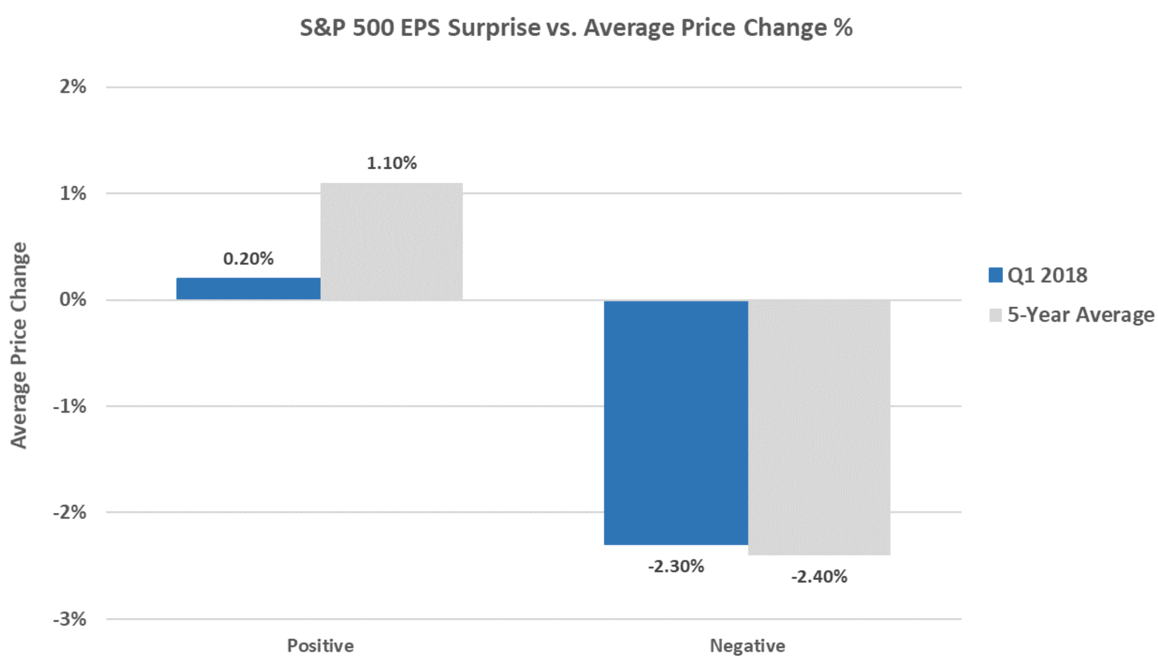
Guinness Atkinson
Global Innovators Fund
Managers Update – June 2018

