GUINNESS ATKINSON FUNDS

Energy brief

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July 2014

Commentary and Review by portfolio managers
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REPORT HIGHLIGHTS

FUND NEWS

• Fund size $106 million at end of June

OIL

• Brent and WTI rise over the quarter; Iraq supply concerns come to the fore

Brent oil rose from $107/barrel (bl) to $112 the quarter while the WTI oil price rose from $102 to $105, widening the Brent/WTI discount to around $7/bl. Political disruption in Iraq via the rise and expansion of the Islamic State of Iraq and al-Sham (ISIS) raises fears over disruption to oil supply in the country. Despite this, the global oil market loosened, with inventories rising.

NATURAL GAS

• US gas price up slightly; gas market structurally oversupplied but inventories remain tight

Henry Hub gas rose slightly during the quarter, up from $4.37 to $4.46. Inventories remained at ten-year low levels, following heavy winter demand, though the situation loosened somewhat, with US onshore supply growth and gas to coal switching being the main contributors.

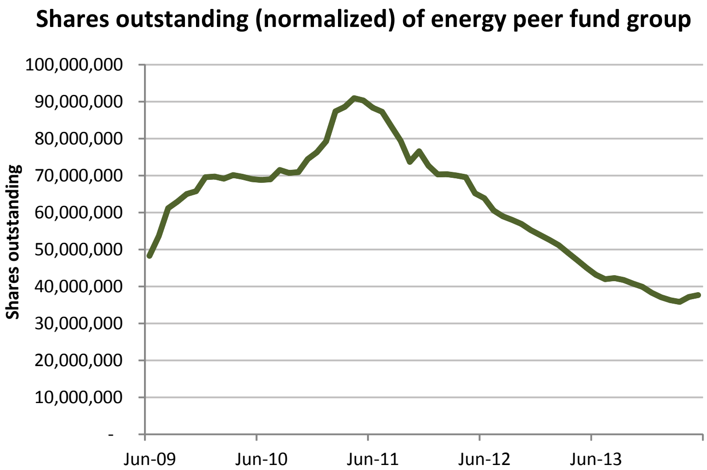
EQUITIES

• Energy outperforms the broad market

The second quarter of 2014 was strong for global equities, with energy equities outperforming. The MSCI World Energy Index was up by 12.3%, outperforming the S&P 500 Index by 6.2%.

CHART OF THE QUARTER: ENERGY FUND FLOWS

Tracking the volume of flows into any equity sector is a difficult task. The best visibility we have is to observe a group of global energy funds where the data is available. We saw a surge of investment inflows into these funds in late 2010 / early 2011, when energy last outperformed the broad market. So far in 2014, as energy starts to outperform again, we have seen a slight uptick in flows but are yet to see a 'weight' of money coming into the sector.

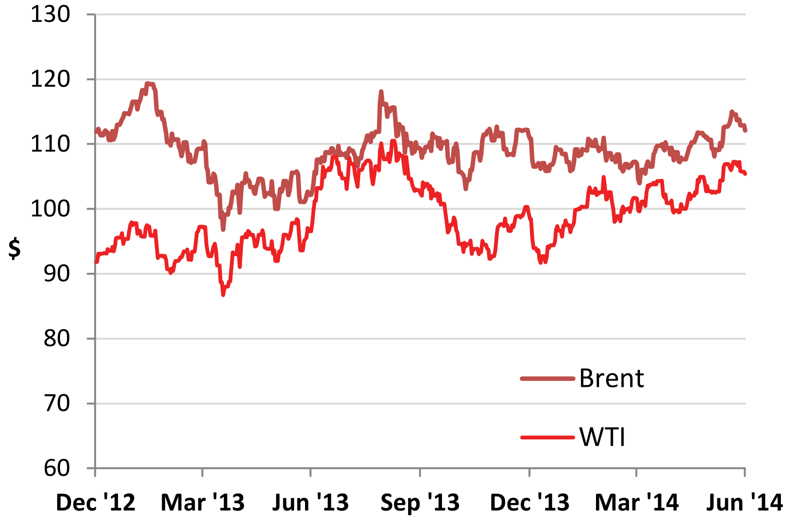


Source: Bloomberg LP; Energy fund peer group: Guinness Atkinson Global Energy Fund; Investec Global Energy Fund; BlackRock Global Funds – World Energy Fund; Schroder International Selection Fund – Global Energy; Invesco Energy Fund; ING L Invest – Energy; Credit Suisse SICAV Lux Equity Energy

1. Second Quarter 2014 Review

Oil market

Figure 1: Oil price (WTI and Brent $/barrel) 18 months December 31, 2012 to June 30, 2014



Source: Bloomberg LP

The West Texas Intermediate (WTI) oil price started the quarter at $101.6 and traded generally higher during the three months, peaking at $107.3 on June 20 before slipping to close June at $105.4. WTI has averaged $100.8 so far in 2014, having averaged $98.0 in 2013, $94.1 in 2012 and $95.0 in 2011.

The Brent oil price followed a similar trajectory during the quarter, starting April at $107.0, peaking at $115.1 on June 19 and ending at $112.4. The gap between the WTI and Brent benchmark oil prices therefore widened a little to around $7/bl. The WTI-Brent spread averaged $10.7/bl during 2013, having been well over $20/bl at times since 2011.

Factors which strengthened the WTI and Brent oil prices in Q2 2014:

- **Political unrest in Iraq**

The uprising from ISIS in Iraq caused a sharp increase in global oil prices in the middle of June. The uprising has been in the northern and central parts of Iraq and has therefore not yet caused any disruption to main producing oil fields which are in the south of the country. We think that it is unlikely to cause supply disruption but have provided further detail and analysis in the following commentary.

- **Ongoing supply disruption in Libya**

Expectations of a recovery in Libyan oil supply has continued to be dashed so far this year, with production in June estimated to be around 300,000 barrels(b)/day, up around 50,000 b/day on the level seen in May but still down from 1.4m b/day at the same time last year. We note that there are signs of an agreement to reopen around 500,000 b/day of export infrastructure in the early part of July but we are still awaiting an increase in physical production volumes. When the recovery in production does eventually come, we expect it to be balanced by production declines from Saudi, Kuwait and United Arab Emirates (UAE).

