Guinness Atkinson
Dividend Builder Fund
Managers Update – December 2017

GUINNESS ATKINSON FUNDS

November in Review

Equity markets over the past year have persistently defied the skeptics, who have pointed to political dysfunction, monetary policy uncertainty, and potential geopolitical crises as reasons for woe. November marked the 1-year anniversary for President Trump's time in office; he has consistently touted the stock market as well as taken credit for its steady ascent since the U.S. election on November 8th 2016.

How much President Trump has contributed to stock market gains will remain debateable, however it is not fake news that his initial proposals were in-fact pro-business. These included lower corporate taxes, a repatriation tax holiday (tax break on overseas profits), huge infrastructure spending, and financial deregulation. Although the propositions faced significant hurdles, November finally saw some traction with tax legislation being passed through the Senate. The bill now must be reconciled with the House version before the President gets the opportunity to sign it into law. This boosted U.S. equity markets late in November, and the S&P 500 index reached the $2,600 mark for the first time. The index is in its 2nd longest bull market in history without a 20% correction. It's the 10th longest streak without a 10% correction; the 4th longest streak without a 5% pullback; and the longest streak in history without a 3% pullback. The climb so far has largely been attributed to optimism about economic growth and company earnings, in an environment characterized by loose monetary policy.

In terms of macroeconomic news, third quarter GDP growth was revised upwards – it climbed at an annualized rate of 3.3%, up from the previously reported 3%. The nomination of Jerome Powell as the new chairman of the Federal Reserve (FED) could have created some uncertainty, but was seen as the choice for continuity. Strong economic data and encouraging comments from current FED chair, Janet Yellen, increased the likelihood for a December interest rate hike, as she told the Joint Economic Committee: "The economic expansion is increasingly broad based across sectors as well as across much of the global economy". The S&P 500 Index gained 3.1% (in USD) in November revising up the year-to-date return to 20.5%.

In Europe, November saw the return of political uncertainty, involving Germany, Italy and Spain. Election and coalition apprehensions were possibly key reasons for the correction of the MSCI Europe (ex-UK) Index, which ended the month with a -2.0% (in EUR) return (although it is still up 12.7% year-to-date). From a macroeconomic viewpoint, the "goldilocks" tale continued. Strong growth and modest inflation – the "just right" environment – was broad based across the Eurozone economies; the 19-nation bloc has also seen the unemployment rate drop to 8.8%, the lowest in almost nine years. Policy makers continue to express confidence that GDP growth and falling unemployment will eventually feed through to prices as the slack in the economy wanes. The latest manufacturing survey data (by IHS Markit) shows signs that a mounting order backlog in the Eurozone is putting upward pressure on both input and output prices for goods, and this could eventually be reflected in inflation figures.

In the UK, the equity market fell in November as continued uncertainty in domestic politics weighed on confidence in the UK's economic outlook. At the start of the month, the Bank of England implemented the first interest rate rise in a decade, up from 0.25% to 0.5%, as third-quarter GDP growth was confirmed at 1.5% and inflation remained unchanged at 3.0%. The Autumn Budget revealed a slower pace of fiscal tightening to support the economy through the Brexit negotiations. The FTSE 100 closed with decline of 1.8% (in GBP), marginally reducing the year-to-date return to +6.6%.

Market Update

Towards the end of the month, there has been some notable sector rotation – perhaps a healthy way for the market to consolidate some gains without the overall market suffering to any significant degree. U.S. tax reform prompted a rotation out of technology stocks, the year's best performing sector, and into firms seen to benefit the most from a potential reduction in the corporate tax rate, such as banks. Technology companies are expected to see little boost, as the industry's average effective tax rate of 18.5% is already lower than the new level of 20% proposed by Republicans.

The tables below compare S&P 500 sector performance over two specific time periods: year-to-date through November 27th; and the brief period between November 27th and December 1st. November 27th is chosen since this marked the swift reversal of tech stocks from their leadership perch, among other notable sector reversals.

S&P 500 Sector Performance, 2017

Sector	12/31/16 - 11/27/17
IT	39.0%
Healthcare	18.6%
Materials	17.1%
Consumer Discretionary	16.2%
Utilities	14.8%
Financials	12.3%
Industrials	12.0%
Real Estate	8.7%
Consumer Staples	6.1%
Energy	-10.8%
Telecoms	-16.0%

Sector	11/27/17 - 12/01/17
Telecoms	6.3%
Financials	5.2%
Energy	3.7%
Industrials	2.7%
Consumer Staples	2.3%
Consumer Discretionary	2.0%
Healthcare	1.8%
Materials	1.0%
Utilities	0.4%
Real Estate	-0.2%
IT	-2.0%

Source: Bloomberg. GICS sector price returns, in USD.

Although it can be argued that the "correction" time-period is very short, there is significance if we compare versus history. The circumstance where technology stocks were down 2% or more in a calendar week while the S&P 500 advanced 1.5% or more is so rare that it has only occurred three other times since GICS (Global Industry Classification Standard) data began in 1989. The good news for the market generally is that breadth overall remains healthy. The net effect is that the market has broadened out; and it is no longer just technology powering ahead.

