GUINNESS ATKINSON FUNDS

Alternative Energy *brief*

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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

Latest news

The alternative energy sector continues to do well, with investors beginning to realize that the outlook for 2014 may be better than expected. The forecasts for demand for solar in 2014 continue to increase and we expect further estimate revisions upwards as the demand response to low solar pricing continues.

China alternative energy 2013 installations strong

China has announced that they have so far installed 36 gigawatts(GW) of wind, solar, nuclear and hydro power in 2013 up until the end of October. Of this, solar was 3.6GW wind, 7.9GW nuclear, 2.2GW and hydro made up the balance of 22.3GW. To put that in context, the entire UK electricity grid has 89GW of generation capacity in total.

China plenum positive for alternative energy

The plenum in China, which sets the agenda for the next five years, has re-confirmed that alternative energy remains a high priority for China and we expect to see continued policy support until the immediate issues of energy security, air quality and meeting demand are met.

US solar under development demonstrates potential size of US market

Solarbuzz has published its estimates for how much solar is under development in the US. There are 43GW of solar under development. This is more than 10 times the 3.3GW installed in 2012. There is also a trend towards smaller projects away from the giant utility scale projects. These typically have much shorter lead times from inception to construction, implying that we could see more built than would be expected from the pipeline by the 2017 tax incentive cut-off deadline.

UK headline renewables cuts

The UK has announced a reduction in tariffs for renewables. While the headlines sounded negative, the content was designed for political impact and the actual cuts were in line or below industry expectations. Tariff cuts were proposed for solar and wind of around 5% under a "contracts for difference" scheme that will not replace the existing schemes completely until after 2017. There were increased support levels for some combined heat and power plants and offshore wind, as the UK reaffirmed its support for leading in offshore wind.

US ethanol blend cuts proposed

In the US, the Environmental Protection Agency has proposed a cut to the amount of ethanol that must be blended into US gasoline next year, taking the expected required volume of ethanol down from 14.4 billion gallons to 13.8 billion gallons. Ethanol remains challenging for investment, particularly in the US.

German coalition proposing renewables slowdown

The new German coalition government is slowing down renewable energy development to allow the network development to catch up and to protect consumers from price rises. While Germany has historically been a critical market for global alternative energy, it is now a relatively small part for wind and solar, and as such, the proposals do not impact our industry expectations significantly. There are some interesting potential beneficiaries of the changes in policy in Germany including combined heat and power companies and energy storage companies.

Floor price for Chinese modules ratified by EU

The EU has ratified the floor price at which Chinese solar module manufacturers can sell their modules into the European market. This has created a floor for module prices now as the Chinese are the low cost manufacturers and there are only a limited number of firms that are able to undercut this floor price. It may create more challenges for the Chinese in 2014, but we note that the European market is likely to be 25% or less of the total market down from over 80% in 2010.

Positioning

The Fund is most exposed to the wind and solar sectors, with just fewer than 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 holdings. 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 for steady growth. The smaller utilities have been reaping the rewards of having completed portfolios of installations over recent years but whose pipelines provide a strong growth corridor. The Chinese utilities have been 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. Stabilization 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 utilization, and therefore margins. We hold a number of the tier one manufacturers to benefit from this, and have recently acquired a position in a Chinese installer that we believe 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 one of the only funds that is investing in alternative energy as a pure-play strategy, we believe we are well placed to capture the returns from an industry that is only now beginning to recover from 2008.

Fund Performance (October and November 2013)

The Guinness Atkinson Alternative Energy Fund was up 2.48% for October 2013 and up a further 1.5% in November 2013. The Fund is up 67.21% for the year to date.