May in Review

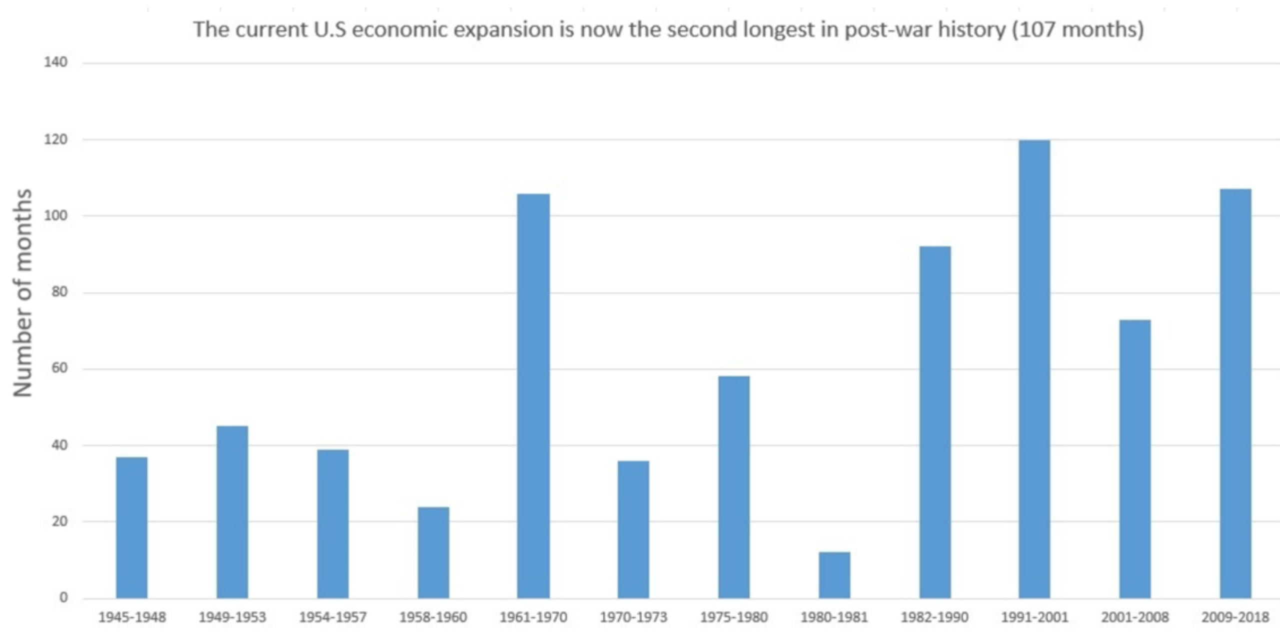
Global equity markets advanced in May (MSCI World +0.7% in USD) despite increasing trade tensions and geopolitical instability. The prospect of a snap Italian election and mixed signals from the Trump administration on talks with North Korea overshadowed strong first-quarter corporate earnings, which showed 24% year on year growth and far exceeded analyst expectations. Close to 80% of companies in the S&P 500 Index reported better earnings per share than expected, and US companies appear well on track to meet the 20% earnings growth expectations for the current calendar year. Looking to next year, it is unclear to what extent rising wage growth and interest costs will eat into corporate margins, though analysts expect 10% earnings growth.

Interestingly, companies that have missed earnings estimates continue to get punished by the market, whereas those who positively surprised are seeing less reward than in the past:



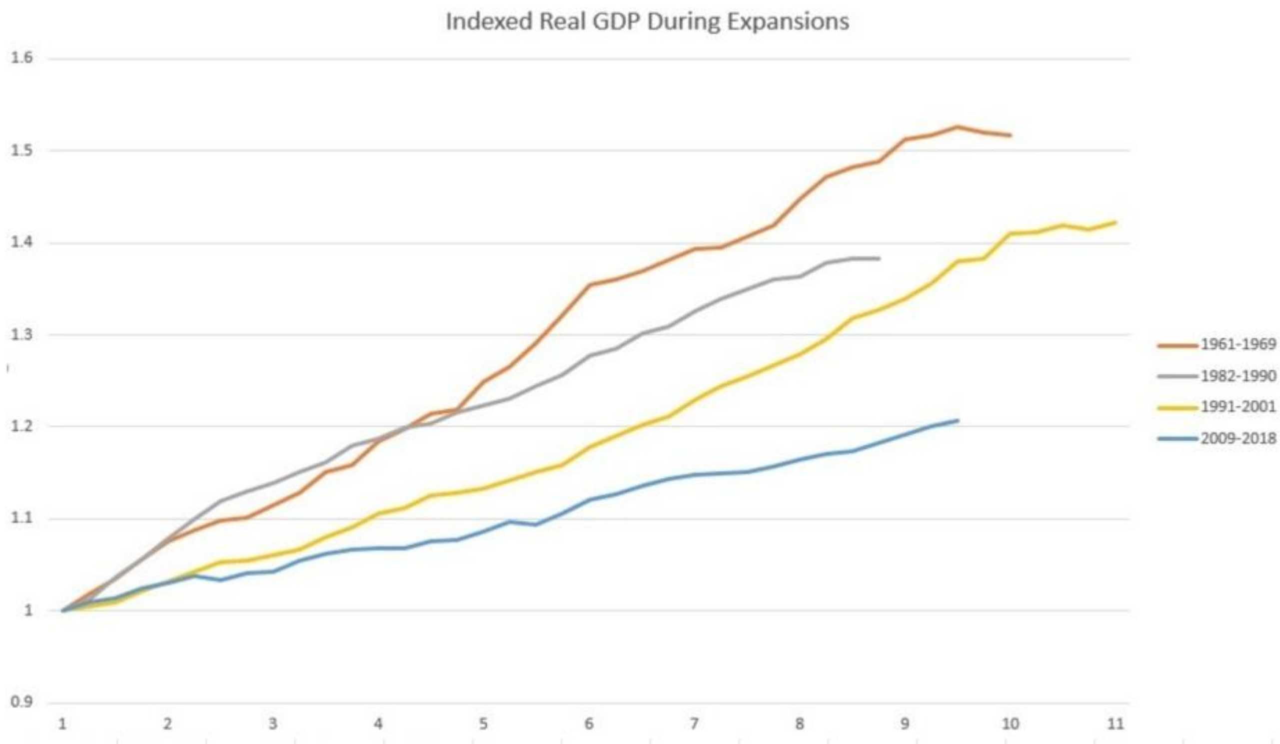
Source: Bloomberg Data as of May 31, 2018