Iraq's current crisis and likely impact on the oil price

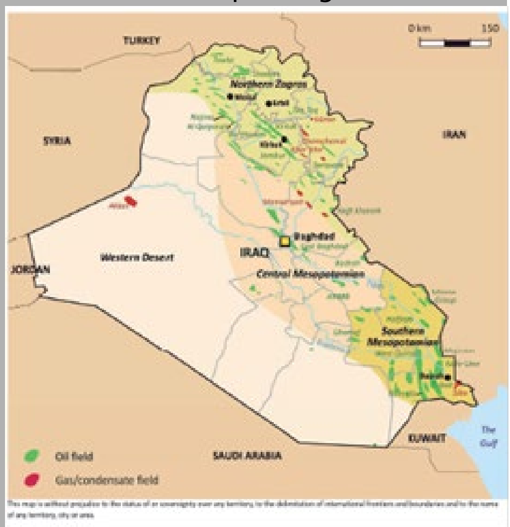
The rise and rapid expansion of the Sunni enclave known by its new rulers under Abu Bakr al-Baghdadi as the Islamic State of Iraq and al-Sham (or ISIS; al-Sham means greater Syria) comes as no great surprise. We wrote about the threat it posed to Iraq and Syria in January. No-one can predict how far it can expand or how quickly it will be crushed (if ever).

ISIS presence

Our tentative view is that it is reasonable to assume it will not be defeated any time soon, as support from the disaffected general Sunni Iraqi population will be considerable. This reflects the blatant sectarianism of Nouri al-Maliki, the Shiite Iraqi prime minister, since the US left Iraq two years ago. But it will likely be contained in the area it currently controls, and may rule over this area centred on Jazeera and covering much of Western Iraq and Eastern Syria for quite some time.

Current oil production in Iraq of perhaps 3.25 million barrels per day includes roughly 150,000 barrels(b)/day in the central region, which may be totally disrupted . The 700,000 b/day production in the north and 2.4 million b/day in the south, however, should be unaffected, provided the conflict does not expand seriously either through Baghdad or into Kurdistan. The immediate effect on oil supplies will therefore be the loss of 150k b/day.

Main Iraqi oil & gas fields



Source: IEA Report Iraq Energy Outlook 2012

An unexpected, balancing consequence may well be a settlement of the long-running Baghdad Kurdistan dispute and a commencement of unhindered exports of oil from Kurdistan. This depends, of course, on the relevant pipelines surviving and operating, but this is not so impossible as ISIS and Kurdistan, both Sunni, may choose to live in an uneasy acceptance of each other. This would, ironically, potentially release for export 150,000 b/day of shut-in production in Kurdistan.

If we are right, the immediate effect on world oil supply could be surprisingly modest. A more likely consequence is that the general uncertainty could greatly hamper efforts to grow Iraqi production in the south. The loss of a rise in Iraqi production and exports is enough to justify the current move up in the oil price by $5 per barrel, but there is no logical reason why it should rise much more.

Another consequence of this development may be to encourage the transfer of control elsewhere in the Middle East to similar extreme Islamic hands, e.g. in Libya. A major emerging figure there is Mohommad Zahawi , Islamisist leader of Ansar Al Sharia in the east of Libya, which is preventing any significant resumption of Libyan oil exports. On the other hand the emergence of murky ex-Gaddafi General Khalafi Haftar as a Sisi-like dictator (Egypt's new dictator) may trump that.

One final consequence of a successful establishment of ISIS that should not be entirely discounted is the possibility it destabilizes Saudi Arabia. A recent press comment read as follows:

The kingdom has good reason to fear the revival of an al-Qaida-like group with wide territorial ambitions. The government claims to have broken up a terrorist cell in May that had links to both ISIS and al-Qaida in the Arabian Peninsula. ISIS has also reportedly launched a recruitment drive in Riyadh.

That would be really earth-shaking. No-one is discussing it, but if Saudi now turns against ISIS – a quite likely development – we should not rule out that ISIS survives and garners Wahhabi support inside Saudi Arabia and topples the monarchy. That would be disruptive.

- **Positive demand data**

We saw positive oil demand data points in the US and globally during May. In the US, the Energy Information Administration's (EIA) most recent weekly demand data indicated that demand is running around 2-3% higher than the same time last year. For the year to date, US demand is running around 2% ahead of 2013. If this rate is sustained for the rest of the year, it implies that US oil demand growth this year may well be higher than China. Elsewhere, the International Energy Agency (IEA) revised their global demand forecast higher for the 10th consecutive month. They now expect global demand to grow by 1.4m b/day in 2014, the largest rise since 2010.

- **Approval by United States to export lease condensate (positive for WTI; neutral for Brent)**

In June, the United States Commerce Department approved the export of lightly processed condensate from the Eagle Ford shale play for Pioneer Natural Resources and Enterprise Products. This is the first such approval by the United States government and while only small in terms of volumes does indicate an easing on political restrictions for the export of liquid hydrocarbons. We would expect further condensate volumes to be exported in the coming months but do not expect a full lifting of the crude oil export ban for at least two more years.

Factors which weakened the WTI and Brent oil prices in Q2 2014:

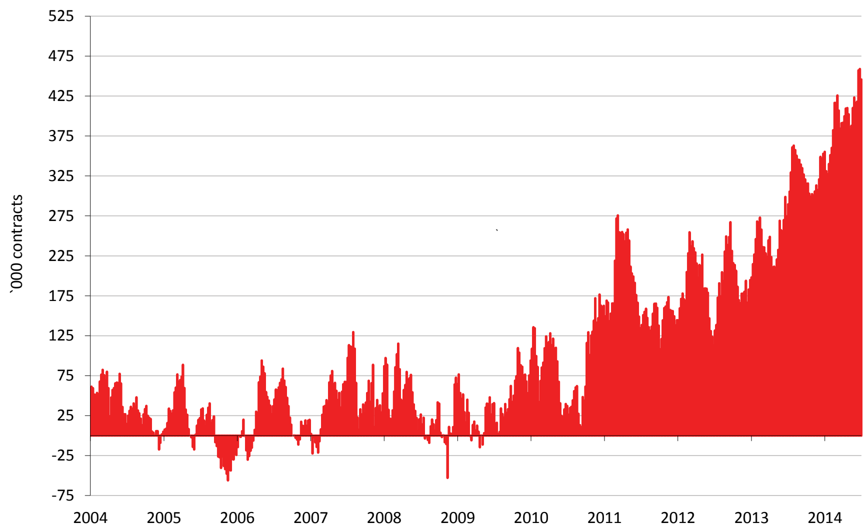
- **Build in global inventories continued into May**

OECD (Organisation for Economic Co-operation and Development) inventories of crude and product stocks estimated for May 2014 (the latest data point available) were 2,661 million barrels, following a 37 million barrel estimated build during the month. If this number is confirmed, it represents the largest May build for around seven years, and builds on a previously high build reading in April. Global inventories are now just over the middle of the 10 year range.

