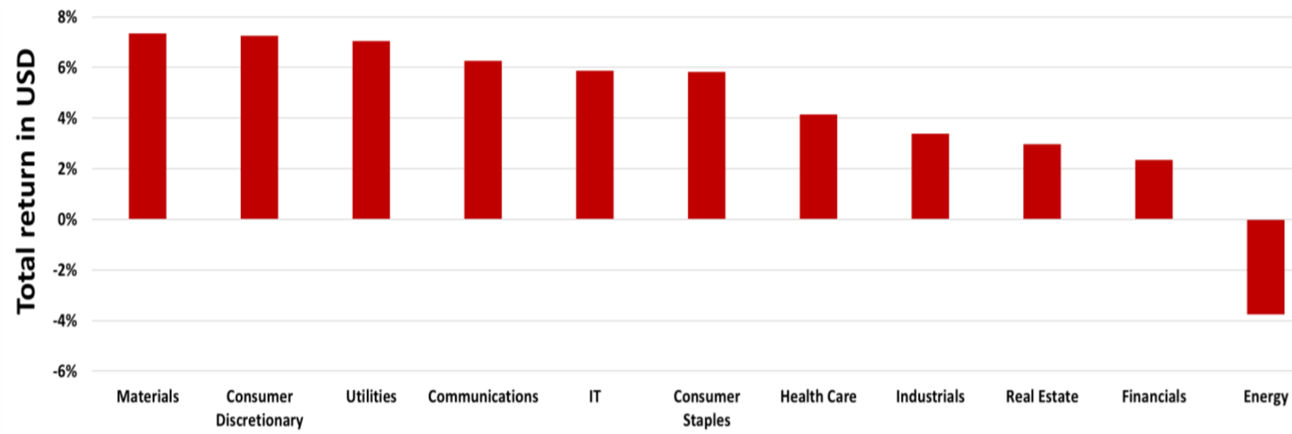
Guinness Atkinson
Dividend Builder Fund
Managers Update – August 2020

July in Review

The Fund's underperformance in July can be attributed to idiosyncratic stock movements in both the Fund and the benchmark Index. Performance of the MSCI World Index was heavily contributed to by the weighty mega-caps, which reported robust earnings results towards the end of the month. Apple, Microsoft, Amazon, Facebook and Alphabet are the five largest stocks in the MSCI World Index, making up 14% of the total weighting. As stay-at-home orders have echoed globally in the last few months, these five businesses have reaped rewards in the form of increased usage of their products and services. In July, the five stocks contributed 27% to the MSCI World Index return, and lifted the performance of the IT, Communications and Consumer Discretionary sectors. The Fund's underweight positioning in these sectors lowered active performance.

MSCI World Sector Indices Performance: June 30 – July 31, 2020



Source: Bloomberg. As of July 31, 2020.

All sectors, bar Energy, registered positive gains and the Fund benefitted from zero exposure in the sector. Holding no banks was also once again beneficial to the Fund. They have underperformed in recent times due a number of reasons: firstly, central banks across the world have cut interest rates and reiterated that they will remain near-zero for the foreseeable future. Lower rates in turn squeeze banks' lending margins. Secondly, with consumers and businesses facing greater financial stress, outstanding bank loans are riskier and have a greater probability of default. Thirdly, to add salt to the wounds, regulators in the US ruled that banks must cap dividends and undertake no share buybacks, while in Europe, banks are being forced to withhold all dividend payments until at least next year. With the second-quarter earnings season in full swing, the 18 banks in the S&P 500 Index posted a median 77% decline in earnings-per-share versus the prior year. Analysts expect the entire S&P 500 Index to post a 38% decline (Source: Factset. As of July 31, 2020).

No exposure to Materials and Utilities proved a drag on performance in July as the sectors rallied strongly; Gold (+10.9%) had its best monthly performance since 2012, while silver (+34.0%) had its best month in over 40 years. In the US, so far in the second-quarter earnings season, the Utilities sector has reported the largest year-on-year earnings growth (+4.9%), while the IT sector has reported the largest revenue growth (+3.7%). The

Energy sector has reported the largest year-on-year earnings and revenue decline (-165.5% and -50.0% respectively).

The Q2 earnings season has been relatively positive so far based on the 63% of companies in the S&P 500 Index that have reported. Within this group, 84% of the companies reported EPS above estimates. This is the highest percentage on record going back to 2008 when FactSet first began tracking this data, and above the 1-year (71%) and 5-year (72%) averages. Better than expected fundamentals played a part, as did the low bar set by analysts. Companies are beating on the top line as well with 69% of companies reporting sales above estimates, versus the 1-year (59%) and 5-year (60%) averages.

