GUINNESS ATKINSON FUNDS

Inflation Managed Dividends *brief*

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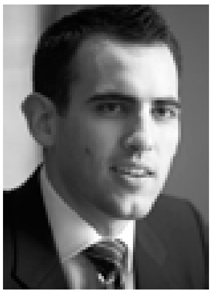

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February 2014

Commentary and Review by co-portfolio managers
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The start of 2014 has seen a marked change to the benign equity markets witnessed over the latter part of 2013. So what happened?

In the US market the healthcare and utilities sectors relatively outperformed with returns in positive territory for both sectors over the month. All other sectors ended in the red with the energy sector posting the weakest returns, down 6.1% in USD. Overall the MSCI US Index was down 3.4% in the month. Europe showed a similar profile across sectors with healthcare and utilities relatively outperforming (although in negative territory in absolute terms) with energy the second worst performer behind IT. Overall the MSCI Europe Index slightly underperformed the US, down 3.7% in the month. The MSCI Asia Index was down 4.5% in the month, with only the healthcare sector posting positive performance in the month up 1.3%. The energy sector was particularly hard hit and was down 9.4%.

However, emerging markets were the stand out poor performer regionally in January with the MSCI Emerging Markets Index down 6.6% in USD over the month. All ten sectors had negative returns with 5 sectors down greater than 6%.

In the summer of 2013 we saw a swift sell off in emerging market equities and bonds as investors worried about what the consequences of reduced quantitative easing by the Federal Reserve would have on these regions. Emerging markets recovered somewhat into the end of the year but were still down 2.3% in 2013 versus the MSCI World Index up 27.5% - a significant underperformance. Over-leveraged emerging market countries that had relied too heavily and for too long on capital inflows from developed countries saw their currencies weaken which put further pressure on their economies and governments. There appeared to be some hope in the market at the beginning of the year that the Federal Reserve may acknowledge these issues in emerging markets and slow the pace of their planned 'tapering'. This turned out not to be the case and as a consequence the selloff continued, only to be exacerbated by weaker economic indicators such as the contraction in the Chinese Purchasing Managers' Index (PMI) which indicated a slowdown in growth. Governments in emerging markets have reacted to their weakening currencies, however, with rate hikes seen in Turkey, India, Indonesia, and South Africa in recent days and weeks. Whether this results in an orderly slowdown of these economies only time will tell.

As an aside, John Authers wrote an interesting article in the Financial Times recently which examined the role of ETFs on the recent market turmoil in emerging markets. He questioned whether the ability to allocate and remove capital from these regions so quickly – via ETFs which trade on exchange – has had a detrimental effect and in essence created a 'boom and bust cycle'. He also looked closely at the methodology behind how these investment vehicles allocate capital and whether it makes sense in these markets, noting for example that weighting by capitalistion results in more money going into the largest firms in that market, which can often be formerly nationalised utilities and resources groups. His other conclusion is that investments in emerging markets require patience as they are volatile and it may take some time for their value to shine through.

The final point served as a useful reminder to Matt and myself to how we should view our investments in emerging market-focused companies in light of the turmoil we have seen over the past month. Any month the fund is down is obviously disappointing and this month is no exception. With such a good year behind us and with volatility having traded at such low levels perhaps a correction probably should not come as a great surprise. In terms of performance the worst performing stocks over the month in the fund were, unsurprisingly, those most exposed to emerging markets; in particular CNOOC, the Hong Kong-listed Chinese oil company, and Aberdeen Asset Management, whose underlying funds are closely linked to performance in the region. Both stocks were down over 15% in local currency terms in January.

We have written in previous updates about Aberdeen and in particular how it fared during the previous market correction we saw in May-June 2013. The pattern over the past month is strikingly similar to that seen just under a year ago with the stock retreating from a high around $8 per share to a low of around $5.75 per share, before rebounding quickly back to the previous high over subsequent months. We remain comfortable with our holding and note the recent, and well publicised, acquisition of Scottish Widows Investment Partnership should serve to broaden the asset base away from its historic Asian and emerging market focus. The company has a proven record of capital discipline and remains, in our opinion, a good long-term proposition trading at reasonable valuation multiples which do not reflect over-extended growth targets. The ride may continue to be bumpy but we think Aberdeen still represents a good long term investment, and now one at an even better valuation.