Speculative and investment flows

The New York Mercantile Exchange (NYMEX) net non-commercial crude oil futures open position increased in June, ending the month at 446,000 contracts long, versus 423,000 contracts long at the end of May. We regard a net long position of 446,000 contracts as high – any unwinding is likely to dampen the WTI price.

Figure 2: NYMEX Non-commercial net futures contracts: WTI January 2004 – June 2014

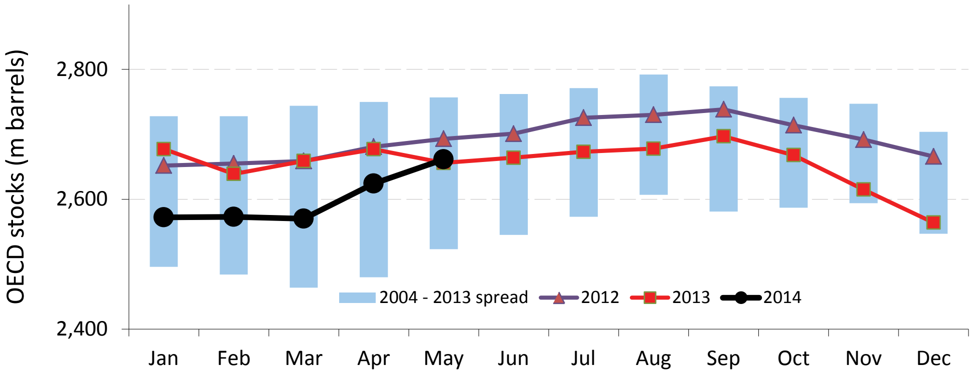


Source: Bloomberg LP/NYMEX (June 2014)

OECD Stocks

OECD total product and crude inventories were estimated for May 2014 at 2,661 million (m) barrels, up 37m barrels compared to April 2014. Total OECD inventories now sit slightly above the middle of the 10 year high-low range, and at a similar level to those seen in 2012 and 2013. We believe that OPEC would like to manage supply so that OECD inventories remain comfortably within the 10 year range: a further tightening could prompt Saudi et al to raise production.

Figure 3: OECD total product and crude inventories, monthly, 2004 to 2014



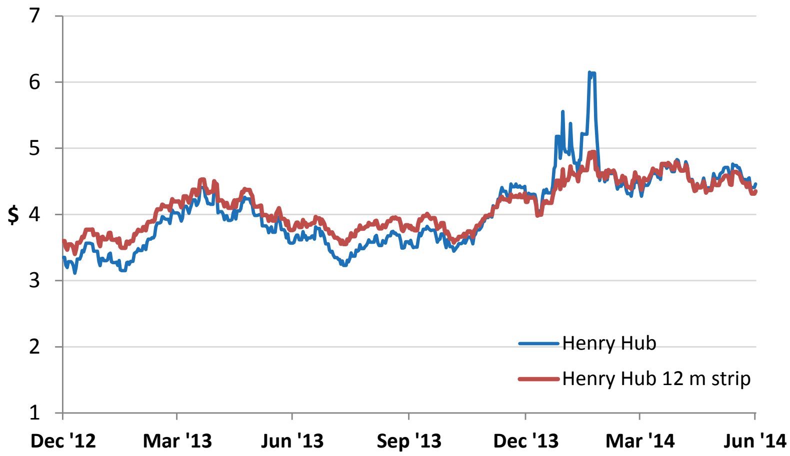
Source: IEA Oil Market Reports (June 2014 and older)

2. Natural Gas Market

The US natural gas price (Henry Hub front month) started the quarter at $4.37 per Mcf (1000 cubic feet), and traded up to a high of $4.83 on April 29, before falling again to close June at $4.46. So far in 2014, the gas price has averaged $4.86, assisted by a very cold US winter. If the spot price were to sustain at the current level, it would imply the highest yearly average (spot) gas price since 2008. The price averaged $3.73 in 2013, well above the 2012 average of $2.75 but down on the 2010 and 2011 averages of $4.38 and $4.00 and significantly below the average in each of the previous 5 years (2005-2009).

The 12-month gas strip price (a simple average of settlement prices for the next 12 months' futures prices) traded in a similar fashion, starting the quarter at $4.46 and ending June at $4.35, having risen to a high of $4.80 on April 28. The strip price averaged $3.92 in 2013, having averaged $3.28 in 2012, $4.35 in 2011, $4.86 in 2010 and $5.25 in 2009.

Figure 4: Henry Hub Gas spot price and 12m strip ($/Mcf) December 31, 2012 to June 30, 2014



Source: Bloomberg LP

Factors which strengthened the US gas price during Q2 included:

- **Higher production levels required to refill storage**

There remains concern over the natural gas industry's ability to refill storage adequately by the start of the next winter heating season (November 1, 2014), given the very low level of gas in storage today. Storage levels for the end of the quarter (the week to June 27, 2014) were 1,929 Bcf (billion cubic feet), 23% below the 10 year average (2,503 Bcf). In order to rebuild storage to the 5yr average level on November 1, 2014, weekly injections would need consistently to exceed the 10yr weekly maximum injection levels.

- **Second full approval for LNG export project**

The Federal Energy Regulatory Commission (FERC) granted full and final approval to Sempra's Cameron LNG project in Louisiana, making it only the second project to receive full FERC approval. The project, which aims to export 1.7 BCF/day of gas, already had conditional approval from the Department of Energy, and is scheduled for start-up in 2017. Two further final approvals for LNG exports (Corpus Christi and Freeport) are expected within the next 6-9 months.

Factors which weakened the US gas price during Q2 included:

- **US domestic production continues to grow**

Despite the low number of rigs drilling for natural gas, US gas production continues to grow. Gross gas production in April 2014 (the latest data point available) for the lower 48 states was up 1.0 bcf/day (month over month) and 4.5 bcf/day (year over year) to 77.5 bcf/day. The biggest contributor to the production growth over the past year has been the Marcellus field, which is estimated to have grown by around 4 Bcf/day.