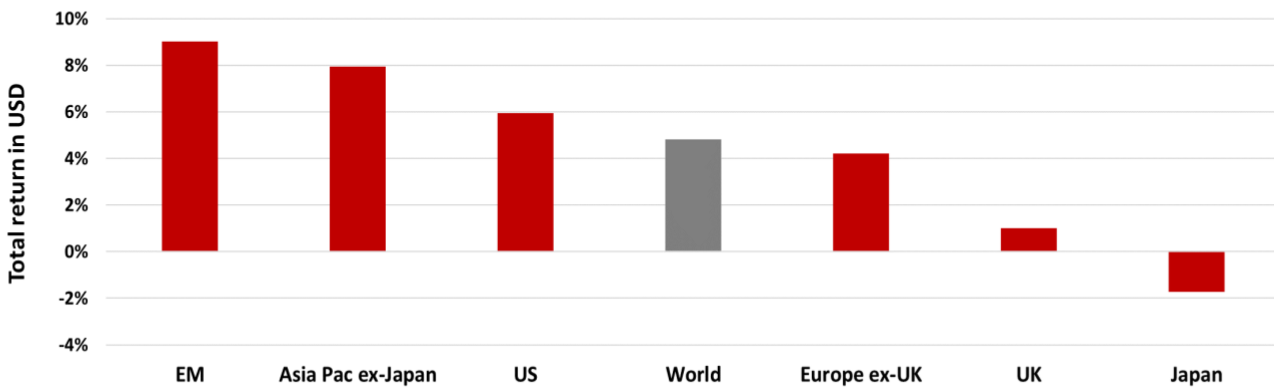
In the Fund, so far 26 companies have reported, of which 22 beat earnings estimates (85%) and 20 beat sales estimates (77%):

Company	Date of announcement	Period	Earnings Surprise	Sales Surprise
Raytheon Technologies Corp	28-Jul	Q2 20	217.5%	4.3%
ABB Ltd	22-Jul	Q2 20	47.5%	9.8%
Illinois Tool Works Inc	31-Jul	Q2 20	43.9%	9.9%
Eaton Corp PLC	29-Jul	Q2 20	32.6%	4.8%
Arthur J Gallagher & Co	30-Jul	Q2 20	29.1%	-3.9%
Schneider Electric SE	29-Jul	S1 20	26.8%	2.4%
Otis Worldwide Corp	28-Jul	Q2 20	26.4%	2.8%
Aflac Inc	28-Jul	Q2 20	21.3%	-1.3%
VF Corp	31-Jul	Q1 21	16.4%	10.0%
Procter & Gamble Co/The	30-Jul	Q4 20	14.7%	4.3%
Unilever PLC	23-Jul	S1 20	13.5%	2.7%
BlackRock Inc	17-Jul	Q2 20	12.7%	3.1%
Johnson & Johnson	16-Jul	Q2 20	11.3%	4.0%
Taiwan Semiconductor Manufactu	16-Jul	Q2 20	8.9%	0.6%
Microsoft Corp	22-Jul	Q4 20	7.1%	4.1%
BAE Systems PLC	30-Jul	S1 20	6.9%	5.1%
AbbVie Inc	31-Jul	Q2 20	5.5%	3.3%
PepsiCo Inc	13-Jul	Q2 20	4.1%	3.3%
Reckitt Benckiser Group PLC	28-Jul	S1 20	2.8%	1.8%
Danone SA	30-Jul	S1 20	2.1%	-0.8%
Paychex Inc	07-Jul	Q4 20	1.3%	0.5%
British American Tobacco PLC	31-Jul	S1 20	0.1%	0.6%
CME Group Inc	29-Jul	Q2 20	0.1%	-1.3%
Deutsche Boerse AG	29-Jul	Q2 20	-0.6%	0.8%
Roche Holding AG	23-Jul	S1 20	-2.6%	-2.6%
Nestle SA	30-Jul	S1 20	-6.4%	-1.2%

Source: Bloomberg

Better than expected corporate releases have propelled stock markets higher globally, though there remains a disconnect with economic data releases, which have been very mixed.

MSCI World Regional Indices Performance: June 30 – July 31, 2020



Source: Bloomberg. As of July 31, 2020.

