10,781
Operating charges (p.a.)	0.70%	0.70%
Direct transaction costs (p.a.)	0.00%	0.59%
<b>Prices</b>		
Highest published share price	105.81	109.43
Lowest published share price	83.26	99.29

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**SUMMARY OF FUND PERFORMANCE (CONTINUED)**

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<b>Z Early Investor Income</b>	<b>1 January 2018 31 December 2018 (pence per share)</b>	<b>22 December 2016 to 31 December 2017 (pence per share)</b>
<b>Change in net assets per share</b>		
Opening net asset value per share	105.70	100.00
Return before operating charges*	(17.95)	9.76
Operating charges	(0.42)	(0.44)
Return after operating charges*	(18.37)	9.32
Distributions on income shares	(3.83)	(3.62)
Closing net asset value per share	83.50	105.70
* after direct transaction costs of:	0.00	0.62
<b>Performance</b>		
Return after charges	(17.38)%	9.32%
<b>Other information</b>		
Closing net asset value	£835	£1,057
Closing number of shares	1,000	1,000
Operating charges (p.a.)	0.50%	0.50%
Direct transaction costs (p.a.)	0.00%	0.59%
<b>Prices</b>		
Highest published share price	106.11	109.55
Lowest published share price	83.72	99.44

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**SUMMARY OF FUND PERFORMANCE (CONTINUED)**

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<b>O Overseas Accumulation</b>	<b>1 January 2018 31 December 2018 (pence per share)</b>	<b>22 December 2016 to 31 December 2017 (pence per share)</b>
<b>Change in net assets per share</b>		
Opening net asset value per share	108.00	100.00
Return before operating charges*	(18.58)	9.85
Operating charges	(1.72)	(1.85)
Return after operating charges*	(20.30)	8.00
Distributions	(3.92)	(3.63)
Retained distributions on accumulation shares	3.92	3.63
Closing net asset value per share	87.70	108.00
* after direct transaction costs of:	0.00	0.62
<b>Performance</b>		
Return after charges	(18.80)%	8.00%
<b>Other information</b>		
Closing net asset value	£877	£1,080
Closing number of shares	1,000	1,000
Operating charges (p.a.)	1.70%	1.70%
Direct transaction costs (p.a.)	0.00%	0.59%
<b>Prices</b>		
Highest published share price	108.30	108.91
Lowest published share price	86.26	99.71

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**SUMMARY OF FUND PERFORMANCE (CONTINUED)**


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<b>Y Clean Accumulation</b>	<b>1 January 2018 31 December 2018 (pence per share)</b>	<b>22 December 2016 to 31 December 2017 (pence per share)</b>
<b>Change in net assets per share</b>		
Opening net asset value per share	109.17	100.00
Return before operating charges*	(18.91)	9.93
Operating charges	(0.71)	(0.76)
Return after operating charges*	(19.62)	9.17
Distributions	(3.98)	(3.65)
Retained distributions on accumulation shares	3.98	3.65
Closing net asset value per share	89.55	109.17
* after direct transaction costs of:	0.00	0.63
<b>Performance</b>		
Return after charges	(17.97)%	9.17%
<b>Other information</b>		
Closing net asset value	£3,481	£4,238
Closing number of shares	3,887	3,882
Operating charges (p.a.)	0.70%	0.70%
Direct transaction costs (p.a.)	0.00%	0.59%
<b>Prices</b>		
Highest published share price	109.52	109.43
Lowest published share price	88.07	99.83

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**SUMMARY OF FUND PERFORMANCE (CONTINUED)**

