Guinness Atkinson
Dividend Builder Fund
Managers Update – September 2020

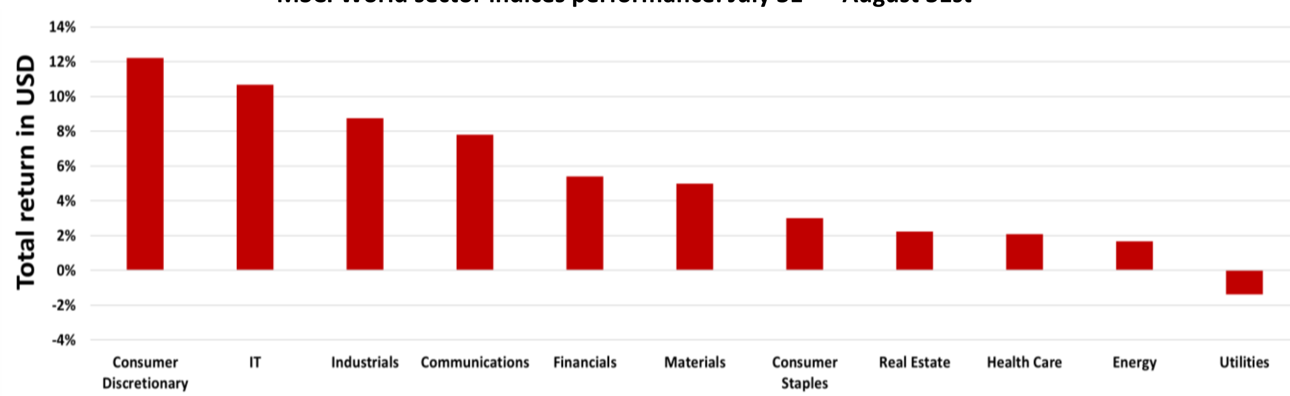
August in Review

To the Ancient Greeks, the 'dog days' of summer occurred from late July until late August, when the Sirius star appeared to rise at dawn just before the sun. This period coincided with the hottest part of summer in the northern hemisphere, and was associated with bringing fevers and disease. This is perhaps an apt description for August 2020 midst a global pandemic and a month in which many nations experienced a second wave of Covid-19.

Nonetheless, financial markets shrugged off these concerns and continued their ascent. The MSCI World Index jumped 6.7% (Net TR in USD) marking the sharpest rally for the month since 1986. The average move either up or down for the gauge over the past 44 years in August has been half that size.

The Fund's underperformance in August (versus the Index) can largely be attributed to underexposure to US 'Big Tech', which saw a strong rally over the month. The five largest weighted companies in the MSCI World Index (Apple, Microsoft, Amazon, Facebook, Alphabet) accounted for almost 30% of the Index's return in August; the same five companies contributed near 50% to the S&P 500 Index's return. This highlights the narrow leadership of the recent market rally and naturally brings its fragility into question. Aided by the mega-caps, the Consumer Discretionary and IT sectors were the best performing in August, whereas the defensive sectors – including Consumer Staples and Healthcare – lagged. This was a drag on the Fund's active performance, though was partially offset by good stock selection.

MSCI World sector indices performance: July 31st – August 31st

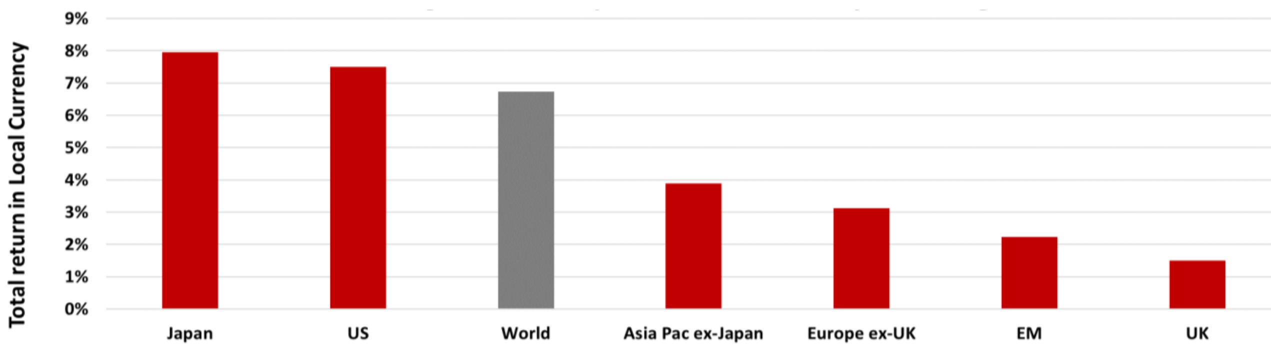


Source: Bloomberg. As of August 31st 2020

Zero exposure to Utilities, Energy, Real Estate and Materials benefited the Fund in August as these sectors relatively underperformed. Companies within these four sectors tend not to show up in our investible universe due to our focus on companies which have persistently high returns on capital and strong balance sheets. The stringent quality criteria excludes most companies within the commodity-based and regulated sectors where a business' profitability is often influenced by exogenous factors.

The same reasoning also limits our exposure in the universe to Japan, which in a rare occurrence was the best performing region in August. This was followed by the US, while the UK was the weakest:

MSCI World regional indices performance: July 31st – August 31st



Source: Bloomberg. As of August 31st 2020

All regions saw positive performance in August as central banks globally reiterated their loose monetary policies to support governments' fiscal stimuluses:

- The US Federal Reserve (Fed) announced a shift to average inflation targeting at the Jackson Hole virtual conference, confirming that interest rates will remain supportive for the foreseeable future.
- The European Central Bank (ECB) committed to use the full EUR1.35tn envelope for asset purchases in order to help keep borrowing costs low and stable for sovereign Eurozone borrowers.
- The People's Bank of China (PBoC) has paused its easing cycle amid a rebound in activity in Q2 but has left space to support government bond issuance if conditions deteriorate.

