



**GUINNESS
ATKINSON**
F U N D S

Alternative Energy *brief*



Ed Guinness

September 2013

Commentary and Review by portfolio manager
Edward Guinness



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*This month we provide comment on recent sector news and an update to our
outlook and positioning*

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Fund News

The Fund has maintained its advantage versus its peers, and as of the end of August 2013 we were quite pleased with its performance year to date versus the Wilderhill Clean Energy and Wilderhill New Energy Global Innovation indices.

China tariffs on US and Korean polysilicon

China has introduced retaliatory tariffs on imports of polysilicon from US and Korean manufacturers. This follows from the US tariffs that were imposed on Chinese modules in 2012. The impact of this is expected to be minimal as there is sufficient low cost polysilicon available from within China and from Europe to meet the expected demand from the Chinese solar industry. It will serve as a marginal negative for the US producers.

It is interesting to note that the imposition of tariffs on Chinese panels has been avoided by the Chinese module manufacturers who have circumvented the rules by locating manufacturing facilities outside China for certain parts of the value chain, thereby avoiding the tariffs. Furthermore, module prices remain higher in the US than in China and Europe and this means that the Chinese modules are still broadly competitive even with the tariffs imposed.

China constraints on new solar manufacturing capacity construction

The Chinese government has announced that they will not allow the expansion of solar manufacturing facilities in China unless strict criteria are met. Any new facilities must offer technological advances and lower costs while meeting strict criteria including for energy and water consumption.

German election result

The result of the German election is likely to lead to a change in policy whoever wins. Given already lowered expectations of German renewables installations we are watching carefully to see what new policies evolve in the twelve months following the election. We expect a change in focus, but do not expect Germany to drop its support overall for renewables.

Tony Abbott victory in Australian election a negative

The victory of Tony Abbott's coalition in the Australian elections is likely to result in the repeal of a number of green laws in Australia and a reduction in levels of support for alternative energy. However, from the fund's perspective, Australia is a relatively small market in the global context and the fund has limited direct exposure to Australia.

Outlook

With the strong run up in the first half of 2013, we have some concerns that stock prices are now more accurately reflecting the levels of risk that the sector faces. However, much of the return has come from stocks recovering from distressed situations and for many of the stocks we are still a long way from historically high prices.

We are of the opinion that the risks facing the sector are slowly being resolved. Price levels of installations for all alternative energy technologies, not just wind and solar, have fallen to levels where there are much improved economics for installations and where the level of investment is only beginning to respond to the attractive returns now available. Expectations of the long-term natural gas price in a world with shale gas are rising, and public support for the sector remains strong. Balance sheets are improving and for most sectors there is more rational pricing of equipment.

The long-term outlook for alternative energy remains good. The key drivers remain in place: dwindling fossil fuel supplies; energy security concerns; environmental issues; and climate change. The reduced cost of alternative energy technologies is likely to accelerate the growth of the alternative energy sector. We continue to position the Fund in an effort to benefit from the long-term potential growth of the sector.

Positioning

The Fund is most exposed to the wind and solar sectors, with just under half the portfolio in wind stocks and roughly a quarter in solar stocks. The remainder of the portfolio is invested in specific company situations rather than representing sector views.

Within the wind portfolio there is a range of types of holding. About a quarter of the wind exposure is invested in turbine manufacturers who are beginning to see growth in their order books and who are benefiting from lowering their cost base over the last five years. The rest of the wind exposure is split between large utility-type positions, smaller utilities and Chinese renewables utilities.

The large utility type positions have attractive valuations and solid pipelines which should provide steady growth. The smaller utilities are reaping the rewards of having completed portfolios of installations over recent years but whose pipelines should provide a strong growth corridor. The Chinese utilities are benefiting from mandated strong growth and low installation costs. Several of them had suffered when their wind production was curtailed in recent years, but improvements to the grid are now reversing that.

The Fund's solar positions have performed well this year but have significant potential for further growth. Stabilisation of pricing this year and a floor to the polysilicon price are allowing manufacturers to catch their breath, and the long-expected pick up in demand is supporting improved utilisation, and therefore margins. We hold a number of the tier one manufacturers who may benefit from this, and have recently acquired a position in a Chinese installer that is well placed for the government-mandated growth in installations in China.

Other holdings are in hydro companies, which have struggled with lower baseload electricity prices in Europe and unexpected regulatory changes in Latin America.

As a distinct fund investing in alternative energy as a pureplay strategy, we are well placed to capture the returns from an industry that is only now beginning to recover from 2008.

Fund Performance (August 2013)

The Guinness Atkinson Alternative Energy Fund was down 4.90% for August 2013 and is up 41.30% for 2013 year to date.