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<b>Z Early Investor Accumulation</b>	<b>1 January 2018 31 December 2018 (pence per share)</b>	<b>22 December 2016 to 31 December 2017 (pence per share)</b>
<b>Change in net assets per share</b>		
Opening net asset value per share	109.37	100.00
Return before operating charges*	(18.97)	9.91
Operating charges	(0.51)	(0.54)
Return after operating charges*	(19.48)	9.37
Distributions	(4.00)	(3.65)
Retained distributions on accumulation shares	4.00	3.65
Closing net asset value per share	89.89	109.37
* after direct transaction costs of:	0.00	0.62
<b>Performance</b>		
Return after charges	(17.81)%	9.37%
<b>Other information</b>		
Closing net asset value	£167,668	£204,009
Closing number of shares	186,518	186,537
Operating charges (p.a.)	0.50%	0.50%
Direct transaction costs (p.a.)	0.00%	0.59%
<b>Prices</b>		
Highest published share price	109.74	109.51
Lowest published share price	88.41	99.85

*Past performance is not a reliable indicator of future results. Investors are reminded that the price of shares and the revenue derived from them is not guaranteed and may go down as well as up.*

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**STATEMENT OF TOTAL RETURN**For the year ended 31 December 2018

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			01.01.18 to 31.12.18	22.12.16 to 31.12.17
	Notes	£	£	£
Income				
Net capital (losses)/gains	2		(46,712)	12,763
Revenue	3	8,133		7,457
Expenses	4	(1,091)		(1,141)
Interest payable and similar charges	6	-		(14)
Net revenue before taxation		7,042		6,302
Taxation	5	-		-
Net revenue after taxation			7,042	6,302
<b>Total (loss)/return before distributions</b>			<b>(39,670)</b>	<b>19,065</b>
Distributions	6		(8,134)	(7,442)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(47,804)</b>	<b>11,623</b>

*Note: All of the Company's and sub-fund's results are derived from continuing operations.*

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**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**For the year ended 31 December 2018

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			01.01.18 to 31.12.18	22.12.16 to 31.12.17
	Notes	£	£	£
<b>Opening net assets attributable to shareholders</b>			<b>222,797</b>	<b>-</b>
<i>Movements due to sales and repurchases of shares:</i>				
Amounts receivable on issue of shares		30		219,489
Amounts payable on cancellation of shares		(30)		(15,490)
			-	203,999
Change in net assets attributable to shareholders from investment activities			(47,804)	11,623
Retained distributions on accumulation shares	6		7,646	7,175
<b>Closing net assets attributable to shareholders</b>			<b>182,639</b>	<b>222,797</b>

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**BALANCE SHEET**As at 31 December 2018

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	Notes	31.12.18 £	31.12.17 £
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments		171,893	219,188
<b>Current Assets:</b>			
Debtors	7	241	206
Cash and bank balances	8	10,794	3,713
<b>Total assets</b>		<b>182,928</b>	<b>223,107</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable on income shares	6	206	206
Other creditors	9	83	104
<b>Total liabilities</b>		<b>289</b>	<b>310</b>
<b>Net assets attributable to shareholders</b>		<b>182,639</b>	<b>222,797</b>

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## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2018

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### 1. Accounting policies

#### (a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by the Investment Association in May 2014.

As described in the Statement of the Authorised Corporate Director's Responsibilities, the ACD continues to adopt the going concern basis in the preparation of the financial statements of the Fund.

As this is the first accounting period for the Fund, no comparative figures have been given.

#### (b) Functional currency

The functional currency used in the financial statements is Pound Sterling because it is the currency of the primary economic environment in which the Company operates.

#### (c) Recognition of revenue

Dividends and distributions on holdings, net of any irrecoverable tax, are recognised when the underlying transferable security or collective investment scheme is quoted ex-dividend or ex-distribution. Bank interest and management fee rebates treated as revenue are accounted for on an accruals basis.

All revenue is recognised on the condition that the flow of economic benefits is probable and the amount can be measured reliably.

#### (d) Treatment of stock dividends

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis in determining whether the dividend is to be treated as revenue or capital.

#### (e) Equalisation on distributions

Equalisation on revenue distributions from underlying collective investment scheme investments is treated as a return of capital.

#### (f) Treatment of expenses

All expenses, net of any associated tax effect, are allocated to the capital account with the exception of bank interest and transaction charges relating to the payment of revenue, which are allocated to the revenue account.