CNOOC, the Chinese National Offshore Oil Corporation, disappointed the market when it announced its 2014 strategic review. Slightly lower production targets and, more importantly, higher capex expectations combined with a weak Hong Kong market to send the shares lower. Management estimated production growth between 1-4% in 2014, not including the Nexen acquisition completed in early 2013, which meant the 5 year (2011-2015) estimated organic production Compound Annual Growth Rate (CAGR) of 6-10% management had expected could potentially be towards the low end when we reach the end of 2015.

The company has a long list of new production coming on stream in the next two years, however, so the results of these wells will be closely watched. The company now trades on a large discount to its peers on almost all metrics and well below its historic valuation. With the explosive production and reserve growth of the last decade behind it, the slower and more steady development of the company may mean it does not deserve its previous high multiples, but at such lowly valuations today we think the company offers good value and appears to now have more bad news priced in that it fully deserves.

Positive contributors to performance came from the healthcare sector, where the fund remains overweight relative to the benchmark. Merck was a strong performer, up 5.8% in January as management focus on improving returns and the pipeline of potential drugs, particularly in the oncology segment, started to be recognised in the market. The company also acknowledged it had received approaches of interest from some large consumer companies regarding the sale of its consumer care segment, which the company has noted in the past is sub-scale compared to its main pharmaceutical business. Teva Pharmaceutical also started the year well rising over 11% in January. This is a company we purchased for the fund in October 2013 and described as deep value due to the almost universally negative market sentiment. The company had several pressing issues, with the two most important being the sudden departure of its CEO and a threat of generic competition to its patented multiple-sclerosis drug Copaxone. The company has taken steps to address both issues with the imminent appointment of Erez Vigodman as CEO and approval of a new patent for a multiple-sclerosis drug that can be taken three times weekly and should be more desirable than the daily dose required using Copaxone.

The industrial stocks in the defence sector held in the portfolio continued their good performance through the second half of 2013 with General Dynamics, L-3 Communications and Northrup Grumman all having positive performance up 6.6%, 3.9%, 0.8%, respectively. Because of their strong performance, and renewed interest in the US government debate surrounding its budget and debt ceiling, we are looking carefully at these holdings in the portfolio as their stand out value is not necessarily as strong as it once was.

We thank you for your continued support and look forward to some interesting discussions in the coming year as the market begins to assimilate the changing economic environment.

Portfolio Performance

The fund generated a total return of -4.92% in January compared to its benchmark MSCI World Index which had a total return of -3.67%, thereby underperforming by 1.25%.

as of 1/31/14	Year to date	1 YR	Since inception annualized (3/30/12)
Inflation Managed Dividend Fund*	-4.92%	18.30%	15.08%
MSCI World Index	-3.67%	16.83%	14.48%

as of 12/31/13	Year to date	1 YR	Since inception annualized (3/30/12)
Inflation Managed Dividend Fund*	29.87%	29.87%	19.24%
MSCI World Index	27.49%	27.49%	17.71%

*The expense ratio is 7.05% (gross), 0.68% (net)

Performance data quoted represent past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. For most recent month-end and quarter-end performance, visit http://www.gafunds.com/IMD_performance or call (800) 915-6566. The Fund imposes a 2% redemption fee on shares held for less than 30 days. Performance data does not reflect the redemption fee and, if deducted, the fee would reduce the performance noted.

The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding Acquired Fund Fees and Expenses, interest, taxes, dividends on short positions and extraordinary expenses) in order to limit the Fund's Total Annual Operating Expenses to 0.68% through March 31, 2015.

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 Inflation Managed Dividend 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.

Mutual fund investing involves risk and loss of principal is possible. Investments in foreign securities involve greater volatility, political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets countries. The Fund also invests in medium and smaller companies, which will involve additional risks such as limited liquidity and greater volatility. The Fund may invest in derivatives which involves risks different from, and in certain cases, greater than the risks presented by traditional investments.

For a list of current holdings, click here. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

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

MSCI US Index is a capitalization weighted index that monitors the performance of stocks from the United States.

MSCI Europe Index is a capitalization weighted index that monitors the performance of stocks from Europe.

MSCI Asia Index is a capitalization weighted index that monitors the performance of stocks from Asia.

MSCI Emerging Markets (EM) Index is a capitalization weighted index that monitors the performance of stocks from Emerging Markets around the world.

China's Purchasing Managers Index is an indicator of the economic health of the manufacturing sector. The PMI Index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. A PMI above 50 indicates that the manufacturing industry is expanding, while a measure below 50 indicates contraction.

One cannot invest directly in an index.

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