Total Returns as of 06/28/13

	Jun-13	QTD 2013	YTD 13	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	-1.27%	20.00%	26.32%	28.19%	-23.76%	-15.88%
WilderHill New Energy Global Innovation Index	-4.88%	14.08%	25.35%	31.02%	-16.63%	-6.69%
Wilderhill Clean Energy Index	-0.16%	24.95%	32.43%	21.83%	-22.19%	-17.01%
MSCI World Index	-2.42%	0.84%	8.81%	19.41%	3.42%	3.91%

Total Returns as of 08/31/13

	Aug-13	QTD 2013	YTD 13	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	-4.90%	11.86%	41.30%	50.17%	-20.82%	-14.27%
WilderHill New Energy Global Innovation Index	-2.48%	5.57%	32.33%	40.83%	-14.69%	-5.86%
Wilderhill Clean Energy Index	-6.16%	2.06%	35.15%	33.68%	-21.62%	-16.43%
MSCI World Index	-2.21%	3.14%	12.23%	18.47%	4.86%	4.25%

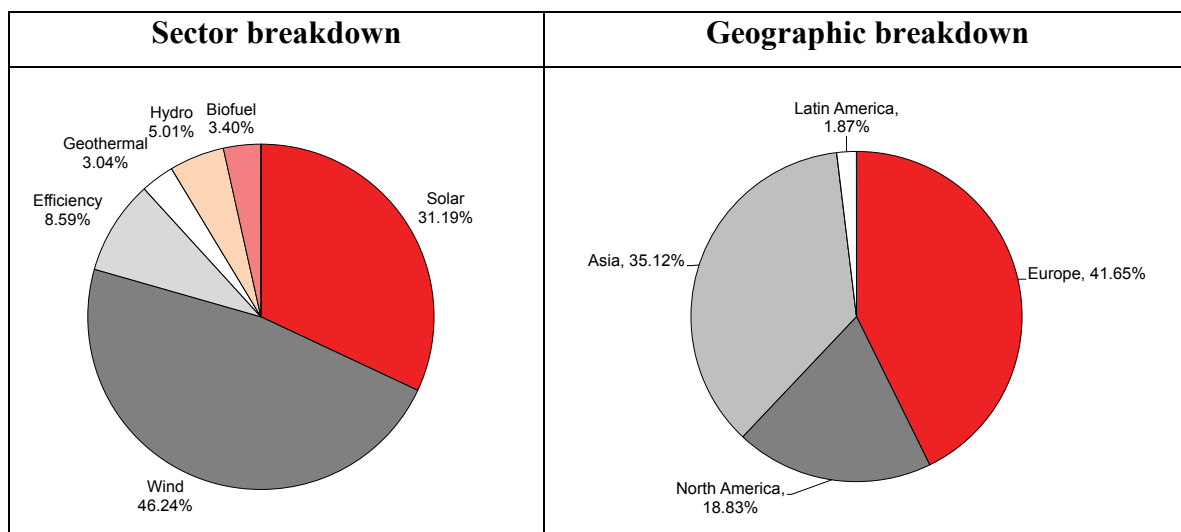
Expense Ratio 2.02% (net); 2.32% (gross)

The Advisor has contractually agreed to reduce its fees and/or pay fund expenses in order to limit the Fund's Total Operating Expenses to 1.98% through 06/30/2014.

All return figures represent average annualized returns except for periods of one year or less, which are actual returns.

Performance data quoted represents past performance; past performance 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 Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting www.gafunds.com or calling 800-915-6566.

The Funds impose a redemption fee of 2% on shares held less than 30 days. Performance data does not reflect the redemption fee. If reflected, total returns would be reduced.



Fund Holdings

Better performers over August were Nordex (+39.0%), Trina Solar (+26.6%), Good Energy (+11.5%), Ormat Technologies (+8.9%) and Acciona (+8.8%). Poorer performers were Suntech Power (-28.5%), Thermal Energy International (-26.9%), JA Solar (-24.0%), Canada Lithium (-24.0%) and Sunpower (-22.3%).

Top Ten Holdings as of 08/31/13	% of Assets
ReneSola Ltd.	6.59%
Vestas Wind Systems A/S	5.26%
Gamesa Corp Technologica SA	4.83%
SunPower Corp.	4.71%
Good Energy Group PLC	4.51%
Nordex SE	4.48%
Trina Solar Ltd.	4.14%
Acciona SA	3.42%
Maple Energy PLC	3.40%
JA Solar Holdings Co. Ltd.	3.33%

Commentary for our views on global energy and Asia markets is available on our website. Please [click here](#) to view.

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice.

This information is authorized for use when preceded or accompanied by a [prospectus](#) for the Guinness Atkinson Alternative Energy Fund. The prospectus contains more complete information, including investment objectives, risks, charges and expenses related to an ongoing investment in The Fund. Please read the prospectus carefully before investing.

The Fund invests in foreign securities which will involve greater volatility and political, economic and currency risks and difference in accounting methods. The risks are greater for investments in emerging markets. 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. The Fund also invests in smaller companies, which will involve additional risks such as limited liquidity and greater volatility. Current and future portfolio holdings are subject to risk. Investments focused on the energy sector may be exposed to greater risk than an investments diversified among various sectors.

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

The WilderHill New Energy Global Innovation Index (NEX) is a modified dollar weighted index of publicly traded companies which are active in renewable and low-carbon energy, and which stand to benefit from responses to climate change and energy security concerns.

The WilderHill Clean Energy Index (ECO) is a modified equal dollar weighted index comprised of publicly traded companies whose business's stand to benefit substantially from societal transition toward the use of cleaner energy and conservation.

The MSCI World Index (MXWO) is a capitalization weighted index that monitors the performance of stocks from around the world.

One cannot invest directly in an index.

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