#### (g) Allocation of revenue and expenses to multiple share classes

Any assets or liabilities not attributable to a particular share class are allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the relevant share classes.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

As at 31 December 2018

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**1. Accounting policies (continued)****(h) Taxation/deferred taxation**

Corporation tax is provided for on taxable revenue, less deductible expenses, using tax rates and laws which have been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided for in respect of all items that have been included in these financial statements that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the rate of tax expected to apply.

**(i) Distribution policy**

Revenue produced by the Fund's investments is accrued bi-annually. At the end of each period, the revenue plus an adjustment for expenses allocated to capital, is distributed at the discretion of the Investment Manager as per the prospectus.

**(j) Exchange rates**

Assets and liabilities in overseas currencies at the period end are translated into Pound Sterling at the latest available rates of exchange on the balance sheet date. Transactions in overseas currencies occurring during the period are recorded at the rate of exchange on the date of the transaction.

**(k) Financial Instruments**

Financial assets and financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at transaction price (including transaction costs) and subsequently measured at amortised cost, except for the Fund's investments classified as financial assets at fair value through profit or loss, which are initially recognised at fair value (excluding transaction costs).

The investments are measured at closing prices on the balance sheet date, with any gains or losses arising on measurement recognised in the statement of total return. If closing prices are not available, the latest available prices are used. If separate offer and bid prices are quoted for shares or units, then the bid price is used. If no price or recent available price exists, the investments are valued at a price which, in the opinion of the ACD, reflects the fair value of the asset. This may involve the use of an appropriate valuation technique/methodology.

**(l) Management fee rebates**

Management fee rebates are accounted for on an accruals basis and are allocated to the capital or revenue account of the Fund, according to whether the underlying fund charges its fees to capital or revenue.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2018

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**2. Net capital (losses)/gains**

	<b>01.01.18 to 31.12.18</b>	<b>22.12.16 to 31.12.17</b>
	£	£
Non-derivative securities	(47,101)	13,114
Currency gains/(losses)	389	(351)
<b>Net capital (losses)/gains</b>	<u><b>(46,712)</b></u>	<u><b>12,763</b></u>

**3. Revenue**

	<b>01.01.18 to 31.12.18</b>	<b>22.12.16 to 31.12.17</b>
	£	£
UK franked dividends	7,511	6,822
Overseas dividends	624	621
Bank interest	-	14
Unfranked income currency losses	(2)	-
<b>Total revenue</b>	<u><b>8,133</b></u>	<u><b>7,457</b></u>

**4. Expenses**

	<b>01.01.18 to 31.12.18</b>	<b>22.12.16 to 31.12.17</b>
	£	£
<b>Payable to the ACD, associates of the ACD and agents of either:</b>		
Annual management charge	<u>1,091</u>	<u>1,141</u>
	1,091	1,141
<b>Total expenses</b>	<u><b>1,091</b></u>	<u><b>1,141</b></u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2018

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**5. Taxation****(a) Analysis of the tax charge in the period**

	<b>01.01.18 to 31.12.18</b>	<b>22.12.16 to 31.12.17</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge in the year</b>		
Corporation tax	-	-
<b>Total current tax for the year (see note 5(b))</b>	<u>-</u>	<u>-</u>
Deferred tax (see note 5(c))	-	-
<b>Total taxation for the year</b>	<u>-</u>	<u>-</u>

**(b) Factors affecting the current taxation charge for the period**

The taxation assessed for the period is lower than the standard rate of corporation tax in the UK for an authorised Open-Ended Investment Company (20%). The differences are explained below:

	<b>01.01.18 to 31.12.18</b>	<b>22.12.16 to 31.12.17</b>
	<b>£</b>	<b>£</b>
Net revenue before taxation	<u>7,042</u>	<u>6,302</u>
Corporation tax at 20%	1,408	1,260
<b>Effects of:</b>		
Revenue not subject to taxation	(1,627)	(1,489)
Excess expenses for which no relief taken	<u>219</u>	<u>229</u>
<b>Current tax charge for the year (see note 5(a))</b>	<u>-</u>	<u>-</u>