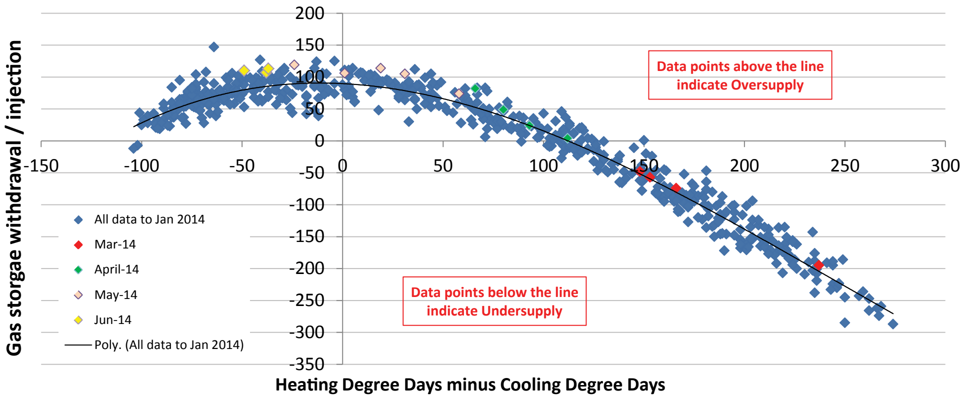
- **Gas to coal switching**

A gas price of around $4.50 seems to have been sufficient to reverse some of the coal to gas switching that we saw in 2012 and 2013 as a result of lower gas prices. It is a difficult to measure switching with precision, but recent data suggest that, year to date, there has been around 3-4 Bcf/day of switching from gas to coal. This is likely a significant contributor to the underlying picture of oversupply we show below.

- **Underlying gas market looks oversupplied**

The most recent injections of gas into storage suggest the market is comfortably 3-4 Bcf/day oversupplied, as indicated on the graph below. We suggest that this level of 'over production' will go some way towards normalising the natural gas inventory position by the start of the winter. However, we note that the North American summer is still to start and that there is therefore still a lot of uncertainty around where gas storage level will be at end of the injection season.

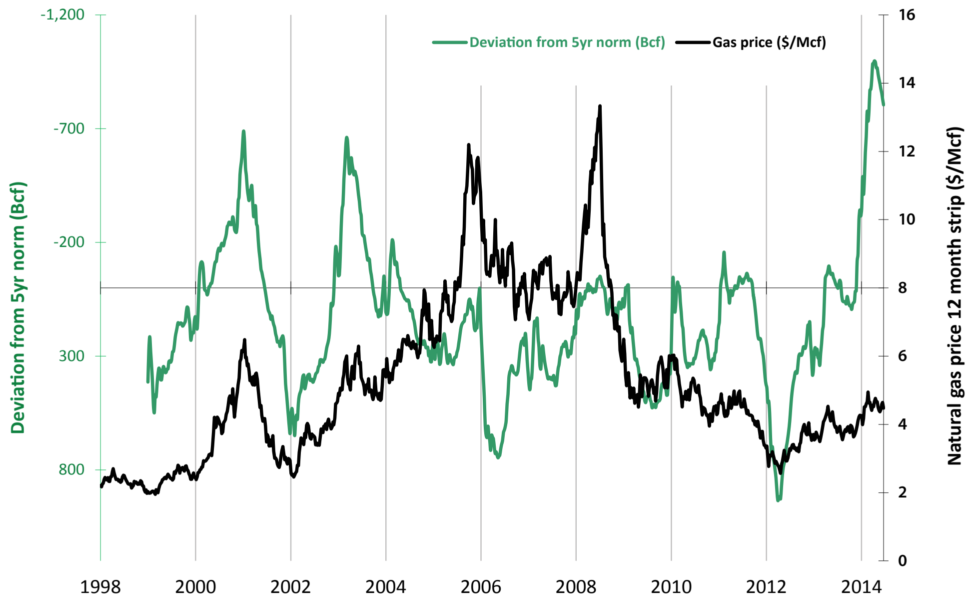
Figure 5: Weather adjusted US natural gas inventory injections and withdrawals



Natural gas storage

Swings in the supply/demand balance for US natural gas should, in theory, show up in movements in gas storage data. The following graph shows the 12 month gas strip price (in black) against the amount of gas in storage expressed as the deviation from the 5 year storage average (in green). Swings in storage have frequently been a leading indicator to movements in the gas strip price.

Figure 6: Deviation from 5yr gas storage norm vs gas price 12 month strip (H. Hub $/Mcf)



Source: Bloomberg; EIA (July 2014)

The surplus of gas in the second half of 2008 and 2009, a result of oversupply during the recession, can be seen in gas storage data, with the inflection point in storage occurring in July 2008 and the storage line moving from negative (i.e. deficit) to positive (i.e. surplus) territory over this 18 month period. This coincided with the gas strip price falling from a peak of over $13 in July to below $5. An unusually cold 2009/10 winter boosted demand and pushed the gas storage level back into balance, only for oversupply to persist again for much of the rest of 2010. A cold 2010/11 winter followed by a hot 2011 summer tightened storage again, with storage levels staying around the 5 year average for much of this period.

The very mild 2011/12 winter (in combination with rising production) caused gas storage levels to balloon to record levels, driving prices down to their lowest levels for a decade. Since then, coal-to-gas switching and shut ins and the sharp rig count drop have worked in the other direction, seeing gas prices rising from their sub $2 lows in April 2012 to around $4 at the end of 2013. The most recent winter saw gas in storage tighten very considerably, though much of this can be attributed to an extremely cold 2013/14 winter rather than a structural tightening. Most recently, coal has regained some power generation market share as a result of the higher gas price although note that thermal coal inventories are low and many coal fired power plants will start to be decommissioned from 2015.

We watch movements in gas storage closely as a tightening from here, weather adjusted, is likely to be a coincident indicator for the start of the next leg of gas price recovery.