Much of this is due to uncertainty over where in the cycle the current economy is positioned. According to the National Bureau of Economic Research (NBER), the current economic expansion is now 107 months old – making it the second longest in the past 100 years – and well above the average of 58 months. Most economists agree that expansions don't die of old age, but that the odds of fatal missteps increase the older they get.



Source: Bloomberg. Data as of May 31, 2018

Additionally, the current expansion has not shown the robust magnitude that it's age suggests. As shown in the chart below, real US GDP growth in the current expansion lags the other three longest expansions quite significantly. As of the first quarter of 2018, real GDP has expanded by 21% since 2009; this is far lower than the 36% compound growth seen between 1991-2001.



Source: Bloomberg. Data as of May 31, 2018

May revealed that for the first quarter of 2018, US GDP growth was marginally revised down from 2.3% to 2.2%. This is a slower growth rate versus Q4 2017, when the US economy grew at 2.9%. The deceleration was driven by a slowdown in consumer spending, which expanded at 1% in Q1 2018 compared to 4% in the last quarter of 2017. Nonetheless, broader indicators suggest the US economy remains on a firm footing so far in 2018, and the data is not expected to deter the Federal Reserve (FED) from raising interest rates by another 0.25% in June.

European data was more mixed. Eurozone unemployment fell to 8.5% in April, from 8.6% in March; higher oil prices helped lift headline consumer price inflation to 1.9%, from 1.2% in the previous month, and consumer confidence remains close to a 17-year high. However, corporate sentiment was affected by global trade concerns and higher oil prices, and the manufacturing PMI for May declined for a fifth consecutive month from a peak of 60.6 in December. Nevertheless, the recent level of 55.5 still corresponds to more than 2% growth.

On the political front, events in Italy and Spain produced high volatility in financial markets towards the end of May. In Italy, the Five Star Movement and the League – both populist parties – appeared close to forming a coalition government before President Sergio Mattarella blocked the appointment of a Eurosceptic finance minister proposed by the two parties. Concerns rose given the intended policies of lower taxes for individuals and corporations, which would lead to higher government debt (already around 130% of GDP) and likely risk violation of the EU's Stability and Growth Pact. Although the formation of a coalition government did eventually get approved by the President, consisting of a less Eurosceptic finance minister, investors are cautious of the fractious economic backdrop in Italy. Meanwhile in Spain, the socialist opposition party PSOE filed a motion for a vote of no-confidence against Prime

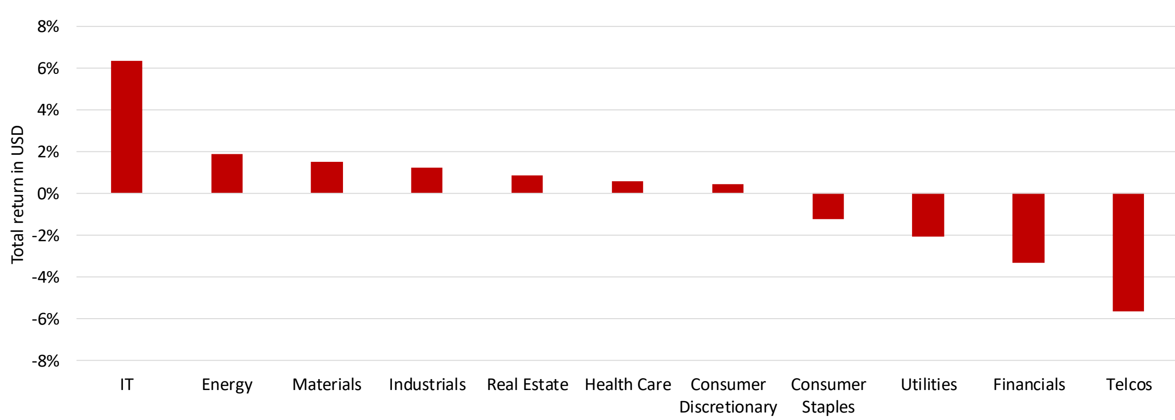
Minister Rajoy, eventually ousting him and replacing him with PSOE-leader Sanchez at the helm of a new government. Eurozone equities ended May in the red with the MSCI Europe ex UK Index returning -1.5% (in EUR).