**(c) Provision for deferred tax**

As at 31 December 2018, the Fund had surplus management expenses of £2,234 (31 December 2017: £1,141). The deferred tax in respect of this would be £447 (31 December 2017: £229). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at period end (see note 5(a)). Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2018

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**6. Distributions**

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	<b>01.01.18 to 31.12.18</b>	<b>22.12.16 to 31.12.17</b>
	£	£
Interim - Income (30 Jun)	282	61
Final - Income (31 Dec)	206	206
	<u>488</u>	<u>267</u>
Interim - Accumulation (30 Jun)	4,375	4,029
Final - Accumulation (31 Dec)	3,271	3,146
	<u>7,646</u>	<u>7,175</u>
Add: Revenue deducted on cancellation of shares	-	92
Deduct: Revenue received on issue of shares	-	(92)
<b>Net distribution for the year</b>	<u><b>8,134</b></u>	<u><b>7,442</b></u>
Interest	-	14
<b>Total finance costs</b>	<u><b>8,134</b></u>	<u><b>7,456</b></u>
<b>Reconciliation to net distribution for the year</b>		
Net revenue after taxation for the year	7,042	6,302
Expenses allocated to capital, net of tax relief	1,091	1,141
Realised income currency gains/(losses)	1	(1)
<b>Net distribution for the year</b>	<u><b>8,134</b></u>	<u><b>7,442</b></u>

Details of the distributions per share are set out on pages 37 to 38.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2018

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**7. Debtors**

	<b>31.12.18</b>	<b>31.12.17</b>
	£	£
Accrued revenue	241	206
<b>Total debtors</b>	<u>241</u>	<u>206</u>

**8. Cash and bank balances**

	<b>31.12.18</b>	<b>31.12.17</b>
	£	£
Cash and bank balances	10,794	3,713
<b>Total cash and bank balances</b>	<u>10,794</u>	<u>3,713</u>

**9. Other creditors**

	<b>31.12.18</b>	<b>31.12.17</b>
	£	£
Accrued annual management charge	83	104
<b>Total creditors</b>	<u>83</u>	<u>104</u>

**10. Related party transactions**

The ACD is regarded as a related party of the Fund. The ACD acts as either agent or principal for the Depositary in respect of all transactions of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the statement of change in net assets attributable to shareholders.

As at the balance sheet date, there were no shares held by the ACD, the Depositary or associates of either the ACD or the Depositary. As at 31 December 2018, one single shareholder (a nominee account) held shares equal to approximately 92% of the Fund's total Net Asset Value.

Details of transactions occurring during the accounting period with the ACD and the Depositary, and any balances due at the period end, are fully disclosed in the notes to the Financial Statements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2018

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**11. Share classes**

As at the period end the Fund had six share classes. The following table shows a breakdown of the change in shares in issue in the year:

	<b>O Overseas Income</b>
Opening shares at the start of the year	1,000.000
Total creation of shares in the year	-
Total cancellation of shares in the year	-
<b>Closing shares at the end of the year</b>	<b>1,000.000</b>
	<b>Y Clean Income</b>
Opening shares at the start of the year	10,780.913
Total creation of shares in the year	20.233
Total cancellation of shares in the year	(5.640)
<b>Closing shares at the end of the year</b>	<b>10,795.506</b>
	<b>Z Early Investor Income</b>
Opening shares at the start of the year	1,000.000
Total creation of shares in the year	-
Total cancellation of shares in the year	-
<b>Closing shares at the end of the year</b>	<b>1,000.000</b>
	<b>O Overseas Accumulation</b>
Opening shares at the start of the year	1,000.000
Total creation of shares in the year	-
Total cancellation of shares in the year	-
<b>Closing shares at the end of the year</b>	<b>1,000.000</b>
	<b>Y Clean Accumulation</b>
Opening shares at the start of the year	3,882.212
Total creation of shares in the year	4.919
Total cancellation of shares in the year	-
<b>Closing shares at the end of the year</b>	<b>3,887.131</b>
	<b>Z Early Investor Accumulation</b>
Opening shares at the start of the year	186,536.936
Total creation of shares in the year	5.313
Total cancellation of shares in the year	(24.181)
<b>Closing shares at the end of the year</b>	<b>186,518.068</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2018