3. Manager's Comments

With the first six months of 2014 behind us, we take this opportunity to review the overall performance of the energy sector over this period, as well as company activity within the sector and the performance of the Fund. Energy has performed well so far in 2014, with the MSCI World Energy Index (+14.3%) outperforming the S&P 500 (+7.1%) by 7.2%. More precisely, energy started to outperform from February 2014, after a 34 month period of underperformance, as the following charts show:

Index performance from 3/31/11 – 6/30/14

Source: Financial Express

Index Performance 1/1/14-6/30/14

Source: Financial Express

The relative strength of the **energy** sector as a whole versus the broad market can be linked in part to strength in spot oil prices, particularly in the US. The WTI (US) oil price started the year at $98 and rose steadily throughout most of the period to end June up 7% at $105. The Brent (international oil price) rose by a smaller degree, up from $111 to $112 over the period. More importantly for the sector, however, long-term oil price expectations improved strongly, with the Brent five year forward price rising by 12% to $98. The rise in longer term oil pricing over the first six months of 2014 coincided with a general tightening of oil market fundamentals. Why has the market tightened? In essence, demand has proved stronger than expected, particularly in the US, while supply has been hampered by a slew of Organization of the Petroleum Exporting Countries (OPEC) problems (Libya, Iraq and Nigeria included). Supply growth from US shale oil has continued unabated, up 0.5m bl/day since the start of the year, but the market is starting to recognize that the world needs this oil to keep the global oil market in balance, rather than imbalance it.

The US natural gas price was largely unchanged, moving just 1% from $4.46 at the start of the year to $4.43 by June 30th. The price did, however, spike strongly in January and February as the coldest US winter in recent history created a sharp uptick in gas heating demand. By contrast a warm winter across Europe dampened European gas prices. In terms of company activity, as a backdrop, we remind readers of comments we made about the performance of the energy equity sector in 2013:

"2013 was another strong year for the US oil industry and a relatively weak one for those outside the US. We saw a swathe of restructuring (asset disposals, spin offs and corporate splits), improved capital discipline (higher dividends and share buybacks) and improved capital efficiency (lower well costs and better productivity) in the US large and mid-cap E&P companies.

It was not so pretty for the non-US companies as exploration disappointed in Africa, deep water oil developments were delayed and cancelled, European refining margins were in the doldrums, Canadian crude oil prices were depressed and non-OECD oil demand growth started to taper. The weak story was matched with mediocre if not disappointing share price performance for many non-US companies." – Guinness Atkinson Energy Team

The story for the first half of 2014 is slightly more nuanced, with a number of US energy subsectors still performing strongly, some slowing, and some parts of European and international energy starting to perk up again.

In general, the rise in the WTI oil price, coupled with a growing oil drilling rig count, provided a healthy enough backdrop for US onshore E&P (exploration & production) companies and associated services (land drilling; pressure pumping; completion services) to continue to outperform. The sweetest spots of activity continued to be the Eagleford and Permian basins in Texas, and to a lesser extent, the Bakken in North Dakota, where production growth is a little slower.

The greatest turnaround since last year has been the European integrated oil and gas sector. After several years of declining returns on investment, the promise of improved returns now seems a more likely prospect for the group, thanks to a shift in focus from volume growth to profitability. The trend was started in the middle of last year by Total, which announced that 2013 would mark the peak in their CAPEX cycle, followed by positive statements of intent this year from Shell, BP and Statoil, amongst others. As a group this year, the European integrateds have outperformed. By contrast, the performance of US super majors (Exxon and Chevron) was more muted, reflecting a softening of US refining margins and something of a 'pause' after a stronger run-up than their European peers during 2013.

The benign environment being enjoyed by onshore service companies in the US contrasts with the more difficult conditions being seen in certain offshore service sectors. Notably, there is a looming oversupply of offshore drilling rigs and seismic equipment, which has impacted the earnings prospects for both offshore drillers and seismic providers.

Elsewhere, the coal sector, both in the US and internationally, has continued to struggle. The combination of natural gas and renewables taking market share from coal, and slowdown of the investment cycle in China affecting demand there, has continued to weigh on earnings, sentiment and share prices in the sector.

We are pleased with how the **Guinness Atkinson Global Energy Fund** has performed in 2014 against its benchmark, the MSCI World Energy Index. See standardized performance table on pg. 11.

As you might expect from the comments made above, among the better performers over the first six months of 2014 were our US onshore services companies, US E&P companies and European integrated oil and gas companies. In the services sector, Halliburton (+40.6%), Patterson UTI (+38.9%) and Unit Corporation (+33.3%) benefited from rising onshore US oil & gas activity. The US oil and natural gas levered names, in particular Penn Virginia (+79.7%), Newfield Exploration (+18.9%) and Carrizo (+54.7%) enjoyed a combination of strong production and the rising WTI price. Meanwhile the European integrated oil and gas companies owned in the Fund, including Statoil (+31.9%) and Total (+20.6%) enjoyed the shift from 'volume to value' in their operations that we describe above. Other notable positive performers were Shawcor (+40.0%), which has enjoyed an expansion of its international project backlog, and Canadian Natural Resources (+37.4%), a beneficiary of improving Canadian heavy oil pricing.

As a group, emerging market and US super-major oil and gas companies performed the weakest. Sentiment towards Gazprom (+1.9%) was colored by the Russia/Ukraine political crisis, while Exxon (+0.9%) and Chevron (+6.4%) were held back by a slight deterioration in the outlook for US refining. This also impacted our one pure-play US refining position, Valero (+0.4%). Among the E&P research positions, Ophir Energy (-30.6%) reported a number of exploration failures.

Outlook

As we look forward to the second half of 2014, we continue to think the most likely scenario is an average price of Brent and WTI in the trading range of $90-110. Once the floor of this range looks threatened, OPEC will start to reduce supply and any significant price weakness below $100 (Brent) will be prevented by OPEC cuts. Should the oil price rise much over $125, we think demand will start to weaken, putting a ceiling on the price for the time being (absent a supply shock).

This year, non-OPEC supply is expected to grow better than at any point over the last three years, but is being countered by supply disruption across North and West Africa (Libya, Nigeria & Algeria) and the Middle East (Syria, Yemen and foremost, Iran). Factor in respectable demand growth and the market looks balanced, though we should recognise that we are only one ill-judged military move away from another oil spike.

At the heart of it all, we believe that Saudi are working hard to try and maintain a 'good' oil price (Brent at $100-110). So far, they are succeeding.

