Guinness Atkinson
Global Innovators Fund Update
July 2016

On the 23rd June the UK voted to leave the European Union. The result was remarkable in terms of both its political significance and the apparent inability of anyone, not least the market, to predict such a result could be possible.

The 'leave' vote triggered a sharp selloff in the UK equity market, but also weighed heavily on European equities, and in particular the European periphery. Currency markets witnessed historic moves as sterling weakened against the dollar to levels not seen for decades, the Euro declined versus a basket of global currencies, and 'safe havens' such as the US dollar and Japanese Yen strengthened considerably. Similarly, other assets seen as sanctuaries in uncertain times such as gold and government bonds rose in value as investors flocked to them for their perceived safety.

With Europe having already been on a fairly fragile path, the increased political uncertainty around a UK exit from the European Union sparked fears that the nascent economic recovery could be easily derailed. The exact process for how the UK could extract itself was never clearly articulated by the 'Brexiteers' in the run up to the vote and the infighting we have seen over recent days in the leading political parties in the UK has left that critical question in the air.

Considering the UK stock market specifically for a moment, the sectors most affected in the aftermath of the vote to leave were unsurprisingly those most sensitive to the economic environment; namely the banks, the asset managers and the housebuilders. The sectors which rallied after the vote were stocks linked to a rising gold price such as speciality miners, less economically sensitive consumer staples businesses, and those with significant earnings generated outside the UK.

However, in the days after the vote we have seen equity markets recover most of their losses; the FTSE 100 for example finished the month 4.71% (in GBP) higher than at the start of the month and 2.65% (in GBP) higher than on June 23rd, the night before the results were announced. This is a somewhat rosy, and potentially skewed, analysis however due to the heavy weighting in the index to globally diversified tobacco, pharmaceutical, consumer staples, and oil companies, all of which held up well in the selloff. The FTSE 250 index, which is a better proxy for 'UK plc', was down 6.05% (in GBP) between June 23rd and the end of the month – having been down over 14% two days after the vote.

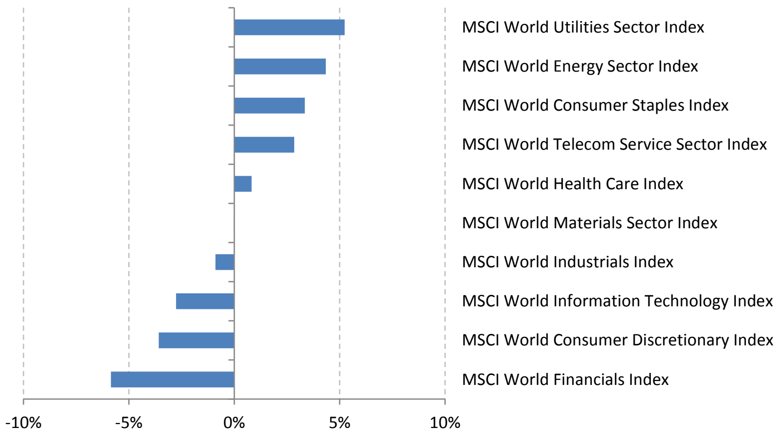
In local currency terms global equites followed a similar path to the FTSE 100; the MSCI World Index was down 2.23% (in USD) between June 23rd and the end of the month, and down 1.07% (in USD) for the month as a whole. When considered in GBP terms, however, it is a very different picture; the index was up 9.14% (in GBP) between the eve of the vote and month end, and finished up 8.22% (in GBP) for the month as a whole.

This highlights the magnitude and swiftness of the currency moves seen and what a significant effect they had on investor returns over the period in question. It also highlights the potential benefits of taking a more global view when considering your investments as currency movements can be dampened through diversification. Over the past few years we have seen significant and sudden moves in currencies across the globe: the Swiss franc, Australian dollar, and the South African rand to name but three.

Positioning

Unsurprisingly defensive sectors of the market fared best through the turmoil created by the Brexit vote in the UK with Utilities, Consumer Staples, Telecoms, and Healthcare all featuring in the top half of the sector performance table.

MSCI World Index: Sector performance in June 2016 (in USD)



Past performance is no guarantee of future results.

The energy sector was somewhat of an outlier, its cyclical nature not typically one that is rewarded in a 'risk off' environment. However, the oil market has been beating to its own drum over the past few months as we saw a steep rise in the oil price from its lows at the start of the year as market expectations of a balancing in the supply-demand dynamic has begun to show signs of coming through.

The financial sector was the bottom of the pile as expectations of an imminent rate rising cycle was pushed back once again and the indebtedness of Italian banks in particular came to the fore.