Near-zero interest rates in the US have had a depreciating effect on the US Dollar, which has seen a steady decline since its March highs. The weaker Dollar versus a basket of foreign currencies boosts US stocks by attracting foreign investors and export demand. This is not beneficial, however, to foreign-domiciled multinational companies which translate their Dollar earnings into local currency at a less favorable exchange rate. This particularly affects the FTSE 100 Index given that the largest UK companies collectively derive over 70% of their earnings from overseas. Alongside sector biases towards Financial and Energy stocks, and continued uncertainty over Brexit negotiations, the UK fared as the worst performing region in August – a trend also seen for much of this year.

Japan, on the other hand, was the best performing region in August after being the worst in July. The traditionally risk-averse nation has seen relatively better virus data, compared to developed market peers, and this has meant far fewer infections and deaths without the implementation of a strict lockdown. Further, Japanese stocks received a vote of confidence as Warren Buffet invested a combined $6bn into five Japanese trading houses, and markets also responded positively to news that Yoshihide Suga was considering succeeding Prime Minister Shinzo Abe, who unexpectedly retired due to health reasons. Suga

– the current Chief Cabinet Secretary – is known to be supportive of Abe's monetary and fiscal stimulus measures.

Supportive central banks, combined with optimism regarding Covid vaccine trials, have provided equity markets another leg to push upwards from, despite mixed economic data releases. For example, in the US, the flash purchasing managers' indices (PMIs) for both manufacturing and services both beat expectations by a wide margin, with readings of 53.6 and 54.8 respectively. However, employment growth seemed to slow in July and the unemployment rate remained elevated at 10.1%. Mixed data releases have added to the uncertainty that investors face, and this is further amplified with polls currently predicting a tightly contested US Presidential Election in November. Despite the uncertainty, we believe that the Fund's focus on investing in companies with strong, persistent cashflow generation stands it in good stead to weather the different economic and political winds, and continue to provide long-term capital appreciation alongside a steady stream of income.

Summary: Dividends

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 therefore ongoingly update our view. To summarize our outlook for the fund so far, out of our 35 holdings:

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

Of the 34 companies that have either already paid – or we expect to pay – their full dividend, we have seen 24 companies grow their dividend this year and 5 companies have kept their dividend flat.

Of the remaining 5 companies, we see a:

- **High probability** of 2 companies growing their dividend (Microsoft, Broadcom),
- **Good probability** of 2 companies growing their dividend (Illinois Tool Works, Anta Sports), and
- **Some uncertainty** with 1 company growing its dividend (VF Corp likely to pay a flat dividend this year)

(These 5 stocks have all been paying dividends this year already, they just do not typically announce their year-on-year growth in their quarterly dividend until later in the year.)

Portfolio Changes

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

Portfolio Holdings

Medtronic was the best performer in August (+11.4% in USD) after its quarterly results beat analyst's earnings and sales estimates. The company beat consensus across all segments, but most significantly in its high-margin cardiac and vascular group (37% of sales). The world's largest pure-play medical device maker has been benefiting from a surge in demand for ventilators and a pick-up in elective surgeries following the easing of COVID-19 restrictions.

"We reported solid improvement from last quarter, and our results reflect a faster than expected recovery from the depths of the pandemic we saw back in April," said Geoff Martha, Medtronic CEO. "Procedure volumes began to recover around the world, and we're leveraging our pipeline of innovative products to drive share gains in a number of key businesses."

Medtronic, which is a member of the S&P 500 Dividend Aristocrats Index, has increased its annual dividend payment for the past 43 consecutive years, and did so again for its next dividend, to be paid in October 2020 (7% growth announced vs last year).

BAE Systems also performed well (+10.8% in USD). The largest defence contractor in Europe reported semi-annual results at the start of August 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 defence 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 defence 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.

Cisco (down -10.4% in USD) was the worst performer in the month as quarterly results showed that the uncertainty from pandemic disruptions extended to enterprises' IT-purchasing decisions. Cisco is a leading maker of networking equipment (routers, switches, servers and software) and relative to peers, Cisco's enterprise and small- and medium-business (SMB) exposure is high, accounting for about 50% of sales. This end-market focus makes the company's revenues particularly sensitive to economic conditions.

Further, Cisco's strong balance sheet provides a buffer against a lingering demand shock caused by the coronavirus. The business has $27.1 billion in gross cash and $11.1 billion net, which would allow it to comfortably fund operations, service and pay down debt, while maintaining its dividend.

Performance

In August, the Guinness Atkinson Dividend Builder Fund produced a total return of 3.25% (TR in USD), compared to the MSCI World Net TR Index return of 6.68%. The Fund therefore underperformed the Index by 3.43%.

as of 08/31/20	YTD	1 YR	3 YR Annualized	5 YR Annualized	Since inception Annualized (3/30/12)
Dividend Builder Fund	0.77%	11.86%	9.69%	10.02%	9.73%
MSCI World Net NR Index	5.34%	16.79%	9.81%	10.41%	9.87%

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 8/31/2020:

1.	Taiwan Semiconductor Manufacturing Co Ltd	3.17%
2.	The Procter & Gamble Co	3.03%
3.	Microsoft Corp	3.01%
4.	BAE Systems PLC	2.99%
5.	Illinois Tool Works Inc	2.96%
6.	CME Group Inc	2.95%
7.	Eaton Corp PLC	2.92%
8.	Medtronic PLC	2.90%
9.	Deutsche Boerse AG	2.88%
10.	Johnson & Johnson	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.

Distributed by Foreside Fund Services, LLC.