Total Returns as of 09/30/13

	Sep-13	QTD 2013	YTD 13	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	15.47%	29.17%	63.16%	67.64%	-13.53%	-12.46%
WilderHill New Energy Global Innovation Index	10.75%	16.92%	46.56%	50.88%	-7.60%	-4.51%
Wilderhill Clean Energy Index	15.53%	17.91%	56.14%	53.05%	-14.60%	-14.64%
MSCI World Index	5.04%	8.34%	17.89%	21.05%	8.59%	4.89%

Total Returns as of 10/31/13

	Oct-13	QTD 2013	YTD 13	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	2.48%	2.48%	67.21%	81.60%	-4.21%	-12.04%
WilderHill New Energy Global Innovation Index	5.15%	5.15%	54.11%	64.78%	1.72%	-3.82%
Wilderhill Clean Energy Index	1.26%	1.26%	58.10%	65.02%	-7.51%	-14.34%
MSCI World Index	3.95%	3.95%	22.55%	26.65%	14.13%	5.37%

Total Returns as of 11/30/13

	Nov-13	QTD 2013	YTD 13	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	2.18%	4.71%	70.85%	85.56%	-1.64%	-11.68%
WilderHill New Energy Global Innovation Index	0.10%	5.25%	54.25%	65.47%	3.58%	-3.77%
Wilderhill Clean Energy Index	-0.41%	0.84%	57.46%	67.68%	-4.62%	-14.25%
MSCI World Index	1.83%	5.85%	24.80%	27.25%	16.06%	5.56%

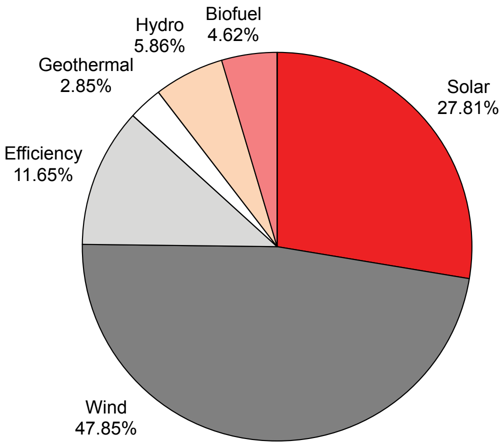
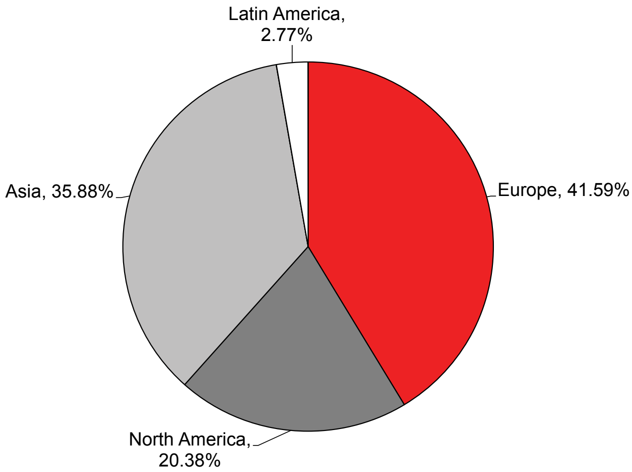
Gross Expense Ratio 2.02% (net); 2.32% (gross)

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.

Sector breakdown	Geographic breakdown
	

Fund Holdings

Better performers over October were Good Energy (+23.8%), Nordex (+20.3%), SMA Solar (+19.3%), Sunpower (+15.5%) and China Suntien (+15.4%). Poorer performers were LDK Solar (-30.1%), Canada Lithium (-18.9%), Yingli Green Energy (-13.5%), Renesola (-12.8%) and Maple Energy (-12.3%).

In November, the better performers were Jinkosolar (+30.5%), Good Energy (+27.3%), Huaneng Renewables (+12.7%), China Longyuan (+12.3%) and Waterfurnace International (+12.2%). Poorer performers over November were Nordex (-17.3%), Yingli Green Energy (-12.5%), Greentech Energy (-8.1%), Verbund (-7.4%) and Theolia (-7.1%).

Top Ten Holdings as of 11/30/13	% of Assets
GOOD ENERGY GROUP PLC	5.80%
MAPLE ENERGY PLC	4.62%
WATERFURNACE RENEWABLE ENERGY	4.39%
JINKOSOLAR HOLDING CO	4.11%
CANADA LITHIUM CORP	3.98%
HUANENG RENEWABLES CORP	3.75%
CHINA LONGYUAN POWER GROUP	3.72%
CHINA SUNTIEN GREEN ENERGY CORP	3.56%
THEOLIA SA	3.55%
GREENTECH ENERGY SYSTEMS	3.54%

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 investment 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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