The US natural gas price at around $4.50 is trading at a level which is more than double the lows of 2012 but still well below the $6+ range experienced for much of the 2004-2008 period. We believe the gas price may then be held around the $4-5 range for a period until demand grows further, and longer term we expect the price to normalize to $6-8.

Energy equities over the first six months of 2014 outperformed the broad market, following a near three year period of underperformance since early 2011. We think the turnaround reflects a growing realization that the oil market may remain in tighter supply and demand balance over the next few years than many were anticipating.

If we started the year with a belief that energy equity valuations reflected an expectation that international oil prices return in the longer term to around $80, we sit today thinking that energy equity valuations now reflect a long term oil price of $85-90: an increase of 5-10%, but still well below the spot oil price at over $100. On traditional valuation metrics of P/E ratio, price to discounted cash flow (e.g. the SEC's PV-10 calculation) or Enterprise Value to proven reserves, many energy companies remain cheap, in our view. The 2014 P/E ratio of our Fund at June 30 is 12.5x versus 16.6x for the S&P500. We expect the dislocation between energy equities and the broad market to continue to correct as the current oil price and long-run market expectations continue to come together. We believe $100 oil is around where that could happen.

Overall, the Fund continues to seek to be well placed to benefit from the oil and gas price environment described above.

4. Performance – Guinness Atkinson Global Energy Fund

The main index of oil and gas equities, the MSCI World Energy Index, was up by 12.2% in the second quarter of 2014. The S&P 500 Index was up by 5.2% over the same period. The Fund was up by 14.0% over this period, outperforming the MSCI World Energy Index by 1.9% (all in US dollar terms).

Within the Fund, the second quarter's stronger performers were Penn Virginia, Carrizo, Shawcor, Halliburton and Patterson UTI. Poorer performers were Exxon, Gazprom, Chevron and Valero.

Performance as of June 30, 2014

Inception date 6/30/04	Full Year 2009	Full Year 2010	Full Year 2011	Full Year 2012	Full Year 2013	YTD	1 year (annualized)	Last 5 years (annualized)	Since Inception (annualized)
Global Energy Fund	63.27%	16.63%	-13.16%	3.45%	24.58%	20.22%	45.78%	14.35%	14.82%
MSCI World Energy Index	26.98%	12.73%	0.71%	2.54%	18.98%	24.28%	31.31%	13.48%	11.44%
S&P 500 Index	26.47%	15.06%	2.09%	15.99%	32.36%	7.12%	24.42%	18.80%	7.77%

Source: Bloomberg
Gross expense ratio: 1.35%

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 www.gafunds.com 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.

5. Portfolio – Guinness Atkinson Global Energy Fund

Buys/Sells

In May, we sold our position in Patterson UTI, the US based land drilling contractor, and switched into John Wood Group, the UK listed oil and gas engineering company. The purchase represents a further switch away from North American land based unconventional exposure towards more global themes. On our estimates, John Wood Group trades at a reasonable discount to its long run average valuation multiples and offers potential for strong free cash flow generation.

Sector Breakdown

The following table shows the asset allocation of the Fund at **June 30, 2014.**

(%)	31 Dec 2007	31 Dec 2008	31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 June 2014	*Change YTD*
Oil & Gas	**103.5**	**96.4**	**96.1**	**93.2**	**98.5**	**98.6**	**95.6**	**92.8**	***-2.8***
Integrated	66.2	53.7	47.2	41.2	39.6	39.1	39.6	38.3	*-1.3*
Exploration and production	25.8	28.7	32.0	36.9	41.5	41.6	36.8	34.9	*-1.9*
Drilling	8.1	5.2	8.4	6.3	6.0	7.4	6.8	3.2	*-3.6*
Equipment and services	3.4	6.4	5.4	5.3	6.6	7.1	9.0	13.5	*4.5*
Refining and marketing	0.0	2.4	3.1	3.5	4.8	3.4	3.4	2.9	*-0.5*
Coal and consumables	**2.5**	**2.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Solar	**0.0**	**0.0**	**0.0**	**3.2**	**1.2**	**1.2**	**2.8**	**3.3**	**0.5**
Construction and engineering	**0.0**	**0.4**	**0.4**	**0.4**	**0.4**	**0.6**	**0.9**	**1.0**	**0.1**
Cash	**-6.0**	**0.9**	**3.5**	**3.2**	**-0.1**	**-0.4**	**0.7**	**2.9**	**2.2**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**0.0**

Source: Guinness Atkinson Asset Management
Basis: Global Industry Classification Standard (GICS)

Guinness Atkinson Global Energy Fund Portfolio

The Fund at June 30, 2014 was on an average price to earnings ratio (P/E) versus the S&P 500 Index at 1,960 as set out in the table. (Based on S&P 500 'operating' earnings per share estimates of $56.9 for 2009, $83.8 for 2010, $96.4 for 2011, $96.8 for 2012, $107.3 for 2013 and $118.0 for 2014). This is shown in the following table:

	2009	2010	2011	2012	2013	2014
Guinness Atkinson Global Energy Fund P/E	19.6	12.5	*12.6*	*13.3*	13.9	12.5
S&P 500 P/E	34.5	23.4	20.3	20.2	18.3	16.6
Premium (+) / Discount (-)	*-43%*	*-47%*	*-38%*	*-34%*	*-24%*	*-25%*
Average oil price (WTI $)	$61.9/bbl	$79.5/bbl	$95/bbl	$94/bbl	$98/bbl	$100/bbl

Source: Standard and Poor's; Guinness Atkinson Asset Management; bbl = barrels

Portfolio Holdings

Our integrated and similar stock exposure (circa (c) .39%) is comprised of a mix of mid cap, mid/large cap and large cap stocks. Our five large caps are Exxon, BP, Chevron, Royal Dutch Shell and Total. Mid/large and mid-caps are ENI, Statoil, Hess and OMV. At June 30 2014 the median P/E ratio of this group was 12.0x 2014 earnings. We have one Canadian integrated holding, Suncor. The company has significant exposure to oil sands and stands on an attractive P/E of 11.2x 2014 earnings given the company's good growth prospects.