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**11. Share classes (continued)**

The annual management charge of each share class is as follows:

O Overseas Income	1.70%
Y Clean Income	0.70%
Z Early Investor Income	0.50%
O Overseas Accumulation	1.70%
Y Clean Income Accumulation	0.70%
Z Early Investor Accumulation	0.50%

The net asset value per share and the number of shares in the share class are given in the Summary of Fund Performance tables on pages 17 to 22. The distributions per share are given in the distribution tables on pages 37 and 38. Income, and the associated tax, which is not attributable to a particular share class is allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the share classes. All share classes have the same rights on winding up.

**12. Risk management policies**

In pursuing the investment objectives financial instruments are held which may expose the Fund to various types of risk. The main risks inherent in the investment portfolios, and the ACD's policies for managing these risks, which were applied consistently throughout the period, are set out below:

**(a) Currency exposures**

The Fund's financial assets are mainly invested in collective investment schemes, equities and other securities whose prices are generally quoted in Pound Sterling. The Fund may also invest in collective investment schemes, equities and other securities whose prices are quoted in other currencies. This gives rise to a direct currency exposure, details of which are shown in the following table.

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	Net foreign currency assets at 31 December 2018			Net foreign currency assets at 31 December 2017		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
US Dollar	-	5	5	-	8	8

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In addition, the Fund's investments have an indirect exposure to exchange rate movements on the underlying investments of the collective investment schemes that are held in foreign currencies. Movements in exchange rates will impact on the prices of such underlying investments and as a result may affect the value of the Fund.

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £421 (31 December 2017: £733). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £515 (31 December 2017: £896). These calculations assume all other variables remain constant. The Investment Manager employs no specific policy to manage currency risk.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2018

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**12. Risk management policies (continued)****(b) Cash flow risk and interest rate risk profile of financial assets and liabilities**

The Fund's revenue is received from holdings in a variety of different securities including other collective investment schemes, equities, investment trusts and exchange traded funds. The Fund does not have any long term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances.

The direct exposure of the Fund to interest rate risk as at the balance sheet date is shown in the following table:

	<b>Floating rate financial assets £'000</b>	<b>Fixed rate financial assets £'000</b>	<b>Financial assets not carrying interest £'000</b>	<b>Floating rate financial liabilities £'000</b>	<b>Financial liabilities not carrying interest £'000</b>	<b>Total £'000</b>
<b>31.12.18</b>						
Sterling	11	-	167	-	-	178
US Dollar	-	-	5	-	-	5
<b>31.12.17</b>						
Sterling	4	-	211	-	-	215
US Dollar	-	-	8	-	-	8

Short term debtors and creditors are included as financial assets and liabilities not carrying interest in the above table. The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not carrying interest mainly comprise investments that do not have a maturity date.

Changes in interest rates would have no material impact to the valuation of floating rate financial assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

**(c) Liquidity risk**

All of the Fund's underlying financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**As at 31 December 2018

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**12. Risk management policies (continued)****(d) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

**(e) Market price risk and fair value of financial assets and liabilities**

The Fund's underlying investments are in securities quoted on recognised stock exchanges or traded on regulated markets. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share/unit held within an underlying investment or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding diversified portfolios of investments in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one underlying investment.

If the value of shares/units in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £17,189 (31 December 2017: £21,919). This calculation assumes all other variables remain constant.