Emerging Markets and Asia Pac ex-Japan were the best performing regions in July, largely benefiting from a weak US Dollar, ongoing monetary and fiscal stimulus, and a continued recovery in economic data. Equity markets in the regions weathered an acceleration in new COVID-19 cases and the escalation of US-China tensions which led to tit-for-tat consulate closures. While the Fund has no direct EM exposure, we have three companies in Asia-Pac: TSMC (Taiwan), Anta Sports (Hong Kong) and Sonic Healthcare (Australia).

Taiwan Semiconductor Manufacturing Company (TSMC) was in fact the best performer in the month, up 36.8% (in USD), after the world's leading global foundry raised its 2020 sales target as well as the growth outlook for the integrated chip foundry sector. TSMC dominates the advanced node-processing foundry market with about 75% market share. The company's extreme ultraviolet lithography (EUV) process capacity is more than triple its peers such as Samsung and Intel after it spent more than $3.3 billion on 18 new EUV machines in 2019. TSMC's success in adopting the 5-nanometer node process in mass production this year should allow it to command a higher selling price, helping it maintain its revenue growth amid the COVID-19 pandemic. Further, Intel announced on July 23rd, that it is planning to outsource production of some chip products to external manufacturers due to low production yield in its own 7-nm technology under development. This not only seems likely to pass more business to TSMC but may extend its lead over Intel and other peers who may not compete as well with the high and required R&D expenditure. The company's expansion into a new semiconductor packaging business, although less profitable than chipmaking, should also help to retain its market-share leadership amid increasing competition with Samsung.

US equity markets also continued their ascent in July despite some unnerving economic data releases. Although it was anticipated, confirmation that Q2's quarterly contraction in GDP was the worst on record raised questions over a recovery. US GDP fell by an annualized 32.9% in Q2, and initial jobless claims also unexpectedly rose to 1.4 million, ending a 15-week run of declines. Continued jobless claims did ease lower (to 16.2 million), though the ending of the $600 per/week unemployment benefit muted any fanfare.

The Federal Reserve maintained interest rates at near-zero and Chair Jerome Powell reiterated a cautious outlook: "The path of the economy will depend significantly on the course of the virus". This was the only addition to July's FOMC policy statement, which otherwise remained unchanged. Powell added in his news statement, however, that more fiscal policy support was essential given the gravity and prolonged impact of the virus-driven shock to the economy.

The UK and Japan were the worst performing regions in July. While the Fund holds no positions in Japan, it is overweight UK, particularly focused within Consumer Staples. Among these are British American Tobacco (-12.1% in USD) and Imperial Brands (-11.9% in USD) which were the weakest performers in July. Sales were impacted as many countries began to re-introduce lockdowns, due to increasing coronavirus cases, and with claims circulating that smokers are prone to more severe COVID-19 symptoms, many key markets – such as South Africa – banned tobacco sales completely. This all contributed to already falling sales volumes amidst tightening regulation. Longer-term, both companies remain highly cash generative, have strong balance sheets and have potential upside particularly from the sales growth of newer tobacco-alternative products.

<u>Summary: Dividends</u>

Our current expectation is that the 2020 fund distribution will be similar to 2019 – but we note there are some moving parts to this analysis (e.g. FX rates or portfolio changes). We are carefully monitoring the income received for the portfolio and will update our view as the year progresses. To summarize our outlook for the fund so far, out of our 35 holdings:

- 7 companies have **paid their full dividend** for the year (or gone ex-dividend)
- 27 companies where we see **high probability** of full payment
- 1 **dividend cut** announced for portfolio holdings to date (Imperial Brands)
- **0 dividend cancellations**

Going into July, we identified two stocks as having potential dividend uncertainty: BAE Systems and Diageo. Pleasingly, both declared that they will pay their full dividend.

Diageo is one of the world's largest producers of spirits and beers with brands including Smirnoff, Johnnie Walker, Baileys and Guinness. Global lockdowns have been punishing for the company as recent results revealed operating profits for the year (to the end of June) plunged 47.1%, while net sales fell 8.7%. The results also showed how Diageo's different target markets are exhibiting widely varying consumer responses. The company's prolonged success will depend, in large part, on how it adapts the two key tenets of its sales – the "on-trade" in licensed venues, and the "off-trade" from supermarket shelves.