Our exploration and production (E&P) holdings (c.33%) give us exposure most directly to rising oil and natural gas prices. We include in this category non-integrated oil sands companies, as this is the Global Industry Classification Standard (GICS) approach. The stock here with oil sands exposure is Canadian Natural Resources. The pure E&P stocks are all largely in the US (Newfield, Devon, Chesapeake, Carrizo, Stone, Ultra, QEP and Bill Barrett), with two more US names (Apache and Noble) which have significant international production and two (Enquest and Bankers Petroleum) which are European and North Sea focused. One of the key metrics behind a number of the E&P stocks held is low enterprise value / proven reserves. Almost all of the E&P stocks held also provide exposure to North American natural gas and include two of the industry leaders (Devon and Chesapeake). In P/E terms, the group divides roughly into two: (i) Apache, Chesapeake, Devon, Ultra, Stone, Bankers and Enquest all with quite low P/Es (12x – 15x 2014 earnings); and (ii) Noble, Bill Barrett, Newfield, Carrizo and QEP with higher P/E ratios. However, we think all look reasonably attractive on EV/EBITDA multiples.

We have exposure to four (pure) emerging market stocks in the main portfolio, though two are half-positions. Two are classified as integrateds by the GICS (Gazprom and PetroChina) and two as E&P companies (Dragon Oil and SOCO International). Gazprom is the Russian national oil and gas company which produces approximately a quarter of the European Union gas demand and trades on 3.1x 2014 earnings. PetroChina is one of the world's largest integrated oil and gas companies and has significant growth potential and advantages as a Chinese national champion. Dragon Oil is an oil and gas E&P company focused on offshore Turkmenistan in the Caspian Sea and trades on 8.4x 2014 earnings. SOCO International is an E&P company with production in Vietnam and exploration interests across East Africa in Angola, Democratic Republic of Congo and the Republic of Congo.

We have useful exposure to oil service stocks, which comprise around 17% of the portfolio. The stocks we own are split between those which focus their activities in North America (land driller Unit Corp) and those which operate in the US and internationally (Helix, Halliburton, Wood Group and Shawcor).

Our independent refining exposure is currently in the US in Valero, the largest of the US refiners, which is currently trading at significant discount to book and replacement value. Valero has a reasonably large presence on the US Gulf Coast and is benefitting from the rise in US exports of refined products seen in recent times.

Our alternative energy exposure is currently a single unit split equally between two companies: JA Solar and Trina Solar. Both were loss making in 2012 and 2013 due to sharp falls in solar prices during the year but are expected to return to profitability during 2014. Trina is a Chinese solar module manufacturer and JA Solar is a Chinese solar cell manufacturer. Some measure of their continued recovery potential may be indicated by their 2010 P/Es of 3.8x and 1.4x respectively.