**(f) Fair value of financial assets and liabilities**

<b>Basis of Valuation</b>	<b>Investment Assets</b>	
	<b>31.12.18</b>	<b>31.12.17</b>
	<b>£</b>	<b>£</b>
Level 1: Quoted Prices	171,893	219,188
Level 2: Observable Market Data	-	-
Level 3: Unobservable Data	-	-
	<b>171,893</b>	<b>219,188</b>

As at the period-end, there were no investment liabilities (31 December 2017: £Nil). There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value

**(g) Commitments on derivatives**

No derivatives were held at the balance sheet date (31 December 2017: £Nil).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

 As at 31 December 2018
 

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**13. Transaction costs**
**(a) Direct transaction costs**

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. In addition to the direct transaction cost below, indirect cost are incurred through the bid offer spread. It is not possible for the ACD to quantify these indirect cost. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the year are shown in the table below:

	<b>01.01.18 to 31.12.18</b>		<b>22.12.16 to 31.12.17</b>	
	<b>£</b>		<b>£</b>	
<b>Analysis of total purchase costs</b>				
<b>PURCHASES</b>				
Equities	5,835		257,189	
Net purchases before direct transaction costs	5,835		257,189	
		<b>% of total purchases</b>		<b>% of total purchases</b>
<b>DIRECT TRANSACTION COSTS</b>				
Equities	-	0.00%	1,237	0.48%
Total direct transaction costs	-	0.00%	1,237	0.48%
<b>Gross purchases total</b>	<b>5,835</b>		<b>258,426</b>	
<b>Analysis of total sale costs</b>				
<b>SALES</b>				
Equities	5,835		51,489	
Gross sales before direct transaction costs	5,835		51,489	
		<b>% of total sales</b>		<b>% of total sales</b>
<b>DIRECT TRANSACTION COSTS</b>				
Equities	-	0.00%	(37)	0.07%
Total direct transaction costs	-	0.00%	(37)	0.07%
<b>Net sales total</b>	<b>5,835</b>		<b>51,452</b>	
	<b>01.01.18 to 31.12.18</b>		<b>22.12.16 to 31.12.17</b>	
	<b>£</b>	<b>% of ave NAV</b>	<b>£</b>	<b>% of ave NAV</b>
<b>Analysis of total direct transaction costs</b>				
Equities	-	0.00%	1,274	0.59%
Total direct transaction costs	-	<b>0.00%</b>	<b>1,274</b>	<b>0.59%</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

As at 31 December 2018

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**13. Transaction costs (continued)****(b) Average portfolio dealing spread**

The average portfolio dealing spread of the investments at the balance sheet date was 0.28% (31 December 2017: 0.17%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

**14. Capital commitments and contingent liabilities**

The Fund had no capital commitments or contingent liabilities at the balance sheet date (31 December 2017: £Nil).

**15. Post balance sheet events**

Subsequent to the year-end, the net asset value per share of the Z Accumulation shares has increased from 89.89p to 98.31p as at 28 March 2019. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustments at the period-end.

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**DISTRIBUTION TABLE**As at 31 December 2018

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**Interim Distribution (30 June 2018)**

Group 1 - Shares purchased on or prior to 31 December 2017

Group 2 - Shares purchased after 31 December 2017

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<b>Shares</b>	<b>Revenue</b>	<b>Equalisation<sup>1</sup> Paid/Accumulated</b>	<b>Paid/Accumulated</b>	<b>Paid/Accumulated</b>
	<b>(pence)</b>	<b>(pence)</b>	<b>31.08.18</b>	<b>31.08.17</b>
			<b>(pence)</b>	<b>(pence)</b>
<b>O Overseas Income</b>				
Group 1	2.1840	-	<b>2.1840</b>	<b>1.9900</b>
Group 2	2.1840	-	<b>2.1840</b>	<b>1.9900</b>
<b>Y Clean Income</b>				
Group 1	2.2028	-	<b>2.2028</b>	<b>2.0066</b>
Group 2	1.1357	1.0671	<b>2.2028</b>	<b>2.0066</b>
<b>Z Early Investor Income</b>				
Group 1	2.2100	-	<b>2.2100</b>	<b>2.0060</b>
Group 2	2.2100	-	<b>2.2100</b>	<b>2.0060</b>
<b>O Overseas Accumulation</b>				
Group 1	2.2490	-	<b>2.2490</b>	<b>1.9990</b>
Group 2	2.2490	-	<b>2.2490</b>	<b>1.9990</b>
<b>Y Clean Accumulation</b>				
Group 1	2.2795	-	<b>2.2795</b>	<b>2.0060</b>
Group 2	0.6358	1.6437	<b>2.2795</b>	<b>2.0060</b>
<b>Z Early Investor Accumulation</b>				
Group 1	2.2859	-	<b>2.2859</b>	<b>2.0050</b>
Group 2	2.2859	-	<b>2.2859</b>	<b>2.0050</b>