Unsurprisingly, regions where consumption is primarily driven by the on-trade have seen sales hit hardest. In Europe, around half of the company's sales were on-trade and, subsequently, net sales across the region fell by 12%. The picture is even worse in Asia, where sales fell by 16%. India experienced a 6-week ban on all alcohol consumption, while in China, where drinking is primarily fueled by social occasions, demand was stalled by unusually subdued New Year festivities. The story is quite different, however, across the pond. In the US, where only around 20% of sales come from the on-trade, sales actually rose by 2% as consumers increased their alcohol intake at home.

Despite the severe fall in overall sales, Diageo was still able to announce a final dividend payment, bringing full year dividend growth to 2%, and reassuring investors of the business' stellar cash generation ability and balance sheet strength. CEO Ivan Menezes said: "The actions we have taken to strengthen Diageo over the last six years provide a solid foundation to respond to the impacts of the pandemic. We are now a more agile, efficient and effective business. We have taken decisive action through the second half of financial year 2020, tightly managing our costs, reducing discretionary expenditure and reallocating resources across the group."

BAE Systems, the largest defense contractor in Europe, reported semi-annual results indicating that half-year profits dropped 11% but a rosier 2H outlook meant that sales are still expected to increase by 5% for the full year, and earnings are expected to decline 1-5% compared to last year. The maker of Typhoon fighter jets, combat vehicles, warfare ships and Astute Class nuclear-powered attack submarines, said its defense business, which accounts for 90% of group revenues, was close to being back to pre-pandemic levels.

Pleasingly for investors, CEO Charles Woodburn said: "We expect our defense business to respond positively and deliver a second-half earnings performance very much in line with our original expectations for 2020. Reflecting this outlook, we're resuming dividends." BAE Systems announced it would pay 13.8 pence per share, deferred from April, plus an interim dividend of 9.4 pence per share, making it an outlier at a time when many other British companies have axed or cut their payouts.

Portfolio Changes

We made no changes to the portfolio holdings in the month.

We thank you for your continued support.

Performance

In July, the Guinness Atkinson Dividend Builder Fund produced a total return of 3.90% (TR in USD), compared to the MSCI World Net TR Index return of 4.78%. The Fund therefore underperformed the Index by 0.88%.

as of 07/31/20	YTD	1 YR	3 YR Annualized	5 YR Annualized	Since inception Annualized (3/30/12)
Dividend Builder Fund	-2.40%	7.66%	8.44%	7.79%	9.41%
MSCI World Net NR Index	-1.26%	7.23%	7.52%	7.51%	9.12%

as of 06/30/20	YTD	1 YR	3 YR Annualized	5 YR Annualized	Since inception Annualized (3/30/12)
Dividend Builder Fund	-6.07%	3.51%	7.21%	7.35%	9.01%
MSCI World Net NR Index	-5.77%	2.84%	6.69%	6.89%	8.61%

All returns over 1 year annualized. Source: Bloomberg, Guinness Atkinson Asset Management
Expense Ratio: 0.68% (net); 1.98% (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 reimburse 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, 2021. To the extent that the Advisor absorbs expenses to satisfy this cap, it may recoup a portion or all of such amounts absorbed at any time within three fiscal years after the fiscal year in which such amounts were absorbed, subject to the expense cap in place at the time recoupment is sought, which cannot exceed the expense cap at the time of the waiver. The expense limitation agreement may be terminated by the Board of the Fund at any time without penalty upon 60 days' notice.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company, and it may be obtained by calling 800-915-6566 or visiting gafunds.com. Read it carefully before investing.

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. The Fund invests in small- or mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than larger companies. When inflation rate is greater than expected, that markets may respond differently to changes in the inflation rate than the Advisor expects, or inflation may manifest in such a way that the Fund is unable to provide reasonable protection against inflation.

Top Fund Holdings as of 7/31/2020:

1.	Taiwan Semiconductor Manufacturing Co Ltd	3.29%
2.	Unilever PLC	3.01%
3.	The Procter & Gamble Co	3.01%
4.	Otis Worldwide Corp	3.00%
5.	Arthur J Gallagher & Co	2.92%
6.	Illinois Tool Works Inc	2.91%
7.	BAE Systems PLC	2.91%
8.	BlackRock Inc	2.89%
9.	Sonic Healthcare Ltd	2.89%
10.	Reckitt Benckiser Group PLC	2.88%

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. Dividends are not guaranteed.

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

Active share measures the extent of active management in a portfolio compared to the corresponding benchmark listed.

A cash flow return on investment (CFROI) is a valuation metric that acts as a proxy for a company's economic return.

One cannot invest directly in an index.

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