Portfolio Update

In the fund, in terms of individual holdings in November, the strongest performer in the fund was Wal-Mart (+11.4% in USD). The world's largest retailer maintained the top spot after reporting better than expected earnings and its strongest U.S. sales gain in more than 8 years. The company has now delivered 13 consecutive quarters of sales growth in its home market, helped by price cuts, cleaner stores and an aggressive push online. Management reaffirmed upbeat 2018 guidance and said it expects U.S. e-commerce sales to surge 40% in the next fiscal year. The company has been seen making the right moves to further its online competitiveness against Amazon by expanding its web marketplace, acquiring several internet-based retailers, and expanding its online grocery business. Wal-Mart has been rewarded for recognizing the threat of e-commerce to its traditional retail operations and made an aggressive move to acquire Jet.com for $3.3 billion in August 2016. It quickly installed Jet CEO Marc Lore as head of its e-commerce division. Since then, Lore has spearheaded numerous initiatives that together have taken what was a struggling part of Wal-Mart's business and transformed it into its most exciting growth driver. Wal-Mart's U.S. online sales soared 50% year over year in the latest quarter.

Cisco (+9.2% in USD) also performed very well. The internet gear maker said revenues should grow in the current quarter by 1 to 3%, after two years of declines. It signifies that the company's move into a software-services-business from selling-networking-business is gaining some traction. CEO Chuck Robbins has made a string of purchases to bolster Cisco's ability to offer software and services that let corporations remotely manage and secure their networks, seeking to ease its dependence on the shrinking market for high-priced hardware. In October, the company agreed to buy BroadSoft for $1.9 billion, bringing in cloud-based communications products and services. This follows on from its $3.7 billion acquisition of IT software-analytics company, AppDynamics, at the start of the year. We have held Cisco in the portfolio since mid-2014.

BAE SYSTEMS

The worst performing stock in October was BAE Systems (-5.3% in USD). The company provides some of the world's most advanced defense, aerospace and security solutions, and has recently underperformed as concerns mounted about the viability of future Saudi military aircraft orders, pension negotiations, and turmoil in the UK Ministry of Defence. These seem to be short term concerns and the overall picture for BAE Systems still looks positive. More generally, European defense stocks are at a 40% discount to U.S. peers due to budget pressures, and those with greatest exposure outside of the UK and EU are set to benefit. BAE

Systems receives 40% of sales from the U.S. and this revenue is forecast to grow at 5% per year. We have held BAE Systems in the portfolio since early 2013 and it has returned 78.78% (in GBP) since then.

We made no changes to the portfolio in November.

Thank you for your continued support.

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Analysts: Joshua Cole, Sagar Thanki

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Performance

In November, the Dividend Builder Fund produced a total return of 2.89% versus the MSCI World Index return of 2.34%. The fund therefore outperformed the index by 0.54%.

as of 11.30.2017	YTD	1 YR	3 YR (ann.)	5 YR (ann.)	Since inception (3.30.2012) (ann.)
Dividend Builder Fund	18.93%	20.19%	6.03%	10.90%	10.39%
MSCI World Index	21.42%	24.37%	8.82%	12.42%	11.33%
as of 09.30.2017	YTD	1 YR	3 YR (ann.)	5 YR (ann.)	Since inception (3.30.2012) (ann.)
Dividend Builder Fund	14.79%	12.12%	5.86%	10.38%	10.01%
MSCI World Index	16.53%	18.85%	8.33%	11.65%	10.86%

All returns over 1 year annualized. Source: Bloomberg, Guinness Atkinson Asset Management
Expense Ratio: 0.70% (net); 2.11% (gross)

Performance data quoted represents 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 https://www.gafunds.com/our-funds/dividend-builder-fund/#fund_performance or call (800) 915-6566. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

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 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 waives or absorbed, subject to the 0.68% expense cap.

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 Dividend Builder 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.

Guinness Atkinson

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Mutual fund investing involves risk and loss of principal is possible. The Fund's strategy of investing in dividend-paying stocks involves the risk that such stocks may fall out of favor with investors and could reduce or eliminate the payment of dividends in the future or the anticipated acceleration of dividends could not occur. The Fund invests in foreign securities which will involve greater volatility and political, economic and currency risks and differences in accounting methods. This risk is greater in emerging markets. Medium- and small-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies.

Top Fund Holdings as of 11/30/17

1	Illinois Tool Works Inc	3.46%	6	Novo Nordisk A/S	3.24%
2	Wal-Mart Stores Inc	3.39%	7	CME Group Inc	3.16%
3	VF Corp	3.31%	8	Arthur J Gallagher & Co	3.09%
4	Danone	3.26%	9	Schneider Electric SE	3.04%
5	Microsoft Corp	3.25%	10	Aflac Inc	3.04%

Current and future fund holdings and sector allocations are subject to change and risk, and are not recommendations to buy or sell any security.

Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.

Dividend yield is calculated by annualizing the last quarterly dividend paid and dividing it by the current share price.

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

IHS Markit Ltd. is a company based in London, United Kingdom. IHS Markit provides information and analysis to support the decision-making process of businesses and governments in industries such as financials markets; aerospace, defense and security; automotive; chemical; energy; maritime and trade; and technology.

(FTSE 100) The Financial Times Stock Exchange 100 Index is representative of approximately 80% of the market capitalization of the London Stock Exchange in its entirety. Larger companies comprise a greater portion of the index because it is weighted by market capitalization. The FTSE 100 is managed by the FTSE Group, jointly owned by the Financial Times and the London Stock Exchange.

S&P 500, the abbreviation for the Standard & Poor's 500, is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE (New York Stock Exchange) or the NASDAQ (National Association of Securities Dealers Automated Quotations System). It is designed to measure the equity market performance of the U.S. stock market.

Ex-dividend is a classification of trading shares when a declared dividend belongs to the seller rather than the buyer.

One cannot invest directly in an index.

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