UK equity markets continued their positive run over May as a whole, despite a sell off towards month end on concerns over contagion from the political situation in Italy. The market's positive returns were driven by a spike in the price of Brent crude oil, which climbed to around US$80 per barrel during the month – its highest level in three years. Performance was also supported by Sterling's continued weakness against the US dollar, which bolstered the returns of the market's many international constituents. The Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep the central bank base rate at 0.5%, citing weaker than expected domestic growth for first quarter 2018 (+0.1%).

Most Asian and Emerging Market equity markets ended the month lower, as sentiment was dampened by concerns surrounding the US-North Korea summit and US-China trade negotiations. The month saw examples of the unpredictability of the Trump administration, as it first cancelled, then looked to re-instate, the President's proposed meeting with Kim Jong-un of North Korea (although he did manage to meet Kim Kardashian instead) and it also decided after all to impose tariffs on the imports of aluminum and steel from the EU, Canada and Mexico who responded with their own tariffs. Alongside withdrawing from the Iran nuclear deal, geopolitical concerns heightened and unsettled markets overall. A stronger US dollar also undermined sentiment towards emerging equity markets during May.

Market Movements

MSCI World sector performance: April 30 – May 31, 2018



Source: Bloomberg. Data as of May 31, 2018

The strongest sector in May was technology, which followed a lackluster month in April. Out of the three industry groups which make up the IT sector, Semiconductors (+9.5%, all total returns in USD) led both Technology Hardware and Equipment (+6.1%) and Software and Services (+5.6%). But all three posted healthy total returns. In the Guinness Atkinson Global Innovators fund we are overweight Information Technology and benefitted from having five positions in the Semiconductors (Nvidia +12.2%, KLA-Tencor +12.0%, LAM Research +7.1%, Infineon +6.7% and Applied Materials +2.8%).

Energy was the second best performing sector in May. Energy stocks have continued to benefit from higher oil prices and increased demand. Production cuts by OPEC (Organization of Petroleum Exporting Countries) and Russia over the past 16 months have helped crude oil prices rally. OPEC are discussing the 'tapering' of existing quota reductions in the second half of 2018 in order to keep markets in balance. Decisions are expected to be made when OPEC meet on June 22.

Telcos were the worst performing sector this month as competition in the sector is rising, even though the sector has seen rising demand for wireless services. The telecoms sector has the highest debt-to-equity ratio of any nonfinancial sector, declining net profit margins and rising expenses creating further tailwinds for the industry. The European Union agreed a major regulatory overhaul of the telecom sector, while supported by politicians and consumer groups, this was not supported by the region's top carriers, who complained that the Electronic Communications Code is an added burden and won't spur the necessary spending on networks.

Financials underperformance in the month was driven particularly by European bank weakness on Italy political uncertainty. Bond yields have also come down in the month. For example, the US 10y has decreased from 3.2% to a 2.9% yield, which caused US banks share prices to weaken.

In the Guinness Atkinson Global Innovators fund, we are underweight Consumer Staples, Utilities, Financials and Telcos, having no positions in this space. Other sectors that we are underweight include Real Estate, Health Care and Materials. These tend to be less innovative areas of the market and in May having no exposure to the four worst performing sectors aided the funds outperformance.