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<sup>1</sup> Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

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**DISTRIBUTION TABLE (CONTINUED)**As at 31 December 2018

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**Final Distribution (31 December 2018)**

Group 1 - Shares purchased on or prior to 30 June 2018

Group 2 - Shares purchased after 30 June 2018

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<b>Shares</b>	<b>Net Revenue</b>	<b>Equalisation<sup>1</sup></b>	<b>Paid/ Accumulated 28.02.19</b>	<b>Paid/ Accumulated 28.02.18</b>
	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>	<b>(pence)</b>
<b>O Overseas Income</b>				
Group 1	1.5850	-	<b>1.5850</b>	<b>1.6050</b>
Group 2	1.5850	-	<b>1.5850</b>	<b>1.6050</b>
<b>Y Clean Income</b>				
Group 1	1.6106	-	<b>1.6106</b>	<b>1.6078</b>
Group 2	0.5913	1.0193	<b>1.6106</b>	<b>1.6078</b>
<b>Z Early Investor Income</b>				
Group 1	1.6170	-	<b>1.6170</b>	<b>1.6120</b>
Group 2	1.6170	-	<b>1.6170</b>	<b>1.6120</b>
<b>O Overseas Accumulation</b>				
Group 1	1.6740	-	<b>1.6740</b>	<b>1.6260</b>
Group 2	1.6740	-	<b>1.6740</b>	<b>1.6260</b>
<b>Y Clean Accumulation</b>				
Group 1	1.7033	-	<b>1.7033</b>	<b>1.6395</b>
Group 2	1.7033	-	<b>1.7033</b>	<b>1.6395</b>
<b>Z Early Investor Accumulation</b>				
Group 1	1.7094	-	<b>1.7094</b>	<b>1.6439</b>
Group 2	0.1921	1.5173	<b>1.7094</b>	<b>1.6439</b>

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<sup>1</sup> Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

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## DIRECTORY

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### The Company

TB Guinness Investment Funds  
64 St. James's Street  
Nottingham NG1 6FJ

### Authorised Corporate Director (ACD)

T. Bailey Fund Services Limited  
64 St. James's Street  
Nottingham NG1 6FJ

Tel: 0115 988 8200  
Website: [www.tbaileyfs.co.uk/funds/tb-guinness-investment-funds](http://www.tbaileyfs.co.uk/funds/tb-guinness-investment-funds)

Authorised and regulated by the Financial Conduct Authority.

### Directors of the ACD

Mrs H C Stevens  
Mr R J Taylor  
Mr G M Padbury  
Mrs R E Elliott  
Mr M Hughes (Non-Executive)  
Mrs A Troup (Non-Executive)

### Investment Manager

Guinness Asset Management Limited  
14 Queen Anne's Gate  
London SW1H 9AA

Tel: 0207 222 5703  
Email: [info@guinnessfunds.com](mailto:info@guinnessfunds.com)  
Website: [www.guinnessfunds.com](http://www.guinnessfunds.com)

Authorised and regulated by the Financial Conduct Authority.

### Depository

NatWest Trustee & Depository Services Limited  
135 Bishopsgate  
London EC2M 3UR

Authorised and regulated by the Financial Conduct Authority and by the Prudential Regulation Authority.

### Registrar and Share Dealing

T. Bailey Fund Services Limited  
64 St. James's Street  
Nottingham NG1 6FJ

Tel: 0115 988 8200  
Dealing Line: 0115 988 8285  
Website: [www.tbaileyfs.co.uk/funds/tb-guinness-investment-funds](http://www.tbaileyfs.co.uk/funds/tb-guinness-investment-funds)

Authorised and regulated by the Financial Conduct Authority.

### Auditor

Deloitte LLP  
Statutory Auditor  
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