The fund typically has a low exposure to the defensive sectors and has only one energy holding today (Schlumberger, the leading oil services business) and therefore did not capture the rally in these sectors over the month. However, the fund also has a low exposure to the financials sector. Today the fund holds three financial companies (Intercontinental Exchange, State Street, and WisdomTree).

The largest sector exposure of the fund remains the IT sector, which accounts for just under half of the portfolio but is split between the three distinct subsectors of semiconductors, hardware, and software.

Performance

Equity markets in the second quarter of 2016 have been dominated by events surrounding the UK vote to leave the European Union in June which led to increased volatility and a move away from risk assets as political uncertainty clouded future economic prospects.

In the month of June the fund was down 2.81% (in USD) versus the MSCI World Index down 1.07%, an underperformance of 1.74%.

Over the quarter as a whole, the fund was down 1.88%, versus the index up 0.31%

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As at 6.30.2016 (in USD)	Q2 2016	1 year	3 years annualized	5 years annualized	10 years annualized	Since inception annualized
Global Innovators, Investor Class[1]	-1.88%	-5.09%	9.78%	11.04%	8.18%	6.44%
Global Innovators, Institutional Class[2]	-1.82%	-4.97%	9.82%	11.06%	8.20%	6.45%
MSCI World Index	0.31%	-2.16%	7.59%	7.27%	5.07%	4.87%

Investor class (IWIRX) Inception 12.15.1998 — Expense ratio* 1.24% (net); 1.27% (gross)

Institutional class (GINNX) Inception 12.31.2015 — Expense ratio* 0.99% (net); 1.07% (gross)

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/GIF_performance or call (800) 915-6566.

Performance data shown for Global Innovators, Institutional Class (GINNX), prior to its launch date on 12/31/15, uses performance data from the Global Innovators, Investor Class (IWIRX).

Conclusion

The first quarter of 2016 was dominated by issues surrounding the growth prospects for China and in the second quarter of 2016 financial markets have been dominated by events surrounding the UK vote to leave the European Union. This led to increased volatility and a move away from risk assets as political uncertainty clouded future economic prospects.

Generally speaking the fund has outperformed in periods of rising markets, and underperformed slightly in periods of falling markets. The fund is orientated towards growth, but not at any price. The recent underperformance is therefore somewhat expected as the more defensive parts of the market (such as consumer staples, utilities, etc) have outperformed and these are parts of the market the fund has relatively low exposure to.

This is reflected in valuations, however, and the fund at the end of the quarter was trading on a forward PE multiple of 15.5X, which is a 4% discount to the broader market. Historically the fund has traded on a premium to the market so we believe this is a reflection of what the market has rewarded (and overlooked) over the past 12-18 months. Recent good performance in fund holdings that have been underperformers over that period (NVIDIA, Applied Materials, Samsung Electronics, Oracle, Cisco for example) may be an indication that the market is starting to reassess the value these types of business, particularly versus the more expensive high growth companies that did so well during 2015. If this is the case then we believe the fund is well positioned to take advantage of that trend.

We thank you for your continued support,

Matthew Page and Ian Mortimer

*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 .99% for the Institutional class and 1.24%for the Investor class through June 30, 2018. To the extent that the Advisor waives its fees and/or absorbs expenses to satisfy this cap, it may seek repayment of a portion or all of such amounts at any time within three fiscal years after the fiscal year in which such amounts were waived or absorbed, subject to the .99% for the Institutional class and 1.24% for the Investor class expense cap.

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.

Securities mentioned are not recommendations to buy or sell any security. Current and future portfolio holdings are subject to risk

Top 10 holdings for Global Innovators Fund, as of 6/30/16, are: 1. NVIDIA Corp 5.08% 2. Applied Materials Inc 4.48% 3. Samsung Electronics Co Ltd 4.34% 4. Danaher Corp 3.87% 5. Cisco Systems Inc 3.84% 6. Oracle Corp 3.77% 7. Taiwan Semiconductor Manufacturing Co Ltd – ADR 3.69% 8. Comcast Corp – A Shares 3.64% 9. Schneider Electric SE 3.52% 10. Boeing Co/The 3.50%

Click here for list of holdings for the Global Innovators Fund.

Opinions expressed are subject to change at any time, 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 Global Innovators 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.

Earnings growth is not representative of the Fund's future performance.

Price to Earnings Ratio (P/E) is a valuation ratio of a company's current share price compared to its per-share earnings. Calculated as: Market Value per Share / Earnings per Share (EPS)

MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

The FTSE 100 Index is a stock index of the 100 companies listed on the London Stock Exchange with the highest market capitalization.

The FTSE 250 Index is a stock index of the 250 companies listed on the London Stock Exchange with the highest market capitalization.

One cannot invest directly in an index.

Basis Points (BPS) is a unit that is equal to 1/100th of 1%.

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