Portfolio update

NVidia (+12.2% total return in USD), the graphics chip maker, has seen expanding adoption from the PC gaming sector, and fears over a collapse in demand for cryptocurrency mining rigs is now seen as a minimal risk to NVidia's long-term performance. On the May 10th, NVidia reported revenues for the first quarter that beat the highest analysts estimate. Similarly beats were seen on its EPS and gross margins.

Guinness Atkinson

Global Innovators Fund

Managers Update – June 2018

KLA-Tencor (+12.0% total return in USD), a US based supplier of semiconductor process control and yield management solutions, is at the forefront of improving yields and reducing failure rates in the semiconductor industry. The company's products include defect inspection and calibration products. In late April, KLA-Tencor reported adjusted earnings per share for the third quarter (fiscal year end is June-18) that beat the average analyst estimate, spurring on a rally throughout May. This was helped by wider increased confidence in the semiconductor sector and better earnings across the sector.

Facebook (+11.5% total return in USD), has recovered strongly since the storm over data use and anti-trust issues in March. Investors' fears have largely abated and have since been looking at what the future may hold for Facebook. Facebook announced it would be launching a new dating feature, causing Match Group shares to fall by more than 20% on the day of the announcement. Further fears over the impact of the recently enforced general data protection regulation (GDPR) seem to be overblown as data post-GDPR suggests no observable impact for Facebook.

Cognizant Technology (-7.7% total return in USD), the US provider of custom IT consulting and a range of technology services, reported its Q1 results in early May. The Q1 results broadly met analyst expectations with slightly underwhelming margin expansion. However, guidance for Q2 for both the adjusted earnings per share and revenue missed the average analyst estimate, causing a selloff in the stock. The company is still targeting an improvement in 2018 profitability as it continues to undertake several strategic changes amid activist pressure. The company will focus on expanding its emerging IT products to capture growing demand for cloud, analytics and security services.

We made no changes to the portfolio in May.

Thank you for your continued support.

Portfolio Managers

Dr. Ian Mortimer, CFA

Matthew Page, CFA

Guinness Atkinson
Global Innovators Fund
Managers Update – June 2018

Analysts
Joshua Cole, CFA
Sagar Thanki

Performance

In May, the Guinness Atkinson Global Innovators Fund produced a total return of 2.49% (TR in USD), compared to the MSCI World Index return of 0.75%. The fund therefore outperformed the Index by 1.74%.

Standardized Performance

as of 05/31/18	YTD	1 YR	3 YR Annualized	5 YR Annualized	10 YR Annualized	Since inception annualized (12/15/98)
Global Innovators, Investor Class[1]	2.49	19.03	12.35	15.14	10.40	8.19
Global Innovators, Institutional Class[2]	2.57	19.29	12.57	15.27	10.46	8.23
MSCI World Index	0.75	12.20	8.28	10.05	6.02	5.91

as of 03/31/18	YTD	1 YR	3 YR Annualized	5 YR Annualized	10 YR Annualized	Since inception annualized (12/15/98)
Global Innovators, Investor Class[1]	1.07	24.62	12.66	16.13	10.90	8.19
Global Innovators, Institutional Class[2]	1.13	24.94	12.88	16.27	10.96	8.22
MSCI World Index	-1.15	14.21	8.60	10.35	6.55	5.86

Guinness Atkinson

Global Innovators Fund

Managers Update – June 2018

Investor class (IWIRX) Inception 12.15.1998	Expense ratio* 1.24% (net); 1.33% (gross)
Institutional class (GINNX) Inception 12.31.2015	Expense ratio* 0.99% (net); 1.17% (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 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).

*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, 2019. 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 0.99% 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 5/31/18:

1.	ANTA Sports Products, Ltd	4.10%
2.	NIKE Inc	3.77%
3.	PayPal Holdings Inc	3.73%
4.	Cisco Systems Inc	3.73%
5.	New Oriental Education & Technology Group Inc	3.67%
6.	Samsung Electronics Co Ltd	3.61%
7.	The Boeing Co	3.55%
8.	Shire PLC	3.50%
9.	NVIDIA Corp	3.44%
10.	Cognizant Technology Solutions Corp – A Shares	3.42%

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.

One cannot invest directly in an index.

Distributed by Foreside Fund Services, LLC