Tim Guinness
Chairman & Chief Investment Officer

Will Riley & Jonathan Waghorn
Fund investment team

Portfolio at June 30, 2014

Guinness Atkinson Global Energy Fund 30 June 2014

Stock	ID_ISIN	Curr.	Country	% of NAV	2006 B'berg mean PER	2007 B'berg mean PER	2008 B'berg mean PER	2009 B'berg mean PER	2010 B'berg mean PER	2011 B'berg mean PER	2012 B'berg mean PER	2013 B'berg mean PER	2014 B'berg mean PER
Integrated Oil & Gas													
Exxon Mobil Corp	US30231G1022	USD	US	3.02	15.37	13.8	11.9	25.9	16.8	12.0	12.8	13.6	13.0
Chevron Corp	US1667641005	USD	US	3.32	16.7	14.9	11.5	25.4	14.0	9.7	10.6	11.8	12.2
Royal Dutch Shell PLC	GB00B03MLX29	EUR	NL	3.14	10.4	8.3	9.6	19.0	13.4	10.0	9.8	13.0	11.4
BP PLC	GB0007980591	GBP	GB	3.13	8.0	8.1	6.5	11.3	7.8	7.8	9.7	12.0	10.9
Total SA	FR0000120271	EUR	FR	3.11	7.7	7.1	5.8	14.8	11.5	10.3	9.8	10.9	11.2
ENI SpA	IT0003132476	EUR	IT	3.19	7.1	7.7	7.1	14.0	10.6	10.2	9.9	15.9	15.3
Statoil ASA	NO0010096985	NOK	NO	3.00	10.0	13.7	10.3	18.7	14.1	12.1	11.4	12.5	12.0
Hess Corp	US42809H1077	USD	US	3.37	17.9	16.6	13.5	51.6	19.1	16.4	16.7	17.3	20.2
OMV AG	AT0000743059	EUR	AT	3.23	6.5	6.3	5.1	13.2	8.3	10.4	7.2	8.9	9.0
				28.50									
Integrated Oil & Gas - Canada													
Suncor Energy Inc	CA8672241079	CAD	CA	3.28	18.5	19.1	14.3	43.1	28.7	12.7	14.1	14.3	11.2
Canadian Natural Resources Ltd	CA1363851017	CAD	CA	3.43	33.5	23.2	15.0	20.4	20.2	21.2	30.8	21.8	13.3
				6.71									
Integrated Oil & Gas - Emerging market													
PetroChina Co Ltd	CNE1000003W8	HKD	HK	3.13	9.9	9.7	12.4	13.2	10.6	10.4	12.0	13.3	10.7
Gazprom OAO	US3682872078	USD	RU	3.40	nm	nm	nm	5.4	4.2	2.9	3.0	2.8	3.1
				6.53									
Oil & Gas E&P													
Apache Corp	US0374111054	USD	US	3.33	13.8	11.6	9.0	18.1	10.8	8.5	10.5	12.4	14.3
Bill Barrett Corp	US06846N1046	USD	US	0.96	18.9	27.6	9.8	15.8	13.2	15.2	505.3	nm	89.3
QEP Resources Inc	US74733V1008	USD	US	1.07	nm	nm	nm	nm	25.0	21.1	27.8	24.7	24.9
Ultra Petroleum Corp	CA9039141093	USD	US	1.11	20.8	26.0	11.2	16.4	13.3	11.6	16.1	18.5	10.2
Devon Energy Corp	US25179M1036	USD	US	3.32	12.6	11.4	8.0	22.0	13.4	13.2	24.6	18.7	13.6
Chesapeake Energy Corp	US1651671075	USD	US	3.32	8.6	9.7	8.8	12.6	10.6	11.1	64.1	18.9	15.0
Noble Energy Inc	US6550441058	USD	US	3.32	40.9	28.5	22.0	45.8	37.4	29.5	33.9	25.1	23.9
Newfield Exploration Co	US6512901082	USD	US	3.51	12.6	13.7	14.1	8.7	9.6	10.8	18.2	24.6	22.0
Stone Energy Corp	US8616421066	USD	US	1.57	17.0	9.1	8.4	20.3	23.0	12.1	16.9	16.7	31.4
Carrizo Oil & Gas Inc	US1445771033	USD	US	1.80	97.5	98.9	38.5	47.0	54.4	67.4	47.5	31.3	25.1
				23.30									
International E&P													
Bankers Petroleum Ltd	CA0662863038	CAD	CA	1.54	nm	nm	nm	2,133.6	94.1	33.9	32.5	22.5	14.8
Dragon Oil PLC	IE0000590798	GBP	GB	1.69	29.7	17.7	14.7	21.3	15.4	8.3	8.5	9.5	8.4
EnQuest PLC	GB00B635TG28	GBP	GB	1.56	nm	nm	nm	nm	25.2	28.8	8.7	9.6	12.2
Soco International PLC	GB00B572ZV91	GBP	GB	1.55	67.2	61.8	66.4	41.4	57.1	36.8	10.2	10.9	11.2
				6.34									
Drilling													
Unit Corp	US9092181091	USD	US	3.17	10.2	12.1	10.1	26.1	22.6	16.8	16.6	18.6	14.2
				3.17									
Equipment & Services													
Halliburton Co	US4062161017	USD	US	3.43	32.4	28.0	32.7	54.2	35.3	21.2	23.9	22.9	17.8
Helix Energy Solutions Group Inc	US42330P1075	USD	US	3.40	9.2	7.9	10.8	45.4	49.8	17.5	14.2	24.5	15.9
ShawCor Ltd	CA8204391079	CAD	CA	3.36	47.5	37.1	30.6	32.5	47.5	81.3	26.6	16.3	19.2
John Wood Group PLC	GB00B5N0P849	GBP	GB	3.26	54.4	36.1	25.8	34.3	35.7	23.5	16.3	14.0	13.9
				13.44									
Solar													
Trina Solar Ltd	US89628E1047	USD	US	1.67	nm	17.7	10.6	7.9	3.8	475.2	nm	nm	11.2
JA Solar Holdings Co Ltd	US4660902069	USD	US	1.58	12.5	33.7	49.9	nm	1.4	nm	nm	nm	13.2
				3.25									
Oil & Gas Refining & Marketing													
Valero Energy Corp	US91913Y1001	USD	US	2.85	6.0	6.4	9.2	nm	31.6	12.6	10.3	12.2	8.0
				2.85									
Construction & Engineering													
Cluff Natural Resources PLC	GB00B6SYKF01	GBP	GB	0.22	nm	nm	nm	nm	nm	nm	nm	nm	nm
JKX Oil & Gas PLC	GB0004697420	GBP	GB	0.54	2.0	1.6	2.0	2.1	2.3	2.8	3.8	7.2	14.6
Kentz Corp Ltd	JE00B28ZGP75	GBP	GB	0.97	nm	62.5	63.3	62.3	42.9	32.5	27.4	23.6	16.2
Ophir Energy PLC	GB00B24CT194	GBP	GB	0.17	nm	nm	nm	nm	nm	nm	nm	nm	nm
Shandong Molong Petroleum Machinery Cc	CNE1000001N1	HKD	HK	0.08	13.1	9.1	6.1	16.8	6.5	9.1	nm	nm	nm
Sino Gas & Energy Holdings Ltd	AU000000SEH2	AUD	AU	0.17	nm	nm	nm	nm	nm	nm	160.0	nm	16.0
Triangle Petroleum Corp	US89600B2016	USD	US	0.28	nm	nm	nm	nm	nm	nm	nm	nm	20.4
Trinity Exploration & Production PLC	GB00B8JG4R91	GBP	GB	0.19	nm	nm	nm	nm	nm	nm	nm	3.5	nm
WesternZagros Resources Ltd	CA9600081009	CAD	CA	0.27	nm	nm	nm	nm	nm	nm	nm	nm	223.4
				2.88									
			Cash	3.02									
			Total	100									
			PER		14.4	13.6	12.2	19.3	12.4	12.6	13.3	13.9	12.5
			Med. PER		13.4	13.8	11.0	20.4	14.7	12.6	15.1	14.3	14.0
			Ex-gas PER		14.4	13.5	12.6	20.3	12.2	12.6	12.1	12.9	11.7

The Fund's portfolio may change significantly over a short period of time; no recommendation is made for the purchase or sale of any particular stock.

For more information on the factors affecting the global energy market read our Global Energy Outlook.

Commentary for our views on Dividends, Alternative Energy and Asia markets is available on our website. Please click here to view.

The Fund's holdings, industry sector weightings and geographic weightings may change at any time due to ongoing portfolio management. References to specific investments and weightings should not be construed as a recommendation by the Fund or Guinness Atkinson Asset Management, Inc. to buy or sell the securities. Current and future portfolio holdings are subject to risk.

Mutual fund investing involves risk and loss of principal is possible. The Fund invests in foreign securities which will involve greater volatility, political, economic and currency risks and differences in accounting methods. The Fund is non-diversified meaning it concentrates its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. The Fund also invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Fund's focus on the energy sector to the exclusion of other sectors exposes the Fund to greater market risk and potential monetary losses than if the Fund's assets were diversified among various sectors. The decline in the prices of energy (oil, gas, electricity) or alternative energy supplies would likely have a negative effect on the funds holdings.

MSCI World Energy Index is the energy sector of the MSCI World Index (an unmanaged index composed of more than 1400 stocks listed in the US, Europe, Canada, Australia, New Zealand, and the Far East) and as such can be used as a broad measurement of the performance of energy stocks.

The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general.

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

One cannot invest directly in an index.

Price to earnings (P/E) ratio (PER) reflects the multiple of earnings at which a stock sells and is calculated by dividing current price of the stock by the company's trailing 12 months' earnings per share.

Earnings per share (EPS) is calculated by taking the total earnings divided by the number of shares outstanding.

EV/EBITDA is EV divided by "Earnings Before Interest, Taxes, Depreciation and Amortization" (EBITDA)

Price to discounted cash flow is a valuation method used to estimate the attractiveness of an investment opportunity.

Free cash flow (FCF) represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base.

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

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